

FINANCIAL SECTION



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Rob Sand
Auditor of State

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, 2019, 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 1% of the assets and less than 1% of the net position and the revenues of the governmental activities. We did not audit the Iowa Public Television Foundation and the Iowa Public Radio, Inc., which represent less than 1% of the assets, the net position and the revenues of the governmental activities and less than 1% of the assets and the fund balance and 4% of the revenues of the aggregate remaining funds. We also did not audit the financial statements of the Iowa Finance Authority, the University of Iowa Center for Advancement and Affiliate, the Iowa State University Foundation, the University of Northern Iowa Foundation and the University of Iowa Health System, which represent a total of 93%, 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 Iowa Public Television Foundation, the Iowa Public Radio, Inc., the Iowa Finance Authority, the University of Iowa Center for Advancement and Affiliate, the Iowa State University Foundation, the University of Northern Iowa Foundation and the University of Iowa Health System, is based solely on the reports of the other auditors. 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 Iowa Public Television Foundation, the University of Iowa Center for Advancement and Affiliate, the Iowa State University Foundation and the University of Northern Iowa Foundation were not audited in accordance with Government Auditing Standards.

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, 2019, 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, the Schedule of the Proportionate Share of the Net Pension Liability, the Schedules of Changes in Net Pension Liability and Related Ratios, the Schedules of Contributions and the Schedules of Changes in Total OPEB Liability and Related Ratios on pages 19 through 32 and 138 through 157 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the auditors of the Tobacco Settlement Authority, the Iowa Public Radio, Inc., the Iowa Finance Authority and the University of Iowa Health System have applied certain limited procedures to the required supplementary information in accordance with 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

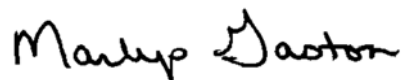
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Iowa's basic financial statements. The supplementary information identified in the Table of Contents and the Introductory and Statistical Sections are presented for purposes 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 performed as described above, and the reports of the other auditors, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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.



Marlys K. Gaston, CPA
Deputy Auditor of State

December 17, 2019

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, 2019. 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 2019 by \$18,829.8 million (net position). Of this amount, \$1,535.2 million (unrestricted net position) is available to be used to meet the State's ongoing obligations to citizens and creditors.
- Total net position increased \$1,404.6 million from June 30, 2018 (restated) to June 30, 2019. Net position of governmental activities increased \$965.3 million, or 9.9%, while net position of business-type activities increased \$439.3 million, or 5.7%.
- In the State's governmental activities, revenues increased 5.0% to \$18,022.3 million while expenses increased 2.8% to \$16,567.6 million.
- For business-type activities, revenues increased 7.2% to \$5,853.3 million while expenses increased 3.0% to \$5,903.4 million.

Fund Highlights

- The State's governmental funds reported a combined ending fund balance of \$2,446.4 million, a \$472.0 million increase from the prior year. Of this amount, \$64.4 million represents nonspendable fund balances, \$1,086.0 million represents spendable restricted fund balances, \$1,803.7 million represents spendable committed fund balances and a negative \$507.7 million represents unassigned fund balances.
- The General Fund total fund balance increased \$463.9 million to \$2,264.0 million.
- The proprietary funds reported net position at year-end of \$8,342.0 million, an increase of \$448.2 million from the June 30, 2018 net position (restated).

Long-term Debt

- The State's total long-term debt decreased \$145.8 million to \$3,465.5 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 businesses are included here.
- *Component units* – These are operations that are legally separate from the State, but for which the State is financially accountable. The State's discretely presented component units are:
 - Iowa Finance Authority (Business-type)
 - Iowa Economic Development Authority (Business-type)
 - Iowa State Fair Authority (Business-type)
 - Iowa Lottery Authority (Business-type)
 - University of Iowa Center for Advancement & Affiliate (Business-type)
 - Iowa State University Foundation (Business-type)
 - University of Northern Iowa Foundation (Business-type)
 - University of Iowa Research Foundation (Business-type)
 - University of Iowa Health System (Business-type)

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

Fund Financial Statements

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

- *Governmental funds* – Most of the basic services provided by the State are accounted for in governmental funds. Governmental funds use the modified accrual basis of accounting and the flow of current financial resources measurement focus. Modified accrual accounting is used to show the flow of financial assets of the funds and the balances available for spending at year-end. These statements provide a detailed *short-term* view that assists in determining whether there are adequate financial resources available to meet the current needs of the State. Because this information does not encompass the long-term focus of the government-wide statements, reconciliation schedules accompany the governmental funds statements. The General Fund, Tobacco Settlement Authority and Tobacco Collections Fund are the State's major governmental funds. Nonmajor governmental funds are reported by fund type in the Combining Financial Statements – Nonmajor Funds.
- *Proprietary funds* – Services for which the State charges customers a fee are generally reported in proprietary funds. Proprietary funds use the accrual basis of accounting and, like the government-wide statements, provide both long-term and short-term financial information.
 - The State's enterprise funds (one type of proprietary fund) are used to report activities, such as 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	Balance sheet	Statement of net position	Statement of fiduciary net position
	Statement of activities	Statement of revenues, expenditures, and changes in fund balances	Statement of revenues, expenses, and changes in fund net position Statement of cash flows	Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term, and capital assets
Type of deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of fund balance that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Notes to the Financial Statements

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

Required Supplementary Information

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

accompanying Notes to RSI and a Schedule of Changes in Total OPEB Liability and Related Ratios for each OPEB plan along with accompanying Notes to RSI are also presented.

Supplementary Information

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

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Position

The State's combined net position (governmental and business-type activities) totaled \$18,829.8 million at June 30, 2019, compared to \$17,425.2 million at June 30, 2018 (restated), as indicated in Table 2.

The beginning net investment in capital assets and total net position as of July 1, 2018, was restated by a \$34.6 million increase in governmental activities, and by a \$1.2 million decrease in business-type activities, to retroactively correct the value of capital assets as of June 30, 2018. The fiscal year 2018 financial statement amounts were not restated. See NOTE 6 – CAPITAL ASSETS and NOTE 22 – BEGINNING BALANCE ADJUSTMENTS for more details.

Table 2							
Net Position							
(In Millions)							
	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2019	Restated 2018	2019	Restated 2018	2019	Restated 2018	2018-2019
Current & other assets	\$ 4,921.4	\$ 4,432.1	\$ 5,801.6	\$ 5,458.6	\$10,723.0	\$ 9,890.7	8.4%
Capital assets	10,439.1	10,055.6	5,934.0	5,855.8	16,373.1	15,911.4	2.9%
Total assets	15,360.5	14,487.7	11,735.6	11,314.4	27,096.1	25,802.1	5.0%
Deferred outflows of resources	353.9	418.2	162.0	173.5	515.9	591.7	-12.8%
Long-term liabilities	2,823.1	2,979.0	2,449.5	2,516.3	5,272.6	5,495.3	-4.1%
Other liabilities	2,077.4	2,074.0	1,170.9	1,155.3	3,248.3	3,229.3	0.6%
Total liabilities	4,900.5	5,053.0	3,620.4	3,671.6	8,520.9	8,724.6	-2.3%
Deferred inflows of resources	145.1	149.4	116.2	94.6	261.3	244.0	7.1%
Net position:							
Net investment in capital assets	10,186.4	9,775.5	4,101.6	3,981.2	14,288.0	13,756.7	3.9%
Restricted	1,004.6	941.3	2,002.0	1,894.8	3,006.6	2,836.1	6.0%
Unrestricted	(522.2)	(1,013.3)	2,057.4	1,845.7	1,535.2	832.4	84.4%
Total net position	\$10,668.8	\$ 9,703.5	\$ 8,161.0	\$ 7,721.7	\$18,829.8	\$17,425.2	8.1%

Net position of the State's governmental activities increased 9.9% to \$10,668.8 million. The largest component of the State's net position is its investment in capital assets (e.g. land, buildings, equipment, and infrastructure), less any related outstanding debt that was used to acquire or construct the assets. Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position is the remaining portion and may be used at the State's discretion, but often has limitations on use based on State statutes.

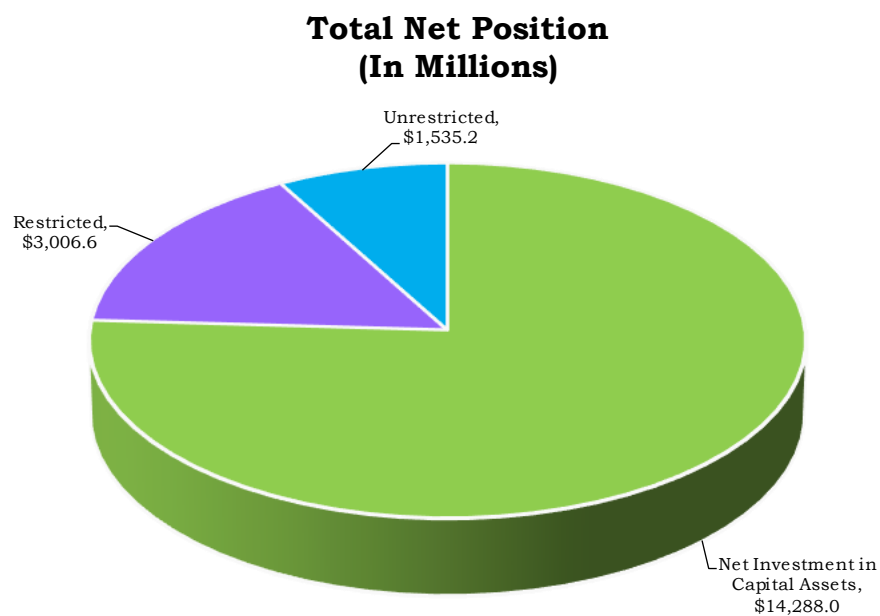
The net position of business-type activities increased 5.7% to \$8,161.0 million. Generally, the State can only use the net position to finance the continuing operations of the universities, unemployment insurance and other business-type activities.

Long-term liabilities decreased \$222.7 million, or 4.1%, to \$5,272.6 million due primarily to a decrease of \$138.3 million in bonds payable, a decrease of \$32.9 million in accounts payable & accruals and a decrease of \$62.5

million in net pension liability. Deferred outflows of resources decreased \$75.8 million and deferred inflows of resources increased \$17.3 million, due almost entirely to the recognition of amounts related to pensions and OPEB.

Other liabilities increased 0.6% to \$3,248.3 million. The \$19.0 million increase resulted mostly from increases of \$39.0 million in accounts payable & accruals, and \$18.2 million in unearned revenue, and a decrease of \$42.4 million in funds held in custody.

The chart presented below provides a visual representation of the three components of the State's total net position of \$18,829.8 million at June 30, 2019.



(Continued on next page.)

Changes in Net Position

The State's total net position increased by \$1,404.6 million from June 30, 2018 (restated) to June 30, 2019, as indicated in Table 3.

Table 3
Changes in Net Position
(In Millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	Not Restated 2019	Not Restated 2018	Not Restated 2019	Not Restated 2018	Not Restated 2019	Not Restated 2018	2018-2019
Program revenues							
Charges for services	\$ 2,304.4	\$2,341.1	\$4,702.8	\$4,469.6	\$ 7,007.2	\$ 6,810.7	2.9%
Operating grants & contributions	5,646.6	5,251.4	808.4	798.8	6,455.0	6,050.2	6.7%
Capital grants & contributions	448.9	509.1	71.7	15.1	520.6	524.2	-0.7%
General revenues							
Personal income tax	4,078.4	3,862.6	-	-	4,078.4	3,862.6	5.6%
Corporate income tax	530.0	443.7	-	-	530.0	443.7	19.5%
Sales & use tax	2,989.5	2,850.8	-	-	2,989.5	2,850.8	4.9%
Other tax	829.0	773.2	8.2	8.2	837.2	781.4	7.1%
Restricted for transportation purposes:							
Motor fuel tax	665.8	671.9	-	-	665.8	671.9	-0.9%
Road use tax	381.0	374.7	-	-	381.0	374.7	1.7%
Unrestricted investment earnings	75.4	29.8	191.0	110.2	266.4	140.0	90.3%
Other	73.3	50.9	71.2	60.6	144.5	111.5	29.6%
Total revenues	18,022.3	17,159.2	5,853.3	5,462.5	23,875.6	22,621.7	5.5%
Expenses							
Administration & regulation	1,902.2	1,862.2	-	-	1,902.2	1,862.2	2.1%
Education	4,244.2	4,185.1	-	-	4,244.2	4,185.1	1.4%
Health & human rights	434.4	435.8	-	-	434.4	435.8	-0.3%
Human services	7,103.0	6,772.7	-	-	7,103.0	6,772.7	4.9%
Justice & public defense	997.7	999.2	-	-	997.7	999.2	-0.2%
Economic development	132.9	133.8	-	-	132.9	133.8	-0.7%
Transportation	1,446.1	1,419.4	-	-	1,446.1	1,419.4	1.9%
Agriculture & natural resources	230.1	224.4	-	-	230.1	224.4	2.5%
Interest expense	77.0	78.8	-	-	77.0	78.8	-2.3%
University Funds	-	-	5,232.7	5,052.0	5,232.7	5,052.0	3.6%
Unemployment Benefits Fund	-	-	361.1	384.4	361.1	384.4	-6.1%
Other	-	-	309.6	294.5	309.6	294.5	5.1%
Total expenses	16,567.6	16,111.4	5,903.4	5,730.9	22,471.0	21,842.3	2.9%
Increase (decrease) in net position before special item and transfers	1,454.7	1,047.8	(50.1)	(268.4)	1,404.6	779.4	80.2%
Special item - change in other postemployment benefits	-	-	-	465.0	-	465.0	100.0%
Transfers	(489.4)	(515.9)	489.4	515.9	-	-	0.0%
Increase in net position	965.3	531.9	439.3	712.5	1,404.6	1,244.4	12.9%
Net position - July 1, restated	9,703.5	9,171.6	7,721.7	7,009.2	17,425.2	16,180.8	7.7%
Net position - June 30	\$ 10,668.8	\$9,703.5	\$8,161.0	\$7,721.7	\$18,829.8	\$17,425.2	8.1%

Governmental Activities

Overall, total revenues for governmental activities increased 5.0% over the prior year. Program revenues increased \$298.3 million, or 3.7%. The largest fluctuation in program revenues was in operating grants and contributions.

Operating grants and contributions increased \$395.2 million, or 7.5%, in total. A \$340.8 million increase in human services revenue, related to federal participation payments for medical assistance, as well as a \$57.5 million increase in transportation revenues, were the largest contributors.

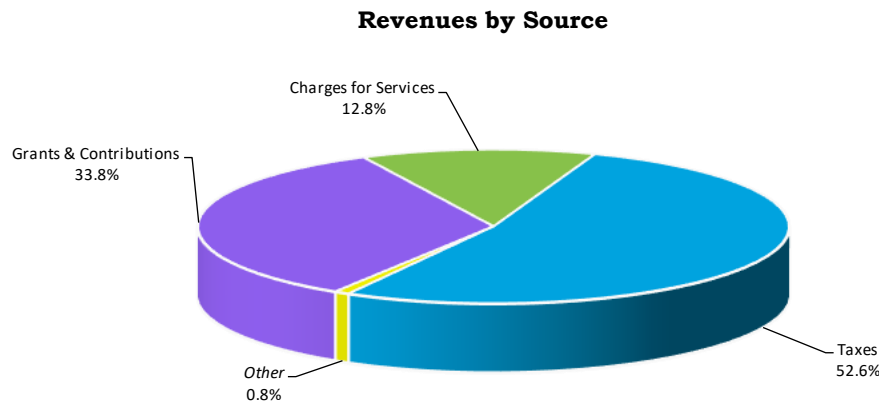
Charges for services decreased \$36.7 million, or 1.6%. The net decrease resulted from a decrease of \$40.1 million, or 5.2%, in human services that was generally due to transitioning to managed care, and to reductions in refunds and the recoupment of overpayments, a decrease of \$24.5 million, or 14.5%, in transportation revenue for the reimbursement of project costs from other states, and from an increase in administration & regulation of \$31.4 million or 2.8%, mostly from fees.

Capital grants and contributions decreased \$60.2 million, or 11.8%. This change is attributable to a decrease of \$63.9 million in transportation resulting from annual fluctuations in the completion of projects and the receipt of the related federal funding, and to minor decreases that occurred in other functions.

General revenues experienced a net increase of \$564.8 million, or 6.2%, from fiscal year 2018. This is due in part to increases in personal income tax of \$215.8 million, or 5.6%, sales and use tax of \$138.7 million, or 4.9%, corporate income tax of \$86.3 million, or 19.5%, and other taxes of \$55.8 million, or 7.2%. Investment income also increased by \$45.6 million or 153.0%.

Personal income tax returns exhibited strong tax liability growth during fiscal year 2019. This is the result, at least in part, of recent federal income tax changes that lowered federal income taxes. Iowa's tax laws allow individual income tax preparers to deduct federal income tax from Iowa taxable income, so the federal reduction resulted in an Iowa income tax increase.

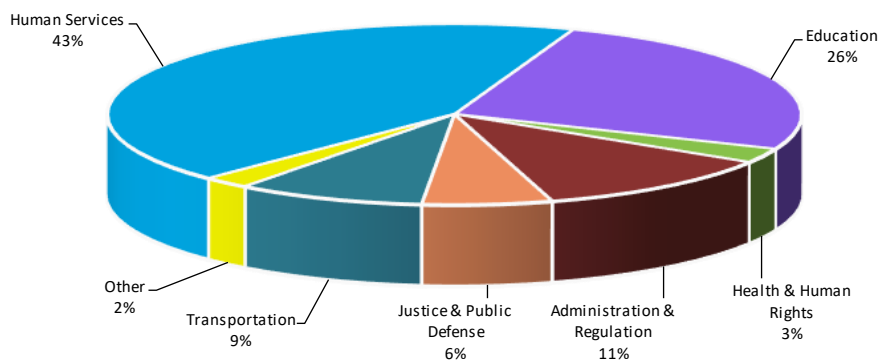
The retail sales and use tax base expanded on January 1, 2019, when the Iowa Income and Sales Tax Modernization Act (SF2417) became effective. Additional goods and services, such as digital goods, ride sharing, subscription services, online sellers, online marketplaces, online travel company websites and additional manufacturing items became taxable.



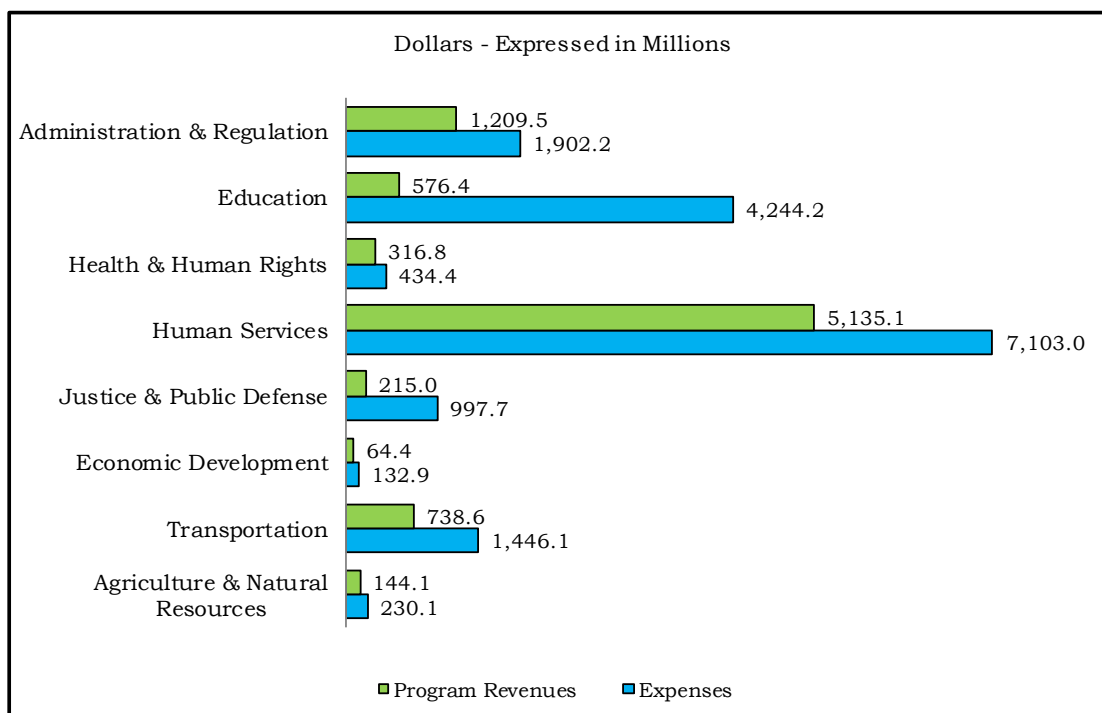
Overall, total expenses for governmental activities increased 2.8% over the prior year.

Expenses increased most significantly in human services, \$330.3 million, administration & regulation, \$40.0 million, education, \$59.1 million, and transportation, \$26.7 million. The majority of the 4.9% increase in human services is related to the Iowa Medicaid program, and is due primarily to increases in managed care program costs, higher program enrollment numbers, and retroactive managed care organization (MCO) rate adjustments. The increase in administration & regulation is due most significantly to an increase in state aid to local governments. The increase in education is primarily due to an increase in state aid to schools. The increase in transportation is attributed to the normal fluctuations from year to year in the progress and completion of road projects.

Expenses by Function



Program Revenues and Expenses



The cost of all governmental activities this fiscal year was \$16,567.6 million. However, the amount that taxpayers paid for these activities through State taxes was \$9,473.7 million. Part of the cost was paid by:

- Those who directly benefited from the programs (\$2,304.4 million) or
- Other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$6,095.5 million).

Business-type Activities

- University Funds had \$5,232.6 million in expenses and \$4,744.6 million in program revenues for net expenses of \$488.0 million. The largest change in revenues occurred in charges for services, which increased \$226.3 million, or 6.2%. The increase was mainly due to an increase in patient services revenue at the University of Iowa Hospitals and Clinics (UIHC). Capital grants and contributions revenue increased \$56.6 million, or 373.9%, due mainly to an increase of \$41.2 million in private gifts for capital

projects at Iowa State University. Operating expenses increased \$173.9 million, or 3.5%. The increase is largely attributed to the provision of patient services at the UIHC. Investment income increased \$74.4 million, or 88.5%, due to favorable market performance. Assets increased \$339.1 million to \$10,170.1 million due mainly to an increase of \$253.1 million in noncurrent cash & investments. Liabilities decreased \$53.3 million, due mainly to decreases in outstanding bonds payable at all three Universities. Deferred outflows of resources decreased \$10.9 million and deferred inflows of resources increased \$20.7 million, both primarily due to the recognition of amounts related to pensions and OPEB.

- The Unemployment Benefits Fund had \$361.1 million in expenses and \$410.2 million in program revenues with net revenues of \$49.1 million. Employer contributions decreased \$18.1 million, or 4.2%, as a result of a decrease in Unemployment Insurance (UI) Penalty and Interest collected in the current year. Unemployment benefit payments decreased \$23.3 million, or 6.1%, due to a decrease in claim filings as a result of a number of contributing factors.
- In total, business-type activities had net expenses of \$320.5 million, \$270.4 million in net general revenues and \$489.4 million in net transfers, for a net increase of \$439.3 million, to end with a net position of \$8,161.0 million.
- Other business-type activities expenses increased \$15.2 million and program revenues increased \$25.0 million. The Liquor Control Act Fund which accounts for the revenues and expenses related to the sale of alcoholic beverages experienced a \$22.1 million increase in operating revenues and a \$16.5 million increase in operating expenses. In addition, the Iowa Communications Network experienced a \$2.4 million decrease in operating expenses.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

The governmental funds reported total fund balances of \$2,446.4 million, an increase of 23.9% from the previous year. Net revenues totaled \$18,006.9 million with expenditures of \$17,228.6 million.

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

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

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

- *Restricted* – \$1,086.0 million and \$1,112.1 million for FY2019 and FY2018, 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* – \$1,803.7 million and \$1,356.3 million for FY2019 and FY2018, 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 \$507.7 million and negative \$557.6 million for FY2019 and FY2018, respectively, includes the residual amount of the General Fund not included in the categories above, which is available for any purpose, and any negative fund balances in the other governmental fund types.

The State's modified accrual revenue recognition policy for governmental fund statements recognizes revenues if received within sixty days of year-end and deferred 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. In addition, a portion of the negative unassigned fund balance relates to the Tobacco Collections Fund deficit. (See NOTE 21 – DEFICIT FUND BALANCE)

General Fund

The General Fund is the chief operating fund of the State. Total fund balance increased from \$1,800.1 million for fiscal year 2018 to \$2,264.0 million for fiscal year 2019. The fiscal year 2019 General Fund consists of the following fund balances: \$53.2 million nonspendable, an increase of 1.3%, \$810.5 million restricted, an increase of 0.4%, \$1,784.7 million committed, an increase of 33.6%, and negative \$384.4 million unassigned, an increase of 2.8%. For fiscal year 2019, the committed fund balance includes \$758.6 million in reserve (rainy day) funds, an increase of 22.1%.

Gross revenues of the General Fund increased \$900.3 million in fiscal year 2019. Taxes increased by \$461.4 million, a 4.7% increase from fiscal year 2018, to \$10,307.9 million in fiscal year 2019. Major contributors to the tax increase include an increase to individual income tax of \$184.2 million, an increase of \$118.2 million in corporate income tax, an increase of \$128.4 million in sales and use tax, an increase of \$31.6 million in insurance premium tax and a decrease of \$19.4 million in fuel tax. In addition, receipts from other entities increased \$315.0 million, investment income increased \$44.7 million, fees, licenses & permits increased \$41.6 million, and refunds & reimbursements decreased \$6.0 million. Net revenues were also positively impacted as tax refunds decreased \$16.9 million, or 1.4%, from 2018 refunds.

Total expenditures of the General Fund increased \$574.2 million in fiscal year 2019. Expenditures increased \$64.1 million in education, \$340.7 million in human services and \$33.9 million in administration & regulation. Capital outlay decreased \$80.1 million due primarily to fluctuations in Department of Transportation projects, with reductions of \$42.3 million in highway system expenditures and \$28.1 million in secondary road system expenditures. Debt service payments had a net increase of \$221.4 million, due primarily to the refunding of the State of Iowa IJOBS Program Special Obligation Bonds, Taxable Series 2009B bonds (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 \$38.7 million to \$204.9 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 \$3.3 million and \$37.8 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 \$38.6 million to a deficit balance of \$123.3 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.

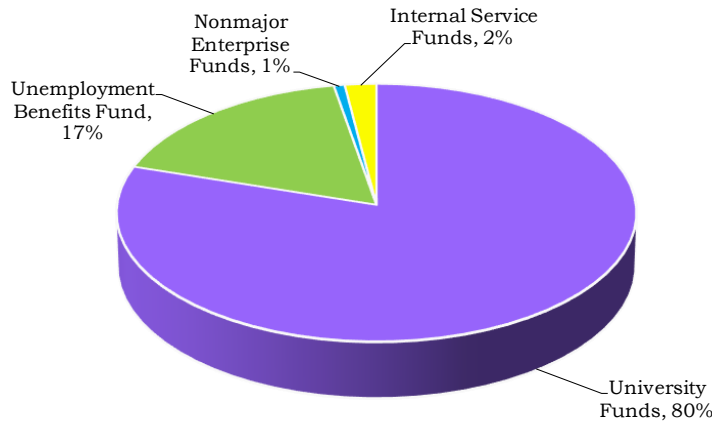
Total net position of the University Funds increased \$360.8 million to \$6,664.8 million while unrestricted net position increased \$210.3 million to \$2,040.3 million.

The total net position of the Unemployment Benefits Fund, which is entirely restricted for unemployment benefits, increased \$77.8 million to end fiscal year 2019 at \$1,443.6 million.

The nonmajor enterprise funds total net position (restated) increased \$0.4 million, or 0.7%, to \$60.0 million. The Iowa Communications Network net position decreased \$6.1 million, or 27.7%, to \$15.8 million. The decrease in net position is primarily due to increased expenses to upgrade the network. The Liquor Control Act Fund total net position (restated) increased \$4.5 million, or 58.0%, to \$12.4 million due mainly to a 6.1% increase in liquor sales.

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

Total Net Position - Proprietary Funds



General Fund Budgetary Highlights

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

- Supplemental appropriations: \$168,642,961
- Adjustments to standing appropriations: negative \$2,842,747

The originally enacted General Fund budget for fiscal year 2019 of \$7,480.2 million was predicated on \$7,527.0 million, or 4.0% growth in General Fund revenues, as projected by the State's Revenue Estimating Conference (REC) on December 11, 2017. The December estimate reflected the expectation that revenues would increase from an estimated \$7,237.5 million for fiscal year 2018. Included in the enacted General Fund budget was \$188.3 million in revenue adjustments for federal tax law changes, specifically H.R. 1, Tax Cuts & Jobs Act, which was signed into law after the December 11, 2017 REC meeting. Also included in the enacted General Fund budget was negative \$93.4 million in revenue adjustments for state tax law and revenue changes.

At the March 9, 2018 meeting, the REC revised its fiscal year 2019 General Fund revenue estimate upward \$206.8 million for growth of 6.4%, considering the federal tax law changes that had passed since the last meeting and the impact of taxpayer behavior due to these changes. At the October 16, 2018 meeting, the REC revised its fiscal year 2019 General Fund revenue estimate upward slightly to \$7,742.1 million and with a finalized FY2018 base, the growth was at 4.9%. This change was based upon the finalized base for fiscal year 2018 of 2.0%. On December 13, 2018, the REC decreased the estimate slightly to \$7,728.6 million. On March 9, 2018, the REC raised the revenue estimate slightly to \$7,733.6 million, or 4.7% growth.

During the 2019 legislative session, the legislature passed and Governor Reynolds signed various appropriation bills which contained supplemental appropriations from the General Fund totaling \$168.6 million for fiscal year 2019, the largest being \$150.3 million for the Medical Assistance program at the Department of Human Services.

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 2019, these standing appropriations were less than the original estimates by \$2.8 million. A variety of standing appropriations make up the changes to standing appropriations.

During May and June of 2019, and throughout the accrual period, actual General Fund revenue collections continued to be ahead of the revised projections. At the close of fiscal year 2019, revenue collections totaled \$7,858.8 million, which is a 6.4% growth over fiscal year 2018.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the State had \$16,373.1 million invested in capital assets, net of accumulated depreciation of \$14,928.5 million. Depreciation charges totaled \$1,036.7 million in fiscal year 2019. 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.

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2019	Restated 2018	2019	Restated 2018	2019	Restated 2018	2018-2019
Land	\$ 948.8	\$ 917.2	\$ 98.2	\$ 95.5	\$ 1,047.0	\$ 1,012.7	3.4%
Land improvements	64.5	63.4	47.1	31.9	111.6	95.3	17.1%
Construction in progress	74.3	61.6	404.3	354.8	478.6	416.4	14.9%
Computer software in progress	25.1	60.5	45.2	25.7	70.3	86.2	-18.4%
Infrastructure	7,781.1	7,453.0	490.7	449.1	8,271.8	7,902.1	4.7%
Buildings & improvements	1,101.3	1,121.6	3,926.7	3,973.5	5,028.0	5,095.1	-1.3%
Equipment	231.2	217.9	423.7	435.2	654.9	653.1	0.3%
Works of art & collections	1.1	1.1	452.1	436.4	453.2	437.5	3.6%
Computer software	211.7	159.3	44.9	52.5	256.6	211.8	21.2%
Other intangibles	-	-	1.1	1.2	1.1	1.2	-8.3%
Total	<u>\$ 10,439.1</u>	<u>\$ 10,055.6</u>	<u>\$ 5,934.0</u>	<u>\$ 5,855.8</u>	<u>\$ 16,373.1</u>	<u>\$ 15,911.4</u>	2.9%

In the governmental activities, capital assets, net of accumulated depreciation, increased \$383.5 million, or 3.8%, to \$10,439.1 million. The largest changes were in infrastructure (an increase of \$328.1 million, or 4.4%), computer software (an increase of \$52.4 million, or 32.9%), computer software in progress (a decrease of \$35.4 million, or 58.5%) and land (an increase of \$31.6 million, or 3.4%). Infrastructure increased due to increases in highway and bridge construction projects by the Department of Transportation (DOT), offset by the recognition of depreciation expense for the year. Computer software increased with the reclassification of \$62.8 million of completed computer software projects (Department of Human Services (DHS), DOT, Department of Revenue and Iowa Workforce Development (IWD)) and \$8.9 million of purchased computer software (Department of Public Health and DOT), offset by the recognition of \$19.3 million of depreciation expense. Computer software in progress decreased because of the reclassification of \$62.8 million of completed projects to computer software, as mentioned above, as well as, additional projects at DHS, DOT, and IWD. Land increased primarily due to road construction at DOT.

Capital assets, net of accumulated depreciation, in the business-type activities increased \$78.2 million, or 1.3%, to \$5,934.0 million. The largest changes were in construction in progress (an increase of \$49.5 million, or 14.0%), buildings & improvements (a decrease of \$46.8 million, or 1.2%) and infrastructure (an increase of \$41.6 million, or 9.3%). These changes were the result of the net changes due to new and completed construction projects at the University of Iowa, Iowa State University and the University of Northern Iowa, as well as the recognition of depreciation expense for the year.

Outstanding commitments for future capital expenditures as of June 30, 2019 include \$650.2 million (net of \$726.4 million in anticipated federal funding) for highway and bridge construction, \$236.0 million for various projects at the three State universities, \$5.3 million for the Iowa State Fair, \$2.9 million for the Iowa Statewide Interoperable Communications System (ISICS), an emergency public safety communication system, \$21.7 million for State facilities and buildings, \$16.1 million for State parks, recreational areas, fisheries and wetland projects, and \$9.3 million for public defense improvements at various locations.

Long-term Debt

At year-end, the State had \$3,465.5 million in revenue bonds and leases & other financing arrangements outstanding as shown in Table 5. More detailed information about the State's long-term liabilities is presented in NOTE 7 to the financial statements.

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2019	2018	2019	2018	2019	2018	2018-2019
Revenue bonds	\$1,442.7	\$1,535.9	\$1,945.2	\$1,984.2	\$3,387.9	\$3,520.1	-3.8%
Leases & other financing arrangements	29.1	32.5	48.5	58.7	77.6	91.2	-14.9%
Total	<u>\$1,471.8</u>	<u>\$1,568.4</u>	<u>\$1,993.7</u>	<u>\$2,042.9</u>	<u>\$3,465.5</u>	<u>\$3,611.3</u>	-4.0%

Revenue bonds issued by the Primary Government totaled \$3,387.9 million outstanding at fiscal year-end. This amount consisted of \$1,945.2 million in revenue bonds issued by the three State universities (for equipment and facilities), \$744.5 million in revenue bonds issued by the Tobacco Settlement Authority, \$8.2 million in revenue bonds issued by the State of Iowa for the Iowa Utilities Board, \$556.6 million in revenue bonds issued by the State of Iowa for the IJOBS program, \$103.4 million in revenue bonds issued by the State of Iowa for Prison Infrastructure and \$30.0 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.

Governmental activities outstanding revenue bonds decreased \$93.2 million, due to the issuance of \$143.7 million of refunding bonds to refund \$221.0 million of outstanding bonds, as well as, the payment of principal in fiscal year 2019. Leases & other financing arrangements decreased \$3.4 million, due to a new \$2.7 million lease agreement at the Department of Human Services for information technology along with payment of principal in the amounts of \$4.2 million and \$1.9 million for leases & other financing arrangements, respectively.

Business-type activities outstanding revenue bonds decreased \$39.0 million, due to the issuance of \$70.3 million of new debt at the University of Iowa and the payment of principal by the three State universities. Leases & other financing arrangements decreased \$10.2 million, due to the payment of principal in the amounts of \$1.9 million and \$8.3 million for leases & other financing arrangements, respectively.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Iowa saw improved growth in fiscal year 2019. Iowa's 6.4% growth in General Fund revenues was stronger than estimated. Personal income grew 4.2%, sales and use tax grew 3.5%, and corporate income tax grew 25.0%, reflecting a stronger state economy.

The Governor and General Assembly finished their work on April 27, 2019, on the 104th day of the scheduled 110-day first session of the 88th General Assembly, finalizing the General Fund budget for fiscal year 2020. Amounts available for appropriation in fiscal year 2019 based on the 99% budget limitation for the General Fund budget were \$7,837.4 million. General Fund appropriations totaled \$7,642.6 million.

At the REC meeting in October 2019, the fiscal year 2020 revenue estimate was increased from a revised \$7,839.1 million to \$7,966.1 million, largely as a reflection of actual revenue collections in fiscal year 2019, law changes passed during the 2018 and 2019 Legislative Sessions, current year to date revenue growth, and the anticipated growth of tax revenues that is reflective of the growth in the economy in the State. The revised estimate reflects projected revenue growth of 1.4% compared to actual revenues for the previous fiscal year.

Recent revenue performance has been positive, which is reflective of the positive impact of the continued job growth in Iowa's economy. Iowa's unemployment rate was at 2.5% in September 2019; the same rate as for August 2019 and lower than the national rate of 3.5% for September 2019, showing Iowa's labor market holding its own.

According to Moody's Analytics, the labor market continues to perform well. Even though job growth has decelerated the past few months, it remains strong enough to nudge a variety of indicators to new cyclical heights without overheating the economy. However, growth has moderated as manufacturing-dependent industries struggle with a slowing global economy and trade tensions. The unemployment rate stands at 3.5%, its lowest of the expansion and indeed in 50 years, with declines across demographic groups. Despite the tight labor market, the flow of workers into the labor force combined with deceleration in employment growth is creating just the right mix to keep wage pressures and spillover into inflation contained. For now, Moody's Analytics estimates that the consumer price index will be 1.5% for the final quarter of 2019, increasing to 1.8% for the first half of 2020, increasing to 2.6% for the last half of 2020 as oil prices and labor costs drift higher.

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, 2019
(Expressed in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
Current assets:				
Cash & investments	\$ 2,330,812	\$ 2,042,647	\$ 4,373,459	\$ 1,344,129
Cash & investments - restricted	-	-	-	736
Deposits with trustees	82,178	-	82,178	-
Accounts receivable (net)	2,196,613	681,755	2,878,368	126,023
Interest receivable	-	3,954	3,954	7,790
Loans receivable (net)	23,634	3,757	27,391	137,326
Internal balances	23,069	(23,069)	-	-
Inventory	23,162	73,601	96,763	3,306
Prepaid expenses	49,157	52,124	101,281	1,331
Other assets	-	-	-	26,307
Total current assets	4,728,625	2,834,769	7,563,394	1,646,948
Noncurrent assets:				
Cash & investments	-	2,844,643	2,844,643	2,980,540
Deposits with trustees	76,832	15,041	91,873	-
Accounts receivable (net)	99,576	26,084	125,660	243,196
Interest receivable	-	675	675	-
Loans receivable (net)	16,415	53,766	70,181	1,921,787
Capital assets - nondepreciable	1,048,249	957,249	2,005,498	24,725
Capital assets - depreciable (net)	9,390,825	4,976,799	14,367,624	108,493
Prepaid expenses	-	10,564	10,564	-
Other assets	-	16,023	16,023	32,665
Total noncurrent assets	10,631,897	8,900,844	19,532,741	5,311,406
TOTAL ASSETS	15,360,522	11,735,613	27,096,135	6,958,354
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives	-	-	-	3,824
Debt refunding loss	36,433	14,729	51,162	16,251
Excess consideration provided for acquisition	-	10,405	10,405	3,667
Related to other postemployment benefits	6,723	58,954	65,677	290
Related to pensions	310,812	77,805	388,617	5,988
TOTAL DEFERRED OUTFLOWS OF RESOURCES	353,968	161,893	515,861	30,020

(continued on next page)

STATE OF IOWA
Statement of Net Position

June 30, 2019
(Expressed in Thousands)
(continued)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
LIABILITIES				
Current liabilities:				
Accounts payable & accruals	1,723,560	471,934	2,195,494	64,404
Interest payable	5,688	25,834	31,522	29,063
Unearned revenue	69,043	114,329	183,372	503
Compensated absences	140,171	142,638	282,809	2,579
Capital leases	4,104	1,957	6,061	
Bonds payable	123,425	115,066	238,491	74,091
Other financing arrangements payable	99	7,448	7,547	-
Other postemployment benefits liability	11,367	10,620	21,987	215
Funds held in custody	-	281,056	281,056	114,161
Total current liabilities	2,077,457	1,170,882	3,248,339	285,016
Noncurrent liabilities:				
Accounts payable & accruals	81,039	27,150	108,189	60,858
Unearned revenue	3,082	2,123	5,205	-
Compensated absences	169,169	81,685	250,854	2,472
Capital leases	24,065	21,731	45,796	-
Bonds payable	1,319,287	1,830,172	3,149,459	1,956,010
Other financing arrangements payable	857	17,323	18,180	-
Net pension liability	1,043,588	177,089	1,220,677	23,358
Other postemployment benefits liability	181,973	239,731	421,704	3,449
Funds held in custody	-	52,461	52,461	6,705
Total noncurrent liabilities	2,823,060	2,449,465	5,272,525	2,052,852
TOTAL LIABILITIES	4,900,517	3,620,347	8,520,864	2,337,868
DEFERRED INFLOWS OF RESOURCES				
Accumulated increase in fair value of hedging derivatives	-	-	-	2,184
Debt refunding gain	-	3,278	3,278	-
Grants received in advance of meeting timing requirements	-	137	137	-
Related to other postemployment benefits	1,174	103,049	104,223	135
Related to pensions	143,882	9,714	153,596	1,975
Unconditional remainder interest	91	-	91	-
TOTAL DEFERRED INFLOWS OF RESOURCES	145,147	116,178	261,325	4,294
NET POSITION				
Net investment in capital assets	10,186,385	4,101,636	14,288,021	131,431
Restricted for:				
Education	67,375	-	67,375	-
Human services	5,487	-	5,487	-
Justice & public defense	2,913	-	2,913	-
Transportation	697,065	-	697,065	-
Agriculture & natural resources	5,728	-	5,728	-
Underground Storage Tank Program	8,255	-	8,255	-
Capital projects	5,714	-	5,714	-
University Funds - expendable	-	481,451	481,451	-
University Funds - nonexpendable	-	76,963	76,963	-
Permanent Funds - nonexpendable	10,719	-	10,719	-
Unemployment Benefits Fund	-	1,443,569	1,443,569	-
Other	201,341	-	201,341	4,215,665
Unrestricted	(522,156)	2,057,362	1,535,206	299,116
TOTAL NET POSITION	\$ 10,668,826	\$ 8,160,981	\$ 18,829,807	\$ 4,646,212

The notes are an integral part of the financial statements.



STATE OF IOWA
Statement of Activities
For the Year Ended June 30, 2019
(Expressed in Thousands)

		PROGRAM REVENUES			NET (EXPENSES) REVENUES & CHANGES IN NET POSITION			
					PRIMARY GOVERNMENT			
		CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	CAPITAL GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
FUNCTIONS/PROGRAMS	EXPENSES							
PRIMARY GOVERNMENT:								
Governmental activities:								
Administration & regulation	\$ 1,902,217	\$ 1,135,177	\$ 74,274	\$ -	\$ (692,766)	\$ (692,766)		
Education	4,244,257	20,003	556,414	-	(3,667,840)	(3,667,840)		
Health & human rights	434,416	75,144	240,984	659	(117,629)	(117,629)		
Human services	7,103,013	732,181	4,402,899	-	(1,967,933)	(1,967,933)		
Justice & public defense	997,681	108,876	103,966	2,207	(782,632)	(782,632)		
Economic development	132,911	4,392	59,994	-	(68,525)	(68,525)		
Transportation	1,446,090	143,928	158,561	436,151	(707,450)	(707,450)		
Agriculture & natural resources	230,063	84,729	49,506	9,885	(85,943)	(85,943)		
Interest expense	76,984	-	-	-	(76,984)	(76,984)		
Total governmental activities	16,567,632	2,304,430	5,646,598	448,902	(8,167,702)	(8,167,702)		
Business-type activities:								
University Funds	5,232,658	3,865,376	807,554	71,706		(488,022)	(488,022)	
Unemployment Benefits Fund	361,076	409,293	873	-		49,090	49,090	
Other	309,649	428,109	-	-		118,460	118,460	
Total business-type activities	5,903,383	4,702,778	808,427	71,706		(320,472)	(320,472)	
TOTAL PRIMARY GOVERNMENT	\$ 22,471,015	\$ 7,007,208	\$ 6,455,025	\$ 520,608	(8,167,702)	(320,472)	(8,488,174)	
COMPONENT UNITS:								
Iowa Finance Authority	\$ 173,540	\$ 19,403	\$ 123,539	\$ -				\$ (30,598)
Iowa Economic Development Authority	103,318	8,190	106,769	-				11,641
Iowa State Fair Authority	31,196	29,230	2,735	12,333				13,102
Iowa Lottery Authority	391,613	390,955	-	-				(658)
University of Iowa Center for Advancement & Affiliate	165,422	-	160,374	-				(5,048)
Iowa State University Foundation	136,755	-	197,875	-				61,120
University of Northern Iowa Foundation	19,414	-	15,534	-				(3,880)
University of Iowa Research Foundation	5,050	3,439	-	-				(1,611)
University of Iowa Health System	30,756	28,120	-	-				(2,636)
TOTAL COMPONENT UNITS	\$ 1,057,064	\$ 479,337	\$ 606,826	\$ 12,333				41,432
GENERAL REVENUES:								
Personal income tax					4,078,355	-	4,078,355	-
Corporate income tax					529,969	-	529,969	-
Sales & use tax					2,989,537	-	2,989,537	-
Other tax					828,992	8,220	837,212	-
Motor fuel tax restricted for transportation purposes					665,799	-	665,799	-
Road use tax restricted for transportation purposes					381,003	-	381,003	-
Unrestricted investment earnings					75,371	190,955	266,326	159,989
Other					72,097	71,220	143,317	19,117
Gain (loss) on sale of assets					1,250	21	1,271	(29)
Transfers					(489,382)	489,382	-	-
TOTAL GENERAL REVENUES & TRANSFERS					9,132,991	759,798	9,892,789	179,077
CHANGE IN NET POSITION					965,289	439,326	1,404,615	220,509
NET POSITION - JULY 1, RESTATED					9,703,537	7,721,655	17,425,192	4,425,703
NET POSITION - JUNE 30					\$ 10,668,826	\$ 8,160,981	\$ 18,829,807	\$ 4,646,212

The notes are an integral part of the financial statements.



GOVERNMENTAL FUND FINANCIAL STATEMENTS

Major Funds

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

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

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

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

STATE OF IOWA

Balance Sheet Governmental Funds

June 30, 2019
(Expressed in Thousands)

	GENERAL FUND	TOBACCO SETTLEMENT AUTHORITY	TOBACCO COLLECTIONS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Current assets:					
Cash & investments	\$ 2,141,103	\$ 4,582	\$ -	\$ 108,530	\$ 2,254,215
Deposits with trustees	82,178	-	-	-	82,178
Accounts receivable (net)	2,148,079	206	24,726	21,723	2,194,734
Loans receivable (net)	23,541	-	-	93	23,634
Due from other funds	24,523	123,338	-	2,432	150,293
Inventory	15,099	-	-	130	15,229
Prepaid expenditures	38,136	-	-	332	38,468
Total current assets	4,472,659	128,126	24,726	133,240	4,758,751
Noncurrent assets:					
Deposits with trustees	-	76,832	-	-	76,832
Accounts receivable (net)	93,760	-	-	5,816	99,576
Loans receivable (net)	16,415	-	-	-	16,415
Total noncurrent assets	110,175	76,832	-	5,816	192,823
TOTAL ASSETS	\$ 4,582,834	\$ 204,958	\$ 24,726	\$ 139,056	\$ 4,951,574
LIABILITIES					
Current liabilities:					
Accounts payable & accruals	\$ 1,662,249	\$ 1	\$ -	\$ 5,505	\$ 1,667,755
Due to other funds/advances from other funds	80,593	107	123,338	11,140	215,178
Unearned revenue	26,386	-	-	7,745	34,131
Total current liabilities	1,769,228	108	123,338	24,390	1,917,064
Noncurrent liabilities:					
Unearned revenue	3,082	-	-	-	3,082
Total noncurrent liabilities	3,082	-	-	-	3,082
TOTAL LIABILITIES	1,772,310	108	123,338	24,390	1,920,146
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue	546,543	-	24,726	13,632	584,901
Unconditional remainder interest	-	-	-	91	91
TOTAL DEFERRED INFLOWS OF RESOURCES	546,543	-	24,726	13,723	584,992
FUND BALANCES					
Nonspendable	53,235	-	-	11,181	64,416
Spendable:					
Restricted	810,448	204,850	-	70,748	1,086,046
Committed	1,784,658	-	-	19,021	1,803,679
Unassigned	(384,360)	-	(123,338)	(7)	(507,705)
TOTAL FUND BALANCES	2,263,981	204,850	(123,338)	100,943	2,446,436
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	\$ 4,582,834	\$ 204,958	\$ 24,726	\$ 139,056	\$ 4,951,574

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, 2019
(Expressed in Thousands)

Total fund balances - governmental funds \$ 2,446,436

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 \$19,962,146,000 and the accumulated depreciation is \$(9,662,323,000). 10,299,823

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. 181,000

Certain revenues are earned but not available and, therefore, are deferred in governmental funds as deferred inflows of resources. 584,901

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

Pension related deferred outflows of resources	\$ 304,430	
Pension related deferred inflows of resources	(140,764)	
Net pension related deferred		163,666
OPEB related deferred outflows of resources	6,509	
OPEB related deferred inflows of resources	(1,025)	
Net OPEB related deferred		5,484

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. 36,433

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

Bonds payable	(1,442,712)	
Accrued interest payable	(5,688)	
Compensated absences	(303,721)	
Capital leases	(28,169)	
Other financing arrangements payable	(956)	
Pollution remediation	(7,607)	
Early retirement/termination benefits	(20,955)	
Risk management	(25,000)	
Net pension liability	(1,023,518)	
Other postemployment benefits liability	(189,902)	
Other long-term liabilities	(689)	
Total long-term liabilities		(3,048,917)

Net position of governmental activities \$ 10,668,826

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, 2019
(Expressed in Thousands)

	GENERAL FUND	TOBACCO SETTLEMENT AUTHORITY	TOBACCO COLLECTIONS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	\$ 10,307,880	\$ -	\$ -	\$ -	\$ 10,307,880
Receipts from other entities	6,287,531	-	-	3,808	6,291,339
Investment income	69,312	2,978	-	2,719	75,009
Fees, licenses & permits	1,441,842	-	-	53,215	1,495,057
Refunds & reimbursements	742,811	-	49,549	5,850	798,210
Sales, rents & services	38,433	-	-	5,680	44,113
Miscellaneous	223,069	-	-	31,030	254,099
GROSS REVENUES	19,110,878	2,978	49,549	102,302	19,265,707
Less revenue refunds	1,255,591	-	-	3,182	1,258,773
NET REVENUES	17,855,287	2,978	49,549	99,120	18,006,934
EXPENDITURES					
Current:					
Administration & regulation	1,854,503	467	-	25,683	1,880,653
Education	4,218,911	-	-	17,317	4,236,228
Health & human rights	426,133	-	-	587	426,720
Human services	7,099,684	-	-	249	7,099,933
Justice & public defense	946,533	-	-	1,187	947,720
Economic development	131,231	-	-	-	131,231
Transportation	680,359	-	-	166	680,525
Agriculture & natural resources	188,583	-	-	9,386	197,969
Capital outlay	1,257,987	-	-	21,195	1,279,182
Debt service:					
Principal	267,120	3,345	-	-	270,465
Interest & fiscal charges	40,122	37,846	-	-	77,968
TOTAL EXPENDITURES	17,111,166	41,658	-	75,770	17,228,594
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	744,121	(38,680)	49,549	23,350	778,340
OTHER FINANCING SOURCES (USES)					
Transfers in	182,275	-	-	26,276	208,551
Transfers out	(645,553)	-	(10,901)	(41,479)	(697,933)
Leases, installment purchases & other	2,744	-	-	-	2,744
Premium on revenue refunding bonds	36,591	-	-	-	36,591
Revenue refunding bonds issued	143,675	-	-	-	143,675
TOTAL OTHER FINANCING SOURCES (USES)	(280,268)	-	(10,901)	(15,203)	(306,372)
NET CHANGE IN FUND BALANCES	463,853	(38,680)	38,648	8,147	471,968
FUND BALANCES - JULY 1	1,800,128	243,530	(161,986)	92,796	1,974,468
FUND BALANCES - JUNE 30	\$ 2,263,981	\$ 204,850	\$ (123,338)	\$ 100,943	\$ 2,446,436

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, 2019
(Expressed in Thousands)

Net change in fund balances - total governmental funds \$ 471,968

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 year, these amounts are:

Capital outlay	\$ 1,021,851	
Depreciation expense	(647,759)	
Excess of capital outlay over depreciation expense		374,092

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. (868)

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:

Bonds	(180,266)	
Capital leases	(2,678)	
Other financing arrangements	(66)	
Total		(183,010)

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	270,465	
Capital lease payments	4,174	
Other financing arrangements payments	1,893	
Total long-term debt repayments		276,532

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. 8,858

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. 13,531

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

Pension related deferred outflows of resources	(63,441)	
Pension related deferred inflows of resources	4,856	
Net pension related deferred		(58,585)
 OPEB related deferred outflows of resources	 3,914	
OPEB related deferred inflows of resources	484	
Net OPEB related deferred		4,398

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	3,168	
Early retirement/termination benefits	1,359	
Net pension liability	65,121	
Other postemployment benefits liability	(13,317)	
Other	2,042	
Total additional expenses		58,373

Change in net position of governmental activities \$ 965,289

The notes are an integral part of the financial statements.



PROPRIETARY FUND FINANCIAL STATEMENTS

Major Funds

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

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

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

STATE OF IOWA
Statement of Net Position
Proprietary Funds

June 30, 2019
(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	\$ 666,010	\$ 1,331,044	\$ 40,401	\$ 2,037,455	\$ 81,789
Accounts receivable (net)	519,753	147,118	14,882	681,753	1,881
Interest receivable	3,954	-	-	3,954	-
Loans receivable (net)	3,757	-	-	3,757	-
Due from other funds/advances to other funds	-	1,081	145	1,226	89,704
Inventory	63,933	-	9,668	73,601	7,933
Prepaid expenses	47,369	-	4,747	52,116	10,697
Total current assets	1,304,776	1,479,243	69,843	2,853,862	192,004
Noncurrent assets:					
Cash & investments	2,844,643	-	-	2,844,643	-
Deposits with trustees	15,041	-	-	15,041	-
Accounts receivable (net)	26,084	-	-	26,084	-
Interest receivable	675	-	-	675	-
Loans receivable (net)	53,766	-	-	53,766	-
Capital assets - nondepreciable	951,007	-	6,242	957,249	516
Capital assets - depreciable (net)	4,947,525	-	29,274	4,976,799	138,735
Prepaid expenses	10,564	-	-	10,564	-
Other assets	16,023	-	-	16,023	-
Total noncurrent assets	8,865,328	-	35,516	8,900,844	139,251
TOTAL ASSETS	10,170,104	1,479,243	105,359	11,754,706	331,255
DEFERRED OUTFLOWS OF RESOURCES					
Debt refunding loss	14,729	-	-	14,729	-
Excess consideration provided for acquisition	10,405	-	-	10,405	-
Related to other postemployment benefits	58,772	-	182	58,954	214
Related to pensions	73,899	-	3,906	77,805	6,382
TOTAL DEFERRED OUTFLOWS OF RESOURCES	157,805	-	4,088	161,893	6,596

(continued on next page)

STATE OF IOWA
Statement of Net Position
Proprietary Funds

June 30, 2019
(Expressed in Thousands)

(continued)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS	
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS	TOTAL	
LIABILITIES					
Current liabilities:					
Accounts payable & accruals	444,907	11,663	15,364	471,934	36,898
Due to other funds/advances from other funds	-	206	12,589	12,795	13,250
Interest payable	25,834	-	-	25,834	-
Unearned revenue	87,044	23,805	2,323	113,172	36,069
Compensated absences	140,854	-	1,784	142,638	3,020
Capital leases	1,957	-	-	1,957	-
Bonds payable	115,066	-	-	115,066	-
Other financing arrangements payable	7,448	-	-	7,448	-
Other postemployment benefits liability	10,498	-	122	10,620	202
Funds held in custody	281,056	-	-	281,056	-
Total current liabilities	1,114,664	35,674	32,182	1,182,520	89,439
Noncurrent liabilities:					
Accounts payable & accruals	26,990	-	160	27,150	45,695
Unearned revenue	2,123	-	-	2,123	-
Compensated absences	80,057	-	1,628	81,685	2,599
Capital leases	21,731	-	-	21,731	-
Bonds payable	1,830,172	-	-	1,830,172	-
Other financing arrangements payable	17,323	-	-	17,323	-
Net pension liability	165,394	-	11,695	177,089	20,070
Other postemployment benefits liability	237,783	-	1,948	239,731	3,236
Funds held in custody	52,461	-	-	52,461	-
Total noncurrent liabilities	2,434,034	-	15,431	2,449,465	71,600
TOTAL LIABILITIES	3,548,698	35,674	47,613	3,631,985	161,039
DEFERRED INFLOWS OF RESOURCES					
Debt refunding gain	3,278	-	-	3,278	-
Grants received in advance of meeting timing requirements	137	-	-	137	-
Related to other postemployment benefits	102,596	-	453	103,049	149
Related to pensions	8,379	-	1,335	9,714	3,118
TOTAL DEFERRED INFLOWS OF RESOURCES	114,390	-	1,788	116,178	3,267
NET POSITION					
Net investment in capital assets	4,066,120	-	35,516	4,101,636	139,251
Restricted for:					
Expendable	481,451	-	-	481,451	-
Nonexpendable	76,963	-	-	76,963	-
Unemployment benefits	-	1,443,569	-	1,443,569	-
Unrestricted	2,040,287	-	24,530	2,064,817	34,294
TOTAL NET POSITION	\$ 6,664,821	\$ 1,443,569	\$ 60,046	8,168,436	\$ 173,545
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(7,455)	
NET POSITION OF BUSINESS-TYPE ACTIVITIES				<u>\$ 8,160,981</u>	

The notes are an integral part of the financial statements.

STATE OF IOWA

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

For the Year Ended June 30, 2019
(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	\$ -	\$ 409,289	\$ -	\$ 409,289	\$ -
Receipts from other entities	-	873	77	950	161,530
Fees, licenses & permits	3,107,404	-	24,350	3,131,754	2
Refunds & reimbursements	-	-	393	393	70,634
Sales, rents & services	413,947	-	399,135	813,082	1,148
Grants & contracts	581,686	-	-	581,686	-
Independent/auxiliary operations	344,025	-	-	344,025	-
Miscellaneous	67,965	4	4,154	72,123	5,202
TOTAL OPERATING REVENUES	4,515,027	410,166	428,109	5,353,302	238,516
OPERATING EXPENSES					
General & administrative	-	-	10,899	10,899	-
Scholarship & fellowship	45,586	-	-	45,586	-
Depreciation	366,081	-	4,489	370,570	18,374
Direct & other	-	-	34,072	34,072	-
Personal services	2,995,949	-	8,156	3,004,105	33,500
Travel & subsistence	36,956	-	1,193	38,149	20,589
Supplies & materials	842,274	-	405	842,679	50,615
Contractual services	127,208	-	9,249	136,457	47,739
Equipment & repairs	725,631	-	545	726,176	29,419
Claims & miscellaneous	12,644	-	235,786	248,430	29,467
Licenses, permits & refunds	5,231	-	851	6,082	47
State aid & credits	-	361,076	3,950	365,026	-
TOTAL OPERATING EXPENSES	5,157,560	361,076	309,595	5,828,231	229,750
OPERATING INCOME (LOSS)	(642,533)	49,090	118,514	(474,929)	8,766
NONOPERATING REVENUES (EXPENSES)					
Gifts	225,868	-	-	225,868	-
Taxes	-	-	8,220	8,220	-
Investment income	158,489	31,641	615	190,745	516
Interest expense	(60,099)	-	-	(60,099)	-
Miscellaneous revenue	3,254	-	-	3,254	-
Gain (loss) on sale of capital assets	(15,211)	-	21	(15,190)	(55)
NET NONOPERATING REVENUES (EXPENSES)	312,301	31,641	8,856	352,798	461
INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	(330,232)	80,731	127,370	(122,131)	9,227
Capital contributions & grants	71,706	-	-	71,706	-
Transfers in	619,307	-	-	619,307	-
Transfers out	-	(2,948)	(126,977)	(129,925)	-
CHANGE IN NET POSITION	360,781	77,783	393	438,957	9,227
TOTAL NET POSITION - JULY 1, RESTATED	6,304,040	1,365,786	59,653		164,318
TOTAL NET POSITION - JUNE 30	\$ 6,664,821	\$ 1,443,569	\$ 60,046		\$ 173,545
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				369	
CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES				\$ 439,326	

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, 2019
(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	\$ 3,832,539	\$ -	\$ 424,991	\$ 4,257,530	\$ -
Cash received from miscellaneous	95,924	4	4,231	100,159	-
Cash received from employers	-	419,447	-	419,447	-
Cash received from other entities	583,331	873	-	584,204	22,892
Cash received from interfund transactions	-	591	-	591	-
Cash received from reciprocal interfund activity	-	-	-	-	221,917
Cash payments to suppliers for goods & services	(1,858,705)	-	(291,232)	(2,149,937)	(184,094)
Cash payments to employees/students for services	(2,874,227)	-	(18,024)	(2,892,251)	(33,379)
Cash payments for unemployment claims	-	(361,274)	-	(361,274)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(221,138)	59,641	119,966	(41,531)	27,336
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in from other funds	572,440	-	-	572,440	-
Transfers out to other funds	-	(3,164)	(126,666)	(129,830)	-
Receipts from related agencies	1,016,393	-	-	1,016,393	-
Payments to related agencies	(1,005,420)	-	-	(1,005,420)	-
Other noncapital financing receipts	25,375	-	-	25,375	-
Other noncapital financing payments	(5,758)	-	-	(5,758)	-
Proceeds from noncapital gifts	202,213	-	-	202,213	-
Tax receipts	-	-	8,220	8,220	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	805,243	(3,164)	(118,446)	683,633	-
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES					
Acquisition & construction of capital assets	(459,331)	-	(3,802)	(463,133)	(28,633)
Interest payments	(64,157)	-	-	(64,157)	-
Debt payments	(169,775)	-	-	(169,775)	-
Capital grants & contributions	50,206	-	-	50,206	-
Capital transfers in from other funds	46,956	-	-	46,956	-
Debt proceeds	75,007	-	-	75,007	-
Proceeds from sale of capital assets	3,058	-	21	3,079	-
Other capital & related financing activities	3,360	-	-	3,360	-
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	(514,676)	-	(3,781)	(518,457)	(28,633)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest & dividends on investments	55,008	31,641	615	87,264	516
Proceeds from sale & maturities of investments	933,118	-	-	933,118	-
Purchase of investments	(1,093,888)	-	-	(1,093,888)	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(105,762)	31,641	615	(73,506)	516
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(36,333)	88,118	(1,646)	50,139	(781)
CASH & CASH EQUIVALENTS - JULY 1	438,970	1,242,926	42,047	1,723,943	82,570
CASH & CASH EQUIVALENTS - JUNE 30	402,637	1,331,044	40,401	1,774,082	81,789
INVESTMENTS	3,108,016	-	-	3,108,016	-
CASH & INVESTMENTS PER STATEMENT OF NET POSITION	\$ 3,510,653	\$ 1,331,044	\$ 40,401	\$ 4,882,098	\$ 81,789

(continued on next page)

STATE OF IOWA
Statement of Cash Flows
Proprietary Funds

For the Year Ended June 30, 2019
(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)	\$ (642,533)	\$ 49,090	\$ 118,514	\$ (474,929)	\$ 8,766
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	366,081	-	4,489	370,570	18,374
(Increase) decrease in accounts receivable	(18,729)	5,594	1,203	(11,932)	2,017
(Increase) decrease in due from	-	591	(61)	530	384
(Increase) decrease in inventory	(2,019)	-	(495)	(2,514)	188
(Increase) decrease in prepaid expenses	584	-	(3,132)	(2,548)	(2,539)
(Increase) decrease in loans receivable	5,138	-	-	5,138	-
(Increase) decrease in other assets	(34)	-	-	(34)	-
(Increase) decrease in deferred outflows of resources	4,912	-	728	5,640	1,442
Increase (decrease) in accounts payable	27,806	1,164	(471)	28,499	(3,867)
Increase (decrease) in due to	-	-	7	7	(790)
Increase (decrease) in unearned revenue	4,393	3,202	(29)	7,566	4,682
Increase (decrease) in compensated absences	4,474	-	(216)	4,258	(180)
Increase (decrease) in net pension liability	6,206	-	(1,111)	5,095	(2,451)
Increase (decrease) in other postemployment benefits liability	10,420	-	(334)	10,086	206
Increase (decrease) in deferred inflows of resources	12,163	-	874	13,037	1,104
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (221,138)</u>	<u>\$ 59,641</u>	<u>\$ 119,966</u>	<u>\$ (41,531)</u>	<u>\$ 27,336</u>
NONCASH INVESTING, CAPITAL & RELATED FINANCING ACTIVITIES					
Capital assets contributed	\$ 6,120	\$ -	\$ -	\$ 6,120	\$ -
TOTAL NONCASH INVESTING, CAPITAL & RELATED FINANCING ACTIVITIES	<u>\$ 6,120</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,120</u>	<u>\$ -</u>

The notes are an integral part of the financial statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

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

STATE OF IOWA
Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2019
(Expressed in Thousands)

	PENSION & OTHER EMPLOYEE BENEFIT FUNDS	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
ASSETS			
Cash & cash equivalents	\$ 307,501	\$ 49,597	\$ 247,657
Receivables:			
Accounts	-	175	234,989
Contributions	80,001	-	-
Investments sold	658,601	-	-
Foreign exchange contracts	185,251	-	-
Interest & dividends	100,057	-	-
Miscellaneous	173	-	-
Total receivables	<u>1,024,083</u>	<u>175</u>	<u>234,989</u>
Investments, at fair value:			
Fixed income securities	10,605,255	-	-
Equity investments	13,903,579	5,606,621	-
Real estate partnerships	63,081	-	-
Investment in private equity/debt	5,433,438	-	-
Real assets	4,472,901	-	-
Securities lending collateral pool	1,072,266	-	-
Total investments	<u>35,550,520</u>	<u>5,606,621</u>	<u>-</u>
Capital assets:			
Land	500	-	-
Other - depreciable (net)	14,573	126	-
Total capital assets	<u>15,073</u>	<u>126</u>	<u>-</u>
Other assets	554	170	46
TOTAL ASSETS	<u>36,897,731</u>	<u>5,656,689</u>	<u>482,692</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to other postemployment benefits	<u>46</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Accounts payable & accruals	36,892	376	482,692
Foreign exchange contracts payable	185,592	-	-
Payable for investments purchased	831,209	-	-
Payable to brokers for rebate & collateral	1,072,082	-	-
TOTAL LIABILITIES	<u>2,125,775</u>	<u>376</u>	<u>482,692</u>
DEFERRED INFLOWS OF RESOURCES			
Related to other postemployment benefits	<u>26</u>	<u>-</u>	<u>-</u>
NET POSITION			
Restricted for:			
Pension/other postemployment benefits	34,771,976	-	-
Individuals, organizations & other entities	-	5,656,313	-
TOTAL NET POSITION	<u>\$ 34,771,976</u>	<u>\$ 5,656,313</u>	<u>\$ -</u>

The notes are an integral part of the financial statements.

STATE OF IOWA

Statement of Changes in Fiduciary Net Position Fiduciary Funds

For the Year Ended June 30, 2019
(Expressed in Thousands)

	PENSION & OTHER EMPLOYEE BENEFIT FUNDS	PRIVATE PURPOSE TRUST FUNDS
ADDITIONS		
Contributions:		
Member/participant contributions	\$ 529,535	\$ 431,348
Employer contributions	802,393	-
Buy-back/buy-in contributions	4,312	-
Other contributions	-	1,848
Gifts, bequests & endowments	-	4,203
Total contributions	<u>1,336,240</u>	<u>437,399</u>
Investment income:		
Net increase in fair value of investments	2,059,511	324,140
Interest	449,219	1,176
Dividends	158,263	-
Other	64,371	-
Total investment income	<u>2,731,364</u>	<u>325,316</u>
Less investment expense	<u>67,953</u>	<u>-</u>
Net investment income	<u>2,663,411</u>	<u>325,316</u>
TOTAL ADDITIONS	<u>3,999,651</u>	<u>762,715</u>
DEDUCTIONS		
Pension & annuity benefits	2,206,854	-
Distributions to participants	-	465,357
Payments in accordance with agreements	1,749	-
Administrative expense	15,973	-
Refunds	62,169	-
Other	-	1,695
TOTAL DEDUCTIONS	<u>2,286,745</u>	<u>467,052</u>
CHANGE IN NET POSITION	1,712,906	295,663
NET POSITION - JULY 1	<u>33,059,070</u>	<u>5,360,650</u>
NET POSITION - JUNE 30	<u>\$ 34,771,976</u>	<u>\$ 5,656,313</u>

The notes are an integral part of the financial statements.



COMPONENT UNIT FINANCIAL STATEMENTS

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

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

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

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

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

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

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

STATE OF IOWA
Statement of Net Position
Component Units
June 30, 2019
(Expressed in Thousands)

	IOWA FINANCE AUTHORITY	IOWA ECONOMIC DEVELOPMENT AUTHORITY	IOWA STATE FAIR AUTHORITY	IOWA LOTTERY AUTHORITY	UNIVERSITY OF IOWA CENTER FOR ADVANCEMENT & AFFILIATE
ASSETS					
Current assets:					
Cash & investments	\$ 759,934	\$ 168,162	\$ 22,728	\$ 27,108	\$ 90,768
Cash & investments - restricted	-	-	-	736	-
Accounts receivable (net)	-	10,441	9,694	3,726	45,417
Interest receivable	7,660	-	51	79	-
Loans receivable (net)	129,440	7,886	-	-	-
Inventory	-	-	162	2,778	-
Prepaid expenses	-	293	19	266	211
Other assets	26,109	-	-	25	-
Total current assets	923,143	186,782	32,654	34,718	136,396
Noncurrent assets:					
Cash & investments	584,442	-	-	-	1,314,798
Accounts receivable (net)	-	-	6,797	-	119,083
Loans receivable (net)	1,844,068	77,719	-	-	-
Capital assets - nondepreciable	1,800	-	20,373	1,592	-
Capital assets - depreciable (net)	2,864	85	79,234	5,778	17,304
Other assets	18,002	1	-	6,187	-
Total noncurrent assets	2,451,176	77,805	106,404	13,557	1,451,185
TOTAL ASSETS	3,374,319	264,587	139,058	48,275	1,587,581
DEFERRED OUTFLOWS OF RESOURCES					
Accumulated decrease in fair value of hedging derivatives	3,824	-	-	-	-
Debt refunding loss	16,251	-	-	-	-
Excess consideration provided for acquisition	-	-	-	-	-
Related to other postemployment benefits	95	31	61	103	-
Related to pensions	1,713	1,666	951	1,658	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	21,883	1,697	1,012	1,761	-
LIABILITIES					
Current liabilities:					
Accounts payable & accruals	15,275	11,243	1,952	29,114	2,601
Interest payable	29,063	-	-	-	-
Unearned revenue	-	2	231	270	-
Compensated absences	-	782	218	866	-
Bonds payable	72,303	-	-	-	-
Other postemployment benefits liability	50	57	42	66	-
Funds held in custody	-	-	-	-	86,025
Total current liabilities	116,691	12,084	2,443	30,316	88,626
Noncurrent liabilities:					
Accounts payable & accruals	7,543	15	-	6,229	22,218
Compensated absences	-	634	917	921	-
Bonds payable	1,956,010	-	-	-	-
Net pension liability	6,437	6,425	4,185	6,311	-
Other postemployment benefits liability	798	921	676	1,054	-
Funds held in custody	-	-	-	-	-
Total noncurrent liabilities	1,970,788	7,995	5,778	14,515	22,218
TOTAL LIABILITIES	2,087,479	20,079	8,221	44,831	110,844
DEFERRED INFLOWS OF RESOURCES					
Accumulated increase in fair value of hedging derivatives	2,184	-	-	-	-
Related to other postemployment benefits	65	28	4	38	-
Related to pensions	462	813	336	364	-
TOTAL DEFERRED INFLOWS OF RESOURCES	2,711	841	340	402	-
NET POSITION					
Net investment in capital assets	4,664	85	99,607	7,370	17,304
Restricted for:					
Bond resolutions	1,045,554	-	-	-	-
Clean water and drinking water programs	161,714	-	-	-	-
Title guaranty program	36,966	-	-	-	-
Economic development	-	55,528	19,206	-	-
Other purposes	49,279	-	-	-	1,441,804
Nonexpendable - foundations	-	-	-	-	-
Expendable - foundations	-	-	-	-	-
Unrestricted	7,835	189,751	12,696	(2,567)	17,629
TOTAL NET POSITION	\$ 1,306,012	\$ 245,364	\$ 131,509	\$ 4,803	\$ 1,476,737

(continued on next page)

STATE OF IOWA
Statement of Net Position
Component Units
June 30, 2019
(Expressed in Thousands)
(continued)

	IOWA STATE UNIVERSITY FOUNDATION	UNIVERSITY OF NORTHERN IOWA FOUNDATION	UNIVERSITY OF IOWA RESEARCH FOUNDATION	UNIVERSITY OF IOWA HEALTH SYSTEM	TOTAL COMPONENT UNITS
ASSETS					
Current assets:					
Cash & investments	\$ 234,082	\$ 17,901	\$ 10,638	\$ 12,808	\$ 1,344,129
Cash & investments - restricted	-	-	-	-	736
Accounts receivable (net)	49,640	2,432	1,130	3,543	126,023
Interest receivable	-	-	-	-	7,790
Loans receivable (net)	-	-	-	-	137,326
Inventory	-	-	-	366	3,306
Prepaid expenses	-	-	15	527	1,331
Other assets	7	166	-	-	26,307
Total current assets	<u>283,729</u>	<u>20,499</u>	<u>11,783</u>	<u>17,244</u>	<u>1,646,948</u>
Noncurrent assets:					
Cash & investments	935,110	136,801	-	9,389	2,980,540
Accounts receivable (net)	112,850	4,341	125	-	243,196
Loans receivable (net)	-	-	-	-	1,921,787
Capital assets - nondepreciable	960	-	-	-	24,725
Capital assets - depreciable (net)	2,710	110	5	403	108,493
Other assets	6,119	905	1,451	-	32,665
Total noncurrent assets	<u>1,057,749</u>	<u>142,157</u>	<u>1,581</u>	<u>9,792</u>	<u>5,311,406</u>
TOTAL ASSETS	<u>1,341,478</u>	<u>162,656</u>	<u>13,364</u>	<u>27,036</u>	<u>6,958,354</u>
DEFERRED OUTFLOWS OF RESOURCES					
Accumulated decrease in fair value of hedging derivatives	-	-	-	-	3,824
Debt refunding loss	-	-	-	-	16,251
Excess consideration provided for acquisition	-	-	-	3,667	3,667
Related to other postemployment benefits	-	-	-	-	290
Related to pensions	-	-	-	-	5,988
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,667</u>	<u>30,020</u>
LIABILITIES					
Current liabilities:					
Accounts payable & accruals	346	1,025	881	1,967	64,404
Interest payable	-	-	-	-	29,063
Unearned revenue	-	-	-	-	503
Compensated absences	713	-	-	-	2,579
Bonds payable	1,788	-	-	-	74,091
Other postemployment benefits liability	-	-	-	-	215
Funds held in custody	21,258	-	-	6,878	114,161
Total current liabilities	<u>24,105</u>	<u>1,025</u>	<u>881</u>	<u>8,845</u>	<u>285,016</u>
Noncurrent liabilities:					
Accounts payable & accruals	22,599	2,065	189	-	60,858
Compensated absences	-	-	-	-	2,472
Bonds payable	-	-	-	-	1,956,010
Net pension liability	-	-	-	-	23,358
Other postemployment benefits liability	-	-	-	-	3,449
Funds held in custody	6,705	-	-	-	6,705
Total noncurrent liabilities	<u>29,304</u>	<u>2,065</u>	<u>189</u>	<u>-</u>	<u>2,052,852</u>
TOTAL LIABILITIES	<u>53,409</u>	<u>3,090</u>	<u>1,070</u>	<u>8,845</u>	<u>2,337,868</u>
DEFERRED INFLOWS OF RESOURCES					
Accumulated increase in fair value of hedging derivatives	-	-	-	-	2,184
Related to other postemployment benefits	-	-	-	-	135
Related to pensions	-	-	-	-	1,975
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,294</u>
NET POSITION					
Net investment in capital assets	1,883	110	5	403	131,431
Restricted for:					
Bond resolutions	-	-	-	-	1,045,554
Clean water and drinking water programs	-	-	-	-	161,714
Title guaranty program	-	-	-	-	36,966
Economic development	-	-	-	-	74,734
Other purposes	-	-	-	-	1,491,083
Nonexpendable - foundations	949,020	-	-	-	949,020
Expendable - foundations	306,670	149,924	-	-	456,594
Unrestricted	30,496	9,532	12,289	21,455	299,116
TOTAL NET POSITION	<u>\$ 1,288,069</u>	<u>\$ 159,566</u>	<u>\$ 12,294</u>	<u>\$ 21,858</u>	<u>\$ 4,646,212</u>

The notes are an integral part of the financial statements.

STATE OF IOWA
Statement of Activities
Component Units
For the Year Ended June 30, 2019
(Expressed in Thousands)

	IOWA FINANCE AUTHORITY	IOWA ECONOMIC DEVELOPMENT AUTHORITY	IOWA STATE FAIR AUTHORITY	IOWA LOTTERY AUTHORITY	UNIVERSITY OF IOWA CENTER FOR ADVANCEMENT & AFFILIATE
Expenses	\$ 173,540	\$ 103,318	\$ 31,196	\$ 391,613	\$ 165,422
Program revenues:					
Charges for services	19,403	8,190	29,230	390,955	-
Operating grants & contributions	123,539	106,769	2,735	-	160,374
Capital grants & contributions	-	-	12,333	-	-
Total program revenues	142,942	114,959	44,298	390,955	160,374
Net program (expenses) revenues	(30,598)	11,641	13,102	(658)	(5,048)
General revenues:					
Investment income	96,295	4,132	159	496	49,850
Other	-	6,423	8,500	-	-
Gain (loss) on sale of assets	-	-	-	15	-
Total general revenues	96,295	10,555	8,659	511	49,850
CHANGE IN NET POSITION	65,697	22,196	21,761	(147)	44,802
NET POSITION - JULY 1	1,240,315	223,168	109,748	4,950	1,431,935
NET POSITION - JUNE 30	\$ 1,306,012	\$ 245,364	\$ 131,509	\$ 4,803	\$ 1,476,737

(continued on next page)

STATE OF IOWA
Statement of Activities
Component Units
For the Year Ended June 30, 2019
(Expressed in Thousands)
(continued)

	IOWA STATE UNIVERSITY FOUNDATION	UNIVERSITY OF NORTHERN IOWA FOUNDATION	UNIVERSITY OF IOWA RESEARCH FOUNDATION	UNIVERSITY OF IOWA HEALTH SYSTEM	TOTAL COMPONENT UNITS
Expenses	\$ 136,755	\$ 19,414	\$ 5,050	\$ 30,756	\$ 1,057,064
Program revenues:					
Charges for services	-	-	3,439	28,120	479,337
Operating grants & contributions	197,875	15,534	-	-	606,826
Capital grants & contributions	-	-	-	-	12,333
Total program revenues	197,875	15,534	3,439	28,120	1,098,496
Net program (expenses) revenues	61,120	(3,880)	(1,611)	(2,636)	41,432
General revenues:					
Investment income	1,662	6,631	480	284	159,989
Other	-	-	100	4,094	19,117
Gain (loss) on sale of assets	-	-	-	(44)	(29)
Total general revenues	1,662	6,631	580	4,334	179,077
CHANGE IN NET POSITION	62,782	2,751	(1,031)	1,698	220,509
NET POSITION - JULY 1	1,225,287	156,815	13,325	20,160	4,425,703
NET POSITION - JUNE 30	\$ 1,288,069	\$ 159,566	\$ 12,294	\$ 21,858	\$ 4,646,212

The notes are an integral part of the financial statements.



STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Financial Reporting Entity

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

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

Blended Component Units

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

- Tobacco Settlement Authority (Special Revenue Fund) was created to issue bonds to securitize payments due to the State pursuant to the Master Settlement Agreement between the State and the five largest tobacco manufacturers. The Authority's board consists of the Treasurer of State, Auditor of State and the Director of the Department of Management. The State has the ability to impose its will on the Authority and its sole purpose is to provide a secure and stable source of revenue from the tobacco settlement for the State.
- Iowa 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, website, legal services, television studio space and equipment, as well as, broadcast production staff. The State has the ability to control fundraising activities and operations as well as personnel decisions regarding the management of the Foundation. The Foundation exclusively benefits the State and provides services entirely to the State.
- Iowa Public Radio (Special Revenue Fund) manages the day-to-day operations of the State University radio stations and ensures compliance with Federal Communications Commission requirements on behalf of the Iowa Board of Regents (Regents). The Regents appoints the board of directors and has assumed the obligation to provide financial support to, and finance deficits of, Iowa Public Radio. It serves as the primary fundraising entity for the stations and exclusively benefits the State and provides services entirely to the State.

Discretely Presented Component Units

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

- Iowa Finance Authority (Proprietary) issues bonds to assist in attainment of adequate housing for special needs individuals such as low to moderate income and the disabled, and to provide limited types of

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

financing to small businesses. The nine members of the board of directors are appointed by the Governor and confirmed by the Senate. The State has the ability to impose its will upon the Authority.

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

During the year ended June 30, 2019, the Iowa Lottery Authority distributed \$90.4 million to the General Fund and \$2.5 million to the Iowa Veterans Trust Fund.

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

During the year ended June 30, 2019, the Foundations distributed \$262.5 million to the Universities for academic and institutional support.

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

Related Organizations

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

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

C. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

Governmental Fund Balance Reporting

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

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

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

D. Financial Statement Presentation

The State reports the following major governmental funds:

General Fund

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

Special Revenue Funds

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

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

The State reports the following major proprietary funds:

Enterprise Funds

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

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

In addition, the State reports the following fund types:

Governmental Funds

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

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

Proprietary Funds

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

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

Fiduciary Funds

Pension and Other Employee Benefit 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, Iowa ABLE Savings Plan Trust, Iowa Veterans Trust 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.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

In fiscal year 2019, the State of Iowa implemented the following GASB standards:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*. This statement establishes accounting and financial reporting requirements for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize an ARO liability based on the guidance in this statement.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the information that is disclosed in the notes to the financial statements related to debt, including direct borrowings and direct placements. The statement also clarifies which liabilities should be included when disclosing information about debt.

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 \$36.8 million associated with certain funds has been assigned to other funds for fiscal year 2019.

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

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

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

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

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

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

At year-end, IPERS had \$4.1 million in risk exposure, while PORS and JRS had no credit risk exposure to borrowers because the amounts the borrowers owed PORS and JRS did not exceed the amount PORS and JRS owed the borrowers. For IPERS, all but \$5,000 of the exposure is due to a 1 for 10 stock split on June 30, 2019, but the value of the stock was not updated to reflect the split until July 3, 2019, at which point the value of the security no longer exceeded the borrower's collateral. The contracts with Deutsche Bank require it to indemnify the Systems if a borrower becomes insolvent, or if a loss is incurred from an investment in an overnight repurchase agreement. The securities lending contracts do not allow the Systems to pledge or sell collateral securities received unless the borrower defaults. As of June 30, 2019, the Systems had securities on loan, including accrued interest income, with a total value of \$1,046.4 million against collateral with a total value of \$1,072.1 million.

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

The effective duration of the cash collateral pool at June 30, 2019, for IPERS was 0.00. Credit quality and years to maturity statistics for the cash collateral pool at June 30, 2019, for the Systems is as follows (expressed in thousands):

Securities Lending Collateral Pool								
Investment Type	Fair Value *	Credit Risk: S&P Quality Rating				Investment Maturity (Years)	Redemption Frequency	Redemption Notice Period
		AAA	A-1	A-2	Not Rated			
Overnight repurchase agreements	\$ 262,275	\$ 235,676	\$ -	\$ -	\$ 26,599	Less than 1	N/A	on demand
Money market funds	514,609	-	132,666	175,000	206,943	Less than 1	Daily	on demand
	<u>\$ 776,884</u>	<u>\$ 235,676</u>	<u>\$ 132,666</u>	<u>\$ 175,000</u>	<u>\$ 233,542</u>			

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

G. Accounts Receivable

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

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

H. Inventories

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items in both government-wide and fund financial statements. In governmental funds, prepaid items are accounted for

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

using the consumption method and a portion of fund balance equal to the prepaid items has been classified as nonspendable to indicate it is not available for appropriation.

J. Capital Assets

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

Infrastructure	\$ 1,000,000
Intangible assets	\$ 500,000
Land, buildings & improvements	\$ 50,000
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 and 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 financial reports.

K. Deferred Outflows of Resources

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

L. Compensated Absences

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

M. Long-term Liabilities

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

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

N. Deferred Inflows of Resources

In addition to liabilities, the government-wide and fund financial statements may report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

O. Interfund Activity and Balances

Interfund Activity

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

Interfund Balances

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

P. Encumbrances

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

Q. Stabilization Arrangements (Reserve Funds)

The State maintains two reserve funds: the Cash Reserve Fund and the Iowa Economic Emergency Fund, created in Sections 8.56 and 8.55 of the Code of Iowa. These funds were established by formal action of the highest level of decision making authority as they were created by legislation passed by both the House and Senate 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 for the current fiscal year. The moneys in this fund may only be appropriated by the General Assembly for nonrecurring emergency expenditures and shall not be appropriated for payment of any collective bargaining agreement or arbitrator's decision negotiated or awarded. The balance in the Cash Reserve Fund may be used in determining the cash position of the General Fund of the State for payment of State obligations. An appropriation shall not be made from the Cash Reserve Fund if the appropriation would cause the fund's balance to be less than 3.75% of the adjusted revenue estimate for the year for which the appropriation is made unless the bill or joint resolution is approved by vote of at least three-fifths of the members of both chambers of the General Assembly and is signed by the Governor. Also, the appropriation must be contained in a bill or joint resolution in which the appropriation is the only subject matter of the bill or joint resolution, and the bill or joint resolution states the reasons the appropriation is necessary.

The *Iowa Economic Emergency Fund* is separate from the General Fund of the State and the fund is not to be considered part of the balance of the General Fund of the State. The moneys in the fund do not revert to the General Fund. The maximum balance of the fund is equal to 2.5% of the adjusted revenue estimate for the General Fund for the current fiscal year. Interest or earnings on moneys deposited in the Iowa Economic Emergency Fund are credited to the Rebuild Iowa Infrastructure Fund. Moneys in this fund may be used for cash

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

flow purposes provided that moneys so allocated are returned to the Iowa Economic Emergency Fund by the end of each fiscal year. The balance may be used in determining the cash position of the General Fund of the State for payment of State obligations. Amounts in excess of the maximum balance are distributed as follows: (1) the first \$60 million of the difference between the actual net revenue for the General Fund of the State and the adjusted revenue estimate for the fiscal year is transferred to the Taxpayers Trust Fund, (2) the remainder of the excess, if any, shall be transferred to the General Fund of the State.

The General Assembly can only appropriate moneys in the fund for emergency expenditures. A maximum of \$50 million may be used to prevent a deficit in the General Fund when *all* of the following have occurred: (1) the Revenue Estimating Conference (REC) estimate of General Fund receipts made during the last quarter of the fiscal year was, or the actual fiscal year receipts and accruals were, at least one-half of one percent less than the comparable estimate made during the third quarter of the fiscal year; (2) the Governor has implemented the uniform reductions in appropriations required in Section 8.31 as a result of the above item and such reduction was insufficient to prevent an overdraft on or deficit in the General Fund of the State, or the Governor did not implement uniform reductions in appropriations because of the lateness of the estimated or actual receipts and accruals under item (1); (3) the balance of the General Fund of the State at the end of the fiscal year prior to the appropriation made in this paragraph was negative; and (4) the Governor has issued an official proclamation and has notified the co-chairpersons of the fiscal committee of the Legislative Council and the Legislative Services Agency that the contingencies above have occurred and the reasons why the uniform reductions specified in item (2) were insufficient, or were not implemented to prevent an overdraft on or deficit in the General Fund of the State. Additionally, the Executive Council may receive an amount sufficient to pay expenses authorized in 7D.29 of the Code of Iowa.

R. Minimum Fund Balance Requirements

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

S. Budgeting and Budgetary Control

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

(Notes continue on next page.)

STATE OF IOWA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – CASH, INVESTMENTS AND SECURITIES LENDING

A. Primary Government and Fiduciary Funds

Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

The fair value measurements, categorized by level of the fair value hierarchy, for the investments of the primary government, at June 30, 2019 follow (expressed in thousands):

Investments Measured at Fair Value Primary Government

Investment Type	Total	Level 1	Level 2	Level 3	NAV
Fixed:					
U.S. government treasuries, bills, notes & bonds	\$ 270,795	\$ 240,295	\$ 30,500	\$ -	\$ -
U.S. government agency	336,568	-	336,568	-	-
Government asset & mortgage-backed	1,566,071	-	1,566,071	-	-
Corporate bonds	134,078	-	134,078	-	-
Corporate asset backed	28,021	-	28,021	-	-
Private placements	10,170	-	10,170	-	-
Fixed income mutual funds	2,169,688	1,552,715	1	-	616,972
Other fixed income	17,447	-	17,447	-	-
Total fixed	4,532,838	1,793,010	2,122,856	-	616,972
Equity:					
U.S. equity	24,732	24,010	705	17	-
Private equity	126,914	-	-	-	126,914
Pooled & mutual funds	602,468	414,186	2,602	-	185,680
Real assets	202,858	-	-	-	202,858
Investment pools	1,720	539	657	524	-
Other	1,643	777	765	101	-
Total equity	960,335	439,512	4,729	642	515,452
Total	5,493,173	\$ 2,232,522	\$ 2,127,585	\$ 642	\$ 1,132,424
Other:					
Bank investments	66,593				
Money markets	272,283				
Total invested assets	\$ 5,832,049				

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

The following table summarizes investments measured at the net asset value per share, or equivalent, for the primary government, at June 30, 2019 (expressed in thousands):

Investments Measured at the Net Asset Value				
Primary Government				
Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed:				
Fixed income mutual funds	\$ 616,972	\$ -	daily - quarterly	5 - 60 days
Equity:				
Private equity	126,914	36,522	N/A	N/A
Pooled & mutual funds	185,680	-	daily - monthly	2 - 30 days
Real assets - redeemable	124,377	-	quarterly	60 - 90 days
Real assets - nonredeemable	78,481	58,447	N/A	N/A
Real assets	202,858	58,447		
Total equity	515,452	94,969		
Total	\$ 1,132,424	\$ 94,969		

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

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

The fair value measurements, categorized by level of the fair value hierarchy, for the investments of the fiduciary funds, at June 30, 2019 follow (expressed in thousands):

Investments Measured at Fair Value Fiduciary Funds

Investment Type	Total	Level 1	Level 2	Level 3	NAV
Fixed:					
U.S. government treasuries, bills, notes & bonds	\$ 1,365,339	\$ 1,329,450	\$ 35,889	\$ -	\$ -
U.S. government agency	514,565	2,588	511,977	-	-
Government asset & mortgage-backed	2,206,811	-	2,206,769	42	-
Corporate bonds	3,291,661	-	3,199,695	91,966	-
Corporate asset backed	243,554	-	243,344	210	-
Private placements	1,686,506	-	1,686,506	-	-
Fixed income mutual funds	669,385	-	-	7,846	661,539
Commingled bond funds	2,412,550	-	-	-	2,412,550
Other fixed income	21,928	2,616	19,312	-	-
Total fixed	12,412,299	1,334,654	7,903,492	100,064	3,074,089
Equity:					
U.S. equity	4,672,488	4,426,361	246,127	-	-
Private equity	4,727,157	-	-	-	4,727,157
Commingled & mutual funds	15,596,475	5,253,295	357,753	-	9,985,427
Real estate	2,913,139	-	-	2,213,487	699,652
Other	69,112	22,492	46,595	25	-
Total equity	27,978,371	9,702,148	650,475	2,213,512	15,412,236
Total invested assets	\$ 40,390,670	\$ 11,036,802	\$ 8,553,967	\$ 2,313,576	\$ 18,486,325

The following table summarizes investments measured at the net asset value per share, or equivalent, for the fiduciary funds, at June 30, 2019 (expressed in thousands):

Investments Measured at the Net Asset Value Fiduciary Funds

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed:				
Fixed income mutual funds	\$ 661,539	\$ -	daily	N/A
Commingled bond funds	2,412,550	-	daily	2 days
Total fixed	3,074,089	-		
Equity:				
Private equity	4,727,157	2,307,504	N/A	N/A
Commingled & mutual funds	9,985,427	-	daily - monthly	1 - 15 days
Real estate	699,652	524,448	N/A	N/A
Total equity	15,412,236	2,831,952		
Total	\$ 18,486,325	\$ 2,831,952		

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

- Commingled bond funds and commingled & mutual funds – Consists of two bond funds, four domestic equity funds, six international equity funds, and one real estate investment fund that are considered to be commingled in nature. Each are valued at the net asset value of the units held at the end of the period based upon the fair value of underlying investments.
- Private equity – Consists of 174 active partnerships within the legacy program and a fund-of-one investment, which invests primarily in buyout funds, with some exposure to venture capital, special

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

situations, and distressed debt funds. The fair values of these funds and the fund-of-one have been determined using net assets valued one quarter in arrears plus current quarter cash flows. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5 to 10 years.

- Real estate – Consists of seven partnerships. Four of the partnerships invest primarily in high-yield real estate debt while the other three partnerships invest primarily in middle market corporate debt. Four of the funds determine fair value by utilizing net asset values from one quarter in arrears plus current quarter cash flows. The other three funds determine fair value by utilizing net asset values from the current quarter. These funds are not eligible for redemption. Distributions are received as underlying investments are liquidated, which on average can occur over the span of 3 to 7 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State's exposure to credit risk for the fixed income investments of the primary government and fiduciary funds at June 30, 2019, is summarized as follows (expressed in thousands):

Primary Government			Fiduciary Funds		
S & P Quality Ratings	Fair Value	Percentage	S & P Quality Ratings	Fair Value	Percentage
TSY	\$ 307,661	6.79%	TSY	\$ 3,243,550	26.13%
AGY	22,118	0.49%	AGY	437,873	3.53%
AAA	47,947	1.06%	AAA	544,601	4.39%
AA	2,697,642	59.51%	AA	1,698,791	13.69%
A	291,351	6.43%	A	1,123,973	9.06%
BBB	97,659	2.15%	BBB	2,059,297	16.59%
BB	140,834	3.11%	BB	812,599	6.55%
B	114,083	2.52%	B	668,113	5.38%
Below B	3,599	0.08%	Below B	131,562	1.06%
Not rated	809,944	17.86%	Not rated	1,691,940	13.62%
Total	<u>\$ 4,532,838</u>	<u>100.00%</u>	Total	<u>\$ 12,412,299</u>	<u>100.00%</u>

The Treasurer's investment policy authorizes the investment in U.S. Treasuries, agencies and instrumentalities; certificates of deposit and other evidences of deposit at federally insured depository institutions approved pursuant to Chapter 12C of the Code of Iowa; domestic prime bankers' acceptances that are eligible for purchase by a federal reserve bank and which mature within 270 days from the date of purchase; domestic commercial paper maturing within 270 days from the date of purchase having a rating of A1+/P1 by Standard & Poor's and A1/P1 by Moody's on the date of purchase; short-term corporate debt, other than commercial paper, maturing within 270 days from the date of purchase having one of the two highest ratings of either Standard & Poor's or Moody's on the date of purchase, provided that at the time of purchase no more than 5% of amounts invested in short-term corporate debt or commercial paper maturing within 270 days are rated in the second highest rating classification; perfected repurchase agreements; obligations or guaranteed investment contracts of domestic corporations with maturities greater than 270 days from the date of purchase which have long-term ratings of not less than A2 by Moody's and not less than A by Standard & Poor's; asset-backed securities rated AAA by Standard & Poor's or Aaa by Moody's which are purchased at par value or at a discount to par value and have an expected average time to receipt of principal (average life) of less than two years and a final maturity of less than three years at the time of purchase; and money market mutual funds which are open-end investment management companies organized in trust form registered with the SEC under the Investment Company Act of 1940.

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

There are no policy limitations for credit risk exposures within the investment portfolios of the Systems (IPERS, PORS and JRS). Each of the Systems' fixed-income portfolios are managed in accordance with an investment contract that is specific as to permissible credit quality ranges and the average credit quality of the overall portfolios. In circumstances where downgrades occurred after the purchase, investment managers are permitted to hold a downgraded security if the manager believes it is prudent to do so. Policies related to credit risk pertaining to IPERS', PORS' and JRS' securities lending programs are found under the securities lending disclosures found in NOTE 1 F of these notes.

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

Concentration of Credit Risk

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

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

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

Custodial Credit Risk

Deposits: Custodial credit risk for deposits is the risk that in the event of a failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. Protection from custodial credit risk exists for the State's deposits in excess of FDIC insurance coverage. Banks in Iowa which accept public funds deposits are required to pledge collateral in an amount equal to, or in excess of, the total amount by which the public funds deposits in the bank exceeds the total capital of the bank. If the applicable deposit insurance, the liquidation of pledged collateral, or the funds received from drawing on any Letters of Credit, and the assets of the bank which are liquidated within 30 days of the closing of the bank are not sufficient to satisfy the loss to public units, then the Treasurer shall obtain the additional amount needed to satisfy all remaining claims from the state sinking fund for public deposits in banks to the extent funds in the sinking fund are sufficient to cover public funds depositors' claims. If the funds in the sinking fund for public deposits in banks are inadequate to cover the remaining loss, the Treasurer shall make assessments against all remaining banks whose public funds deposits exceed federal deposit insurance coverage to satisfy the remaining loss. The \$1.4 billion of total combined bank deposits of the primary government and fiduciary funds at June 30, 2019, were exposed to custodial credit risk for \$202.9 million of uninsured and uncollateralized bank deposits, of which \$198.7 million was invested in money market funds as cash equivalents.

Investments: Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Treasurer's investment policy requires that all investments be held by a third-party custodian while the Universities and Systems have no formal policy for investment custodial credit risk. Of the \$46.2 billion of total combined investments of the primary government and fiduciary funds at June 30, 2019, \$1.7 million was exposed to custodial credit risk as uninsured and unregistered, with the securities held by the counterparty or by its trust department or agent but not in the State's name.

The State's Unemployment Benefits Fund had \$1.2 billion on deposit with the U.S. Treasury. This amount is presented as cash and investments but is not included in the carrying amounts of deposits nor is it categorized according to risk because it is neither a deposit with a financial institution nor an investment.

Interest Rate Risk

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

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

Maturity Limitations: No investment shall be made in a U.S. Treasury note or bond, a U.S. government agency note or bond or a U.S. government instrumentality note or bond with a maturity that exceeds 61 months at the time of purchase. (The 61-month maturity limitation for government agency or instrumentality securities does not apply to such securities if accepted as collateral under a repurchase agreement.) No investment shall be made in an asset-backed security that has an expected average life greater than two years at the time of purchase and a final maturity greater than three years at the time of purchase. The maturities of commercial paper and bankers acceptances shall not exceed 270 days at the time of purchase. The maturities of all other investments shall not exceed 25 months at the time of purchase.

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

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

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

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

The State's exposure to interest rate risk for the fixed income investments of the primary government and the fiduciary funds at June 30, 2019, is summarized using the effective duration method, as follows (expressed in thousands):

Primary Government			Fiduciary Funds		
Investment Type	Fair Value	Effective Duration (Years)	Investment Type	Fair Value	Effective Duration (Years)
U.S. government treasuries, bills, notes & bonds	\$ 270,795	0.78	U.S. government treasuries, bills, notes & bonds	\$ 1,365,339	9.81
U.S. government agency	336,568	0.65	U.S. government agency	514,565	7.05
Government asset & mortgage-backed	1,566,071	0.56	Government asset & mortgage-backed	2,206,811	2.83
Corporate bonds	134,078	0.23	Corporate bonds	3,291,661	5.29
Corporate asset backed	28,021	0.63	Corporate asset backed	243,554	1.75
Private placements	10,170	0.18	Private placements	1,686,506	4.25
Fixed income mutual funds	2,169,688	2.95	Fixed income mutual funds	669,385	0.08
Other fixed income	17,447	0.29	Commingled bond funds	2,412,550	6.87
Total	<u>\$ 4,532,838</u>	<u>1.71</u>	Other fixed income	21,928	6.90
			Total	<u>\$ 12,412,299</u>	<u>5.70</u>

Foreign Currency Risk

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

IPERS' currency policy is to allow its investment managers the discretion to hedge their foreign currency exposures. PORS' external managers may or may not hedge the portfolio's foreign currency exposures with forward foreign exchange contracts, currency options, currency futures or options on currency futures depending

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

upon their views on a specific foreign currency relative to the U.S. dollar. IPERS generally does not allow its investment managers to enter into currency positions greater than 100% or less than 0% of the underlying asset exposure in their respective portfolios. The only exceptions are (1) as it relates to specific cross-hedging activity, which may be permitted in certain investment manager contracts, and (2) in liquid absolute return strategies (LARS) where the managers are permitted to tactically allocate across several asset classes and strategies, including currency. IPERS' net foreign currency exposure of the LARS managers was less than 1% of IPERS' total foreign currency exposure on June 30, 2019.

Foreign currency risk by investment type for the fiduciary funds, at June 30, 2019, follows (expressed in thousands):

	Total	Cash	Derivatives	Equity	Fixed Income
Argentine peso	\$ 149	\$ -	\$ -	\$ -	\$ 149
Australian dollar	116,196	838	(4,055)	119,413	-
Brazilian real	56,285	335	-	52,327	3,623
British pound	209,880	(2,110)	(989)	209,443	3,536
Canadian dollar	23,709	67	(715)	24,064	293
Chilean peso	2,979	16	-	2,963	-
Chinese yuan renminbi	70	70	-	-	-
Chinese yuan	(6,656)	(6,656)	-	-	-
Colombian peso	670	2	-	668	-
Czech koruna	4,920	78	-	4,842	-
Danish krone	38,846	416	-	38,430	-
Egyptian pound	417	19	-	398	-
Euro	598,463	(56,090)	9,910	583,578	61,065
Hong Kong dollar	216,369	1,710	(750)	215,409	-
Hungarian forint	10,712	72	-	10,278	362
Indian rupee	71,199	4,949	-	66,250	-
Indonesian rupiah	15,960	951	-	15,009	-
Israeli shekel	12,732	(9)	-	12,741	-
Japanese yen	299,054	6,602	(864)	293,316	-
Malaysian ringgit	11,711	136	76	10,962	537
Mexican peso	59,961	1,427	228	22,095	36,211
New Zealand dollar	5,359	12	-	5,347	-
Norwegian krone	23,799	195	(159)	23,236	527
Philippine peso	8,538	433	-	8,105	-
Polish zloty	2,888	8	-	2,518	362
Qatari riyal	2,995	-	-	2,995	-
Russian ruble	91	75	-	16	-
Singapore dollar	32,947	24	(60)	32,983	-
South African rand	52,121	54	(13)	52,080	-
South Korean won	66,463	(1,856)	-	68,319	-
Swedish krona	30,296	(320)	209	30,407	-
Swiss franc	81,510	1,206	85	80,219	-
Taiwanese dollar	65,890	(146)	-	66,036	-
Thai baht	19,695	4	(234)	19,925	-
Turkish lira	11,438	1	214	11,223	-
United Arab Emirates dirham	667	-	-	667	-
Total	\$ 2,148,323	\$ (47,487)	\$ 2,883	\$ 2,086,262	\$ 106,665

Deposits with Trustees

Deposits with trustees totaled \$174.1 million at June 30, 2019. \$12.0 million was invested in fixed U.S. government treasury securities with an effective duration of 0.89 years, \$9.0 million was invested in fixed U.S. government agency securities with an effective duration of 0.81 years and a credit quality rating of AAA, \$147.0 million was invested in equity securities not subject to credit quality ratings and the remaining \$6.1 million was cash and cash equivalents.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

University Endowments

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

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

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

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

	Amount	Net Position Classification
University of Iowa	\$ 14,048	Restricted nonexpendable net position
Iowa State University	7,771	Restricted expendable net position
University of Northern Iowa	738	Restricted expendable net position

B. Component Units

Fair Value Measurement

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

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

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

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

The fair value measurements, categorized by level of the fair value hierarchy, for the investments of the component units, at June 30, 2019 follow (expressed in thousands):

Investments Measured at Fair Value

Investment Type	Total	Level 2	Level 3
Fixed:			
U.S. government treasuries, bills, notes & bonds	\$ 23,759	\$ 23,759	\$ -
U.S. government agency	44,467	44,467	-
Government asset & mortgage-backed	576,234	576,234	-
Corporate bonds	7,462	7,462	-
Certificates of deposit	2,997	2,997	-
Total fixed	654,919	654,919	-
Equity:			
Other	454	-	454
Total	655,373	\$ 654,919	\$ 454
Other:			
Money markets	562,288		
Guaranteed investment contracts	41,523		
State of Iowa Treasurer pooled money fund	29,323		
Healthcare joint ventures	9,389		
Total invested assets	\$ 1,297,896		

The University Foundations', discretely presented component units, cash and investments of \$2.7 billion are not subject to GASB disclosure requirements.

Credit Risk

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

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

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

The exposure to credit risk for the component units fixed income investments at June 30, 2019, is summarized as follows (expressed in thousands):

S & P Quality Ratings	Fair Value	Percentage
AA	\$ 75,688	11.56%
Not rated	579,231	88.44%
Total	\$ 654,919	100.00%

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

Concentration of Credit Risk

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

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

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

Interest Rate Risk

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

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

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

The component units' exposure to interest rate risk for the fixed income investments at June 30, 2019, is summarized using the weighted average maturity method, as follows (expressed in thousands):

Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. government treasuries, bills, notes & bonds	\$ 23,759	1.32
U.S. government agency	44,467	1.04
Government asset & mortgage-backed	576,234	21.66
Corporate bonds	7,462	1.84
Certificates of deposit	2,997	1.62
Total	<u>\$ 654,919</u>	<u>19.20</u>

C. Derivatives

Fiduciary Funds

GAAP requires the fair value of financial arrangements called "derivatives" or "derivative instruments" to be reported in the financial statements of state and local governments. Further, derivatives are required to be categorized as either hedging derivatives or investment derivatives. All of IPERS' derivative exposures at June 30, 2019, are categorized as investment derivatives and, therefore, hedge accounting provisions are not applicable.

Some of the IPERS' external investment managers may be permitted through their individual investment contracts to use derivative instruments, subject to 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 implementing portable alpha strategies, including liquid absolute return 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 Fiduciary Net Position. IPERS holds investments in limited partnerships and commingled investment funds, which may occasionally utilize derivatives for hedging purposes; however, any derivatives held by these types of investment vehicles are not included in this Note. 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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

credit evaluations and approvals, counterparty credit limits, exposure monitoring procedures, and in some cases the collateralization of gains or losses. IPERS anticipates the counterparties will be able to satisfy their obligations under the contracts. Limited partnerships and commingled investment vehicles in which IPERS invests may also have exposure to counterparty risk from the use of derivatives for hedging purposes.

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

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

Summaries of futures and options contracts by sector outstanding at June 30, 2019, follow (expressed in thousands):

Futures Exposure Summary

	Number of Contracts	Notional Value	Fair Value	% of Total Fund NAV
Long Futures:				
Agriculture	61	\$ 1,333	\$ (14)	(0.00004)
Currency	1,721	118,636	485	0.00143
Energy	61	4,486	289	0.00085
Index	2,701	251,019	2,126	0.00626
Interest	20,722	6,189,842	33,015	0.09721
Metal	567	48,918	67	0.00020
Total	25,833	\$ 6,614,234	\$ 35,968	0.10591
Short Futures:				
Agriculture	(378)	\$ (9,214)	\$ 154	0.00045
Currency	(2,966)	(297,353)	(1,891)	(0.00557)
Energy	(207)	(7,868)	(212)	(0.00062)
Index	(651)	(57,588)	(390)	(0.00115)
Interest	(6,751)	(1,201,890)	(12,105)	(0.03564)
Metal	(680)	(54,084)	160	0.00047
Total	(11,633)	\$ (1,627,997)	\$ (14,284)	(0.04206)

Options Exposure Summary

	Fair Value	% of Total Fund NAV
Options purchased:		
Interest	\$ 2,305	0.00679
Options written:		
Index	\$ (1,614)	(0.00475)
Interest	(976)	(0.00288)
Total	\$ (2,590)	(0.00763)

Credit Default Swaps: IPERS had investments in credit default swaps during the year. The credit default swaps are derivative instruments used to hedge or to replicate investments in debt obligations of corporate bond issuers. The risk of the credit default swap is comparable to the credit risk of the reference security. At June 30, 2019, the net notional value of the credit default swaps held in IPERS' fixed-income portfolio was \$46.6 million. The credit default swaps are reported at a fair value of \$2.1 million in the Statement of Fiduciary Net Position.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

Interest Rate Swaps: Interest rate swaps are transactions between two parties in which interest payments from different indexes are swapped. Interest rate swaps are often used to alter the portfolios' exposure to interest rate fluctuations by swapping fixed-rate obligations for floating-rate obligations or vice versa. By utilizing interest rate swaps, IPERS' investment managers are able to alter their interest rate exposure and bring it in line with their strategic objectives for interest rate risk. At June 30, 2019, the net notional value of the interest rate swaps held in IPERS' fixed-income portfolio was \$1.3 billion. All interest rate swaps held by IPERS are reported at a fair value of \$(12.3) million in the Statement of Fiduciary Net Position.

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

Component Units

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

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

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

Aggregate debt service requirements of the Authority's hedged variable-rate debt and net receipts/payments on associated derivative instruments at June 30, 2019, follow (expressed in thousands):

Year Ending June 30,	Variable-rate Bonds Principal	Variable-rate Bonds Interest	Interest Rate Swaps, Net	Total
2020	\$ -	\$ 2,882	\$ 1,164	\$ 4,046
2021	-	2,901	1,184	4,085
2022	-	2,905	1,157	4,062
2023	1,300	2,890	1,138	5,328
2024	4,820	2,870	1,117	8,807
2025-2029	9,620	13,546	4,893	28,059
2030-2034	27,515	11,837	3,611	42,963
2035-2039	37,370	8,401	2,331	48,102
2040-2044	40,215	4,808	1,353	46,376
2045-2049	29,800	909	298	31,007
Total	\$ 150,640	\$ 53,949	\$ 18,246	\$ 222,835

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

Hedging Derivatives – Swaps: Swap agreements allow the Authority to raise funds at variable rates and swap them into fixed rates that are lower than those available to the Authority if fixed-rate borrowings were made directly. These contracts involve the exchange of variable-rate for fixed-rate payments between the parties,

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

without the exchange of the underlying debt, based on a common notional amount and maturity date. The terms of the Authority's swap hedging derivative instruments outstanding at June 30, 2019, follow (expressed in thousands):

Bond Series	2019	Effective Date	Termination Date	Terms		S & P Global Rating
	Notional Amount			Pay	Receive	
SF 2015 B	\$ 5	05/01/06	07/01/25	3.843%	SIFMA + 0.10% or Various LIBOR + Spread	AA-
SF 2015 B	4,745	09/01/06	01/01/36	3.766%	Enhanced LIBOR	A+
SF 2015 B	80	11/01/06	07/01/36	4.632%	SIFMA + 0.10%	AA-
MF 2008 A	3,450	04/17/08	06/01/24	3.971%	SIFMA + 0.08%	A+
SF 2015 B	25,170	01/01/17	01/01/46	2.518%	67% of USD LIBOR	AA-
SF 2016 B	12,785	07/01/16	07/01/46	2.206%	67% of USD LIBOR	AA-
SF 2016 E	2,520	01/01/18	07/01/46	2.292%	67% of USD LIBOR	A+
SF 2017 D	13,125	01/01/18	01/01/47	2.126%	67% of USD LIBOR	A+
SF 2018 B	15,000	07/01/18	07/01/47	2.490%	70% of USD LIBOR	AA-
SF 2018 D	11,250	07/01/19	07/01/48	2.638%	70% of USD LIBOR	AA-
SF 2019 B	15,000	07/01/19	07/01/30	1.939%	SIFMA	A+
	<u>\$ 103,130</u>					

Hedging Derivatives – Caps: Interest rate cap derivatives are when the Authority receives payments at the end of each period, based on a notional amount, when the interest rate exceeds the agreed-upon strike rate. Terms of the Authority's cap derivative instruments outstanding at June 30, 2019, follow (expressed in thousands):

Bond Series	2019	Effective Date	Maturity Date	Strike Rate	S & P Global Rating
	Notional Amount				
MF 2007 B	\$ 9,300	06/14/07	01/01/24	5.0% SIFMA until 07/01/19, 5.5% SIFMA thereafter	AA-
MF 2007 A	11,305	07/01/18	07/01/21	SIFMA = 3%	AA-
MF FHLB B-1	10,451	07/01/18	07/01/22	USD LIBOR = 6%	AA-
	<u>\$ 31,056</u>				

Investment Derivatives: The Authority's investment derivative instruments had the following maturities as of June 30, 2019 (expressed in thousands):

Investment Type	Notional Value	Fair Value	Investment Maturities (in Years)		
			Less than 1	1 - 5	6 - 10
Investment derivative instruments:					
Swaps	\$ 13,185	\$ (584)	\$ -	\$ (31)	\$ (553)
Forward MBS sales	25,990	(85)	(85)	-	-
MBS purchase commitments	76,712	162	162	-	-
Total	\$ 115,887	\$ (507)	\$ 77	\$ (31)	\$ (553)

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

Fair Values of Derivatives: The Authority's fair value of derivative instruments outstanding at June 30, 2019, classified by type, and changes in the fair value of such derivative instruments as reported in the financial statements are as follows (expressed in thousands):

Bond Series	Type	Fair Value June 30, 2019	Change in Fair Value	Fair Value June 30, 2018
Hedging derivatives:				
SF 2015 B	Swap	\$ (172)	\$ 9	\$ (181)
SF 2015 B	Swap	(6)	2	(8)
SF 2015 B	Swap	(898)	(805)	(93)
SF 2016 B	Swap	(181)	(517)	336
SF 2016 E	Swap	(107)	(356)	249
SF 2017 D	Swap	(253)	(552)	299
SF 2018 B	Swap	(658)	(643)	(15)
SF 2018 D	Swap	(593)	(593)	-
SF 2019 B	Swap	(717)	(717)	-
MF 2007 A	Cap	-	(10)	10
MF 2007 B	Cap	1	(3)	4
MF 2011 B1	Cap	-	(2)	2
MF 2008 A	Swap	(418)	(86)	(332)
Total hedging derivatives		\$ (4,002)	\$ (4,273)	\$ 271
Investment derivatives:				
NONE	Swap	\$ (584)	\$ (41)	\$ (543)
NONE	Basis swap	31	20	11
NONE	Swap	(31)	20	(51)
Forward MBS sales	Forward	(85)	24	(109)
MBS purchase commitments	Commitment	162	(335)	497
Total investment derivatives		\$ (507)	\$ (312)	\$ (195)

The fair values, categorized by level of the fair value hierarchy, for the hedging and investment derivative instruments of the Authority, at June 30, 2019 follow (expressed in thousands):

Derivative Type	Total	Level 2	Level 3
Hedging derivative instruments	\$ (4,002)	\$ (4,002)	\$ -
Investment derivative instruments	(507)	(669)	162

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

The fair value of the MBS purchase commitments are estimated using an internal valuation model, which includes grouping the commitments by interest rate and terms, applying an estimated closing ratio, and then multiplying by quoted investor prices determined to be reasonably applicable to the commitment groups based on interest rate, terms, and commitment expiration dates of the commitment group. The closing ratio, which represents the percentage of commitments that management estimates it will ultimately fund, calculation takes into consideration historical data and loan-level data. The weighted average closing ratio at June 30, 2019, was 80%.

Risks Associated with Derivative Transactions:

Credit risk: The Authority is exposed to credit risk on hedging derivative instruments that are in asset positions. The aggregate fair value of hedging derivative instruments in asset positions at June 30, 2019 was \$32,000. 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, Goldman Sachs Bank USA, Royal Bank of Canada, and Wells Fargo Bank, N.A. are currently counterparties under the derivatives agreements with the Authority.

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

Interest rate risk: The Authority is exposed to interest rate risk on its derivatives. On its pay-fixed, receive-variable derivatives, as the 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, 2019, the SIFMA swap index rate is 1.90% and US 1-month LIBOR is 2.40%.

Termination risk: Termination risk is the risk that the swap could be terminated as a result of any of several events, which may include a ratings downgrade of the Authority's single-family mortgage bonds or of a derivative counterparty covenant violation, bankruptcy, swap payment default, and default events as defined in the Authority's Single Family Mortgage Bonds Resolution; however, the Authority believes that the likelihood of any such termination event is remote.

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – TRANSFERS

Interfund transfers for the year ended June 30, 2019, consisted of the following (expressed in thousands):

Transferred Out	Transferred In			Total
	General Fund	Nonmajor Governmental Funds	University Funds	
General Fund	\$ -	\$ 26,246	\$ 619,307	\$ 645,553
Tobacco Collections Fund	10,901	-	-	10,901
Nonmajor Governmental Funds	41,449	30	-	41,479
Unemployment Benefits Fund	2,948	-	-	2,948
Nonmajor Enterprise Funds	126,977	-	-	126,977
Total	\$ 182,275	\$ 26,276	\$ 619,307	\$ 827,858

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, 2019, consisted of the following (expressed in thousands):

	Governmental Funds	Proprietary Funds		
		Enterprise Funds	Internal Service Funds	Component Units
Accounts receivable:				
Taxes	\$ 724,298	\$ 1,317	\$ 160	\$ -
Pledges	5,808	-	-	349,969
Benefit overpayments	-	64,610	-	-
Employer contributions	-	146,314	-	-
Grants & contracts	1,192,341	1,217,416	836	-
Other	1,132,208	92,704	885	66,368
Less:				
Allowance for doubtful accounts	760,345	814,524	-	7,587
Discount to present value	-	-	-	39,531
Accounts receivable (net)	\$ 2,294,310	\$ 707,837	\$ 1,881	\$ 369,219
Current	\$ 2,194,734	\$ 681,753	\$ 1,881	\$ 126,023
Noncurrent	99,576	26,084	-	243,196
Total	\$ 2,294,310	\$ 707,837	\$ 1,881	\$ 369,219
Loans receivable:				
Loans receivable	\$ 48,944	\$ 60,763	\$ -	\$ 2,189,494
Less:				
Allowance for doubtful accounts	8,895	3,240	-	130,381
Loans receivable (net)	\$ 40,049	\$ 57,523	\$ -	\$ 2,059,113
Current	\$ 23,634	\$ 3,757	\$ -	\$ 137,326
Noncurrent	16,415	53,766	-	1,921,787
Total	\$ 40,049	\$ 57,523	\$ -	\$ 2,059,113

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – INTERFUND BALANCES

Interfund balances for the year ended June 30, 2019, consisted of the following (expressed in thousands):

Due To Other Funds/ Advances From Other Funds	Due From Other Funds/Advances To Other Funds						Total
	General Fund	Tobacco Settlement Authority	Nonmajor Governmental Funds	Unemployment Benefits Fund	Nonmajor Enterprise Funds	Internal Service Funds	
General Fund	\$ -	\$ -	\$ 2,409	\$ 1,081	\$ 139	\$ 76,964	\$ 80,593
Tobacco Settlement Authority	107	-	-	-	-	-	107
Tobacco Collections Fund	-	123,338	-	-	-	-	123,338
Nonmajor Governmental Funds	11,011	-	23	-	-	106	11,140
Unemployment Benefits Fund	206	-	-	-	-	-	206
Nonmajor Enterprise Funds	12,447	-	-	-	6	136	12,589
Internal Service Funds	752	-	-	-	-	12,498	13,250
Total	<u>\$24,523</u>	<u>\$ 123,338</u>	<u>\$ 2,432</u>	<u>\$ 1,081</u>	<u>\$ 145</u>	<u>\$89,704</u>	<u>\$241,223</u>

\$62.5 million is due from the General Fund to the Workers' Compensation Fund (an Internal Service Fund) to fund the cost of claims incurred. Remaining interfund balances result mainly from the time lag between the dates (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

(Notes continue on next page.)

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows (expressed in thousands):

	Beginning Balance	Beginning Balance Adjustment	Beginning Balance, Restated	Reclass- ifications	Increases	Decreases	Ending Balance
Governmental activities							
Capital assets not being depreciated:							
Land	\$ 917,193	\$ -	\$ 917,193	\$ -	\$ 31,741	\$ 137	\$ 948,797
Construction in progress	61,574	-	61,574	(7,776)	20,519	-	74,317
Computer software in progress	60,506	-	60,506	(62,842)	27,471	-	25,135
Total capital assets not being depreciated	1,039,273	-	1,039,273	(70,618)	79,731	137	1,048,249
Capital assets being depreciated:							
Infrastructure	15,324,540	-	15,324,540	-	881,810	811	16,205,539
Buildings & improvements	1,909,941	44,358	1,954,299	5,559	23,417	375	1,982,900
Machinery, equipment & vehicles	621,238	-	621,238	572	55,356	26,686	650,480
Land improvements	95,617	-	95,617	1,645	2,422	359	99,325
Works of art & historical treasures	1,426	-	1,426	-	-	-	1,426
Computer software	221,788	-	221,788	62,842	8,922	-	293,552
Total capital assets being depreciated	18,174,550	44,358	18,218,908	70,618	971,927	28,231	19,233,222
Less accumulated depreciation for:							
Infrastructure	7,871,522	-	7,871,522	-	553,601	640	8,424,483
Buildings & improvements	822,834	9,807	832,641	-	49,318	361	881,598
Machinery, equipment & vehicles	403,316	-	403,316	-	41,000	24,972	419,344
Land improvements	32,262	-	32,262	-	2,840	299	34,803
Works of art & historical treasures	280	-	280	-	16	-	296
Computer software	62,515	-	62,515	-	19,358	-	81,873
Total accumulated depreciation	9,192,729	9,807	9,202,536	-	666,133	26,272	9,842,397
Total capital assets being depreciated (net)	8,981,821	34,551	9,016,372	70,618	305,794	1,959	9,390,825
Governmental activities capital assets (net)	\$ 10,021,094	\$ 34,551	\$ 10,055,645	\$ -	\$ 385,525	\$ 2,096	\$ 10,439,074

(continued on next page)

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

(continued)

	Beginning Balance	Beginning Balance Adjustment	Beginning Balance, Restated	Reclass- ifications	Increases	Decreases	Ending Balance
Business-type activities							
Capital assets not being depreciated:							
Land	\$ 95,535	\$ -	\$ 95,535	\$ -	\$ 4,859	\$ 2,206	\$ 98,188
Land improvements	5,733	-	5,733	176	-	-	5,909
Library collections	358,194	-	358,194	-	19,345	2,771	374,768
Works of art	28,794	-	28,794	-	121	-	28,915
Construction in progress	354,838	-	354,838	(263,591)	323,811	10,795	404,263
Computer software in progress	26,873	(1,229)	25,644	(647)	20,209	-	45,206
Total capital assets not being depreciated	869,967	(1,229)	868,738	(264,062)	368,345	15,772	957,249
Capital assets being depreciated:							
Infrastructure	1,114,276	-	1,114,276	73,124	384	415	1,187,369
Buildings & improvements	6,850,003	-	6,850,003	168,478	115	2,974	7,015,622
Machinery, equipment & vehicles	1,298,829	-	1,298,829	2,388	88,753	60,823	1,329,147
Land improvements	79,895	-	79,895	19,425	-	-	99,320
Library collections	292,872	-	292,872	-	10,063	2,565	300,370
Computer software	130,028	-	130,028	647	1,395	3,393	128,677
Goodwill	2,302	-	2,302	-	-	-	2,302
Trademarks	107	-	107	-	-	-	107
Total capital assets being depreciated	9,768,312	-	9,768,312	264,062	100,710	70,170	10,062,914
Less accumulated depreciation for:							
Infrastructure	665,158	-	665,158	-	31,864	306	696,716
Buildings & improvements	2,876,524	-	2,876,524	-	215,341	2,963	3,088,902
Machinery, equipment & vehicles	863,645	-	863,645	-	98,262	56,544	905,363
Land improvements	53,773	-	53,773	-	4,335	-	58,108
Library collections	243,490	-	243,490	-	10,988	2,566	251,912
Computer software	77,522	-	77,522	-	9,619	3,383	83,758
Goodwill	1,142	-	1,142	-	154	-	1,296
Trademarks	53	-	53	-	7	-	60
Total accumulated depreciation	4,781,307	-	4,781,307	-	370,570	65,762	5,086,115
Total capital assets being depreciated (net)	4,987,005	-	4,987,005	264,062	(269,860)	4,408	4,976,799
Business-type activities capital assets (net)	\$ 5,856,972	\$ (1,229)	\$ 5,855,743	\$ -	\$ 98,485	\$ 20,180	\$ 5,934,048

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

Governmental activities:	
Administration & regulation	\$ 13,828
Education	3,995
Health & human rights	8,612
Human services	14,488
Justice & public defense	36,996
Economic development	888
Transportation	558,042
Agriculture & natural resources	10,910
Subtotal	647,759
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	18,374
Total	\$ 666,133
Business-type activities:	
Enterprise	\$ 370,570

Discretely Presented Component Units (expressed in thousands)

Capital assets not being depreciated:	
Land	\$ 20,635
Construction in progress	4,090
Total capital assets not being depreciated	24,725
Capital assets being depreciated:	
Infrastructure	22,706
Buildings & improvements	146,271
Machinery, equipment & vehicles	16,851
Computer software	2,169
Total capital assets being depreciated	187,997
Less accumulated depreciation	79,504
Total capital assets being depreciated (net)	108,493
Discretely presented component units capital assets (net)	\$ 133,218

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 – CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2019, are summarized as follows (expressed in thousands):

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts due within one year
Governmental activities					
Compensated absences	\$ 306,889	\$ 141,668	\$ 144,836	\$ 303,721	\$ 137,151
Capital leases	29,665	2,678	4,174	28,169	4,104
Bonds payable	1,535,957	180,266	273,511	1,442,712	123,425
Other financing arrangements payable	2,783	66	1,893	956	99
Net pension liability	1,088,639	19,236	84,357	1,023,518	-
Other postemployment benefits liability	176,585	13,317	-	189,902	11,165
Early retirement/termination benefits	22,314	9,994	11,353	20,955	8,235
Risk management	25,000	8,822	8,822	25,000	7,011
Pollution remediation	8,476	174	1,043	7,607	3,601
Other liabilities	876	-	187	689	60
Total *	3,197,184	376,221	530,176	3,043,229	294,851
Allocation of Internal Service					
Funds liabilities:					
Compensated absences	5,783	2,562	2,726	5,619	3,020
Net pension liability	22,521	-	2,451	20,070	-
Other postemployment benefits liability	3,232	206	-	3,438	202
Early retirement/termination benefits	636	281	296	621	217
Total	32,172	3,049	5,473	29,748	3,439
Total primary government - governmental activities	<u>\$ 3,229,356</u>	<u>\$ 379,270</u>	<u>\$ 535,649</u>	<u>\$ 3,072,977</u>	<u>\$ 298,290</u>
Business-type activities					
Compensated absences	\$ 220,820	\$ 146,963	\$ 143,460	\$ 224,323	\$ 142,638
Capital leases	25,604	-	1,916	23,688	1,957
Bonds payable	1,984,189	70,321	109,272	1,945,238	115,066
Other financing arrangements payable	33,118	-	8,347	24,771	7,448
Net pension liability	171,993	5,096	-	177,089	-
Other postemployment benefits liability	251,198	-	847	250,351	10,620
Early retirement/termination benefits	3,047	112	1,541	1,618	1,438
Total primary government - business-type activities	<u>\$ 2,689,969</u>	<u>\$ 222,492</u>	<u>\$ 265,383</u>	<u>\$ 2,647,078</u>	<u>\$ 279,167</u>

* The General Fund has typically been used to liquidate most long-term liabilities, except for \$744.5 million of bonds payable to be liquidated by the Tobacco Settlement Authority, a Special Revenue Fund.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 – CAPITAL LEASES

The State has entered into agreements to lease various equipment and property. The agreements have interest rates ranging from 1.64% to 15.41% and expire before June 30, 2035.

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

Primary Government

Governmental Activities

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

Year Ending June 30,	Principal	Interest
2020	\$ 4,104	\$ 588
2021	4,102	492
2022	4,193	394
2023	4,287	293
2024	3,765	188
Thereafter	7,718	190
Total	<u>\$ 28,169</u>	<u>\$ 2,145</u>

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):

Construction in progress	\$ 34,375
Equipment	3,108
Total	<u>37,483</u>
Accumulated depreciation	(48)
Net	<u>\$ 37,435</u>

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
2020	\$ 1,957	\$ 757
2021	2,015	692
2022	2,060	625
2023	2,131	802
2024	2,196	707
2025-2029	9,950	2,049
2030-2034	3,300	259
Thereafter	79	1
Total	<u>\$ 23,688</u>	<u>\$ 5,892</u>

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	\$ 34,341
Equipment	235
Total	<u>34,576</u>
Accumulated depreciation	(7,757)
Net	<u>\$ 26,819</u>

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 – OTHER FINANCING ARRANGEMENTS PAYABLE

Loans and Contracts Payable – Primary Government

Governmental Activities

The Iowa Department of Public Defense has entered into agreements for land for a total of \$2,728,000 with an interest rate of 3.0%. The following is a schedule by year of the future minimum payments required (expressed in thousands):

Year Ending June 30,	Principal	Interest
2020	\$ 99	\$ 5
2021	78	26
2022	80	24
2023	699	21
Total	<u>\$ 956</u>	<u>\$ 76</u>

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 \$63,995,000 with interest rates ranging from 0.00% to 5.34%. The following is a schedule by year of future minimum payments required (expressed in thousands):

Year Ending June 30,	Principal	Interest
2020	\$ 7,448	\$ 581
2021	6,723	373
2022	4,382	206
2023	4,268	100
2024	1,133	24
Thereafter	817	4
Total	<u>\$ 24,771</u>	<u>\$ 1,288</u>

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 – BONDS PAYABLE

Revenue bonds payable at June 30, 2019, are as follows (expressed in thousands):

	ISSUE DATES	ORIGINAL ISSUANCE	INTEREST RATES	MATURITY DATE RANGE	OUTSTANDING PRINCIPAL
PRIMARY GOVERNMENT					
Governmental activities					
Revenue bonds					
<i>Term bonds</i>					
Tobacco Settlement Authority	2006	\$ 813,645	5.38-6.50	2007-2046	\$ 665,690
IJOBS - 2010	2011	63,635	4.00-5.00	2034-2038	63,635
Total					<u>729,325</u>
<i>Serial bonds</i>					
Vision Iowa	2002	\$ 196,375	2.25-5.50	2002-2021	29,715
Iowa Utilities Board	2010	12,640	5.04	2011-2029	8,190
Prison Infrastructure - 2010	2011	135,050	2.00-5.00	2012-2020	10,235
IJOBS - 2010	2011	87,675	2.50-5.00	2012-2030	60,140
Refunding, Prison Infrastructure - 2016	2017	79,790	5.00	2021-2027	79,790
Refunding, IJOBS - 2016	2017	265,425	2.00-5.00	2017-2029	211,520
Refunding, IJOBS - 2019	2019	143,675	5.00	2029-2034	143,675
Total					<u>543,265</u>
<i>Capital appreciation bonds</i>					
Tobacco Settlement Authority	2006	\$ 551,790	6.25-7.13	2046	551,790
Total revenue bonds					<u>1,824,380</u>
Unamortized premium					91,277
Unamortized discount					(472,945)
Total governmental activities					<u>\$ 1,442,712</u>
Business-type activities					
Revenue bonds					
University of Iowa	2005-2019	\$ 1,603,165	0.30-5.00	2006-2044	\$ 1,286,875
Iowa State University	2008-2018	616,155	1.50-5.00	2010-2043	498,230
University of Northern Iowa	2010-2018	158,376	1.00-5.00	2011-2037	113,553
Total revenue bonds					<u>1,898,658</u>
Unamortized premium					47,961
Unamortized discount					(1,381)
Total business-type activities					<u>\$ 1,945,238</u>
COMPONENT UNITS					
Revenue bonds					
Iowa Finance Authority	1978-2019	\$ 2,544,396	variable (1)	2012-2049	\$ 1,853,220
Iowa State University Foundation	2002	3,850	2.40-4.22	2003-2020	1,788
Total revenue bonds					<u>1,855,008</u>
Unamortized premium					<u>175,093</u>
Total component units					<u>\$ 2,030,101</u>

(1) Variable rates are as of June 30, 2019.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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 97% of total deposits into the Vision Iowa Fund. As of June 30, 2019, total principal and interest remaining to be paid on the debt is \$31.7 million. Principal and interest paid for the current year and total deposits into the Vision Iowa Fund were \$16.0 million and \$15.7 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, 2019, total principal and interest remaining on the debt is \$1,910.2 million with annual requirements ranging from \$112.6 million in 2020 to \$734.9 million in the final year. TSRs received by the State have averaged \$59.7 million per year over the last 21 years. For the current year, principal and interest paid by the Authority and the total TSRs recognized by the State were \$41.2 million and \$49.5 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

In July 2009, the State of Iowa 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 pledged a portion of future revenues to repay \$221.0 million in State of Iowa IJOBS Program Special Obligation Bonds, Taxable Series 2009B. These revenues include amounts to be deposited in the Revenue Bonds Debt Service Fund including a standing appropriation of \$55.0 million annually from gaming revenues and, to the extent of any shortfall in gaming revenues, beer and liquor revenues. The State 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.

In June 2019, the State issued \$143.7 million of IJOBS Program Special Obligation Refunding Bonds, Series 2019A, with an interest rate of 5.0%, to refund the outstanding State of Iowa IJOBS Program Special Obligation Bonds, Taxable Series 2009B bonds. \$180.3 million of proceeds and \$41.0 million of existing reserve funds were

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

used to refund the \$221.0 million of Series 2009B bonds. The current refunding of these bonds permitted the State to realize an economic gain (difference between present value of the old and new debt service payments) of \$90.4 million; and reduced the aggregate debt service payments by \$113.5 million over the next 15 years.

Principal and interest paid in the current year for the Series 2009B bonds totaled \$236.2 million. As of June 30, 2019, there is no principal or interest remaining to be paid on the Series 2009B bonds.

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 cost 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, 2019, total principal and interest remaining to be paid on the debt is \$10.6 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 – 2010

The State of Iowa has issued Special Obligation Bonds (Prison Infrastructure Fund), Series 2010 to finance the cost of 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. In July 2016, the State issued the Special Obligation Refunding Bonds (Prison Infrastructure Fund), Series 2016, defeasing the 2021-2027 maturities of the Series 2010 bonds. The remaining Series 2010 bonds are payable from the Debt Service Reserve Fund and are payable through fiscal year 2020.

Annual principal and interest payments on the 2018-2020 maturities of the Series 2010 bonds are expected to require less than 70% of total deposits into the Prison Infrastructure Fund. As of June 30, 2019, total principal and interest remaining to be paid on the debt is \$10.7 million. Principal and interest paid in the current year and total deposits into the Prison Infrastructure Fund were \$10.7 million and \$15.6 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 \$151.3 million in State of Iowa IJOBS Program Special Obligation Bonds, Series 2010A issued in October 2010. These revenues include amounts to be deposited in the Revenue Bonds Debt Service Fund including a standing appropriation of \$55.0 million annually from gaming revenues 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.

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, 2019, total principal and interest remaining to be paid on the Series 2010A bonds is \$189.4 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 \$10.1 million and \$62.5 million, respectively.

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

Refunding, Prison Infrastructure – 2016

The State of Iowa has issued Special Obligation Refunding Bonds (Prison Infrastructure Fund), Series 2016 to advance refund a portion of the outstanding Special Obligation Bonds (Prison Infrastructure Fund), Series 2010 and to pay certain costs of issuance. The State has pledged all funds deposited in the Prison Infrastructure Fund from fines, fees, costs, and forfeited bail collected by the clerks of the district court in criminal cases, including those collected for both scheduled and nonscheduled violations, but excluding fines and fees attributable to commercial vehicle violation citations not reverting to the State's General Fund at the end of each fiscal year, plus interest earnings on moneys in the Prison Infrastructure Fund to repay \$79.8 million in refunding bonds issued in July 2016. The bonds are payable from the Debt Service Reserve Fund and are payable through fiscal year 2027. Annual principal and interest payments on the bonds are expected to require less than 25% of total deposits into the Prison Infrastructure Fund. As of June 30, 2019, total principal and interest remaining to be paid on the debt is \$100.5 million. Interest paid in the current year and total deposits into the Prison Infrastructure Fund were \$4.0 million and \$15.6 million, respectively.

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

Refunding, IJOBS – 2016

The State of Iowa has issued IJOBS Program Special Obligation Refunding Bonds, Series 2016A to refund the IJOBS Program Special Obligation Bonds, Series 2009A, fund a Bond Reserve Fund and pay costs of issuance. The State has pledged a portion of future revenues to repay \$265.4 million of bonds issued in July 2016. These revenues include amounts to be deposited in the Revenue Bonds Debt Service Fund, including a standing appropriation of \$55.0 million annually from gaming revenues which would otherwise be deposited in the State's General Fund and, to the extent of any shortfall in gaming revenues, beer and liquor revenues. The bonds are payable from the Bond Reserve Fund including any amounts appropriated to replenish such fund and are payable through fiscal year 2029. Annual principal and interest payments on the bonds are expected to require less than 48% of total deposits into the Revenue Bonds Debt Service Fund. As of June 30, 2019, total principal and interest remaining to be paid on the debt is \$266.7 million. Principal and interest paid for the current year and total deposits into the Revenue Bonds Debt Service Fund were \$29.1 million and \$62.5 million, respectively.

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

Refunding, IJOBS – 2019

The State of Iowa has issued IJOBS Program Special Obligation Refunding Bonds, Series 2019A to refund the IJOBS Program Special Obligation Bonds, Taxable Series 2009B, fund a Bond Reserve Fund and pay costs of issuance. The State has pledged a portion of future revenues to repay \$143.7 million of bonds issued in June 2019. These revenues include amounts to be deposited in the Revenue Bonds Debt Service Fund, including a standing appropriation of \$55.0 million annually from gaming revenues which would otherwise be deposited in the State's General Fund and, to the extent of any shortfall in gaming revenues, beer and liquor revenues. The bonds are payable from the Bond Reserve Fund including any amounts appropriated to replenish such fund and are payable through fiscal year 2034. As of June 30, 2019, total principal and interest remaining to be paid on the debt is \$235.2 million.

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.

Prior Year Bond Defeasances

In a prior year, the State defeased the School Infrastructure Special Fund Refunding Bonds, Series 2012, and the 2021-2027 maturities of the Special Obligation Bonds (Prison Infrastructure Fund), Series 2010, by placing proceeds from existing resources into irrevocable trusts with escrow agents to provide for all future debt service payments. Accordingly, trust account assets and the liabilities for the defeased bonds are not included in the State's financial statements. As of June 30, 2019, bonds totaling \$91.8 million are considered defeased.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

Year Ending June 30,	Principal	Interest
2020	\$ 123,425	\$ 67,182
2021	50,050	59,657
2022	36,380	57,653
2023	38,190	55,834
2024	40,105	53,924
2025-2029	196,665	238,923
2030-2034	341,115	195,997
2035-2039	137,410	112,066
2040-2044	135,120	70,650
Thereafter	725,920	18,773
Total	<u>\$ 1,824,380</u>	<u>\$ 930,659</u>

B. Primary Government – Business-type Activities

Universities

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

- \$29.0 million of Athletic Facilities Revenue Bonds, Series S.U.I. 2018A, with an interest rate range of 3.00-5.00% to defray part of the cost of improving, equipping, furnishing, remodeling, repairing, and building additions to Kinnick Stadium, Carver Hawkeye Arena and related facilities located on the campus. The revenues pledged to these bonds are student fees, tickets sold to athletic events, and concessions at athletic events.
- \$42.5 million of Hospital Revenue Bonds, Series S.U.I. 2019, with an interest rate range of 3.00-5.00% to defray the cost of constructing additions to the general hospital on the campus. The revenues pledged to these bonds are charges to patients for medical services.

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, 2019, bonds totaling \$60.5 million for the University of Iowa were considered defeased.

In prior years, *Iowa State University* defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the State's financial statements. As of June 30, 2019, bonds totaling \$89.3 million for Iowa State University were considered defeased.

In prior years, the *University of Northern 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, 2019, bonds totaling \$26.8 million for the University of Northern Iowa 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
2020	\$ 115,066	\$ 62,227
2021	109,136	58,692
2022	111,218	55,321
2023	113,449	51,768
2024	113,844	48,026
2025-2029	556,016	182,806
2030-2034	444,538	96,887
2035-2039	279,376	30,835
Thereafter	56,015	3,196
Total	<u>\$ 1,898,658</u>	<u>\$ 589,758</u>

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

C. Component Units

Iowa Finance Authority

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

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

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

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

During the current fiscal year, the Authority issued three new bond series totaling \$441.4 million to purchase mortgage-backed securities (MBS) and State Revolving Fund (SRF) loans. The Authority made bond payments of \$118.7 million.

In a prior year, the Authority defeased certain SRF revenue bonds by issuing bonds to provide resources to purchase investment securities that were placed into an irrevocable trust to provide funds for future debt service payments. The irrevocable trust account assets and the liabilities for the defeased bonds are not included in the Authority's financial statements. As of June 30, 2019, bonds totaling \$306.0 million were considered defeased.

Iowa State University Foundation

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 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 adjusted interest rate from November 2018 through the maturity date of January 2020 is 4.22%. 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
2020	\$ 74,091	\$ 71,837
2021	79,424	70,598
2022	80,301	67,424
2023	74,280	64,284
2024	80,454	61,176
2025-2029	392,660	258,333
2030-2034	415,305	172,287
2035-2039	341,655	90,594
2040-2044	223,088	34,889
Thereafter	93,750	6,220
Total	<u>\$ 1,855,008</u>	<u>\$ 897,642</u>

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 – ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals at June 30, 2019, consisted of the following (expressed in thousands):

	Current	Noncurrent
PRIMARY GOVERNMENT		
Governmental activities		
Salaries & fringes	\$ 87,290	\$ -
Early retirement/termination benefits	8,452	13,124
Risk management	7,011	17,989
Pollution remediation	3,601	4,006
State aid	784,687	-
Trade & other payables	832,519	45,920
Total governmental activities	<u>\$ 1,723,560</u>	<u>\$ 81,039</u>
Business-type activities		
Salaries & fringes	\$ 208,614	\$ -
Early retirement/termination benefits	1,438	180
General claims	70,847	-
Unemployment benefits	11,663	-
Trade & other payables	179,372	26,970
Total business-type activities	<u>\$ 471,934</u>	<u>\$ 27,150</u>
COMPONENT UNITS		
Annuity & life income obligations	\$ 349	\$ 24,056
Lotto prizes & annuity prizes payable	3,892	429
Other	60,163	36,373
Total component units	<u>\$ 64,404</u>	<u>\$ 60,858</u>

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, 2019, pollution remediation obligations totaled \$7.6 million, including \$7.4 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.

NOTE 12 – NET POSITION/GOVERNMENTAL FUND BALANCES

A. Net Position Restricted By Enabling Legislation

The Governmental Activities Statement of Net Position reports \$1,004.6 million of Restricted Net Position, of which \$17.2 million is restricted by enabling legislation.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

B. Governmental Fund Balances

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

The nonspendable and spendable fund balances for governmental funds at June 30, 2019, are as follows (expressed in thousands):

	GENERAL FUND	TOBACCO SETTLEMENT AUTHORITY	TOBACCO COLLECTIONS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
NONSPENDABLE					
Inventory & prepaid expenditures	\$ 53,235	\$ -	\$ -	\$ 462	\$ 53,697
Permanent fund principal	-	-	-	10,719	10,719
Total nonspendable	53,235	-	-	11,181	64,416
SPENDABLE					
Restricted:					
Administration & regulation	249,112	204,850	-	5,873	459,835
Education	19,615	-	-	59,190	78,805
Health & human rights	9,275	-	-	3,107	12,382
Human services	1,801	-	-	38	1,839
Justice & public defense	18,210	-	-	860	19,070
Economic development	1,181	-	-	-	1,181
Transportation	510,852	-	-	1,634	512,486
Agriculture & natural resources	402	-	-	46	448
Total restricted	810,448	204,850	-	70,748	1,086,046
Committed:					
Cash reserve	571,668	-	-	-	571,668
Economic emergency	186,975	-	-	-	186,975
Administration & regulation	597,272	-	-	5,134	602,406
Education	29,642	-	-	34	29,676
Health & human rights	114,866	-	-	24	114,890
Human services	33,472	-	-	413	33,885
Justice & public defense	70,262	-	-	3,321	73,583
Economic development	20,494	-	-	-	20,494
Transportation	44,993	-	-	-	44,993
Agriculture & natural resources	115,014	-	-	10,095	125,109
Total committed	1,784,658	-	-	19,021	1,803,679
Unassigned	(384,360)	-	(123,338)	(7)	(507,705)
TOTAL FUND BALANCES	\$ 2,263,981	\$ 204,850	\$ (123,338)	\$ 100,943	\$ 2,446,436

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.

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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, 2053. 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,	
2020	\$ 12,983
2021	9,247
2022	7,462
2023	5,553
2024	3,533
2025-2029	8,587
2030-2034	1,064
2035-2039	358
2040-2044	147
2045-2049	4
Thereafter	3
Total	<u>\$ 48,941</u>

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 \$2,450.

Rental expense for the year ended June 30, 2019 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$15.1 million. Rental expense has not been adjusted for sublease rentals totaling \$0.4 million for the year ended June 30, 2019.

Business-type Activities

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

Year Ending June 30,	
2020	\$ 20,207
2021	18,485
2022	13,710
2023	10,947
2024	10,177
2025-2029	44,543
2030-2034	19,945
2035-2039	5,575
Total	<u>\$ 143,589</u>

Rental expense for the year ended June 30, 2019 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$22.2 million.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

B. Component Units

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

Year Ending June 30,	
2020	\$ 978
2021	971
2022	778
2023	725
2024	711
Thereafter	1,641
Total	<u>\$ 5,804</u>

Rental expense for the year ended June 30, 2019 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$1.0 million.

NOTE 14 – LESSOR OPERATING LEASES

The Iowa Department of Natural Resources leases tracts of land for agricultural purposes valued at \$12.2 million. Glenwood Resource Center leases building space that is fully depreciated (net of accumulated depreciation of \$7.1 million). Iowa Public Television leases antenna and building space, Iowa Communications Network leases dark fiber, and Iowa Workforce Development leases building space, for which no value has been assigned to the leased portions. The Iowa Department of Transportation leases land and office space valued at \$2.7 million. Iowa State University leases building space valued at \$2.4 million (net of accumulated depreciation of \$1.7 million), tower space valued at \$0.3 million (net of accumulated depreciation of \$0.2 million), equipment with an original value of \$0.6 million, and tracts of land for agricultural purposes valued at \$0.3 million. The University of Northern Iowa leases buildings valued at \$0.3 million (net of accumulated depreciation of \$0.8 million), tracts of land for agricultural purposes valued at \$0.1 million and tower space for which no value has been assigned to the lease portions. The Iowa Braille & Sight Saving School leases buildings valued at \$2.8 million (net of accumulated depreciation of \$4.3 million).

The following is a schedule by year of minimum future rentals on operating leases as of June 30, 2019 (expressed in thousands):

Year Ending June 30,	
2020	\$ 5,635
2021	4,358
2022	3,073
2023	2,171
2024	1,898
2025-2029	2,922
2030-2034	1,575
2035-2039	898
2040-2044	631
2045-2049	631
2050-2054	631
2055-2059	631
2060-2064	631
Thereafter	432
Total	<u>\$ 26,117</u>

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15 – PENSION PLANS

A. Summary of Significant Accounting Policies & Pension Totals

Pensions

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

Deferred Outflows and Inflows of Resources Related to Pensions

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

Investments

IPERS – All investments are reported at fair value.

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

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

PORS' and JRS' investments in governmental bonds and treasury notes constitute approximately 3.71% and 3.90%, respectively, of total assets. PORS and JRS are not permitted to invest more than 5.00% of their System accounts in any one corporate issuer without written direction and approval of the Treasurer of State of Iowa.

Pension Totals

At June 30, 2019, the State of Iowa recognized the following amounts related to pensions in financial statements prepared using the economic resources measurement focus and accrual basis of accounting (expressed in thousands):

	Defined Benefit				
	Cost-sharing, Multiple-employer	Single-employer			
	IPERS - Primary Government	IPERS - Discretely Presented Component Units	PORS	JRS	Total
Net pension liability	\$ 1,048,060	\$ 23,358	\$ 145,390	\$ 27,227	\$ 1,244,035
Deferred outflows of resources related to pensions	342,735	5,988	25,767	20,115	394,605
Deferred inflows of resources related to pensions	127,128	1,975	18,154	8,314	155,571
Pension expense for the period associated with net pension liabilities	142,846	2,841	21,070	9,407	176,164

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

B. Pension Plans

Iowa Public Employees' Retirement System (IPERS)

General Information about the Plan

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

Participation in IPERS is mandatory for most state, county and local public employees, employees of school districts and certain elected officials. Membership is optional for some individuals, including the members of the Iowa Legislature. At June 30, 2019, IPERS had 1,948 public employers with 172,304 active members contributing to the system.

Plan Membership.

	Fiscal Years Ended June 30,	
	2019	2018
Inactive employees or beneficiaries currently receiving benefits	123,781	120,987
Inactive employees entitled to but not yet receiving benefits	72,207	70,047
Active employees	172,304	170,378
Total	368,292	361,412

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

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

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

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

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

In fiscal year 2019, the contribution rates for all members equaled the actuarial rates.

	Fiscal Year 2019		
	Employee	Employer	Total
Regular members	6.29%	9.44%	15.73%
Sheriffs and deputies	9.76%	9.76%	19.52%
Protection occupation members	6.81%	10.21%	17.02%

Contributions are remitted by participating employers. Wages were covered up to the Internal Revenue Code Section 401(a)(17) compensation limit of \$275,000 for calendar year 2018 and \$280,000 for calendar year 2019. There are no non-employer contributing entities to IPERS.

The State's employer contributions to IPERS for the years ended June 30, 2019 and 2018 were \$134,356,000 and \$126,868,000, respectively.

Actuarial Methods and Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions and the entry age normal actuarial cost method.

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

Mortality rates were based on the RP-2014 Generational Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Projection Scale MP-2017. Different adjustments apply to pre-retirement, post-retirement,

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

and post-disability mortality tables. Pre-retirement mortality rates were based on the RP-2014 Employee Table, post-retirement mortality rates were based on the RP-2014 Healthy Annuitant Table, and post-disability mortality rates were based on the RP-2014 Disabled Mortality Table.

The actuarial assumptions used in the June 30, 2018 valuation are based on the results of the most recent actuarial experience study, which covered the four-year period ending June 30, 2017. That experience study report is dated March 24, 2017.

The long-term rate of return, 7.00% effective June 30, 2018, is reviewed as part of regular experience studies, prepared every four years for IPERS. The Investment Board elected to accelerate the experience study of the economic assumptions by one year, performing the study in early 2017. That recent analysis of economic assumptions is outlined in a report dated March 24, 2017. Several factors are considered in evaluating the long-term rate of return including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) along with estimates of variability and correlations for each asset class, were developed by the investment consultant. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans, which cover a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Best estimates of arithmetic real rates of return for each major asset class included in IPERS' target asset allocation as of June 30, 2018, are shown in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Core-plus fixed income	27.00%	1.97%
Domestic equity	22.00%	6.01%
International equity	15.00%	6.48%
Private equity	11.00%	10.81%
Private real assets	7.50%	4.14%
Public real assets	7.00%	2.91%
Public credit	3.50%	3.93%
Private credit	3.00%	3.11%
Global smart beta equity	3.00%	6.23%
Cash	1.00%	-0.25%
Total	100.00%	

Discount Rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed plan contributions from members and the State will be made according to the current Contribution Rate Funding Policy. That policy is currently: (1) employee contributions are 40% of the required contribution rate for regular and protection occupation members and 50% of the required contribution rate for sheriffs and deputies; and (2) employer contributions are 60% of the required contribution rate for regular and protection occupation members and 50% of the required contribution rate for sheriffs and deputies; and (3) administrative expense in the prior year were projected forward with inflation as an estimate for administrative expense in the current and future years. The portion of the expenses in future years allocated to the current members was based on the proportionate share of covered payroll in each for the remainder of existing members to the total covered payroll for all members. Based on those assumptions, the pension fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability. The municipal bond rate was not used in determining the discount rate, but if it were required, the rate would have been 3.89%. The projected future benefit payments for all current plan members were projected through 2117.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

	2019	2018
Total pension liability	\$ 39,801,339	\$ 38,642,834
Plan fiduciary net position	34,010,681	32,314,589
Employers' net pension liability	<u>\$ 5,790,658</u>	<u>\$ 6,328,245</u>
Plan fiduciary net position as a percentage of the total pension liability	85.45%	83.62%

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

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

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

At June 30, 2019, the State reported a total of \$1,071.4 million for its proportionate share of the net pension liability, with \$1,048.1 million in the primary government and \$23.3 million in the discretely presented component units. The net pension liability was measured as of June 30, 2018, and the total pension liability as of June 30, 2018, used to calculate the net pension liability was determined based on the June 30, 2018 actuarial valuation for funding, dated October 29, 2018.

The State's proportion of the net pension liability was based on the State's share of contributions to the pension plan relative to the contributions of all participating employers, actuarially determined. At June 30, 2018, the State's total proportion was 16.930678% (16.561596% in the primary government and 0.369082% in the discretely presented component units). This was a decrease of 0.401163% from the State's total proportion (a decrease of 0.399087% in the primary government and a decrease of 0.002076% in the discretely presented component units), measured as of June 30, 2017.

For the year ended June 30, 2019, the State recognized IPERS pension expense of \$142.8 million for the primary government and \$2.8 million for the discretely presented component units. The State also reported deferred outflows of resources and deferred inflows of resources related to IPERS pensions from the following sources:

	Deferred Outflows of Resources (expressed in thousands)		
	Primary Government	Discretely Presented Component Units	Total
Differences between expected and actual experience	\$ 6,126	\$ 128	\$ 6,254
Changes in assumptions	165,827	3,332	169,159
Changes in proportion and differences between contributions and proportionate share of contributions	36,426	173	36,599
Contributions subsequent to the measurement date	134,356	2,355	136,711
Total	<u>\$ 342,735</u>	<u>\$ 5,988</u>	<u>\$ 348,723</u>

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

	Deferred Inflows of Resources (expressed in thousands)		
	Primary Government	Discretely Presented Component Units	Total
Differences between expected and actual experience	\$ 24,932	\$ 528	\$ 25,460
Changes in assumptions	587	-	587
Net difference between projected and actual earnings on pension plan investments	33,620	642	34,262
Changes in proportion and differences between contributions and proportionate share of contributions	67,989	805	68,794
Total	<u>\$ 127,128</u>	<u>\$ 1,975</u>	<u>\$ 129,103</u>

The primary government and discretely presented component units reported deferred outflows of resources relating to pensions of \$134.4 million and \$2.4 million, respectively, as a result of employer contributions subsequent to the measurement date which will be recognized as a reduction of net pension liability in the year ended June 30, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

Year Ending June 30,	Primary Government	Discretely Presented Component Units	Total
2020	\$ 14,081	\$ 251	\$ 14,332
2021	17,950	364	18,314
2022	19,759	434	20,193
2023	21,087	442	21,529
2024	8,374	167	8,541
Total	<u>\$ 81,251</u>	<u>\$ 1,658</u>	<u>\$ 82,909</u>

There are no non-employer contributing entities to IPERS.

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
State's proportionate share of the net pension liability:			
Primary government	\$ 1,876,122	\$ 1,048,060	\$ 353,582
Discretely presented component units	39,641	23,358	9,696
Total	<u>\$ 1,915,763</u>	<u>\$ 1,071,418</u>	<u>\$ 363,278</u>

Payables to the Pension Plan

At June 30, 2019, the State reported payables of \$3.0 million for legally required employer contributions and \$2.0 million for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

General Information about the Plan

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

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

Plan Membership. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	629
Inactive employees entitled to but not yet receiving benefits	42
Nonvested terminations	6
Active employees	551
Total	<u>1,228</u>

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

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

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

The member contribution required and contributed was \$5,486,000, representing 11.4% of the current year covered payroll. The State contribution required by statute and the amount actually contributed was \$21,840,000. \$5,000,000 of the State contribution was an annual appropriation, which was in addition to the required employer 37.0% contribution rate. Costs of administering the plan are financed through employer contributions and investment income.

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

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

Net Pension Liability

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement:

- Inflation: 2.75%
- Salary increases: 4.00% to 8.50%, including inflation
- Investment rate of return: 7.50% compounded annually, net of investment expense, and including inflation

Pre-retirement mortality rates were based on the RP-2014 Total Dataset Mortality Table with a one-year age set-back for males and Generational Projection, using MP-2016. Post-retirement mortality rates were based on the RP-2014 Total Dataset Mortality Table with a one-year age set-back for males and Generational Projection, using MP-2016. Disability mortality rates were based on the RP-2014 Total Dataset Mortality Table with a four-year age set-forward for males and Generational Projection, using MP-2016.

The actuarial assumptions used in the July 1, 2019 valuation are based on the results of the most recent actuarial experience study, which covered the five year period ending June 30, 2016. The experience study report is dated June 19, 2017.

The long-term expected rate of return on pension plan investments is reviewed as part of the experience study. Several factors are considered in evaluating the long-term rate of return assumption including the long-term historical data, estimates inherent in current market data and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap equities	25.00%	6.08%
Small cap equities	15.00%	6.89%
International equity - developed	18.75%	7.14%
International equity - emerging	6.25%	9.75%
Fixed income	25.00%	1.20%
Real estate	10.00%	4.75%
Total	100.00%	

Discount Rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed plan contributions from members and the State will be made at the current contribution rates as set in State statute: (1) employee contribution rate: 11.4%; (2) employer contribution rate: the lesser of 37.0% of payroll and the actuarial rate, but not less than 17.0% of payroll; and (3) supplemental State contributions: \$5 million until PORS is 85% funded. Based on those assumptions, the pension fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on plan assets was applied to all periods of projected benefit payments to determine the total pension liability. The municipal bond rate was not used in determining the discount rate, but if it were required, the rate would have been 3.50%. The projected future benefit payments for all current plan members were projected through 2118.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

Sensitivity Analysis. The net pension liability was calculated using a discount rate of 7.50%, as well as a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate. The sensitivity of the net pension liability to changes in the discount rate is presented below (expressed in thousands):

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability	\$ 240,310	\$ 145,390	\$ 67,744

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

Changes in the Net Pension Liability

	Increase (Decrease) Expressed in Thousands		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	\$ 658,487	\$ 528,782	\$ 129,705
Changes for the year:			
Service cost	12,194	-	12,194
Interest	48,185	-	48,185
Difference between expected and actual experience	(1,471)	-	(1,471)
Contributions - employer	-	21,840	(21,840)
Contributions - employee	-	5,486	(5,486)
Net investment income	-	16,147	(16,147)
Benefit payments including refunds of employee contributions	(32,643)	(32,643)	-
Administrative expense	-	(250)	250
Net changes	26,265	10,580	15,685
Balances at June 30, 2019	\$ 684,752	\$ 539,362	\$ 145,390

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

For the year ended June 30, 2019, the State recognized pension expense related to PORS of \$21.1 million. At June 30, 2019, the State reported deferred outflows of resources and deferred inflows of resources related to pensions for PORS from the following sources (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 9,190
Changes of assumptions	25,767	-
Net difference between projected and actual earnings on pension plan investments	-	8,964
Total	\$ 25,767	\$ 18,154

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

Year Ending June 30,		
2020	\$	3,476
2021		(3,489)
2022		3,862
2023		3,875
2024		(111)
Total	\$	<u>7,613</u>

There are no non-employer contributing entities to PORS.

Payables to the Pension Plan

At June 30, 2019, the State reported payables of \$657,000 for legally required employer contributions and \$203,000 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PORS.

Judicial Retirement System (JRS)

General Information about the Plan

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

Plan Membership. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	220
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>205</u>
Total	<u>429</u>

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

The annual annuity benefits available under JRS are:

- *Judge* – 3.25% of the average annual basic salary for the highest three years as a judge multiplied by the judge's years of service, not to exceed an amount equal to a *specified percentage* of the highest basic annual salary the judge received at the time the judge separated from service.
- *Senior judge* – 3.00% (retirement prior to July 1, 2006) or 3.25% (retirement on or after July 1, 2006) of the basic senior judge salary multiplied by the judge's years of service, not to exceed an amount equal to a *specified percentage* of the basic senior judge salary as of the time the senior judge separated from service. The basic senior judge salary is equal to the highest salary the judge is receiving or received at the time the judge separated from full time service plus 75% of the difference between that salary and the basic current salary of the office the judge last served as a judge. Effective January 1, 2018, a judge must be 62 years of age or older at the time a judge assumes senior status. Senior judges may only serve for a total of six years and shall cease holding office upon reaching age 78. These requirements do not apply to judges who have 20 years of service prior to January 1, 2018.
- The *specified percentages* to determine maximum annuity benefits for judges and senior judges are: (1) 50% for judges who retired prior to July 1, 1998, (2) 52% for judges who retired and received an annuity on or after July 1, 1998 but before July 1, 2000, (3) 56% for judges who retired and received an annuity on or after July 1, 2000 but before July 1, 2001, (4) 60% for judges who retired and received an

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

annuity on or after July 1, 2001 but before July 1, 2006, and (5) 65% for judges who retired and received an annuity on or after July 1, 2006.

- *Disability* – any member who has served as a judge for a total of four years or more and is deemed permanently incapacitated, mentally or physically, to perform his/her duties shall be entitled to an annuity that would be the same as computed under a retirement annuity.
- *Survivor* – annuity is equal to 50% of the amount the retired judge was receiving or would have received at the time of their death.

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

Judges contribute to JRS at the rate of 9.35% multiplied by the basic salary of the judge. The State contributes an amount equal to 30.60% of the basic salary of all covered judges. Commencing with the first fiscal year in which JRS attains fully funded status, and for each subsequent fiscal year, the member contribution shall be 40% of the required contribution rate and the State contribution shall be 60% of the required contribution rate.

The member contribution required and contributed was \$2,680,000, representing 9.35% of the current year covered payroll. The State contribution required by statute and the amount contributed was \$8,771,000. The State share is to be based on 30.60% of actual salaries. Costs of administering the plan are financed through State appropriation, member contributions and investment income.

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

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

Net Pension Liability

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the July 1, 2018 valuation are based on the results of the most recent actuarial experience study. The most recent analysis was performed and results provided on September 28, 2018.

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

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

Discount Rate. The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed plan contributions from members and the State will be made at the current contribution rates as set in State statute: (1) employee contribution rate: 9.35% until the plan is fully funded, after which employees will contribute 40% of the actuarially required contribution rate; and (2) employer contribution rate: 30.60% until the plan is fully funded, after which the employer will contribute 60% of the actuarially required contribution rate. Based on those assumptions, the pension fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on plan assets was applied to all periods of projected benefit payments to determine the total pension liability. The municipal bond rate was not used in determining the discount rate, but if it were required, the rate would have been 3.50%. The projected future benefit payments for all current plan members were projected through 2118.

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability	\$ 53,614	\$ 27,227	\$ 4,779

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

Changes in the Net Pension Liability

	Increase (Decrease) Expressed in Thousands		
	Total	Plan Fiduciary	Net
	Pension Liability	Net Position	Pension Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2018	\$ 235,143	\$ 211,467	\$ 23,676
Changes for the year:			
Service cost	7,124	-	7,124
Interest	15,417	-	15,417
Difference between expected and actual experience	(328)	-	(328)
Contributions - employer	-	8,771	(8,771)
Contributions - employee	-	2,680	(2,680)
Net investment income	-	7,237	(7,237)
Benefit payments including refunds of employee contributions	(13,724)	(13,724)	-
Administrative expense	-	(26)	26
Net changes	8,489	4,938	3,551
Balances at June 30, 2019	\$ 243,632	\$ 216,405	\$ 27,227

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

For the year ended June 30, 2019, the State recognized pension expense related to JRS of \$9.4 million. At June 30, 2019, the State reported deferred outflows of resources and deferred inflows of resources related to pensions for JRS from the following sources (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,685
Assumption changes	20,115	-
Net difference between projected and actual earnings on pension plan investments	-	4,629
Total	\$ 20,115	\$ 8,314

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

Year Ending June 30,	
2020	\$ 3,822
2021	1,754
2022	4,905
2023	1,328
2024	(8)
Total	\$ 11,801

There are no non-employer contributing entities to JRS.

Payables to the Pension Plan

At June 30, 2019, the State reported payables of \$344,000 for legally required employer contributions and \$105,000 for legally required employee contributions which had been withheld from employee wages but not yet remitted to JRS.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

During fiscal years 2019 and 2018, the employers' required and actual contributions amounted to \$174,871,000 and \$174,311,000, respectively. During fiscal years 2019 and 2018, the employees' required and actual contributions amounted to \$87,648,000 and \$86,859,000, respectively. As of June 30, 2019, the employers reported payables of \$13,875,000 for legally required employer contributions and \$6,864,000 for legally required employee contributions which had been withheld from employee wages but not yet remitted to TIAA-CREF.

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS

A. Other Postemployment Benefits Totals

At June 30, 2019, the State of Iowa recognized the following amounts related to other postemployment benefits (OPEB) in financial statements prepared using the economic resources measurement focus and accrual basis of accounting (expressed in thousands):

	Defined Benefit - Single-employer			
	State Plan	State Plan	University Plan	Total
	Primary Government	Discretely Presented Component Units	Primary Government	
Total OPEB liability	\$ 195,410	\$ 3,664	\$ 248,281	\$ 447,355
Deferred outflows of resources related to OPEB	6,905	290	58,772	65,967
Deferred inflows of resources related to OPEB	1,627	135	102,596	104,358
OPEB expense for the period associated with total OPEB liabilities	20,126	396	37,017	57,539

B. State Plan

Plan Description

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

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

Plan Membership

There are 17,516 active and 2,412 retired participants in the plan.

Plan Benefits

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

Total OPEB Liability

The total OPEB liability of \$199,074,000 (\$195,410,000 in the primary government and \$3,664,000 in the discretely presented component units), was measured as of June 30, 2018, and was determined by an actuarial valuation as of January 1, 2018. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year ended June 30, 2019.

Actuarial Assumptions

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

- Inflation: 2.60%
- Salary increases: 3.25% to 14.25%, based on years of service
- Discount rate: 3.50%, as of June 30, 2019
- Healthcare cost trend rate – managed care plans: 6.40% initial, decreasing to 4.14%
- Healthcare cost trend rate – non-managed care plans: 6.60% initial, decreasing to 4.14%

The majority of State of Iowa employees are participants in the Iowa Public Employees' Retirement System (IPERS). For this reason, the individual salary increases, the mortality rates, withdrawal, retirement and age of spouse assumptions are based on the assumptions used for the IPERS Actuarial Valuation Report as of June 30, 2017. The plan participation and coverage at retirement assumptions are based upon the recent experience of the State of Iowa Postretirement Medical Plan.

The discount rate is based on the municipal bond rate of 3.50% using the 20-year Bond Buyer GO Index as of June 30, 2019.

Initial medical cost trend rates start at 6.40% (managed care plans) or 6.60% (non-managed care plans) in 2018, based on survey data and client market expectations, and grade down to an ultimate rate of 5.00% beginning in the year 2037. The SOA-Getzen model was then used to determine the trend rates beginning in year 2022 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 for pre-retirement employees were based on the RP-2000 Employee Table with generational improvements using projection scale AA set back 3 years for males, and set back 8 years for females. Mortality rates for post-retirement employees were based on the RP-2000 Healthy Annuitant Table with generational improvements using projection scale AA for males, and set back 1 year with a 5.00% increase above age 75 for females.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

Changes in the Total OPEB Liability

	Increase (Decrease) Expressed in Thousands		
	Primary Government	Discrete Component Units	Total
Balances at June 30, 2018	\$ 182,221	\$ 3,331	\$ 185,552
Changes for the year:			
Service cost	12,062	312	12,374
Interest	7,311	137	7,448
Change in assumptions	4,685	88	4,773
Benefit payments - implicit subsidy	(10,869)	(204)	(11,073)
Net changes	13,189	333	13,522
Balances at June 30, 2019	\$ 195,410	\$ 3,664	\$ 199,074

The changes in assumptions reflect a decrease in the discount rate from 3.87% to 3.50%.

Sensitivity Analysis – Changes to the Discount Rate. The total OPEB liability was calculated using a discount rate of 3.50%, as well as a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current rate. The sensitivity of the total OPEB liability to changes in the discount rate is presented below (expressed in thousands):

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability			
Primary government	\$ 208,596	\$ 195,410	\$ 182,807
Discretely presented component units	3,911	3,664	3,428
Total	\$ 212,507	\$ 199,074	\$ 186,235

Sensitivity Analysis – Changes to the Healthcare Cost Trend Rate. The total OPEB liability was calculated using a healthcare cost trend rate of 6.40%, as well as a healthcare cost trend rate that is 1-percentage-point lower (5.40%) or 1-percentage-point higher (7.40%) than the current rate. The sensitivity of the total OPEB liability to changes in the healthcare cost trend rate is presented below (expressed in thousands):

	1% Decrease (5.40%)	Current Healthcare Cost Trend Rate (6.40%)	1% Increase (7.40%)
Total OPEB liability			
Primary government	\$ 175,361	\$ 195,410	\$ 218,988
Discretely presented component units	3,288	3,664	4,106
Total	\$ 178,649	\$ 199,074	\$ 223,094

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

For the year ended June 30, 2019, the State of Iowa recognized OPEB expense related to the Plan of \$20,522,000 (\$20,126,000 in the primary government and \$396,000 in the discretely presented component units). At June 30, 2019, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB for the Plan from the following sources (expressed in thousands):

	Deferred Outflows of Resources		
	Primary Government	Discretely Presented Component Units	Total
Changes in assumptions	\$ 6,184	\$ 93	\$ 6,277
Changes in proportion and differences between contributions and proportionate share of contributions	721	197	918
Total	<u>\$ 6,905</u>	<u>\$ 290</u>	<u>\$ 7,195</u>

	Deferred Inflows of Resources		
	Primary Government	Discretely Presented Component Units	Total
Differences between expected and actual experience	\$ 813	\$ 13	\$ 826
Changes in proportion and differences between contributions and proportionate share of contributions	814	122	936
Total	<u>\$ 1,627</u>	<u>\$ 135</u>	<u>\$ 1,762</u>

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

Year Ending June 30,	Primary Government	Discretely Presented Component Units	Total
2020	\$ 695	\$ 22	\$ 717
2021	695	22	717
2022	695	22	717
2023	695	22	717
2024	695	22	717
Thereafter	1,803	45	1,848
Total	<u>\$ 5,278</u>	<u>\$ 155</u>	<u>\$ 5,433</u>

C. University Plans

Plan Description

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

Plan Benefits

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

Plan Membership

	2019		
	U of I	ISU	UNI
Inactive employees or beneficiaries currently receiving benefits	3,495	2,769	688
Active employees	17,143	6,248	1,851
Total	20,638	9,017	2,539

Total OPEB Liability

The total OPEB liability of \$248,281,000 is reported based on the following measurement dates, actuarial valuation dates, and actuarial assumptions:

	U of I	ISU	UNI
Measurement date	June 30, 2018	January 1, 2019	June 30, 2019
Actuarial valuation date	June 30, 2018	January 1, 2018 (projected forward to January 1, 2019)	June 30, 2019 (projected forward to June 30, 2019)
Actuarial cost method	Entry age normal	Entry age normal - level % of salary	Entry age normal - level % of salary
Amortization method	Level percentage of pay on an open basis	Linearly on a principal only salary	Linearly on a principal only salary
Amortization period	10.08 years (LDT 12.37 years)	7 years	7 years
Discount rate	3.87%	4.11%	3.51%
Medical trend rate	7.29% (8.88% for post age 65)	8.50%	8.50%
Ultimate medical trend rate	4.50%	5.00%	4.50%
Inflation rate	2.50%	3.25%	2.60%
Payroll growth rate	3.00%	0.00-13.00%	3.25%

Discount Rate. The U of I discount rate of 3.87% is based on the S&P Municipal Bond 20-Year High Grade Index as of June 30, 2018. The ISU discount rate of 4.11% is based on the Bond Buyer GO 20-Bond Municipal Bond Index as of January 1, 2019. The UNI discount rate of 3.51% is based on the Bond Buyer GO 20-Bond Municipal Bond Index as of June 30, 2019.

Mortality Rates. The U of I rates are from the RP-2014 Aggregate Mortality Table projected using Scale MP-2016. The ISU and UNI rates are from RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017.

Changes in the Total OPEB Liability

	Increase (Decrease) Expressed in Thousands		
	U of I	ISU	UNI
Balances at June 30, 2018	\$ 139,835	\$ 85,134	\$ 23,825
Changes for the year:			
Service cost	4,193	7,335	1,767
Interest	4,971	3,084	980
Difference between expected and actual experience	1	(7,719)	(3,327)
Change in assumptions	(13,968)	(3,800)	1,091
Change in benefit terms	21,519	-	-
Benefit payments	(10,394)	(5,713)	(533)
Net changes	6,322	(6,813)	(22)
Balances at June 30, 2019	\$ 146,157	\$ 78,321	\$ 23,803

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

U of I

- Increased the discount rate from 3.58% to 3.87%.
- Changed the Merit employees demographic assumptions from State to University assumptions.

ISU

- Increased the discount rate from 3.44% to 4.11%.

UNI

- Decreased the discount rate from 3.87% to 3.51%.

Sensitivity Analysis – Changes to the Discount Rate. The total OPEB liability was calculated using a discount rate of 3.87%, 4.11% and 3.51% for the University of Iowa, Iowa State University, and the University of Northern Iowa, respectively, as well as a discount rate that is 1.00 percentage point lower (2.87%, 3.11% and 2.51%) or 1.00 percentage point higher (4.87%, 5.11% and 4.51%) than the current rate. The sensitivity of the total OPEB liability to changes in the discount rate is presented below (expressed in thousands):

	1% Decrease (2.87%, 3.11% & 2.51%)	Current Discount Rate (3.87%, 4.11% & 3.51%)	1% Increase (4.87%, 5.11% & 4.51%)
Total OPEB liability			
U of I	\$ 158,487	\$ 146,157	\$ 135,080
ISU	84,084	78,321	73,082
UNI	27,353	23,803	20,970

Sensitivity Analysis – Changes to the Healthcare Cost Trend Rate. The total OPEB liability was calculated using a healthcare cost trend rate of 7.29%, 8.50% and 8.50% for the University of Iowa, Iowa State University, and the University of Northern Iowa, respectively, as well as a healthcare cost trend rate that is 1.00 percentage point lower (6.29%, 7.50% and 7.50%) or 1.00 percentage point higher (8.29%, 9.50% and 9.50%) than the current rate. The sensitivity of the total OPEB liability to changes in the healthcare cost trend rate is presented below (expressed in thousands):

	1% Decrease (6.29%, 7.50% & 7.50%)	Current Healthcare Cost Trend Rate (7.29%, 8.50% & 8.50%)	1% Increase (8.29%, 9.50% & 9.50%)
Total OPEB liability			
U of I	\$ 130,047	\$ 146,157	\$ 164,433
ISU	71,321	78,321	86,420
UNI	20,288	23,803	28,427

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

For the year ended June 30, 2019, the U of I, ISU, and UNI recognized OPEB expense related to the Plans of \$24.7 million, \$9.8 million, and \$2.5 million, respectively. At June 30, 2019, the U of I, ISU, and UNI reported deferred outflows of resources and deferred inflows of resources related to OPEB for the Plans from the following sources (expressed in thousands):

	Deferred Outflows of Resources		
	U of I	ISU	UNI
Differences between expected and actual experience	\$ 39,207	\$ 2,197	\$ -
Changes in assumptions	907	4,472	1,491
Contributions subsequent to the measurement date	10,498	-	-
Total	<u>\$ 50,612</u>	<u>\$ 6,669</u>	<u>\$ 1,491</u>

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

	Deferred Inflows of Resources		
	U of I	ISU	UNI
Differences between expected and actual experience	\$ 262	\$ 6,432	\$ 2,852
Changes in assumptions	89,883	3,167	-
Total	<u>\$ 90,145</u>	<u>\$ 9,599</u>	<u>\$ 2,852</u>

Employer contributions subsequent to the measurement date will be recognized as a reduction of total OPEB liability in the year ended June 30, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (expressed in thousands):

Year Ending June 30,	U of I	ISU	UNI
2020	\$ (6,036)	\$ (586)	\$ (208)
2021	(6,036)	(586)	(208)
2022	(6,036)	(586)	(208)
2023	(6,036)	(586)	(208)
2024	(6,036)	(586)	(208)
Thereafter	(19,851)	-	(321)
Total	<u>\$ (50,031)</u>	<u>\$ (2,930)</u>	<u>\$ (1,361)</u>

NOTE 17 – OTHER TERMINATION BENEFITS

A. Board of Regents Retirement Incentive Options

The Board of Regents approved the University of Iowa 2015 Retirement Incentive Program in February 2015. Those eligible for participation in the 2015 program were non-University of Iowa Health Care faculty, professional and scientific employees, merit employees and institutional officials who had attained age 57 and at least 10 years of continuous benefit eligible employment by January 31, 2015. The employees' department head and the appropriate administrative officers approved the employee's participation. Upon retirement, participants will be provided health and dental insurance with the University paying the full cost of the single employee premium or its standard share of any coverage other than single for a period of five years. This contribution shall be equal to the amount contributed for an active employee in the same plan. During the first three years, the University will pay both the employer and employee retirement plan contributions, and during the next two years will pay only the employer contribution.

The University's contributions for the fiscal year ended June 30, 2019, totaled \$1.3 million for 183 participants in the Retirement Incentive Program.

B. 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.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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, 2019, 293 SPOC retirees received benefits totaling \$1.8 million.

C. 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:

Zero to 750 hours

Over 750 hours to 1,500 hours

Over 1,500 hours

The conversion rate is:

60% of the value

80% of the value

100% of the value

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

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

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

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

For the year ended June 30, 2019, 1,269 employees from the Executive and Legislative branches have retired and received benefits totaling \$10.0 million under SLIP. In addition, 217 employees from the Judicial branch and Community Based Corrections have retired and received benefits totaling \$1.9 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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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 2018 and 2019 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 2018	\$ 68,916	26,630	27,010	\$ 68,536
FY 2019	68,536	27,786	29,772	66,550

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 2018 and 2019 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 2018	\$ 1,890	1,368	1,027	\$ 2,231
FY 2019	2,231	2,952	1,147	4,036

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 2018 and 2019 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 2018	\$ 661	1,023	396	\$ 1,288
FY 2019	1,288	501	632	1,157

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 2018 and 2019 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 2018	\$ 20,000	12,497	7,497	\$ 25,000
FY 2019	25,000	8,822	8,822	25,000

The Universities retain risk liability for medical faculty malpractice; medical, dental, unemployment and workers' compensation coverage for some employees; and for various property damage not covered as described below. The estimates of claim liabilities for faculty medical malpractice and employee medical, dental, unemployment and workers' compensation are based on actuarial analysis. The estimates of the claims liabilities for various property damages are based on historical analysis. Changes in the balances for estimated claims liabilities for fiscal years 2018 and 2019 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 2018	\$ 31,943	369,674	355,778	\$ 45,839
FY 2019	45,839	451,601	431,533	65,907

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

B. Insurance/Transfer of Risk

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

- State employee benefits for health, dental, long-term disability and life insurance coverage are fully insured.
- The State maintains an employee fidelity bond for up to \$2.0 million. The University of Iowa and Iowa State University carry additional coverage of \$8.0 million and \$4.0 million, respectively.
- 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 \$212.6 million.
- Iowa State University is insured for \$2.6 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 \$1.2 billion for catastrophic property loss for general fund properties with a \$1.0 million deductible on general University buildings. Additional coverage is provided for auxiliary enterprises.
- The Iowa Department of Administrative Services is insured for construction projects for \$2.0 million, with additional coverage for the project value of individual projects in excess of \$2.0 million.
- The Iowa Braille and Sight Saving School is insured for catastrophic loss liabilities for \$49.7 million after a \$1.0 million deductible.
- The Iowa School for the Deaf is insured for catastrophic loss liabilities for \$77.3 million after a \$1.0 million deductible.
- The eight Judicial Districts individually insure buildings and contents with coverage ranging from \$4.3 million to \$29.5 million.
- Iowa Workforce Development is insured for \$25.2 million for buildings and contents.
- Iowa Public Television insures broadcasting trucks and contents for \$3.4 million.
- The Iowa Finance Authority is insured for \$7.0 million for buildings and contents.
- The Iowa Lottery Authority is insured for \$11.9 million for buildings and contents. Additional coverage of \$10.0 million is provided for commercial umbrella liability.

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

NOTE 19 – LITIGATION, CONTINGENCIES AND COMMITMENTS

The *Iowa Public Employees' Retirement System* (IPERS) has commitments to fund an additional \$2.3 billion to various private equity/debt partnerships, \$169.1 million to various real estate debt partnerships, and \$355.3 million to corporate debt partnerships at June 30, 2019.

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

IPERS participates in federal securities class-actions as the lead plaintiff, co-lead plaintiff, a named plaintiff, or a member of the class action. During the fiscal year, IPERS made 68 recoveries in the amount of \$3.9 million that are reflected in the financial statements for the year ended June 30, 2019.

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

The *Iowa Department of Transportation* has contractual obligations for construction and other contracts of \$650.2 million (net of \$726.4 million in anticipated federal funding) at June 30, 2019.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

The *University of Iowa* has outstanding construction contract commitments of \$165.2 million at June 30, 2019.

Iowa State University has outstanding construction contract commitments of \$64.3 million at June 30, 2019.

The *University of Northern Iowa* has outstanding construction contract commitments of \$6.5 million at June 30, 2019.

The *Iowa Department of Natural Resources* has outstanding construction contract commitments of \$16.1 million at June 30, 2019.

The *Iowa Department of Administrative Services* has outstanding construction contract commitments of \$21.7 million at June 30, 2019.

The *Iowa Department of Human Rights* has outstanding contractual obligations of \$7.8 million at June 30, 2019.

The *Iowa Department of Human Services* has outstanding contractual obligations of \$579.2 million at June 30, 2019.

The *Iowa Department of Public Defense* has outstanding contractual obligations for construction and other contracts of \$9.3 million at June 30, 2019.

The *Iowa Department of Homeland Security and Emergency Management* has outstanding contractual obligations of \$10.9 million at June 30, 2019.

The *Iowa Department of Public Safety* has outstanding construction contract commitments of \$2.9 million at June 30, 2019.

The State of Iowa has encumbrances at June 30, 2019, totaling \$52.7 million, \$44.6 million in the General Fund and \$8.1 million in the nonmajor governmental funds.

The *Iowa Finance Authority* has signed loan agreements under the State Revolving Fund for which \$358.5 million had not been disbursed at June 30, 2019.

The *Iowa State Fair Authority* has outstanding construction contract commitments of \$5.3 million at June 30, 2019.

The *Iowa Economic Development Authority* has outstanding contractual commitments of \$193.3 million at June 30, 2019.

NOTE 20 – TAX ABATEMENTS

High Quality Jobs Program (HQJP)

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

- The community has approved the project by ordinance or resolution, if the qualifying investment is over \$10 million.
- The business has not closed or substantially reduced operations in one area of the state and relocated substantially the same operations in a community in another area of the state. This requirement does not prohibit a business from expanding its operation in a community if existing operations of a similar nature in the state are not closed or substantially reduced.
- The business shall meet the qualifying wage thresholds (the laborshed wage estimated for the geographic area surrounding the employment center in which the business is locating or expanding).
- If the business is creating jobs, the business shall demonstrate that the jobs will pay at least 100% of the qualifying wage threshold at the start of the project completion period, at least 120% of the qualifying wage threshold by the project completion date, and at least 120% of the qualifying wage threshold until the maintenance period completion date. If the business is retaining jobs, the business shall demonstrate that the jobs retained will pay at least 120% of the qualifying wage threshold throughout both the project completion period and the maintenance period. A business located at a Brownfield or a Grayfield site or in

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

an economically distressed area may be awarded incentives for jobs that will pay less than 120% of the qualifying wage threshold.

- The business shall provide a sufficient package of benefits to each employee holding a created or retained job.
- The business shall demonstrate that the jobs created or retained will have a sufficient impact on State and local government revenues.
- The business shall not be a retail business, a business where entrance is limited by a cover charge or membership requirement, or a service business where a service business is a business providing services to a local consumer market which does not have a significant portion of its sales coming from outside the state.

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

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

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

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

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

Historic Preservation and Cultural and Entertainment District Tax Credit

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

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

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

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

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

Iowa Industrial New Jobs Training Program

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

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

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

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

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

Redevelopment Tax Credit

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

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

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

24% of the qualifying costs in a Brownfield site, or 30% of the qualifying costs in a Brownfield site if the redevelopment meets the green development standards.

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

Renewable Energy Tax Credit

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

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

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

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

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

Targeted Jobs Tax Credit from Withholding

The Targeted Jobs Tax Credit from Withholding program, as described by Iowa Code Section 403.19A, authorized four pilot project cities, each of which must contain three or more census tracts, and are approved by IEDA. One city must be in a county bordering South Dakota, one city in a county bordering Nebraska, and two cities must be in counties bordering a state other than South Dakota or Nebraska.

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

A pilot project city, in conjunction with IEDA, must enter into a withholding agreement with an employer. An agreement cannot be entered into with a business currently located in Iowa unless the business either creates or retains ten jobs, each paying a wage at least equal to the average county wage, or makes a qualifying investment of at least \$500,000 within the city. The withholding agreement may have a term of up to ten years. A copy of the withholding agreement must be provided to the IDR. A pilot project city cannot enter into a withholding agreement with an employer after June 30, 2018.

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

Enterprise Zone Program

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

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

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

- Supplemental New Jobs Credit from Withholding, which provides additional funding for training new employees. Credit applied to the withholding tax.
- Refund of State sales, service, or use taxes paid to contractors or subcontractors during construction. Refund applied to the sales and use tax.
- Investment Tax Credit of up to 10% of the new investment in machinery and equipment, land, buildings, and improvements to existing buildings. Credit applied to corporation income, individual income, franchise, insurance premium, and moneys and credits taxes.
- Housing Investment Tax Credit of up to 10% of the new investment which is directly related to the building or rehabilitating of a minimum of four single-family homes or one multiple dwelling unit building containing three or more individual dwelling units located in that part of a city or county in which there is a designated EZ. Credit applied to corporation income, individual income, franchise, and insurance premium taxes.
- Supplemental Research Activities Tax Credit that could allow the participating company to as much as double their Research Activities Tax Credit for up to five years for awards made prior to July 1, 2010. Credit applied to corporation income and individual income taxes.

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

Accelerated Career Education Program

The Accelerated Career Education Program (ACE), as described in Iowa Code Chapter 206G, assists Iowa's community colleges to either establish or expand programs that train individuals in the occupations most needed by Iowa businesses. The ACE program allows participating companies to divert a portion of the company's current Iowa individual income withholding tax based on the number of seats in a training program sponsored by a business, up to an annual capped award amount. Businesses participating in the program divert taxes up to

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

10% of the hiring wage that a sponsoring business would pay to an individual that completes the program's requirements (with a minimum wage level of no less than 200% of the federal poverty guideline for a family of two). The diversion goes to the community college over the life of the agreement (usually 5 years). The business also provides cash or in-kind contributions equal to at least 20% of the program costs.

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

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

Beginning Farmer Tax Credit Program

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

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

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

An eligible applicant for the Beginning Farmer Tax Credit Program is defined as a state resident aged 18 or older with a net worth of less than \$672,171 for 2016. The allowed maximum net worth is indexed annually based on the October 1 annual change in the U.S. Department of Agriculture's Prices Paid by Farmers Index. The applicant must materially participate in the farm and have sufficient education, training, or experience in farming.

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

Workforce Housing Tax Incentive Program

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

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

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

The following is a schedule by program of the amount of taxes abated during the year ended June 30, 2019, (expressed in thousands):

	Sales & Use Tax	Individual Income Tax	Corporate Income Tax	Franchise Tax	Insurance Premium Tax	Withholding Tax	Total
High Quality Jobs Program (HQJP)	\$ 24,612	\$ 1,469	\$ 9,429	\$ 17	\$ 2,413	\$ -	\$ 37,940
Historic Preservation and Cultural and Entertainment District Tax Credit	-	7,624	8,690	19,922	-	-	36,236
Iowa Industrial New Jobs Training Program	-	-	-	-	-	34,434	34,434
Redevelopment Tax Credit	-	511	1,978	2,686	2,403	-	7,578
Renewable Energy Tax Credit *	38	1,513	1,981	192	1,360	-	5,084
Targeted Jobs Tax Credit from Withholding	-	-	-	-	-	4,324	4,324
Enterprise Zone Program	1,141	2,712	1,706	3,299	690	-	9,548
Accelerated Career Education Program	-	-	-	-	-	3,964	3,964
Beginning Farmer Tax Credit Program	-	4,555	153	-	-	-	4,708
Workforce Housing Tax Incentive Program	2,503	879	2,342	2,281	5,925	-	13,930
Total	\$ 28,294	\$ 19,263	\$ 26,279	\$ 28,397	\$ 12,791	\$ 42,722	\$ 157,746

* The schedule does not include \$17 thousand of Replacement Tax abated.

NOTE 21 – DEFICIT FUND BALANCE

The Tobacco Collections Fund, a major special revenue fund, had a deficit fund balance of \$123.3 million at June 30, 2019. 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.

The Office of Chief Information Officer Fund, an internal service fund, had a deficit fund balance of \$2.9 million at June 30, 2019. The deficit results from spending in excess of revenues recognized, and the recognition of a proportionate share of the net pension liability, OPEB liability and compensated absences liability.

NOTE 22 – BEGINNING BALANCE ADJUSTMENTS

Capital Assets – Governmental Activities

The balance of governmental activities, capital assets (net) has been increased by \$34.6 million due to the omission of armory buildings and related accumulated depreciation at the Iowa Department of Public Defense (\$38.5 million) and an error in the calculation of accumulated depreciation at the Iowa State Penitentiary (\$3.9 million). These changes have been accounted for as prior period adjustments to the beginning balances of capital assets (net) and net investment in capital assets.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

Capital Assets – Business-type Activities

The balance of business-type activities, capital assets (net) has been decreased by \$1.2 million due to an error in the calculation of additions in prior years at the Iowa Department of Commerce – Alcoholic Beverages Division (Liquor Control Act Fund). The change has been accounted for as a prior period adjustment to the beginning balances of capital assets (net) and net investment in capital assets.

NOTE 23 – SUBSEQUENT EVENTS

In May 2019, the University of Northern Iowa received approval from the Iowa Board of Regents (BOR) to redeem the outstanding Field House Revenue Refunding Bonds, Series U.N.I. 2011. The bonds became callable on July 1, 2019, and the University defeased the \$1,430,000 of outstanding debt on July 1, 2019.

In September 2019, the Iowa Finance Authority (IFA) purchased a new facility at 1963 Bell Avenue in Des Moines, Iowa for \$7,590,000. In November 2019, IFA entered into an agreement to sell the former facility at 2015 Grand Avenue in Des Moines, Iowa for \$1,625,000.

In September 2019, IFA entered into agreements to issue Single Family Mortgage Bonds in the par amount of \$86,500,000. Proceeds will be used to purchase mortgage-backed securities under IFA's FirstHome and Homes for Iowans programs, finance down payment assistance, and pay certain costs of issuance. In conjunction with the issuance, IFA entered into an interest rate swap agreement with the Bank of New York Mellon.

In September 2019, the University of Iowa received approval from the BOR to issue University of Iowa Facilities Corporation Revenue Bonds (Museum of Art Project), Series 2019 in the amount of \$30,150,000 for the purpose of financing a portion of the costs of constructing and equipping a museum of art on the University campus and pay the costs of issuing the bonds. These bonds will bear interest at varying rates between 3.00% and 5.00% and will mature in varying amounts from June 1, 2021 through June 1, 2050. The University of Iowa Facilities Corporation was incorporated in 1967 as a not-for-profit supporting organization of the University of Iowa Foundation to assist in maintaining, developing, increasing, and extending the facilities and services of the University of Iowa. Although the bonds would be issued by the Facilities Corporation, they are deemed by Internal Revenue Service rulings to be issued "on behalf" of the BOR and the State of Iowa. The BOR must, therefore, approve the sale and terms of the bonds. The Corporation's interest in the facility will be leased to the BOR during the term of the bonds. Upon retirement of the bonds, the portion of the facility financed by the Facilities Corporation will be conveyed to the University, subject to approval of the BOR.

In December 2019, the University of Iowa received approval from the BOR to enter into a 50-year lease agreement with University of Iowa Energy Collaborative LLC (Concessionaire) for the Utility System Land and Utility Facilities in consideration of the up-front payment of \$1,165,000,000. The University will lease the utility system, including all utility facilities and land, to the Concessionaire for a term of 50 years. All personal property (e.g., trucks, computers, etc.) associated with the utility system will be sold to the Concessionaire. The Concessionaire will have an exclusive concession to provide utility services to the University campus over the life of the Concession Agreement.

In December 2019, the University of Iowa received approval from the BOR to redeem the outstanding \$10,195,000 Utility System Revenue Refunding Bonds, Series S.U.I. 2011. This is a full call of the outstanding bonds which are callable on or after November 1, 2019. The BOR also approved the defeasance and redemption of the following outstanding Utility System bond issues for the University: \$25,000,000 Utility System Revenue Bonds, Series S.U.I. 2010, \$25,000,000 Utility System Revenue Bonds, Series S.U.I. 2012, \$13,620,000 Utility System Revenue Refunding Bonds, Series S.U.I. 2013, \$17,905,000 Utility System Revenue Refunding Bonds, Series S.U.I. 2014, \$25,000,000 Utility System Revenue Bonds, Series S.U.I. 2015, \$14,830,000 Utility System Revenue Refunding Bonds, Series S.U.I. 2015A, \$19,285,000 Utility System Revenue Refunding Bonds, Series S.U.I. 2016, \$17,015,000 Utility System Revenue Refunding Bonds, Series S.U.I. 2016A, and \$25,000,000 Utility System Revenue Bonds, Series S.U.I. 2018. The bonds are to be defeased/redeemed in order for the BOR and University to enter into the public-private agreement described in the previous paragraph.

The Department of Human Services completes reviews and cost settlements for federal programs including Medicaid. As the reviews and settlements are finalized, the impact is reflected in the State's financial statements. Obligations related to reviews and settlements not yet completed, if any, are undeterminable at this time.

REQUIRED
SUPPLEMENTARY
INFORMATION

STATE OF IOWA

Required Supplementary Information Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2019

(Expressed in Thousands)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE				
Special taxes:				
Personal income tax	\$ 4,818,400	\$ 4,886,900	\$ 4,945,512	\$ 58,612
Sales/use tax	3,099,900	3,124,600	3,056,123	(68,477)
Corporation income tax	677,600	654,800	705,462	50,662
Inheritance tax	85,000	85,000	79,243	(5,757)
Insurance premium tax	117,800	139,400	153,428	14,028
Cigarette tax	-	-	(4)	(4)
Beer & liquor tax	14,000	13,800	13,439	(361)
Franchise tax	51,500	43,400	64,440	21,040
Miscellaneous tax	1,400	15,500	19,931	4,431
Total special taxes	8,865,600	8,963,400	9,037,574	74,174
Reimbursements & fees:				
Institutional reimbursements	9,500	9,800	11,684	1,884
Liquor transfers	117,100	120,000	126,056	6,056
Interest	2,000	8,600	10,076	1,476
Fees	24,800	27,400	29,574	2,174
Judicial revenue	96,400	97,400	94,964	(2,436)
Miscellaneous receipts	51,800	50,300	58,643	8,343
Racing and gaming receipts	-	2,300	2,250	(50)
Total receipts	9,167,200	9,279,200	9,370,821	91,621
Transfers	122,900	122,500	123,047	547
Economic emergency fund surplus	800	71,131	71,131	-
TOTAL APPROPRIATED REVENUE	9,290,900	9,472,831	9,564,999	92,168
RECEIPTS CREDITED TO APPROPRIATIONS				
Other taxes	1,100	1,100	1,409	309
Sales tax quarterly	-	-	(1)	(1)
Multi suspense	23,406	23,405	20,601	(2,804)
Federal support	4,017,630	4,024,341	4,261,000	236,659
Local governments	51,902	51,902	50,261	(1,641)
Internal service transfers	499,596	500,741	527,728	26,987
Reimbursements from other departments	4,672	4,677	5,335	658
Government fund type transfers:				
Attorney General	18,737	18,737	18,291	(446)
Auditor of State	4,543	4,543	3,412	(1,131)
Other agencies	35,032	38,645	40,533	1,888
Interest	82	82	350	268
Fees, licenses & permits	52,114	51,691	43,882	(7,809)
Refunds & reimbursements	522,977	523,143	629,890	106,747
Sale of real estate	5	5	-	(5)
Sale of equipment & salvage	16	16	3	(13)
Rents & leases	2,556	2,560	2,217	(343)
Agricultural sales	2	2	1	(1)
Other sales & services	4,661	4,661	6,182	1,521
Unearned receipts	44,323	44,323	69,560	25,237
Other	10,287	10,239	11,196	957
TOTAL APPROPRIATED RECEIPTS	5,293,641	5,304,813	5,691,850	387,037
TOTAL ALL REVENUE	14,584,541	14,777,644	15,256,849	479,205
SCHOOL INFRASTRUCTURE TRANSFER	(497,000)	(512,300)	(503,111)	9,189
REFUNDS OF TAXES COLLECTED	(1,152,700)	(1,156,000)	(1,131,931)	24,069
TOTAL REVENUES AVAILABLE	12,934,841	13,109,344	13,621,807	512,463

(continued on next page)

STATE OF IOWA

Required Supplementary Information Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2019

(Expressed in Thousands)

(continued)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
EXPENDITURES				
Administration & regulation	796,741	805,315	797,851	7,464
Agriculture & natural resources	175,759	177,082	158,594	18,488
Economic development	51,514	51,875	47,152	4,723
Education	4,381,689	4,377,431	4,381,528	(4,097)
Health & human services	6,523,854	6,709,890	7,007,415	(297,525)
Justice	632,749	653,035	644,112	8,923
Judicial	184,035	184,693	184,635	58
Legislature	35,585	35,585	38,874	(3,289)
TOTAL EXPENDITURES	12,781,926	12,994,906	13,260,161	(265,255)
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES & TRANSFERS	152,915	114,438	361,646	247,208
OTHER FINANCING SOURCES (USES)				
Balances credited to appropriations	15,704	57,435	57,435	-
Unexpended appropriations	(2,446)	(5,658)	(129,787)	(124,129)
TOTAL OTHER FINANCING SOURCES (USES)	13,258	51,777	(72,352)	(124,129)
REVENUES AVAILABLE OVER EXPENDITURES & OTHER ITEMS	166,173	166,215	289,294	123,079
BEGINNING FUND BALANCE (BUDGETARY)	-	-	-	-
REMAINING FUND BALANCE (BUDGETARY)	\$ 166,173	\$ 166,215	\$ 289,294	\$ 123,079
ENDING FUND BALANCE (BUDGETARY)	\$ 166,173	\$ 166,215	\$ 289,294	
AUTHORIZED TRANSFER TO THE:				
Cash Reserve Fund	(166,173)	(166,215)	(289,294)	
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, 2019

(Expressed in Thousands)

Fund balance - budgetary/legal	\$ 289,294
Basis of accounting differences:	
Balance sheet accounts:	
Accounts receivable	611,284
Due from other funds	1,242
Prepaid expenditures	31,481
Accounts payable & accruals	(582,429)
Due to other funds	(76,146)
Unearned revenue	(6,543)
Deferred revenue	(293,437)
Budgetary unexpended appropriations	129,787
Timing differences:	
Petty cash & inventory expensed in budgetary accounting	15,424
Perspective differences	<u>2,144,024</u>
Total fund balance - GAAP basis	<u><u>\$ 2,263,981</u></u>

The notes are an integral part of the financial statements.

STATE OF IOWA

Required Supplementary Information

Notes to Required Supplementary Information – Budgetary Reporting

BUDGETARY EXPENDITURES IN EXCESS OF APPROPRIATIONS

During the year ended June 30, 2019, actual expenditures exceeded budgeted expenditures in the General Fund in the Education, Health & Human Services, and Legislature functions. For the Education function, College Aid Commission, the Department of Education and Regent Institutions received additional federal and other State funds over budget and expended those for allowable purposes. For the Health & Human Services function, the Department of Human Services received additional federal funds and other State funds for General Administration, Child Support Recoveries, Civil Commitment Unit for Sexual Offenders, Independence Mental Health Institute, Glenwood Resource Center, Family Investment program, Medical Assistance program, Family Support Subsidy, and Decategorization program over budget and expended those funds for allowable program expenditures. For the Legislature function, the Iowa Legislature received additional State funds over budget and expended those funds for allowable purposes.

BUDGETARY PRESENTATION

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

The beginning budgetary fund balance for the nonmajor Special Revenue Funds was restated for the Special Contingency Fund. This fund is classified as a Special Revenue Fund for budgetary purposes. The following summarizes the change to the beginning budgetary fund balance for nonmajor Special Revenue Funds (expressed in thousands):

	Actual
July 1, 2018 budgetary fund balances	\$ 378,908
Adjustment for:	
Special Contingency Fund	(481)
Budgetary fund balances restated	<u>\$ 378,427</u>

The original budget and related estimated revenues and expenditures represent the spending authority enacted into law by the appropriations bills as of July 1, 2018 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

STATE OF IOWA

Required Supplementary Information

Notes to Required Supplementary Information – Budgetary Reporting

be disbursed only after appropriations have been allotted by the Department of Management, subject to the review of the Governor, with the exception of standing unlimiteds and certain receipts that the Departments are authorized to expend.

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

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

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

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

GENERAL FUND EXPENDITURE LIMITATION

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

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

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

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

STATE OF IOWA

Required Supplementary Information

Notes to Required Supplementary Information – Budgetary Reporting

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

RESERVE FUNDS

The State maintains two reserve funds: the Cash Reserve Fund and the Iowa Economic Emergency Fund, created in Sections 8.56 and 8.55 of the Code of Iowa. These funds were established by formal action of the highest level of decision making authority as they were created by legislation passed by both the House and Senate 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 for the current fiscal year. The moneys in this fund may only be appropriated by the General Assembly for nonrecurring emergency expenditures and shall not be appropriated for payment of any collective bargaining agreement or arbitrator's decision negotiated or awarded. The balance in the Cash Reserve Fund may be used in determining the cash position of the General Fund of the State for payment of State obligations. An appropriation shall not be made from the Cash Reserve Fund if the appropriation would cause the fund's balance to be less than 3.75% of the adjusted revenue estimate for the year for which the appropriation is made unless the bill or joint resolution is approved by vote of at least three-fifths of the members of both chambers of the General Assembly and is signed by the Governor. Also, the appropriation must be contained in a bill or joint resolution in which the appropriation is the only subject matter of the bill or joint resolution, and the bill or joint resolution states the reasons the appropriation is necessary.

The *Iowa Economic Emergency Fund* is separate from the General Fund of the State and the fund is not to be considered part of the balance of the General Fund of the State. The moneys in the fund do not revert to the General Fund. The maximum balance of the fund is equal to 2.5% of the adjusted revenue estimate for the General Fund for the current fiscal year. Interest or earnings on moneys deposited in the Iowa Economic Emergency Fund are credited to the Rebuild Iowa Infrastructure Fund. Moneys in this fund may be used for cash flow purposes provided that moneys so allocated are returned to the Iowa Economic Emergency Fund by the end of each fiscal year. The balance may be used in determining the cash position of the General Fund of the State for payment of State obligations. Amounts in excess of the maximum balance are distributed as follows: (1) the first \$60 million of the difference between the actual net revenue for the General Fund of the State and the adjusted revenue estimate for the fiscal year is transferred to the Taxpayers Trust Fund, (2) the remainder of the excess, if any, shall be transferred to the General Fund of the State.

The General Assembly can only appropriate moneys in the fund for emergency expenditures. A maximum of \$50 million may be used to prevent a deficit in the General Fund when *all* of the following have occurred: (1) the Revenue Estimating Conference (REC) estimate of General Fund receipts made during the last quarter of the fiscal year was, or the actual fiscal year receipts and accruals were, at least one-half of one percent less than the comparable estimate made during the third quarter of the fiscal year; (2) the Governor has implemented the uniform reductions in appropriations required in Section 8.31 as a result of the above item and such reduction was insufficient to prevent an overdraft on or deficit in the General Fund of the State, or the Governor did not implement uniform reductions in appropriations because of the lateness of the estimated or actual receipts and accruals under item (1); (3) the balance of the General Fund of the State at the end of the fiscal year prior to the appropriation made in this paragraph was negative; and (4) the Governor has issued an official proclamation and has notified the co-chairpersons of the fiscal committee of the Legislative Council and the Legislative Services Agency that the contingencies above have occurred and the reasons why the uniform reductions specified in item (2) were insufficient, or were not implemented to prevent an overdraft on or deficit in the General Fund of the State. Additionally, the Executive Council may receive an amount sufficient to pay expenses authorized in 7D.29 of the Code of Iowa.

STATE OF IOWA

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

Iowa Public Employees' Retirement System (IPERS)

Last Five Fiscal Years as of June 30 *

(Expressed in Thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
State's proportion of the net pension liability	16.561596%	16.960683%	17.130052%	16.899393%	17.009515%
State's proportionate share of the net pension liability	\$ 1,048,060	\$ 1,129,772	\$ 1,078,059	\$ 834,918	\$ 674,583
State's covered payroll	\$ 1,414,609	\$ 1,431,290	\$ 1,388,017	\$ 1,356,263	\$ 1,342,673
State's proportionate share of the net pension liability as a percentage of its covered payroll	74.09%	78.93%	77.67%	61.56%	50.24%
Plan fiduciary net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	85.19%	87.61%

In accordance with GASB Statement No. 68, the amounts presented were determined as of the measurement date of the collective net pension liability, which is June 30 of the preceding fiscal year.

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

See accompanying independent auditor's report.

STATE OF IOWA

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

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

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

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 12,194	\$ 12,109	\$ 13,071	\$ 12,207	\$ 11,847	\$ 11,551
Interest	48,185	46,564	42,298	41,661	40,222	38,880
Changes in benefit terms	-	-	-	-	-	(164)
Differences between expected & actual experience	(1,471)	(5,279)	(1,886)	(5,613)	(6,609)	(7,444)
Changes in assumptions	-	-	33,549	23,791	-	-
Benefit payments, including refunds of employee contributions	(32,643)	(30,966)	(29,362)	(28,284)	(26,693)	(25,432)
Net change in total pension liability	26,265	22,428	57,670	43,762	18,767	17,391
Total pension liability - beginning	658,487	636,059	578,389	534,627	515,860	498,469
Total pension liability - ending (a)	<u>\$ 684,752</u>	<u>\$ 658,487</u>	<u>\$ 636,059</u>	<u>\$ 578,389</u>	<u>\$ 534,627</u>	<u>\$ 515,860</u>
Plan fiduciary net position						
Contributions - employer	\$ 21,840	\$ 21,498	\$ 17,274	\$ 20,519	\$ 18,601	\$ 17,715
Contributions - employee	5,486	5,124	5,053	5,080	4,991	4,755
Net investment income (loss)	16,147	65,058	72,488	(4,581)	21,722	65,436
Benefit payments, including refunds of employee contributions	(32,643)	(30,966)	(29,362)	(28,284)	(26,693)	(25,432)
Administrative expense	(250)	(233)	(237)	(248)	(217)	(199)
Net change in fiduciary net position	10,580	60,481	65,216	(7,514)	18,404	62,275
Plan fiduciary net position - beginning	528,782	468,301	403,085	410,599	392,195	329,920
Plan fiduciary net position - ending (b)	<u>\$ 539,362</u>	<u>\$ 528,782</u>	<u>\$ 468,301</u>	<u>\$ 403,085</u>	<u>\$ 410,599</u>	<u>\$ 392,195</u>
Net pension liability - ending (a) - (b)	<u>\$ 145,390</u>	<u>\$ 129,705</u>	<u>\$ 167,758</u>	<u>\$ 175,304</u>	<u>\$ 124,028</u>	<u>\$ 123,665</u>
Plan fiduciary net position as a percentage of the total pension liability	78.77%	80.30%	73.63%	69.69%	76.80%	76.03%
Covered payroll	\$ 45,514	\$ 44,589	\$ 42,212	\$ 47,028	\$ 43,873	\$ 43,845
Net pension liability as a percentage of covered payroll	319.44%	290.89%	397.42%	372.77%	282.70%	282.05%

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

See accompanying independent auditor's report.

STATE OF IOWA

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

Judicial Retirement System (JRS)

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

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 7,124	\$ 6,230	\$ 6,235	\$ 6,231	\$ 6,438	\$ 6,503
Interest	15,417	14,396	13,880	13,548	13,392	13,022
Changes in benefit terms	-	(1,208)	-	-	-	-
Differences between expected & actual experience	(328)	(3,222)	(865)	(3,655)	(6,586)	(3,957)
Changes in assumptions	-	33,526	-	-	-	-
Benefit payments, including refunds of employee contributions	(13,724)	(12,812)	(11,950)	(11,460)	(10,891)	(10,377)
Net change in total pension liability	8,489	36,910	7,300	4,664	2,353	5,191
Total pension liability - beginning	235,143	198,233	190,933	186,269	183,916	178,725
Total pension liability - ending (a)	<u>\$ 243,632</u>	<u>\$ 235,143</u>	<u>\$ 198,233</u>	<u>\$ 190,933</u>	<u>\$ 186,269</u>	<u>\$ 183,916</u>
Plan fiduciary net position						
Contributions - employer	\$ 8,771	\$ 8,503	\$ 8,544	\$ 8,667	\$ 8,724	\$ 8,630
Contributions - employee	2,680	2,598	2,611	2,648	2,665	2,637
Net investment income (loss)	7,237	26,227	26,632	(2,673)	7,533	26,172
Benefit payments, including refunds of employee contributions	(13,724)	(12,812)	(11,950)	(11,460)	(10,891)	(10,377)
Administrative expense	(26)	(20)	(18)	(20)	(15)	(17)
Net change in fiduciary net position	4,938	24,496	25,819	(2,838)	8,016	27,045
Plan fiduciary net position - beginning	211,467	186,971	161,152	163,990	155,974	128,929
Plan fiduciary net position - ending (b)	<u>\$ 216,405</u>	<u>\$ 211,467</u>	<u>\$ 186,971</u>	<u>\$ 161,152</u>	<u>\$ 163,990</u>	<u>\$ 155,974</u>
Net pension liability - ending (a) - (b)	<u>\$ 27,227</u>	<u>\$ 23,676</u>	<u>\$ 11,262</u>	<u>\$ 29,781</u>	<u>\$ 22,279</u>	<u>\$ 27,942</u>
Plan fiduciary net position as a percentage of the total pension liability	88.82%	89.93%	94.32%	84.40%	88.04%	84.81%
Covered payroll	\$ 28,664	\$ 27,788	\$ 27,922	\$ 28,322	\$ 28,510	\$ 28,203
Net pension liability as a percentage of covered payroll	94.99%	85.20%	40.33%	105.15%	78.14%	99.07%

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

See accompanying independent auditor's report.

STATE OF IOWA

Required Supplementary Information Schedule of Contributions

Iowa Public Employees' Retirement System (IPERS)

Last Ten Fiscal Years as of June 30

(Expressed in Thousands)

	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 134,356	\$ 126,868	\$ 128,532	\$ 124,718	\$ 122,279
Contributions in relation to statutorily required contributions	134,356	126,868	128,532	124,718	122,279
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
State's covered payroll	\$ 1,419,476	\$ 1,414,609	\$ 1,431,290	\$ 1,388,017	\$ 1,356,263
Contributions as a percentage of covered payroll	9.47%	8.97%	8.98%	8.99%	9.02%
	2014	2013	2012	2011	2010
Statutorily required contribution	\$ 121,161	\$ 116,630	\$ 110,123	\$ 91,340	\$ 88,637
Contributions in relation to statutorily required contributions	121,161	116,630	110,123	91,340	88,637
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
State's covered payroll	\$ 1,342,673	\$ 1,322,751	\$ 1,327,065	\$ 1,243,013	\$ 1,270,140
Contributions as a percentage of covered payroll	9.02%	8.82%	8.30%	7.35%	6.98%

See Notes to Required Supplementary Information - Schedules of Contributions.

See accompanying independent auditor's report.

STATE OF IOWA

Required Supplementary Information Schedule of Contributions

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

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

	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 19,403	\$ 20,306	\$ 17,746	\$ 17,081	\$ 16,957
Actual employer contribution	21,840	21,498	17,274	20,519	18,601
Contribution deficiency (excess)	<u>\$ (2,437)</u>	<u>\$ (1,192)</u>	<u>\$ 472</u>	<u>\$ (3,438)</u>	<u>\$ (1,644)</u>
Covered payroll	\$ 45,514	\$ 44,589	\$ 42,212	\$ 47,028	\$ 43,873
Contributions as a percentage of covered payroll	47.99%	48.21%	40.92%	43.63%	42.40%

	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 18,187	\$ 18,665	\$ 16,623	\$ 14,967	\$ 14,237
Actual employer contribution	17,715	11,778	10,741	9,554	8,499
Contribution deficiency (excess)	<u>\$ 472</u>	<u>\$ 6,887</u>	<u>\$ 5,882</u>	<u>\$ 5,413</u>	<u>\$ 5,738</u>
Covered payroll	\$ 43,845	\$ 43,621	\$ 42,965	\$ 41,539	\$ 40,469
Contributions as a percentage of covered payroll	40.40%	27.00%	25.00%	23.00%	21.00%

See Notes to Required Supplementary Information - Schedules of Contributions.

See accompanying independent auditor's report.

STATE OF IOWA

Required Supplementary Information Schedule of Contributions

Judicial Retirement System (JRS)

Last Ten Fiscal Years as of June 30

(Expressed in Thousands)

	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 8,674	\$ 5,688	\$ 6,201	\$ 6,667	\$ 7,709
Actual employer contribution	8,771	8,503	8,544	8,667	8,724
Contribution deficiency (excess)	<u>\$ (97)</u>	<u>\$ (2,815)</u>	<u>\$ (2,343)</u>	<u>\$ (2,000)</u>	<u>\$ (1,015)</u>
Covered payroll	\$ 28,664	\$ 27,788	\$ 27,922	\$ 28,322	\$ 28,510
Contributions as a percentage of covered payroll	30.60%	30.60%	30.60%	30.60%	30.60%

	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 8,376	\$ 8,445	\$ 8,364	\$ 8,308	\$ 7,857
Actual employer contribution	8,630	8,232	8,216	8,102	7,806
Contribution deficiency (excess)	<u>\$ (254)</u>	<u>\$ 213</u>	<u>\$ 148</u>	<u>\$ 206</u>	<u>\$ 51</u>
Covered payroll	\$ 28,203	\$ 26,903	\$ 26,849	\$ 26,477	\$ 25,511
Contributions as a percentage of covered payroll	30.60%	30.60%	30.60%	30.60%	30.60%

See Notes to Required Supplementary Information - Schedules of Contributions.

See accompanying independent auditor's report.

STATE OF IOWA

Required Supplementary Information

Notes to Required Supplementary Information – Schedules of Contributions

A. Iowa Public Employees' Retirement System (IPERS)

Changes of Benefit and Funding Terms

The following changes to the plan provisions were made by the Iowa Legislature and are reflected in the valuation performed as of July 1 listed below:

2010: Legislature passed House File 2518 which increased the contribution rate and benefit structure for Regular members. The combined contribution rate was increased to 13.45%, effective July 1, 2011. IPERS was given the authority to set the required contribution rate on an actuarial basis for fiscal years after 2012, but the contribution rate cannot vary by more than 1.0% per year. The definition of final average salary was modified to the highest five years of covered wages, increasing the years of service to vest from four to seven, and increased the early retirement reduction from 3.0% per year measured from the member's first unreduced retirement age to a 6.0% reduction measured from age 65.

Changes in Assumptions

Valuation date: July 1, 2018:

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

Valuation date: July 1, 2017:

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

Valuation date: July 1, 2014:

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

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

Valuation date: July 1, 2019

PORS is funded with fixed contribution rates for both the employee and employer (State). The actuarially determined contributions are calculated as of the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the actuarially determined employer contribution reported for the fiscal year ended June 30, 2019 (based on the July 1, 2018 actuarial valuation):

- *Actuarial cost method:* Entry age normal
- *Amortization method:* Level percentage of payroll, closed
- *Amortization period:* 21 years
- *Asset valuation method:* 5-year-smoothed market
- *Inflation:* 2.75%
- *Salary increase:* 4.00% to 8.50%, including inflation
- *Investment rate of return:* 7.50% compounded annually, net of investment expense, including inflation

STATE OF IOWA

Required Supplementary Information

Notes to Required Supplementary Information – Schedules of Contributions

- *Post-retirement adjustment:* Pensions are adjusted by a percentage, which varies by type of retirement, of the change in the compensation of active members of the same rank. In addition, a dollar adjustment is made which varies by a schedule based on the number of years since the member retired.
- *Mortality:* Pre-retirement mortality rates were based on the RP-2014 Total Dataset Mortality Table with a one-year age set-back for males and Generational Projection, using MP-2016. Post-retirement mortality rates were based on the RP-2014 Total Dataset Mortality Table with a one-year age set-back for males and Generational Projection, using MP-2016. Disability mortality rates were based on the RP-2014 Total Dataset Mortality Table with a four-year age set-forward for males and Generational Projection, using MP-2016.

Changes of Benefit and Funding Terms

The following changes to the plan provisions were made by the Iowa Legislature and are reflected in the valuation performed as of July 1 listed below:

2017: The State's contribution rate increased from 35% to 37% of payroll. In May, 2016, legislation was signed which reduced the State's supplemental contribution from \$5.0 million to \$2.5 million for fiscal year 2017.

2016: The State's contribution rate increased from 33% to 35% of payroll.

2015: The State's contribution rate increased from 31% to 33% of payroll. There was an increase in the reemployment limit for disability retirees under the age of 55. This change had no impact on the valuation results.

2014: The 2014 Legislature passed House File 2450 which provided that cancer and infectious disease, as defined in the bill, will be presumed to have been contracted while the member was on active duty as a result of that duty. The presumption means that such members will be eligible for an accidental disability benefit rather than an ordinary disability benefit. The member contribution rate increased from 10.85% to 11.35% of payroll. The House File also increased the member contribution rate 0.05% to cover the cost of the benefit change so the total member contribution rate is 11.40%. The State's contribution rate increases from 29% to 31% of payroll, as scheduled by law.

2013: The member contribution rate increased from 10.35% to 10.85% of payroll and the State's contribution rate increased from 27% to 29% of payroll.

2012: The member contribution rate increased from 9.85% to 10.35% of payroll and the State's contribution rate increased from 25% to 27% of payroll. The first payment of the supplemental state appropriation of \$5 million per year until PORS is 85% funded was delayed one year to fiscal year 2014.

2011: The member contribution rate increased from 9.35% to 9.85% of payroll and the State's contribution rate increased from 23% to 25% of payroll.

2010: The State's contribution rate increased from 21% to 23% of payroll. Legislation passed in the 2012 Session included several provisions that impacted PORS:

- The member contribution rate will increase 0.5% each year for four years beginning July 1, 2011. The ultimate member contribution rate is 11.35% in fiscal year 2015.
- The State's payroll related contributions were scheduled to reach a maximum of 27% in fiscal year 2013. The new law continues the 2% annual increases in the State's contribution rate with an ultimate rate of 37% in fiscal year 2018.
- Supplemental State contributions of \$5 million annually will be made from the General Fund beginning July 1, 2012 and ending June 30 of the fiscal year in which PORS' funded ratio reaches 85%.
- Clarifying language changed how the flat dollar escalator is paid. Rather than the payment amount increasing each year after retirement as was done in the past, the flat dollar escalator only increases every five years after retirement. For members and beneficiaries having already received \$35 or more, there will be no further adjustments associated with the flat escalator.

STATE OF IOWA

Required Supplementary Information

Notes to Required Supplementary Information – Schedules of Contributions

Changes in Assumptions

July 1, 2017 valuation:

- The mortality assumption was changed to the RP-2014 Mortality Table, with a one-year age setback for males. Generational mortality improvements are modeled using the MP-2016 scale.
- Retirement rates were modified for employees with less than 30 years of service.
- Accidental and Ordinary Disability rates were adjusted to better reflect actual experience.
- Termination rates were adjusted to better reflect actual experience.
- The salary increase assumption was adjusted to better reflect actual experience.
- The amortization of the UAAL was changed to a “layered” approach with new pieces of the UAAL amortized over a closed 20-year period, beginning with the July 1, 2018 valuation. The legacy UAAL (at July 1, 2017) continues to be amortized on its current schedule.
- The asset smoothing method was modified to recognize investment gains and losses over a five-year period rather than four.

July 1, 2016 valuation:

- The price inflation assumption was decreased from 3.00% to 2.75%.
- The wage inflation assumption was decreased from 3.75% to 3.50%.
- The payroll growth assumption was decreased from 3.75% to 3.00%.
- The long-term investment return assumption was decreased from 8.00% to 7.50%.

July 1, 2014 valuation:

- The disability assumption was modified to assume a higher portion of total disabilities will be payable as accidental disabilities as a result of a law passed which provides for a presumption of cancer and infectious diseases are contracted while on active duty.

July 1, 2012 valuation:

- The merit scale component of the salary increase assumption was increased for years of service less than 20 and decreased for years of service more than 20.
- Retirement rates were changed to be age and service based instead of only age based. There are two sets of retirement rates, one if the member has less than 30 years of service and another if the member has 30 or more years of service.
- Wage increase assumption for annual readjustment of pensions was lowered from 4.00% to 3.75%.
- Consumer price inflation was lowered from 3.50% to 3.00%.
- Economic productivity component of the general wage increase assumption was increased from 0.50% to 0.75%.

C. Judicial Retirement System (JRS)

Valuation date: July 1, 2019

JRS is funded with fixed contribution rates for both the employee and employer (State). The actuarially determined contributions are calculated as of the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the actuarially determined employer contribution reported for the fiscal year ended June 30, 2019 (based on the July 1, 2018 actuarial valuation):

- *Actuarial cost method:* Entry age normal
- *Amortization method:* Level dollar, closed
- *Amortization period:* Initial base established July 1, 2009, over a closed 25-year period. A new base is established in each subsequent year equal to the difference in actual versus expected experience. The new base is amortized over a new, closed 25-year period commencing on the date it is established.
- *Asset valuation method:* 75% expected value plus 25% market value
- *Inflation:* 2.60%
- *Salary increase:* 3.75% including inflation
- *Investment rate of return:* 6.75% compounded annually, net of investment expense, including inflation

STATE OF IOWA

Required Supplementary Information

Notes to Required Supplementary Information – Schedules of Contributions

- *Mortality:* RP-2014 White Collar Mortality Tables with a two-year age setback and generational improvements using MP-2017.

Changes of Benefit and Funding Terms

The following changes to the plan provisions were made by the Iowa Legislature and are reflected in the valuation performed as of July 1 listed below:

2018: Effective January 1, 2018, a judge must be 62 years of age or older at the time a judge assumes senior status. Senior judges may only serve for a total of six years and shall cease holding office upon reaching age 78. These requirements do not apply to judges who have 20 years of service prior to January 1, 2018.

Changes in Assumptions

July 1, 2018 valuation:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the long-term investment return assumption from 7.50% to 6.75%.
- Decreased the salary increase assumption from 4.25% to 3.75%.
- Decreased the Senior Judge benefit adjustment from 3.1875% to 3.00%.
- Adopted an explicit assumption of the annual administrative expense.
- Changed the mortality assumption to the RP-2014 White Collar Mortality Tables with a two-year age setback and generational improvements using MP-2017.

July 1, 2013 valuation:

- Decreased the salary increase assumption from 4.50% to 4.25%.
- Increased retirement rates to reflect earlier retirement ages.
- The assumption that retiring judges will elect Senior Judge Status was changed from an 80% election, with 50% relinquishing at age 74 to an 80% election, with 60% relinquishing after 6 years if before 78.
- The adjustment to Senior Judge's benefit was reduced to reflect the change in the salary increase assumption.

STATE OF IOWA

Required Supplementary Information Schedule of Changes in Total OPEB Liability and Related Ratios

State Plan

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

	2019	2018
Total OPEB liability		
Service cost	\$ 12,374	\$ 12,964
Interest	7,448	6,520
Differences between expected & actual experience	-	(1,066)
Changes in assumptions	4,773	2,642
Change in proportion	-	(23)
Benefit payments - implicit subsidy	(11,073)	(9,191)
Net change in total OPEB liability	13,522	11,846
Total OPEB liability - beginning	185,552	173,706
Total OPEB liability - ending	<u>\$ 199,074</u>	<u>\$ 185,552</u>
 Covered payroll	 \$ 1,249,303	 \$ 1,254,711
 Total OPEB liability as a percentage of covered payroll	 15.93%	 14.79%

* GASB Statement No. 75 requires ten years of information to be presented in this schedule; however, until a full 10-year trend is compiled, the State will present information for those years for which information is available.

See Notes to Required Supplementary Information - Schedules of Changes in Total OPEB Liability and Related Ratios.

See accompanying independent auditor's report.

STATE OF IOWA

Required Supplementary Information Schedule of Changes in Total OPEB Liability and Related Ratios

University Plans

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

	2019			2018		
	U of I	ISU	UNI	U of I	ISU	UNI
Total OPEB liability						
Service cost	\$ 4,193	\$ 7,335	\$ 1,767	\$ 33,734	\$ 6,464	\$ 1,690
Interest	4,971	3,084	980	18,168	2,868	807
Differences between expected & actual experience	1	(7,719)	(3,327)	48,567	3,076	-
Changes in assumptions	(13,968)	(3,800)	1,091	(95,303)	6,260	779
Changes in benefit terms	21,519	-	-	(465,008)	-	-
Benefit payments	(10,394)	(5,713)	(533)	(8,001)	(4,654)	(600)
Net change in total OPEB liability	6,322	(6,813)	(22)	(467,843)	14,014	2,676
Total OPEB liability - beginning	139,835	85,134	23,825	607,678	71,120	21,149
Total OPEB liability - ending	<u>\$ 146,157</u>	<u>\$ 78,321</u>	<u>\$ 23,803</u>	<u>\$ 139,835</u>	<u>\$ 85,134</u>	<u>\$ 23,825</u>
Covered payroll	\$ 1,308,289	\$ 457,651	\$ 172,925	\$ 1,291,758	\$ 443,245	\$ 169,533
Total OPEB liability as a percentage of covered payroll	11.17%	17.11%	13.76%	10.83%	19.21%	14.05%

* GASB Statement No. 75 requires ten years of information to be presented in this schedule; however, until a full 10-year trend is compiled, the State will present information for those years for which information is available.

See Notes to Required Supplementary Information - Schedules of Changes in Total OPEB Liability and Related Ratios.

See accompanying independent auditor's report.

STATE OF IOWA

Required Supplementary Information

Notes to Required Supplementary Information – Schedules of Changes in Total OPEB Liability and Related Ratios

A. State Plan

No assets are accumulated in a trust that meets the criteria in paragraph 4, of GASB 75.

Changes in Assumptions

2019:

- Decreased the discount rate from 3.87% to 3.50%.

2018:

- Increased the discount rate from 3.58% to 3.87%.
- Decreased the inflation rate from 3.00% to 2.6%.

B. University Plans

No assets are accumulated in a trust that meets the criteria in paragraph 4, of GASB 75.

Changes of Benefit and Funding Terms

2018:

U of I:

- Implemented a cap on the University's contribution for retiree health at the current \$288 per month for current and future retirees.

Changes in Assumptions

2019:

U of I:

- Increased the discount rate from 3.58% to 3.87%.
- Changed the Merit employees demographic assumptions from State to University assumptions.

ISU:

- Increased the discount rate from 3.44% to 4.11%.

UNI:

- Decreased the discount rate from 3.87% to 3.51%.

2018:

U of I:

- Decreased the discount rate from 6.75% to 3.58%.
- Changed the withdrawal rates for staff to better anticipate future experience.
- Changed the mortality assumption from the RP-2014 Aggregate Mortality Table projected using Scale MP-2014 to the RP-2014 Aggregate Mortality Table projected using Scale MP-2016.
- Changed the healthcare trend rate for pre-65 participants to 7.55% in 2017 grading down to 4.50% in 2026 and for post-65 participants to 9.17% in 2017 grading down to 4.50% in 2026.
- Changed the marginal cost adjustment factors for pre-65 participants from 59.40% to 60.10% and for post-65 participants from 86.80% to 87.60%.
- Updated the impact of the excise tax on high cost plans based on current claims and medical trend assumptions.

ISU:

- Decreased the discount rate from 3.78% to 3.44%.
- Reset medical trend rates to an initial rate of 9.00% decreasing by 0.50% to an ultimate rate of 5.00%.
- Updated the mortality assumption to RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017.
- Updated the excise tax threshold trend rate from 3.0% starting in 2020 to 3.50% in 2022 and 2.50% subsequently.

STATE OF IOWA

Required Supplementary Information

Notes to Required Supplementary Information – Schedules of Changes in Total OPEB Liability and Related Ratios

UNI:

- Increased the discount rate from 3.58% to 3.87%.
- Increased the healthcare trend rate for pre-65 participants to an initial 9.00% grading down to 4.50% and reset the rate for post-65 participants to an initial 6.50% grading down to 4.50%.
- Updated the mortality assumption to RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017.
- Updated the healthcare coverage election rate for pre-65 retirees to 45.00% from 65.00%.



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

STATE OF IOWA
Combining Balance Sheet
Nonmajor Governmental Funds - By Fund Type

June 30, 2019
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS				
Current assets:				
Cash & investments	\$ 81,302	\$ 16,519	\$ 10,709	\$ 108,530
Accounts receivable (net)	21,478	235	10	21,723
Loans receivable (net)	93	-	-	93
Due from other funds	813	1,619	-	2,432
Inventory	130	-	-	130
Prepaid expenditures	332	-	-	332
Total current assets	<u>104,148</u>	<u>18,373</u>	<u>10,719</u>	<u>133,240</u>
Noncurrent assets:				
Accounts receivable (net)	5,816	-	-	5,816
Total noncurrent assets	<u>5,816</u>	<u>-</u>	<u>-</u>	<u>5,816</u>
TOTAL ASSETS	<u><u>\$ 109,964</u></u>	<u><u>\$ 18,373</u></u>	<u><u>\$ 10,719</u></u>	<u><u>\$ 139,056</u></u>
LIABILITIES				
Current liabilities:				
Accounts payable & accruals	\$ 1,894	\$ 3,611	\$ -	\$ 5,505
Due to other funds	9,366	1,774	-	11,140
Unearned revenue	471	7,274	-	7,745
TOTAL LIABILITIES	<u>11,731</u>	<u>12,659</u>	<u>-</u>	<u>24,390</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	13,632	-	-	13,632
Unconditional remainder interest	91	-	-	91
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>13,723</u>	<u>-</u>	<u>-</u>	<u>13,723</u>
FUND BALANCES				
Nonspendable	462	-	10,719	11,181
Spendable:				
Restricted	69,656	1,092	-	70,748
Committed	14,399	4,622	-	19,021
Unassigned	(7)	-	-	(7)
TOTAL FUND BALANCES	<u>84,510</u>	<u>5,714</u>	<u>10,719</u>	<u>100,943</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	<u><u>\$ 109,964</u></u>	<u><u>\$ 18,373</u></u>	<u><u>\$ 10,719</u></u>	<u><u>\$ 139,056</u></u>

STATE OF IOWA

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

For the Year Ended June 30, 2019
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES				
Receipts from other entities	\$ 2,822	\$ 986	\$ -	\$ 3,808
Investment income	2,694	25	-	2,719
Fees, licenses & permits	53,215	-	-	53,215
Refunds & reimbursements	5,848	2	-	5,850
Sales, rents & services	5,680	-	-	5,680
Miscellaneous	31,011	-	19	31,030
GROSS REVENUES	101,270	1,013	19	102,302
Less revenue refunds	3,171	11	-	3,182
NET REVENUES	98,099	1,002	19	99,120
EXPENDITURES				
Current:				
Administration & regulation	25,675	8	-	25,683
Education	17,317	-	-	17,317
Health & human rights	574	13	-	587
Human services	249	-	-	249
Justice & public defense	1,187	-	-	1,187
Transportation	166	-	-	166
Agriculture & natural resources	1,869	7,517	-	9,386
Capital outlay:				
Administration & regulation	10	3,756	-	3,766
Education	282	32	-	314
Health & human rights	2	1,290	-	1,292
Human services	-	284	-	284
Justice & public defense	306	1,576	-	1,882
Transportation	19	-	-	19
Agriculture & natural resources	-	13,638	-	13,638
TOTAL EXPENDITURES	47,656	28,114	-	75,770
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	50,443	(27,112)	19	23,350
OTHER FINANCING SOURCES (USES)				
Transfers in	1,256	25,020	-	26,276
Transfers out	(40,701)	(778)	-	(41,479)
TOTAL OTHER FINANCING SOURCES (USES)	(39,445)	24,242	-	(15,203)
NET CHANGE IN FUND BALANCES	10,998	(2,870)	19	8,147
FUND BALANCES - JULY 1	73,512	8,584	10,700	92,796
FUND BALANCES - JUNE 30	\$ 84,510	\$ 5,714	\$ 10,719	\$ 100,943



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.

Second Injury Fund accounts for payments from employers and insurance carriers in each case of compensable injury causing death and annual surcharges as determined by the Commissioner of Insurance per Chapter 85.65A of the Code of Iowa. Except for reimbursements to the Attorney General provided for in Chapter 85.67, payments from the fund are paid only upon the written order of the Workers' Compensation Commissioner to employees who become permanently disabled by a compensable injury, as defined in Chapter 85.64.

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, 2019
(Expressed in Thousands)

	GUARANTY AGENCY OPERATING	SECOND INJURY FUND	QUALITY ASSURANCE TRUST FUND	IOWA PUBLIC TELEVISION FOUNDATION	OTHER FUNDS	TOTAL
ASSETS						
Current assets:						
Cash & investments	\$ 27,182	\$ 5,554	\$ 273	\$ 13,262	\$ 35,031	\$ 81,302
Accounts receivable (net)	4,691	1	9,734	5,660	1,392	21,478
Loans receivable (net)	93	-	-	-	-	93
Due from other funds	159	37	17	-	600	813
Inventory	-	-	-	43	87	130
Prepaid expenditures	70	-	-	73	189	332
Total current assets	<u>32,195</u>	<u>5,592</u>	<u>10,024</u>	<u>19,038</u>	<u>37,299</u>	<u>104,148</u>
Noncurrent assets:						
Accounts receivable (net)	5,700	-	-	5	111	5,816
TOTAL ASSETS	<u>\$ 37,895</u>	<u>\$ 5,592</u>	<u>\$ 10,024</u>	<u>\$ 19,043</u>	<u>\$ 37,410</u>	<u>\$ 109,964</u>
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	\$ 680	\$ 35	\$ -	\$ 366	\$ 813	\$ 1,894
Due to other funds	25	215	7,954	829	343	9,366
Unearned revenue	-	-	-	345	126	471
TOTAL LIABILITIES	<u>705</u>	<u>250</u>	<u>7,954</u>	<u>1,540</u>	<u>1,282</u>	<u>11,731</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue	9,700	-	2,061	1,686	185	13,632
Unconditional remainder interest	-	-	-	91	-	91
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>9,700</u>	<u>-</u>	<u>2,061</u>	<u>1,777</u>	<u>185</u>	<u>13,723</u>
FUND BALANCES						
Nonspendable	70	-	-	116	276	462
Spendable:						
Restricted	27,420	5,342	-	15,610	21,284	69,656
Committed	-	-	9	-	14,390	14,399
Unassigned	-	-	-	-	(7)	(7)
TOTAL FUND BALANCES	<u>27,490</u>	<u>5,342</u>	<u>9</u>	<u>15,726</u>	<u>35,943</u>	<u>84,510</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	<u>\$ 37,895</u>	<u>\$ 5,592</u>	<u>\$ 10,024</u>	<u>\$ 19,043</u>	<u>\$ 37,410</u>	<u>\$ 109,964</u>

STATE OF IOWA

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

For the Year Ended June 30, 2019
(Expressed in Thousands)

	GUARANTY AGENCY OPERATING	SECOND INJURY FUND	QUALITY ASSURANCE TRUST FUND	IOWA PUBLIC TELEVISION FOUNDATION	OTHER FUNDS	TOTAL
REVENUES						
Receipts from other entities	\$ 1,780	\$ -	\$ -	\$ -	\$ 1,042	\$ 2,822
Investment income	753	145	87	545	1,164	2,694
Fees, licenses & permits	-	-	33,222	-	19,993	53,215
Refunds & reimbursements	5,105	-	-	-	743	5,848
Sales, rents & services	-	-	-	-	5,680	5,680
Miscellaneous	-	10,538	-	12,743	7,730	31,011
GROSS REVENUES	7,638	10,683	33,309	13,288	36,352	101,270
Less revenue refunds	-	-	-	-	3,171	3,171
NET REVENUES	7,638	10,683	33,309	13,288	33,181	98,099
EXPENDITURES						
Current:						
Administration & regulation	-	7,353	-	-	18,322	25,675
Education	6,391	-	-	3,898	7,028	17,317
Health & human rights	-	-	-	-	574	574
Human services	-	-	-	-	249	249
Justice & public defense	-	-	-	-	1,187	1,187
Transportation	-	-	-	-	166	166
Agriculture & natural resources	-	-	-	-	1,869	1,869
Capital outlay:						
Administration & regulation	-	-	-	-	10	10
Education	282	-	-	-	-	282
Health & human rights	-	-	-	-	2	2
Justice & public defense	-	-	-	-	306	306
Transportation	-	-	-	-	19	19
TOTAL EXPENDITURES	6,673	7,353	-	3,898	29,732	47,656
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	965	3,330	33,309	9,390	3,449	50,443
OTHER FINANCING SOURCES (USES)						
Transfers in	169	-	-	-	1,087	1,256
Transfers out	(55)	-	(33,304)	(5,330)	(2,012)	(40,701)
TOTAL OTHER FINANCING SOURCES (USES)	114	-	(33,304)	(5,330)	(925)	(39,445)
NET CHANGE IN FUND BALANCES	1,079	3,330	5	4,060	2,524	10,998
FUND BALANCES - JULY 1	26,411	2,012	4	11,666	33,419	73,512
FUND BALANCES - JUNE 30	\$ 27,490	\$ 5,342	\$ 9	\$ 15,726	\$ 35,943	\$ 84,510



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, 2019
(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	\$ 685,000	\$ 685,000	\$ 712,626	\$ 27,626	\$ 203	\$ 203	\$ 704	\$ 501
RECEIPTS CREDITED TO APPROPRIATIONS:								
Beer tax	-	-	-	-	-	-	-	-
Cigarette tax	-	-	-	-	-	-	-	-
Tobacco products tax	-	-	-	-	-	-	-	-
Liquor tax	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-
Individual income tax quarterly	-	-	-	-	-	-	-	-
Sales tax - DOT	5	5	1	(4)	-	-	-	-
Federal support	390,949	390,949	420,091	29,142	15,000	15,000	21,350	6,350
Local governments	7,500	7,500	12,712	5,212	-	-	-	-
Other states	9,400	9,400	59,273	49,873	-	-	-	-
Reimbursements from other agencies	160	160	-	(160)	-	-	-	-
Governmental fund type transfers from other agencies	123,500	123,500	145,339	21,839	25	25	-	(25)
Interest	1	1	-	(1)	150	150	(66)	(216)
Bonds & loans	150	150	11,884	11,734	-	-	-	-
Fees, licenses & permits	3,000	3,000	5,754	2,754	35,700	35,700	36,537	837
Refunds & reimbursements	10	10	-	(10)	400	400	301	(99)
Sale of real estate	4,910	4,910	1,951	(2,959)	-	-	-	-
Sale of equipment & salvage	-	-	-	-	2	2	2	-
Rents & leases	16	16	20	4	500	500	444	(56)
Agricultural sales	-	-	-	-	75	75	85	10
Other sales & services	-	-	-	-	1,000	1,000	702	(298)
Unearned receipts	-	-	-	-	265	265	141	(124)
Income tax checkoffs	-	-	-	-	150	150	142	(8)
Other	5,750	5,750	9,448	3,698	1,540	1,540	351	(1,189)
TOTAL APPROPRIATED RECEIPTS	545,351	545,351	666,473	121,122	54,807	54,807	59,989	5,182
TOTAL REVENUES AVAILABLE	1,230,351	1,230,351	1,379,099	148,748	55,010	55,010	60,693	5,683
EXPENDITURES:								
Administration & regulation	-	-	-	-	-	-	-	-
Agriculture & natural resources	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Health & human services	-	-	-	-	-	-	-	-
Transportation	1,070,550	1,090,195	1,330,060	(239,865) *	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	1,070,550	1,090,195	1,330,060	(239,865)	-	-	-	-
TRANSFERS	13,834	23,079	14,502	8,577	57,007	57,007	57,371	(364)
TOTAL EXPENDITURES & TRANSFERS	1,084,384	1,113,274	1,344,562	(231,288)	57,007	57,007	57,371	(364)
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES & TRANSFERS	145,967	117,077	34,537	(82,540)	(1,997)	(1,997)	3,322	5,319
FUND BALANCES - JULY 1 (BUDGETARY - RESTATED)	450,080	242,068	242,068	-	3,523	11,354	11,354	-
FUND BALANCES - JUNE 30 (BUDGETARY)	\$ 596,047	\$ 359,145	\$ 276,605	\$ (82,540)	\$ 1,526	\$ 9,357	\$ 14,676	\$ 5,319

(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, 2019
(Expressed in Thousands)
(continued)

	ENVIRONMENT FIRST FUND				HEALTH CARE TRUST FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE:								
Transfers	\$ 42,000	\$ 42,000	\$ 42,000	\$ -	\$ -	\$ -	\$ -	\$ -
RECEIPTS CREDITED TO APPROPRIATIONS:								
Beer tax	-	-	-	-	-	-	-	-
Cigarette tax	-	-	-	-	196,270	196,270	172,533	(23,737)
Tobacco products tax	-	-	-	-	25,500	25,500	29,607	4,107
Liquor tax	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-
Individual income tax quarterly	-	-	-	-	-	-	-	-
Sales tax - DOT	-	-	-	-	-	-	-	-
Federal support	100	100	-	(100)	-	-	-	-
Local governments	-	-	-	-	-	-	-	-
Other states	-	-	-	-	-	-	-	-
Reimbursements from other agencies	-	-	-	-	-	-	-	-
Governmental fund type transfers from other agencies	-	-	-	-	-	-	-	-
Interest	-	-	-	-	130	130	691	561
Bonds & loans	-	-	-	-	-	-	-	-
Fees, licenses & permits	-	-	-	-	-	-	-	-
Refunds & reimbursements	300	300	109	(191)	-	-	-	-
Sale of real estate	-	-	-	-	-	-	-	-
Sale of equipment & salvage	-	-	-	-	-	-	-	-
Rents & leases	-	-	-	-	-	-	-	-
Agricultural sales	-	-	-	-	-	-	-	-
Other sales & services	-	-	-	-	-	-	-	-
Unearned receipts	-	-	-	-	-	-	-	-
Income tax checkoffs	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
TOTAL APPROPRIATED RECEIPTS	400	400	109	(291)	221,900	221,900	202,831	(19,069)
TOTAL REVENUES AVAILABLE	42,400	42,400	42,109	(291)	221,900	221,900	202,831	(19,069)
EXPENDITURES:								
Administration & regulation	12,301	12,302	9,438	2,864	-	-	-	-
Agriculture & natural resources	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Health & human services	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	12,301	12,302	9,438	2,864	-	-	-	-
TRANSFERS	32,219	32,383	29,816	2,567	217,130	217,130	202,680	14,450
TOTAL EXPENDITURES & TRANSFERS	44,520	44,685	39,254	5,431	217,130	217,130	202,680	14,450
REVENUES AVAILABLE OVER (UNDER)								
EXPENDITURES & TRANSFERS	(2,120)	(2,285)	2,855	5,140	4,770	4,770	151	(4,619)
FUND BALANCES - JULY 1 (BUDGETARY - RESTATED)	4,106	12,696	12,696	-	3,124	2,975	2,975	-
FUND BALANCES - JUNE 30 (BUDGETARY)	\$ 1,986	\$ 10,411	\$ 15,551	\$ 5,140	\$ 7,894	\$ 7,745	\$ 3,126	\$ (4,619)

(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, 2019
(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	\$ 29,649	\$ 44,355	\$ 32,416	\$ (11,939)	\$ 756,852	\$ 771,558	\$ 787,746	\$ 16,188
RECEIPTS CREDITED TO APPROPRIATIONS:								
Beer tax	125	125	151	26	125	125	151	26
Cigarette tax	-	-	-	-	196,270	196,270	172,533	(23,737)
Tobacco products tax	-	-	-	-	25,500	25,500	29,607	4,107
Liquor tax	250	250	271	21	250	250	271	21
Other taxes	2,200	10,454	3,390	(7,064)	2,200	10,454	3,390	(7,064)
Individual income tax quarterly	6,000	6,000	6,000	-	6,000	6,000	6,000	-
Sales tax - DOT	-	-	-	-	5	5	1	(4)
Federal support	13,549	12,749	2,776	(9,973)	419,598	418,798	444,217	25,419
Local governments	1,160	1,160	1,041	(119)	8,660	8,660	13,753	5,093
Other states	-	-	-	-	9,400	9,400	59,273	49,873
Reimbursements from other agencies	17,605	3,000	3,362	362	17,765	3,160	3,362	202
Governmental fund type transfers from other agencies	3,297	3,326	3,402	76	126,822	126,851	148,741	21,890
Interest	994	1,073	2,714	1,641	1,275	1,354	3,339	1,985
Bonds & loans	1,650	1,650	1,543	(107)	1,800	1,800	13,427	11,627
Fees, licenses & permits	80,691	80,691	78,356	(2,335)	119,391	119,391	120,647	1,256
Refunds & reimbursements	5,318	5,334	11,748	6,414	6,028	6,044	12,158	6,114
Sale of real estate	-	-	-	-	4,910	4,910	1,951	(2,959)
Sale of equipment & salvage	-	-	-	-	2	2	2	-
Rents & leases	-	-	-	-	516	516	464	(52)
Agricultural sales	-	-	-	-	75	75	85	10
Other sales & services	263	263	384	121	1,263	1,263	1,086	(177)
Unearned receipts	105	5	153	148	370	270	294	24
Income tax checkoffs	-	-	-	-	150	150	142	(8)
Other	165	20	273	253	7,455	7,310	10,072	2,762
TOTAL APPROPRIATED RECEIPTS	133,372	126,100	115,564	(10,536)	955,830	948,558	1,044,966	96,408
TOTAL REVENUES AVAILABLE	163,021	170,455	147,980	(22,475)	1,712,682	1,720,116	1,832,712	112,596
EXPENDITURES:								
Administration & regulation	33,515	33,358	17,648	15,710	45,816	45,660	27,086	18,574
Agriculture & natural resources	17,379	17,379	11,760	5,619	17,379	17,379	11,760	5,619
Economic development	34,380	39,806	12,459	27,347	34,380	39,806	12,459	27,347
Education	8,857	8,568	6,383	2,185	8,857	8,568	6,383	2,185
Health & human services	25	5	-	5	25	5	-	5
Transportation	2,004	2,003	3,224	(1,221) *	1,072,554	1,092,198	1,333,284	(241,086) *
Judicial	1,696	1,696	393	1,303	1,696	1,696	393	1,303
TOTAL EXPENDITURES	97,856	102,815	51,867	50,948	1,180,707	1,205,312	1,391,365	(186,053)
TRANSFERS	108,629	107,519	92,183	15,336	428,819	437,118	396,552	40,566
TOTAL EXPENDITURES & TRANSFERS	206,485	210,334	144,050	66,284	1,609,526	1,642,430	1,787,917	(145,487)
REVENUES AVAILABLE OVER (UNDER)								
EXPENDITURES & TRANSFERS	(43,464)	(39,879)	3,930	43,809	103,156	77,686	44,795	(32,891)
FUND BALANCES - JULY 1 (BUDGETARY - RESTATED)	80,365	109,334	109,334	-	541,198	378,427	378,427	-
FUND BALANCES - JUNE 30 (BUDGETARY)	\$ 36,901	\$ 69,455	\$ 113,264	\$ 43,809	\$ 644,354	\$ 456,113	\$ 423,222	\$ (32,891)

* 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.



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.

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

STATE OF IOWA
Combining Balance Sheet
Nonmajor Capital Projects Funds

June 30, 2019
(Expressed in Thousands)

	GENERAL SERVICES CAPITALS FUND	ENDOWMENT FOR IOWA'S HEALTH RESTRICTED CAPITALS FUND	MARINE FUEL TAX CAPITALS FUND	FISH & GAME CAPITALS FUND	TOTAL
ASSETS					
Current assets:					
Cash & investments	\$ 11,083	\$ 1,094	\$ 4,000	\$ 342	\$ 16,519
Accounts receivable	-	4	230	1	235
Due from other funds	43	-	476	1,100	1,619
TOTAL ASSETS	<u>\$ 11,126</u>	<u>\$ 1,098</u>	<u>\$ 4,706</u>	<u>\$ 1,443</u>	<u>\$ 18,373</u>
LIABILITIES					
Current liabilities:					
Accounts payable & accruals	\$ 2,145	\$ 6	\$ 270	\$ 1,190	\$ 3,611
Due to other funds	1,706	-	68	-	1,774
Unearned revenue	7,274	-	-	-	7,274
TOTAL LIABILITIES	<u>11,125</u>	<u>6</u>	<u>338</u>	<u>1,190</u>	<u>12,659</u>
FUND BALANCES					
Spendable:					
Restricted	-	1,092	-	-	1,092
Committed	1	-	4,368	253	4,622
TOTAL FUND BALANCES	<u>1</u>	<u>1,092</u>	<u>4,368</u>	<u>253</u>	<u>5,714</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	<u>\$ 11,126</u>	<u>\$ 1,098</u>	<u>\$ 4,706</u>	<u>\$ 1,443</u>	<u>\$ 18,373</u>

STATE OF IOWA

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

For the Year Ended June 30, 2019
(Expressed in Thousands)

	GENERAL SERVICES CAPITALS FUND	ENDOWMENT FOR IOWA'S HEALTH RESTRICTED CAPITALS FUND	MARINE FUEL TAX CAPITALS FUND	FISH & GAME CAPITALS FUND	TOTAL
REVENUES					
Receipts from other entities	\$ 149	\$ -	\$ 837	\$ -	\$ 986
Investment income	-	25	-	-	25
Refunds & reimbursements	2	-	-	-	2
GROSS REVENUES	151	25	837	-	1,013
Less revenue refunds	11	-	-	-	11
NET REVENUES	140	25	837	-	1,002
EXPENDITURES					
Current:					
Administration & regulation	8	-	-	-	8
Health & human rights	-	13	-	-	13
Agriculture & natural resources	-	-	518	6,999	7,517
Capital outlay:					
Administration & regulation	3,756	-	-	-	3,756
Education	32	-	-	-	32
Health & human rights	1,184	106	-	-	1,290
Human services	284	-	-	-	284
Justice & public defense	1,576	-	-	-	1,576
Agriculture & natural resources	-	-	3,829	9,809	13,638
TOTAL EXPENDITURES	6,840	119	4,347	16,808	28,114
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(6,700)	(94)	(3,510)	(16,808)	(27,112)
OTHER FINANCING SOURCES (USES)					
Transfers in	3,720	-	4,300	17,000	25,020
Transfers out	-	-	(768)	(10)	(778)
TOTAL OTHER FINANCING SOURCES (USES)	3,720	-	3,532	16,990	24,242
NET CHANGE IN FUND BALANCES	(2,980)	(94)	22	182	(2,870)
FUND BALANCES - JULY 1	2,981	1,186	4,346	71	8,584
FUND BALANCES - JUNE 30	\$ 1	\$ 1,092	\$ 4,368	\$ 253	\$ 5,714



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

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, 2019
(Expressed in Thousands)

	PERMANENT SCHOOL PRINCIPAL FUND	IOWA CULTURAL TRUST FUND	IOWA PUBLIC TELEVISION FOUNDATION ENDOWMENT	PILOT GROVE TRUST FUND	HENRY ALBERT TRUST FUND	TOTAL
ASSETS						
Current assets:						
Cash & investments	\$ 8,038	\$ 1	\$ 2,659	\$ 10	\$ 1	\$ 10,709
Accounts receivable	-	-	10	-	-	10
TOTAL ASSETS	<u>\$ 8,038</u>	<u>\$ 1</u>	<u>\$ 2,669</u>	<u>\$ 10</u>	<u>\$ 1</u>	<u>\$ 10,719</u>
FUND BALANCES						
Nonspendable	<u>\$ 8,038</u>	<u>\$ 1</u>	<u>\$ 2,669</u>	<u>\$ 10</u>	<u>\$ 1</u>	<u>\$ 10,719</u>
TOTAL FUND BALANCES	<u>\$ 8,038</u>	<u>\$ 1</u>	<u>\$ 2,669</u>	<u>\$ 10</u>	<u>\$ 1</u>	<u>\$ 10,719</u>

STATE OF IOWA

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

For the Year Ended June 30, 2019
(Expressed in Thousands)

	PERMANENT SCHOOL PRINCIPAL FUND	IOWA CULTURAL TRUST FUND	IOWA PUBLIC TELEVISION FOUNDATION ENDOWMENT	PILOT GROVE TRUST FUND	HENRY ALBERT TRUST FUND	TOTAL
REVENUES						
Miscellaneous	\$ -	\$ -	\$ 19	\$ -	\$ -	\$ 19
NET CHANGE IN FUND BALANCES	-	-	19	-	-	19
FUND BALANCES - JULY 1	8,038	1	2,650	10	1	10,700
FUND BALANCES - JUNE 30	<u>\$ 8,038</u>	<u>\$ 1</u>	<u>\$ 2,669</u>	<u>\$ 10</u>	<u>\$ 1</u>	<u>\$ 10,719</u>



COMBINING FINANCIAL STATEMENTS

Nonmajor Enterprise Funds

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

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

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

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

Elevator Safety Fund accounts for fees collected and pays the actual costs and expenses necessary to operate the elevator safety board and perform the duties of the labor commissioner as described in Chapter 89A of the Code of Iowa.

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

STATE OF IOWA

Combining Statement of Net Position Nonmajor Enterprise Funds

June 30, 2019
(Expressed in Thousands)

	IOWA COMMUNICATIONS NETWORK	IOWA STATE PRISON INDUSTRIES	LIQUOR CONTROL ACT FUND	ELEVATOR SAFETY FUND	OTHER FUNDS	TOTAL
ASSETS						
Current assets:						
Cash & investments	\$ 6,440	\$ 8,635	\$ 17,055	\$ 2,850	\$ 5,421	\$ 40,401
Accounts receivable (net)	4,233	3,441	6,735	187	286	14,882
Due from other funds	-	16	79	16	34	145
Inventory	1,483	6,476	37	-	1,672	9,668
Prepaid expenses	1,083	79	3,208	139	238	4,747
Total current assets	13,239	18,647	27,114	3,192	7,651	69,843
Noncurrent assets:						
Capital assets - nondepreciable	-	223	5,592	-	427	6,242
Capital assets - depreciable (net)	14,732	7,371	5,786	177	1,208	29,274
Total noncurrent assets	14,732	7,594	11,378	177	1,635	35,516
TOTAL ASSETS	27,971	26,241	38,492	3,369	9,286	105,359
DEFERRED OUTFLOWS OF RESOURCES						
Related to other postemployment benefits	71	23	4	59	25	182
Related to pensions	1,831	1,006	617	212	240	3,906
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,902	1,029	621	271	265	4,088
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	2,603	1,631	10,938	79	113	15,364
Due to other funds/advances from other funds	-	-	12,435	39	115	12,589
Unearned revenue	2,039	284	-	-	-	2,323
Compensated absences	1,027	534	60	75	88	1,784
Other postemployment benefits liability	52	43	8	9	10	122
Total current liabilities	5,721	2,492	23,441	202	326	32,182
Noncurrent liabilities:						
Accounts payable & accruals	-	146	-	-	14	160
Compensated absences	691	656	39	104	138	1,628
Net pension liability	6,273	1,680	2,454	677	611	11,695
Other postemployment benefits liability	830	681	127	148	162	1,948
Total noncurrent liabilities	7,794	3,163	2,620	929	925	15,431
TOTAL LIABILITIES	13,515	5,655	26,061	1,131	1,251	47,613
DEFERRED INFLOWS OF RESOURCES						
Related to other postemployment benefits	25	32	396	-	-	453
Related to pensions	509	313	289	77	147	1,335
TOTAL DEFERRED INFLOWS OF RESOURCES	534	345	685	77	147	1,788
NET POSITION						
Net investment in capital assets	14,732	7,594	11,378	177	1,635	35,516
Unrestricted	1,092	13,676	989	2,255	6,518	24,530
TOTAL NET POSITION	\$ 15,824	\$ 21,270	\$ 12,367	\$ 2,432	\$ 8,153	\$ 60,046

STATE OF IOWA

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

For the Year Ended June 30, 2019
(Expressed in Thousands)

	IOWA COMMUNICATIONS NETWORK	IOWA STATE PRISON INDUSTRIES	LIQUOR CONTROL ACT FUND	ELEVATOR SAFETY FUND	OTHER FUNDS	TOTAL
OPERATING REVENUES						
Receipts from other entities	\$ -	\$ -	\$ 77	\$ -	\$ -	\$ 77
Fees, licenses & permits	-	-	20,276	2,521	1,553	24,350
Refunds & reimbursements	-	-	83	-	310	393
Sales, rents & services	31,578	26,618	339,667	-	1,272	399,135
Miscellaneous	-	196	3,459	-	499	4,154
TOTAL OPERATING REVENUES	31,578	26,814	363,562	2,521	3,634	428,109
OPERATING EXPENSES						
General & administrative	10,899	-	-	-	-	10,899
Depreciation	3,363	621	181	58	266	4,489
Direct & other	12,896	20,648	-	-	528	34,072
Personal services	-	1,592	3,536	1,412	1,616	8,156
Travel & subsistence	-	18	1,123	18	34	1,193
Supplies & materials	-	26	227	29	123	405
Contractual services	-	1,892	6,002	521	834	9,249
Equipment & repairs	-	9	475	40	21	545
Claims & miscellaneous	10,649	1,091	223,930	3	113	235,786
Licenses, permits & refunds	-	-	841	7	3	851
State aid & credits	-	-	3,950	-	-	3,950
TOTAL OPERATING EXPENSES	37,807	25,897	240,265	2,088	3,538	309,595
OPERATING INCOME (LOSS)	(6,229)	917	123,297	433	96	118,514
NONOPERATING REVENUES (EXPENSES)						
Taxes	-	-	8,220	-	-	8,220
Investment income	173	254	-	72	116	615
Gain (loss) on sale of capital assets	-	-	-	4	17	21
NET NONOPERATING REVENUES (EXPENSES)	173	254	8,220	76	133	8,856
INCOME (LOSS) BEFORE TRANSFERS	(6,056)	1,171	131,517	509	229	127,370
Transfers out	-	-	(126,977)	-	-	(126,977)
CHANGE IN NET POSITION	(6,056)	1,171	4,540	509	229	393
TOTAL NET POSITION - JULY 1, RESTATED	21,880	20,099	7,827	1,923	7,924	59,653
TOTAL NET POSITION - JUNE 30	\$ 15,824	\$ 21,270	\$ 12,367	\$ 2,432	\$ 8,153	\$ 60,046



STATE OF IOWA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2019
(Expressed in Thousands)

	IOWA COMMUNICATIONS NETWORK	IOWA STATE PRISON INDUSTRIES	LIQUOR CONTROL ACT FUND	ELEVATOR SAFETY FUND	OTHER FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 33,651	\$ 25,573	\$ 359,822	\$ 2,552	\$ 3,393	\$ 424,991
Cash received from miscellaneous	-	196	3,536	-	499	4,231
Cash payments to suppliers for goods & services	(25,501)	(24,582)	(238,812)	(572)	(1,765)	(291,232)
Cash payments to employees for services	(9,663)	(1,636)	(3,725)	(1,386)	(1,614)	(18,024)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(1,513)</u>	<u>(449)</u>	<u>120,821</u>	<u>594</u>	<u>513</u>	<u>119,966</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers out to other funds	-	-	(126,666)	-	-	(126,666)
Tax receipts	-	-	8,220	-	-	8,220
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>(118,446)</u>	<u>-</u>	<u>-</u>	<u>(118,446)</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES						
Acquisition & construction of capital assets	(1,528)	(547)	(1,469)	(140)	(118)	(3,802)
Proceeds from sale of capital assets	-	-	-	4	17	21
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	<u>(1,528)</u>	<u>(547)</u>	<u>(1,469)</u>	<u>(136)</u>	<u>(101)</u>	<u>(3,781)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest & dividends on investments	173	254	-	72	116	615
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>173</u>	<u>254</u>	<u>-</u>	<u>72</u>	<u>116</u>	<u>615</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(2,868)	(742)	906	530	528	(1,646)
CASH & CASH EQUIVALENTS - JULY 1	9,308	9,377	16,149	2,320	4,893	42,047
CASH & CASH EQUIVALENTS - JUNE 30	<u>\$ 6,440</u>	<u>\$ 8,635</u>	<u>\$ 17,055</u>	<u>\$ 2,850</u>	<u>\$ 5,421</u>	<u>\$ 40,401</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ (6,229)	\$ 917	\$ 123,297	\$ 433	\$ 96	\$ 118,514
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	3,363	621	181	58	266	4,489
(Increase) decrease in accounts receivable	2,346	(1,291)	(126)	20	254	1,203
(Increase) decrease in due from	-	2	(78)	11	4	(61)
(Increase) decrease in inventory	514	(1,027)	40	-	(22)	(495)
(Increase) decrease in prepaid expenses	(23)	(34)	(3,107)	35	(3)	(3,132)
(Increase) decrease in deferred outflows of resources	375	166	180	(9)	16	728
Increase (decrease) in accounts payable	(1,357)	163	803	(6)	(74)	(471)
Increase (decrease) in due to	-	-	-	17	(10)	7
Increase (decrease) in unearned revenue	(273)	244	-	-	-	(29)
Increase (decrease) in compensated absences	(34)	(51)	(183)	33	19	(216)
Increase (decrease) in net pension liability	(527)	(298)	(192)	(26)	(68)	(1,111)
Increase (decrease) in other postemployment benefits liability	36	34	(467)	30	33	(334)
Increase (decrease) in deferred inflows of resources	296	105	473	(2)	2	874
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (1,513)</u>	<u>\$ (449)</u>	<u>\$ 120,821</u>	<u>\$ 594</u>	<u>\$ 513</u>	<u>\$ 119,966</u>



COMBINING FINANCIAL STATEMENTS

Internal Service Funds

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

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

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

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

Office of Chief Information Officer Fund provides data processing services to other State departments and agencies.

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

STATE OF IOWA

Combining Statement of Net Position Internal Service Funds

June 30, 2019
(Expressed in Thousands)

	WORKERS' COMPENSATION FUND	MATERIALS & EQUIPMENT REVOLVING FUND	DEPRECIATION REVOLVING FUND	OFFICE OF CHIEF INFORMATION OFFICER FUND	OTHER FUNDS	TOTAL
ASSETS						
Current assets:						
Cash & investments	\$ 3,095	\$ 20,662	\$ 31,985	\$ 3,281	\$ 22,766	\$ 81,789
Accounts receivable (net)	6	151	11	777	936	1,881
Due from other funds/advances to other funds	63,758	1,419	3,186	6,423	14,918	89,704
Inventory	-	6,209	-	33	1,691	7,933
Prepaid expenses	-	-	-	4,394	6,303	10,697
Total current assets	66,859	28,441	35,182	14,908	46,614	192,004
Noncurrent assets:						
Capital assets - nondepreciable	-	516	-	-	-	516
Capital assets - depreciable (net)	-	133,618	-	2,716	2,401	138,735
Total noncurrent assets	-	134,134	-	2,716	2,401	139,251
TOTAL ASSETS	66,859	162,575	35,182	17,624	49,015	331,255
DEFERRED OUTFLOWS OF RESOURCES						
Related to other postemployment benefits	-	22	-	37	155	214
Related to pensions	97	829	-	3,394	2,062	6,382
TOTAL DEFERRED OUTFLOWS OF RESOURCES	97	851	-	3,431	2,217	6,596
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	21,395	3,743	156	4,798	6,806	36,898
Due to other funds/advances from other funds	89	96	-	1,399	11,666	13,250
Unearned revenue	-	-	32,098	2,731	1,240	36,069
Compensated absences	10	442	-	1,575	993	3,020
Other postemployment benefits liability	1	42	-	69	90	202
Total current liabilities	21,495	4,323	32,254	10,572	20,795	89,439
Noncurrent liabilities:						
Accounts payable & accruals	45,289	218	-	149	39	45,695
Compensated absences	2	525	-	1,311	761	2,599
Net pension liability	152	3,049	-	9,632	7,237	20,070
Other postemployment benefits liability	11	666	-	1,110	1,449	3,236
Total noncurrent liabilities	45,454	4,458	-	12,202	9,486	71,600
TOTAL LIABILITIES	66,949	8,781	32,254	22,774	30,281	161,039
DEFERRED INFLOWS OF RESOURCES						
Related to other postemployment benefits	-	7	-	99	43	149
Related to pensions	7	424	-	1,079	1,608	3,118
TOTAL DEFERRED INFLOWS OF RESOURCES	7	431	-	1,178	1,651	3,267
NET POSITION						
Net investment in capital assets	-	134,134	-	2,716	2,401	139,251
Unrestricted	-	20,080	2,928	(5,613)	16,899	34,294
TOTAL NET POSITION	\$ -	\$ 154,214	\$ 2,928	\$ (2,897)	\$ 19,300	\$ 173,545

STATE OF IOWA

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

For the Year Ended June 30, 2019
(Expressed in Thousands)

	WORKERS' COMPENSATION FUND	MATERIALS & EQUIPMENT REVOLVING FUND	DEPRECIATION REVOLVING FUND	OFFICE OF CHIEF INFORMATION OFFICER FUND	OTHER FUNDS	TOTAL
OPERATING REVENUES						
Receipts from other entities	\$ 30,345	\$ 11,118	\$ 5,230	\$ 60,155	\$ 54,682	\$ 161,530
Fees, licenses & permits	-	-	-	2	-	2
Refunds & reimbursements	212	66,801	423	525	2,673	70,634
Sales, rents & services	-	-	947	-	201	1,148
Miscellaneous	-	5,178	-	-	24	5,202
TOTAL OPERATING REVENUES	30,557	83,097	6,600	60,682	57,580	238,516
OPERATING EXPENSES						
Depreciation	-	16,622	-	1,244	508	18,374
Personal services	280	5,158	-	15,300	12,762	33,500
Travel & subsistence	2	10,606	-	47	9,934	20,589
Supplies & materials	4	33,363	-	856	16,392	50,615
Contractual services	2,430	2,348	-	31,078	11,883	47,739
Equipment & repairs	-	3,682	9,549	15,302	886	29,419
Claims & miscellaneous	27,841	-	-	307	1,319	29,467
Licenses, permits & refunds	-	9	-	-	38	47
TOTAL OPERATING EXPENSES	30,557	71,788	9,549	64,134	53,722	229,750
OPERATING INCOME (LOSS)	-	11,309	(2,949)	(3,452)	3,858	8,766
NONOPERATING REVENUES (EXPENSES)						
Investment income	-	-	-	166	350	516
Gain on sale of capital assets	-	20	-	-	6	26
Loss on sale of capital assets	-	-	-	-	(81)	(81)
NET NONOPERATING REVENUES (EXPENSES)	-	20	-	166	275	461
CHANGE IN NET POSITION	-	11,329	(2,949)	(3,286)	4,133	9,227
TOTAL NET POSITION - JULY 1	-	142,885	5,877	389	15,167	164,318
TOTAL NET POSITION - JUNE 30	\$ -	\$ 154,214	\$ 2,928	\$ (2,897)	\$ 19,300	\$ 173,545



STATE OF IOWA
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2019
(Expressed in Thousands)

	WORKERS' COMPENSATION FUND	MATERIALS & EQUIPMENT REVOLVING FUND	DEPRECIATION REVOLVING FUND	OFFICE OF CHIEF INFORMATION OFFICER FUND	OTHER FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from other entities	\$ 212	\$ 16,926	\$ 936	\$ 2,238	\$ 2,580	\$ 22,892
Cash received from reciprocal interfund activity	29,621	65,662	11,582	60,343	54,709	221,917
Cash payments to suppliers for goods & services	(32,260)	(50,934)	(9,393)	(48,767)	(42,740)	(184,094)
Cash payments to employees for services	(256)	(5,077)	-	(14,895)	(13,151)	(33,379)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(2,683)	26,577	3,125	(1,081)	1,398	27,336
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES						
Acquisition & construction of capital assets	-	(26,377)	-	(1,862)	(394)	(28,633)
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	-	(26,377)	-	(1,862)	(394)	(28,633)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest & dividends on investments	-	-	-	166	350	516
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-	-	-	166	350	516
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(2,683)	200	3,125	(2,777)	1,354	(781)
CASH & CASH EQUIVALENTS - JULY 1	5,778	20,462	28,860	6,058	21,412	82,570
CASH & CASH EQUIVALENTS - JUNE 30	\$ 3,095	\$ 20,662	\$ 31,985	\$ 3,281	\$ 22,766	\$ 81,789
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ -	\$ 11,309	\$ (2,949)	\$ (3,452)	\$ 3,858	\$ 8,766
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	-	16,622	-	1,244	508	18,374
(Increase) decrease in accounts receivable	5	630	(11)	1,711	(318)	2,017
(Increase) decrease in due from	(731)	(760)	2,555	(76)	(604)	384
(Increase) decrease in inventory	-	299	-	(8)	(103)	188
(Increase) decrease in prepaid expenses	-	-	-	906	(3,445)	(2,539)
(Increase) decrease in deferred outflows of resources	27	178	-	966	271	1,442
Increase (decrease) in accounts payable	(1,983)	(1,225)	156	(2,075)	1,260	(3,867)
Increase (decrease) in due to	2	(379)	(32)	149	(530)	(790)
Increase (decrease) in unearned revenue	-	-	3,406	115	1,161	4,682
Increase (decrease) in compensated absences	(2)	65	-	(151)	(92)	(180)
Increase (decrease) in net pension liability	(6)	(482)	-	(1,272)	(691)	(2,451)
Increase (decrease) in other postemployment benefits liability	1	74	-	17	114	206
Increase (decrease) in deferred inflows of resources	4	246	-	845	9	1,104
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (2,683)	\$ 26,577	\$ 3,125	\$ (1,081)	\$ 1,398	\$ 27,336



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, 2019
(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	\$ 292,294	\$ 7,858	\$ 3,989	\$ 437	\$ 2,923	\$ 307,501
Receivables:						
Contributions	76,381	960	495	2,165	-	80,001
Investments sold	656,757	1,581	263	-	-	658,601
Foreign exchange contracts	185,251	-	-	-	-	185,251
Interest & dividends	98,906	1,148	-	3	-	100,057
Miscellaneous	173	-	-	-	-	173
Total receivables	1,017,468	3,689	758	2,168	-	1,024,083
Investments, at fair value:						
Fixed income securities	10,434,488	124,369	46,398	-	-	10,605,255
Equity investments	13,380,442	357,428	165,709	-	-	13,903,579
Real estate partnerships	-	63,081	-	-	-	63,081
Investment in private equity/debt	5,433,438	-	-	-	-	5,433,438
Real assets	4,472,901	-	-	-	-	4,472,901
Securities lending collateral pool	1,045,667	23,233	3,366	-	-	1,072,266
Total investments	34,766,936	568,111	215,473	-	-	35,550,520
Capital assets:						
Land	500	-	-	-	-	500
Other - depreciable (net)	14,573	-	-	-	-	14,573
Total capital assets	15,073	-	-	-	-	15,073
Other assets	554	-	-	-	-	554
TOTAL ASSETS	36,092,325	579,658	220,220	2,605	2,923	36,897,731
DEFERRED OUTFLOWS OF RESOURCES						
Related to other postemployment benefits	46	-	-	-	-	46
LIABILITIES						
Accounts payable & accruals	36,405	389	98	-	-	36,892
Foreign exchange contracts payable	185,592	-	-	-	-	185,592
Payable for investments purchased	814,184	16,674	351	-	-	831,209
Payable to brokers for rebate & collateral	1,045,483	23,233	3,366	-	-	1,072,082
TOTAL LIABILITIES	2,081,664	40,296	3,815	-	-	2,125,775
DEFERRED INFLOWS OF RESOURCES						
Related to other postemployment benefits	26	-	-	-	-	26
NET POSITION						
Restricted for pension/other postemployment benefits	\$ 34,010,681	\$ 539,362	\$ 216,405	\$ 2,605	\$ 2,923	\$ 34,771,976

STATE OF IOWA

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

For the Year Ended June 30, 2019
(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	\$ 518,344	\$ 5,486	\$ 2,680	\$ 2,444	\$ 581	\$ 529,535
Employer contributions	771,782	21,840	8,771	-	-	802,393
Buy-back/buy-in contributions	4,312	-	-	-	-	4,312
Total contributions	1,294,438	27,326	11,451	2,444	581	1,336,240
Investment income:						
Net increase in fair value of investments	2,047,579	8,419	3,513	-	-	2,059,511
Interest	442,616	4,805	1,778	20	-	449,219
Dividends	150,691	5,276	2,296	-	-	158,263
Other	63,803	389	179	-	-	64,371
Total investment income	2,704,689	18,889	7,766	20	-	2,731,364
Less investment expense	64,682	2,742	529	-	-	67,953
Net investment income	2,640,007	16,147	7,237	20	-	2,663,411
TOTAL ADDITIONS	3,934,445	43,473	18,688	2,464	581	3,999,651
DEDUCTIONS						
Pension & annuity benefits	2,160,487	32,643	13,724	-	-	2,206,854
Payments in accordance with agreements	-	-	-	1,233	516	1,749
Administrative expense	15,697	250	26	-	-	15,973
Refunds	62,169	-	-	-	-	62,169
TOTAL DEDUCTIONS	2,238,353	32,893	13,750	1,233	516	2,286,745
CHANGE IN NET POSITION	1,696,092	10,580	4,938	1,231	65	1,712,906
NET POSITION - JULY 1	32,314,589	528,782	211,467	1,374	2,858	33,059,070
NET POSITION - JUNE 30	\$ 34,010,681	\$ 539,362	\$ 216,405	\$ 2,605	\$ 2,923	\$ 34,771,976



COMBINING FINANCIAL STATEMENTS

Private Purpose Trust Funds

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

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

Iowa ABLE Savings Plan Trust receives contributions to be invested for the future payment of disability-related costs of an individual.

Iowa 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.

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 fundraising receipts for the benefit of veteran residents, 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, and the Braille & Sight Saving School Fund that receives donations and contributions to be spent for the benefit of the students.

STATE OF IOWA

Combining Statement of Fiduciary Net Position Private Purpose Trust Funds

June 30, 2019
(Expressed in Thousands)

	IOWA EDUCATIONAL SAVINGS PLAN TRUST	IOWA ABLE SAVINGS PLAN TRUST	IOWA VETERANS TRUST FUND	GEAR-UP FUND	OTHER FUNDS	TOTAL
ASSETS						
Cash	\$ 2,621	\$ 1,979	\$ 30,873	\$ 12,202	\$ 1,922	\$ 49,597
Accounts receivable	-	-	175	-	-	175
Investments	5,604,668	1,953	-	-	-	5,606,621
Capital assets - depreciable (net)	-	-	-	-	126	126
Prepaid expenses	9	-	143	-	-	152
Inventory	-	-	-	-	18	18
TOTAL ASSETS	<u>5,607,298</u>	<u>3,932</u>	<u>31,191</u>	<u>12,202</u>	<u>2,066</u>	<u>5,656,689</u>
LIABILITIES						
Accounts payable & accruals	<u>225</u>	<u>6</u>	<u>130</u>	<u>-</u>	<u>15</u>	<u>376</u>
NET POSITION						
Restricted for individuals, organizations & other entities	<u>\$ 5,607,073</u>	<u>\$ 3,926</u>	<u>\$ 31,061</u>	<u>\$ 12,202</u>	<u>\$ 2,051</u>	<u>\$ 5,656,313</u>

STATE OF IOWA

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

For the Year Ended June 30, 2019
(Expressed in Thousands)

	IOWA EDUCATIONAL SAVINGS PLAN TRUST	IOWA ABLE SAVINGS PLAN TRUST	IOWA VETERANS TRUST FUND	GEAR-UP FUND	OTHER FUNDS	TOTAL
ADDITIONS						
Contributions:						
Participant contributions	\$ 429,171	\$ 2,136	\$ -	\$ -	\$ 41	\$ 431,348
Other contributions	1,166	202	2	-	478	1,848
Gifts, bequests & endowments	-	-	2,536	1,600	67	4,203
Total contributions	<u>430,337</u>	<u>2,338</u>	<u>2,538</u>	<u>1,600</u>	<u>586</u>	<u>437,399</u>
Investment income:						
Net increase in fair value of investments	323,564	-	234	342	-	324,140
Interest	51	108	620	362	35	1,176
Total investment income	<u>323,615</u>	<u>108</u>	<u>854</u>	<u>704</u>	<u>35</u>	<u>325,316</u>
TOTAL ADDITIONS	<u>753,952</u>	<u>2,446</u>	<u>3,392</u>	<u>2,304</u>	<u>621</u>	<u>762,715</u>
DEDUCTIONS						
Distributions to participants	464,908	449	-	-	-	465,357
Other	694	43	670	16	272	1,695
TOTAL DEDUCTIONS	<u>465,602</u>	<u>492</u>	<u>670</u>	<u>16</u>	<u>272</u>	<u>467,052</u>
CHANGE IN NET POSITION	288,350	1,954	2,722	2,288	349	295,663
NET POSITION - JULY 1	<u>5,318,723</u>	<u>1,972</u>	<u>28,339</u>	<u>9,914</u>	<u>1,702</u>	<u>5,360,650</u>
NET POSITION - JUNE 30	<u>\$ 5,607,073</u>	<u>\$ 3,926</u>	<u>\$ 31,061</u>	<u>\$ 12,202</u>	<u>\$ 2,051</u>	<u>\$ 5,656,313</u>



COMBINING FINANCIAL STATEMENTS

Agency Funds

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

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

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

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

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

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

STATE OF IOWA
Combining Statement of Fiduciary Net Position
Agency Funds

June 30, 2019
(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	\$ 32,410	\$ 2,272	\$ 35,333	\$ 102,111	\$ 75,531	\$ 247,657
Accounts receivable	123,220	42,726	-	3,785	65,258	234,989
Other assets	-	-	-	-	46	46
TOTAL ASSETS	<u>\$ 155,630</u>	<u>\$ 44,998</u>	<u>\$ 35,333</u>	<u>\$ 105,896</u>	<u>\$ 140,835</u>	<u>\$ 482,692</u>
LIABILITIES						
Accounts payable & accruals	<u>\$ 155,630</u>	<u>\$ 44,998</u>	<u>\$ 35,333</u>	<u>\$ 105,896</u>	<u>\$ 140,835</u>	<u>\$ 482,692</u>
TOTAL LIABILITIES	<u>\$ 155,630</u>	<u>\$ 44,998</u>	<u>\$ 35,333</u>	<u>\$ 105,896</u>	<u>\$ 140,835</u>	<u>\$ 482,692</u>

STATE OF IOWA

Combining Statement of Changes in Assets and Liabilities Agency Funds

For the Year Ended June 30, 2019
(Expressed in Thousands)

	BEGINNING BALANCE	ADDITIONS	DEDUCTIONS	ENDING BALANCE
LOCAL SALES & SERVICES TAX FUND				
ASSETS				
Cash	\$ 33,278	\$ 895,865	\$ 896,733	\$ 32,410
Accounts receivable	126,512	123,220	126,512	123,220
TOTAL ASSETS	<u>\$ 159,790</u>	<u>\$ 1,019,085</u>	<u>\$ 1,023,245</u>	<u>\$ 155,630</u>
LIABILITIES				
Accounts payable & accruals	<u>\$ 159,790</u>	<u>\$ 1,019,085</u>	<u>\$ 1,023,245</u>	<u>\$ 155,630</u>
CENTRALIZED PAYROLL TRUSTEE FUND				
ASSETS				
Cash	\$ 263	\$ 838,798	\$ 836,789	\$ 2,272
Accounts receivable	43,294	42,726	43,294	42,726
TOTAL ASSETS	<u>\$ 43,557</u>	<u>\$ 881,524</u>	<u>\$ 880,083</u>	<u>\$ 44,998</u>
LIABILITIES				
Accounts payable & accruals	<u>\$ 43,557</u>	<u>\$ 881,524</u>	<u>\$ 880,083</u>	<u>\$ 44,998</u>
JUDICIAL - CLERKS OF DISTRICT COURT				
ASSETS				
Cash	\$ 32,403	\$ 306,813	\$ 303,883	\$ 35,333
LIABILITIES				
Accounts payable & accruals	<u>\$ 32,403</u>	<u>\$ 306,813</u>	<u>\$ 303,883</u>	<u>\$ 35,333</u>
SCHOOL DISTRICT SURTAX CLEARING FUND				
ASSETS				
Cash	\$ 97,075	\$ 111,796	\$ 106,760	\$ 102,111
Accounts receivable	3,132	3,785	3,132	3,785
TOTAL ASSETS	<u>\$ 100,207</u>	<u>\$ 115,581</u>	<u>\$ 109,892</u>	<u>\$ 105,896</u>
LIABILITIES				
Accounts payable & accruals	<u>\$ 100,207</u>	<u>\$ 115,581</u>	<u>\$ 109,892</u>	<u>\$ 105,896</u>
OTHER FUNDS				
ASSETS				
Cash	\$ 75,944	\$ 1,508,295	\$ 1,508,708	\$ 75,531
Accounts receivable	73,884	65,259	73,885	65,258
Other assets	-	46	-	46
TOTAL ASSETS	<u>\$ 149,828</u>	<u>\$ 1,573,600</u>	<u>\$ 1,582,593</u>	<u>\$ 140,835</u>
LIABILITIES				
Accounts payable & accruals	<u>\$ 149,828</u>	<u>\$ 1,573,600</u>	<u>\$ 1,582,593</u>	<u>\$ 140,835</u>
TOTAL				
ASSETS				
Cash	\$ 238,963	\$ 3,661,567	\$ 3,652,873	\$ 247,657
Accounts receivable	246,822	234,990	246,823	234,989
Other assets	-	46	-	46
TOTAL ASSETS	<u>\$ 485,785</u>	<u>\$ 3,896,603</u>	<u>\$ 3,899,696</u>	<u>\$ 482,692</u>
LIABILITIES				
Accounts payable & accruals	<u>\$ 485,785</u>	<u>\$ 3,896,603</u>	<u>\$ 3,899,696</u>	<u>\$ 482,692</u>

