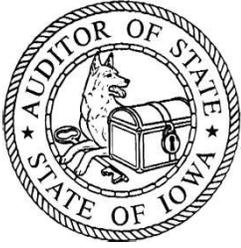


FINANCIAL  
SECTION



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

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006  
Telephone (515) 281-5834 Facsimile (515) 281-6518

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, 2021, 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 less than 1% of the assets, the net position and the revenues of the governmental activities. We did not audit the Iowa PBS Foundation and the Iowa Public Radio, Inc., which represent less than 1% of the assets, the net position and the revenues of the governmental activities and less than 1% of the assets, the net position and the revenues of the aggregate remaining funds. We also did not audit the financial statements of the Iowa Finance Authority, the University of Iowa Center for Advancement and Affiliate, the Iowa State University Foundation, the University of Northern Iowa Foundation and the University of Iowa Health System, which represent a total of 95%, 93% and 67%, respectively, of the assets, the net position and the revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Tobacco Settlement Authority, the Iowa PBS Foundation, the Iowa Public Radio, Inc., the Iowa Finance Authority, the University of Iowa Center for Advancement and Affiliate, the Iowa State University Foundation, the University of Northern Iowa Foundation and the University of Iowa Health System, is based solely on the reports of the other auditors. 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 PBS Foundation, the University of Iowa Center for Advancement and Affiliate, the Iowa State University Foundation and the University of Northern Iowa Foundation were not audited in accordance with Government Auditing Standards.

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, 2021, 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 33 and 146 through 166 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.

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

August 5, 2022

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the State of Iowa's Annual Comprehensive Financial Report (ACFR) presents a discussion and analysis of the State's financial performance during the fiscal year that ended on June 30, 2021. Readers are encouraged to consider this information in conjunction with the letter of transmittal located at the front of the Annual Comprehensive Financial Report and the State's financial statements, which follow this section of the Annual Comprehensive Financial Report.

### FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

#### Government-wide Highlights

- The assets and deferred outflows of resources of the State of Iowa exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2021 by \$22,475.4 million (net position). Of this amount, \$3,836.2 million (unrestricted net position) is available to be used to meet the State's ongoing obligations to citizens and creditors.
- Total net position increased \$2,354.4 million over the June 30, 2020 balance. Net position of governmental activities increased \$1,810.8 million, or 15.6%, while net position of business-type activities increased \$543.6 million, or 6.4%.
- In the State's governmental activities, revenues increased 13.2% to \$21,982.3 million while expenses increased 10.8% to \$19,477.8 million.
- For business-type activities, revenues increased 12.0% to \$8,176.9 million while expenses increased 5.2% to \$8,327.0 million.

#### Fund Highlights

- The State's governmental funds reported a combined ending fund balance of \$3,924.4 million, a \$1,084.0 million increase over the prior year. Of this amount, \$138.9 million represents nonspendable fund balances, \$838.1 million represents spendable restricted fund balances, \$3,389.1 million represents spendable committed fund balances and a negative \$441.8 million represents unassigned fund balances.
- The General Fund total fund balance increased \$1,101.1 million to \$3,752.7 million.
- The proprietary funds reported net position at year-end of \$9,290.3 million, an increase of \$573.0 million over the June 30, 2020 net position.

#### Long-term Debt

- The State's total long-term debt decreased \$137.4 million to \$3,115.2 million during the current fiscal year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Basic Financial Statements

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

##### ***Government-wide Financial Statements***

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

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

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

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

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

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

### **Fund Financial Statements**

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

- *Governmental funds* – Most of the basic services provided by the State are accounted for in governmental funds. Governmental funds use the modified accrual basis of accounting and the flow of current financial resources measurement focus. Modified accrual accounting is used to show the flow of financial assets of the funds and the balances available for spending at year-end. These statements provide a detailed *short-term* view that assists in determining whether there are adequate financial resources available to meet the current needs of the State. Because this information does not encompass the long-term focus of the government-wide statements, reconciliation schedules accompany the governmental funds statements. The General Fund, Tobacco Settlement Authority and Tobacco Collections Fund are the State's major governmental funds. Nonmajor governmental funds are reported by fund type in the Combining Financial Statements – Nonmajor Funds.
- *Proprietary funds* – Services for which the State charges customers a fee are generally reported in proprietary funds. Proprietary funds use the accrual basis of accounting and, like the government-wide statements, provide both long-term and short-term financial information.
  - The State's enterprise funds (one type of proprietary fund) are used to report activities, such as the universities, that are presented as business-type activities in the government-wide statements.
  - The State's internal service funds (the other type of proprietary fund) are used to account for activities that provide supplies and services for other State programs and activities – such as the 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 report the resources of individuals or organizations, outside the State, which the State holds as trustee or similar arrangement, or controls without administrative

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

**Table 1**

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

**Notes to the Financial Statements**

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

**Required Supplementary Information**

In addition to this Management's Discussion and Analysis, Required Supplementary Information (RSI) includes the Budgetary Comparison Schedule. This schedule presents both the original and final appropriated budget 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 \$22,475.4 million at June 30, 2021, compared to \$20,121.0 million at June 30, 2020, as indicated in Table 2.

|                                  | Governmental<br>Activities |             | Business-type<br>Activities |            | Total       |             | Total<br>Percentage<br>Change<br>2020-2021 |
|----------------------------------|----------------------------|-------------|-----------------------------|------------|-------------|-------------|--|
|                                  | 2021                       | 2020        | 2021                        | 2020       | 2021        | 2020        |  |
| Current & other assets           | \$ 6,506.7                 | \$ 5,792.5  | \$ 7,738.1                  | \$ 7,053.2 | \$ 14,244.8 | \$ 12,845.7 | 10.9%                                      |
| Capital assets                   | 11,526.8                   | 10,963.3    | 5,931.5                     | 5,975.8    | 17,458.3    | 16,939.1    | 3.1%                                       |
| Total assets                     | 18,033.5                   | 16,755.8    | 13,669.6                    | 13,029.0   | 31,703.1    | 29,784.8    | 6.4%                                       |
| Deferred outflows of resources   | 334.1                      | 327.9       | 199.5                       | 173.4      | 533.6       | 501.3       | 6.4%                                       |
| Long-term liabilities            | 2,535.8                    | 2,664.1     | 3,489.5                     | 3,453.4    | 6,025.3     | 6,117.5     | -1.5%                                      |
| Other liabilities                | 2,117.6                    | 2,565.2     | 1,180.9                     | 1,076.2    | 3,298.5     | 3,641.4     | -9.4%                                      |
| Total liabilities                | 4,653.4                    | 5,229.3     | 4,670.4                     | 4,529.6    | 9,323.8     | 9,758.9     | -4.5%                                      |
| Deferred inflows of resources    | 305.7                      | 256.7       | 131.8                       | 149.5      | 437.5       | 406.2       | 7.7%                                       |
| Net position:                    |                            |             |                             |            |             |             |  |
| Net investment in capital assets | 11,324.7                   | 10,738.8    | 4,226.9                     | 4,247.7    | 15,551.6    | 14,986.5    | 3.8%                                       |
| Restricted                       | 880.0                      | 924.9       | 2,207.6                     | 2,149.8    | 3,087.6     | 3,074.7     | 0.4%                                       |
| Unrestricted                     | 1,203.8                    | (66.0)      | 2,632.4                     | 2,125.8    | 3,836.2     | 2,059.8     | 86.2%                                      |
| Total net position               | \$ 13,408.5                | \$ 11,597.7 | \$ 9,066.9                  | \$ 8,523.3 | \$ 22,475.4 | \$ 20,121.0 | 11.7%                                      |

The net position of the State's governmental activities increased 15.6% to \$13,408.5 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.

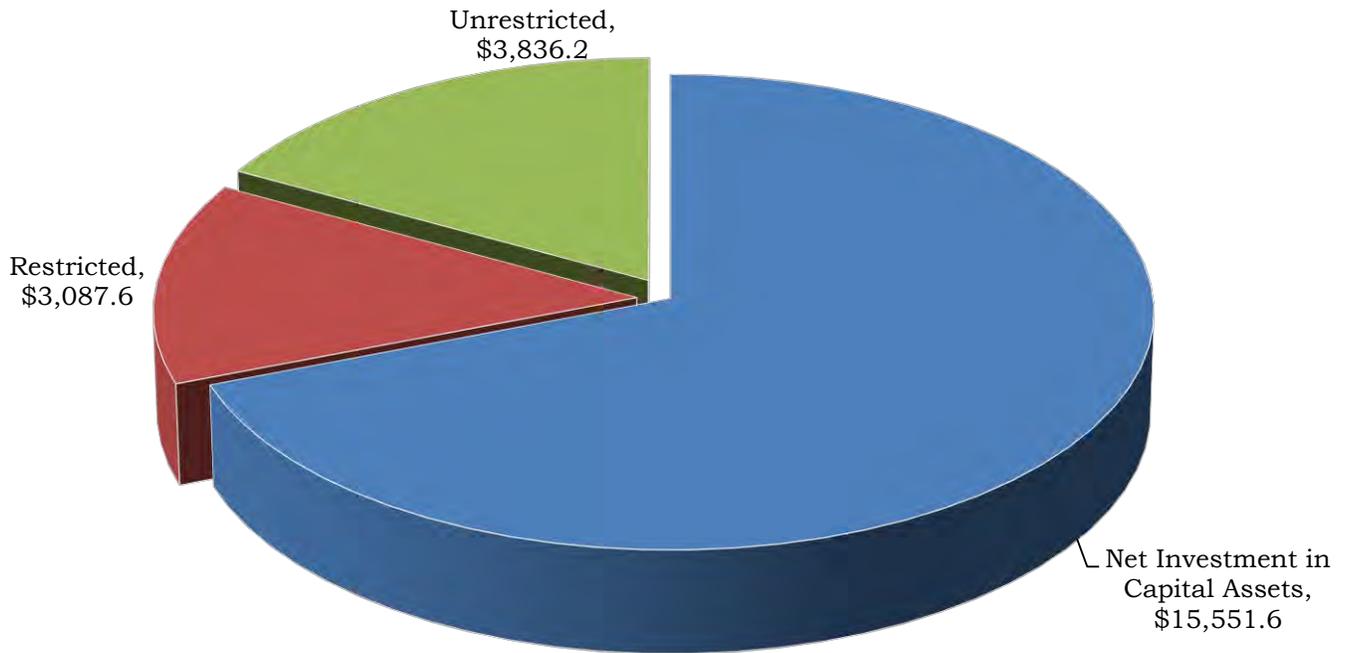
The net position of business-type activities increased 6.4% to \$9,066.9 million. Generally, the State can only use the net position to finance the continuing operations of the universities, unemployment insurance and other business-type activities.

Long-term liabilities decreased \$92.2 million, or 1.5%, to \$6,025.3 million due primarily to the decrease in bonds payable in the amount of \$132.7 million as well as a decrease of \$18.5 million in net pension liability. Deferred outflows of resources increased \$32.3 million and deferred inflows of resources increased \$31.3 million, due largely to the recognition of amounts related to pensions and OPEB.

Other liabilities decreased 9.4% to \$3,298.5 million. The \$342.9 million decrease resulted mostly from increases of \$191.4 million in accounts payable & accruals, a decrease of \$510.9 million in unearned revenue, as well as a decrease of \$13.3 million in short-term bonds payable.

The chart presented below provides a visual representation of the three components of the State's total net position of \$22,475.4 million at June 30, 2021.

### Total Net Position (In Millions)



(Continued on next page.)

## Changes in Net Position

The State's total net position increased by \$2,354.4 million from June 30, 2020 to June 30, 2021, as indicated in Table 3.

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

|   | Governmental Activities |                    | Business-type Activities |                   | Total              |                    | Total Percentage Change 2020-2021 |
|---|-------------------------|--------------------|--------------------------|-------------------|--------------------|--------------------|-----------------------------------|
|   | 2021                    | 2020               | 2021                     | 2020              | 2021               | 2020               |                                   |
| <b>Program revenues</b>                 |                         |                    |                          |                   |                    |                    |                                   |
| Charges for services                    | \$ 2,269.5              | \$ 2,238.3         | \$ 4,946.3               | \$ 4,745.7        | \$ 7,215.8         | \$ 6,984.0         | 3.3%                              |
| Operating grants & contributions        | 8,491.4                 | 6,950.8            | 2,563.1                  | 2,283.9           | 11,054.5           | 9,234.7            | 19.7%                             |
| Capital grants & contributions          | 520.3                   | 544.6              | 33.2                     | 31.7              | 553.5              | 576.3              | -4.0%                             |
| <b>General revenues</b>                 |                         |                    |                          |                   |                    |                    |                                   |
| Personal income tax                     | 4,224.6                 | 3,945.9            | -                        | -                 | 4,224.6            | 3,945.9            | 7.1%                              |
| Corporate income tax                    | 799.5                   | 634.5              | -                        | -                 | 799.5              | 634.5              | 26.0%                             |
| Sales & use tax                         | 3,510.0                 | 3,121.6            | -                        | -                 | 3,510.0            | 3,121.6            | 12.4%                             |
| Other tax                               | 902.7                   | 812.9              | 11.0                     | 8.3               | 913.7              | 821.2              | 11.3%                             |
| Restricted for transportation purposes: |                         |                    |                          |                   |                    |                    |                                   |
| Motor fuel tax                          | 673.7                   | 670.2              | -                        | -                 | 673.7              | 670.2              | 0.5%                              |
| Road use tax                            | 444.5                   | 382.8              | -                        | -                 | 444.5              | 382.8              | 16.1%                             |
| Unrestricted investment earnings        | 14.6                    | 55.7               | 473.8                    | 162.8             | 488.4              | 218.5              | 123.5%                            |
| Other                                   | 131.5                   | 69.3               | 149.5                    | 70.1              | 281.0              | 139.4              | 101.6%                            |
| Total revenues                          | <u>21,982.3</u>         | <u>19,426.6</u>    | <u>8,176.9</u>           | <u>7,302.5</u>    | <u>30,159.2</u>    | <u>26,729.1</u>    | 12.8%                             |
| <b>Expenses</b>                         |                         |                    |                          |                   |                    |                    |                                   |
| Administration & regulation             | 2,500.6                 | 2,077.5            | -                        | -                 | 2,500.6            | 2,077.5            | 20.4%                             |
| Education                               | 4,839.7                 | 4,418.4            | -                        | -                 | 4,839.7            | 4,418.4            | 9.5%                              |
| Health & human rights                   | 565.0                   | 455.8              | -                        | -                 | 565.0              | 455.8              | 24.0%                             |
| Human services                          | 8,497.2                 | 7,687.3            | -                        | -                 | 8,497.2            | 7,687.3            | 10.5%                             |
| Justice & public defense                | 1,207.7                 | 1,136.2            | -                        | -                 | 1,207.7            | 1,136.2            | 6.3%                              |
| Economic development                    | 173.5                   | 140.9              | -                        | -                 | 173.5              | 140.9              | 23.1%                             |
| Transportation                          | 1,367.6                 | 1,354.5            | -                        | -                 | 1,367.6            | 1,354.5            | 1.0%                              |
| Agriculture & natural resources         | 268.1                   | 238.5              | -                        | -                 | 268.1              | 238.5              | 12.4%                             |
| Interest expense                        | 58.4                    | 65.4               | -                        | -                 | 58.4               | 65.4               | -10.7%                            |
| University Funds                        | -                       | -                  | 5,600.8                  | 5,349.6           | 5,600.8            | 5,349.6            | 4.7%                              |
| Unemployment Benefits Fund              | -                       | -                  | 2,353.8                  | 2,234.6           | 2,353.8            | 2,234.6            | 5.3%                              |
| Other                                   | -                       | -                  | 372.4                    | 334.7             | 372.4              | 334.7              | 11.3%                             |
| Total expenses                          | <u>19,477.8</u>         | <u>17,574.5</u>    | <u>8,327.0</u>           | <u>7,918.9</u>    | <u>27,804.8</u>    | <u>25,493.4</u>    | 9.1%                              |
| Increase (decrease) in net position     |                         |                    |                          |                   |                    |                    |                                   |
| before special item and transfers       | 2,504.5                 | 1,852.1            | (150.1)                  | (616.4)           | 2,354.4            | 1,235.7            | 90.5%                             |
| Transfers                               | (693.7)                 | (968.9)            | 693.7                    | 968.9             | -                  | -                  | 0.0%                              |
| Increase in net position                | 1,810.8                 | 883.2              | 543.6                    | 352.6             | 2,354.4            | 1,235.8            | 90.5%                             |
| Net position - July 1                   | 11,597.7                | 10,714.5           | 8,523.3                  | 8,170.7           | 20,121.0           | 18,885.2           | 6.5%                              |
| Net position - June 30                  | <u>\$ 13,408.5</u>      | <u>\$ 11,597.7</u> | <u>\$ 9,066.9</u>        | <u>\$ 8,523.3</u> | <u>\$ 22,475.4</u> | <u>\$ 20,121.0</u> | 11.7%                             |

### Governmental Activities

Overall, total revenues for governmental activities increased 13.2% over the prior year. Program revenues increased \$1,547.5 million, or 15.9%, with most of the increase in operating grants & contributions. General revenues increased \$1,008.2 million, or 10.4%, with taxes comprising the largest change.

Operating grants & contributions increased \$1,540.6 million, or 22.2%. The largest contributors to this increase were: a \$839.7 million increase in human services revenues, largely due to a pandemic related increase in the federal participation rate for medical assistance, a \$306.9 million increase in education revenues, directly associated with the receipt of pandemic funding for child nutrition programs, and a \$193.9 million increase in administration & regulation revenues, resulting directly from the receipt of federal assistance for pandemic relief.

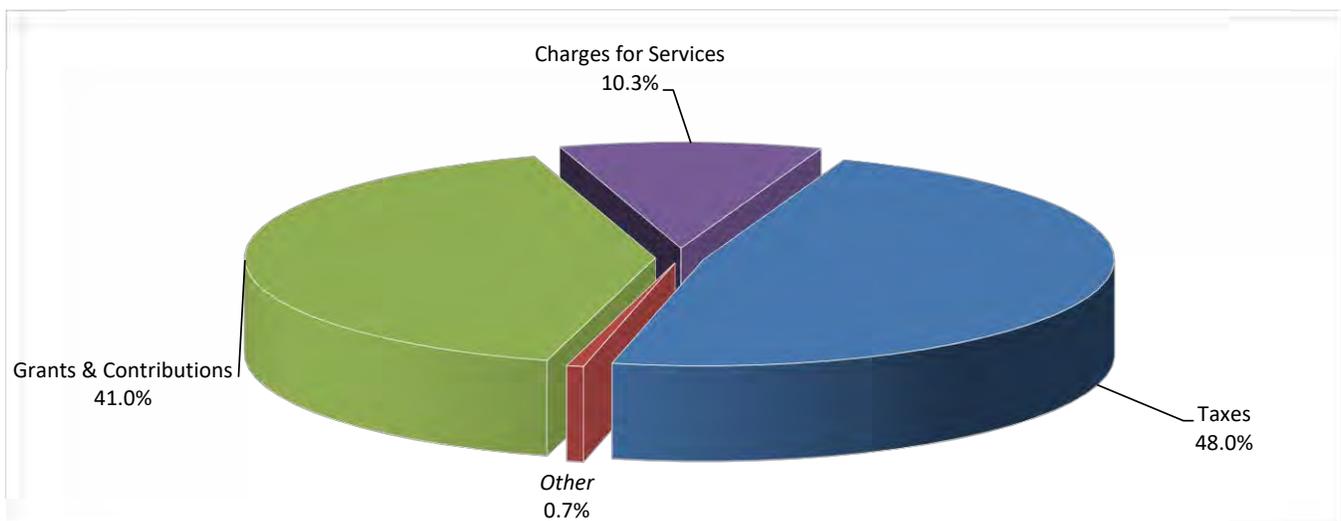
Charges for services increased \$31.2 million, or 1.4%. The largest fluctuations include an increase of \$93.7 million, or 9.0% in administration and regulation and a net decrease of \$117.6 million, or 14.2%, in human services.

Capital grants & contributions decreased \$24.3 million, or 4.5%. This change is attributable to a decrease of \$22.1 million in transportation resulting from annual fluctuations in the completion of projects and the receipt of the related federal funding, and to smaller changes that occurred in other functions.

General revenues experienced a net increase of \$1,008.2 million, or 10.4%, over fiscal year 2020. This is due in part to increases in sales & use tax of \$388.4 million, or 12.4%, in personal income tax of \$278.7 million, or 7.1%, in corporate income tax of \$165.0 million, or 26.0%, and in other taxes of \$89.8 million, or 11.0%. Investment income decreased by \$41.1 million or 73.8%.

A significant amount of the fluctuation in tax revenues in fiscal year 2021 were a consequence of the lessening of measures taken during fiscal year 2020 to mitigate the impact of the pandemic, creating a rebounding effect. Other factors contributing to the change in sales and use tax were an increase to receipts due to greater consumer spending during fiscal year 2021 as well as an expansion on the sales and use tax base to include digital goods and the requirement for online retailers and marketplace facilitators to collect the tax. The largest factor contributing to the change in other taxes was a \$10.7 million decrease in local transit guest tax receipts due to a decline in travel in response to the pandemic.

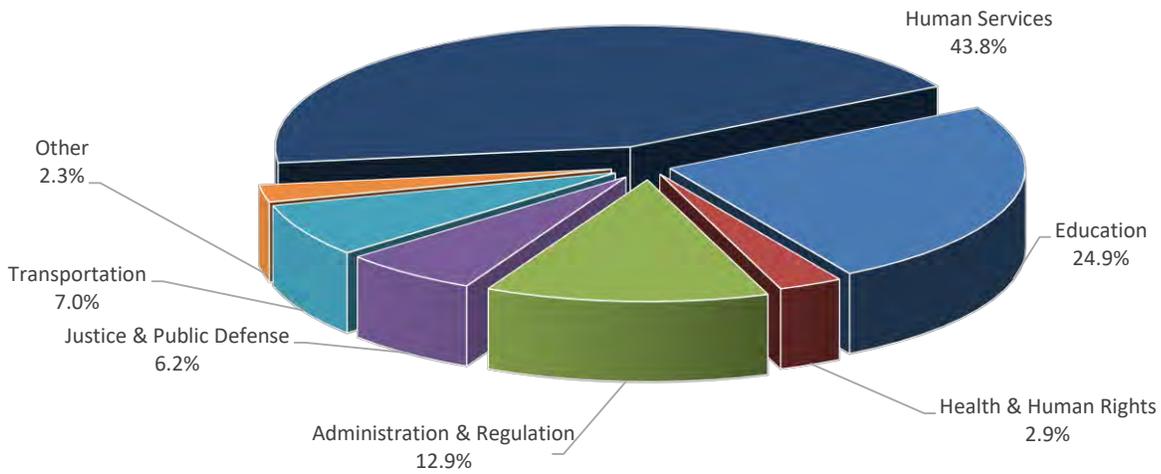
### Revenues by Source



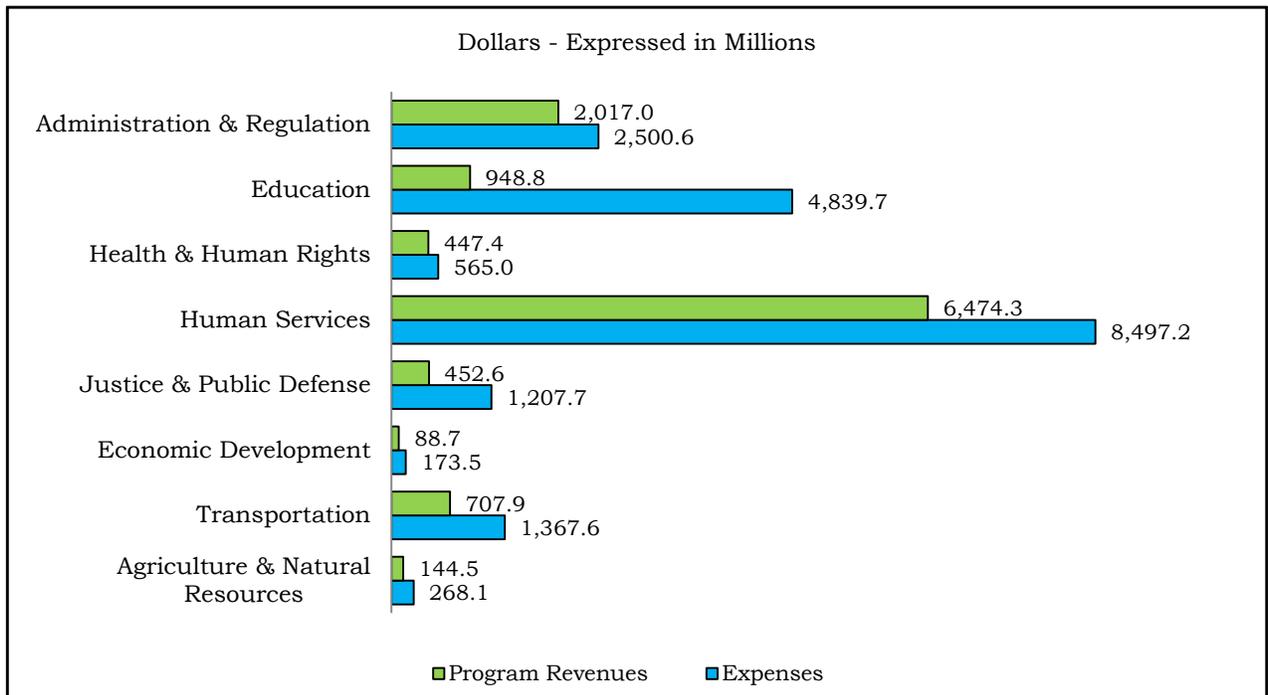
Overall, total expenses for governmental activities increased 10.8% over the prior year.

Expenses increased most significantly in human services, \$809.9 million, administration & regulation, \$423.1 million, education, \$421.3 million, and health & human rights, \$109.2 million. The increase in human services is largely related to medical assistance and food assistance programs where payments increased most significantly as a result of the pandemic. Increases in administration & regulation and health & human rights functions also occurred primarily as a result of payments made for various activities and programs in response to the pandemic emergency. The increase in education is primarily due to an increase in state aid to schools of \$114.0 million, accompanied by the addition of \$186.4 million in CARES School Emergency Relief.

### Expenses by Function



### Program Revenues and Expenses



The cost of all governmental activities this fiscal year was \$19,477.8 million. However, the amount that taxpayers paid for these activities through State taxes was \$10,555.0 million. Part of the cost was paid by:

- Those who directly benefited from the programs (\$2,269.5 million) or
- Other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$9,011.7 million).

### **Business-type Activities**

- University Funds had \$5,600.8 million in expenses and \$4,934.4 million in program revenues for net expenses of \$666.4 million. The largest change in revenues occurred in charges for services, which increased \$152.0 million, or 3.9%. The increase was mainly due to an increase in patient services at the University of Iowa Hospitals and Clinics (UIHC) and continued services to patients during COVID-19. Operating grants & contributions only increased by \$1.0 million, or 0.1%, capital grants & contributions revenue increased \$1.5 million, or 4.8%, due mainly to private gifts for the Sports Performance Center, Gerdin Business Building, Poultry Farm teaching and research facilities, and the Curtiss Farm feed mill and grain science complex at Iowa State University. Operating expenses increased \$267.8 million, or 5.1%. The increase is largely attributed to the provision of patient services at the UIHC during the COVID-19 pandemic. Investment income increased \$318.8 million, or 242.7%, due to the rebounding market performance following COVID-19. Assets increased \$694.9 million to \$11,970.6 million due to an increase of \$708.7 million in noncurrent cash & investments largely due to the increase in investment returns from the previous year. Liabilities increased \$193.7 million, due mainly to bond issuances at ISU and UNI. Deferred outflows of resources increased \$25.2 million and deferred inflows of resources decreased \$17.8 million, both primarily due to the recognition of amounts related to pensions and OPEB.
- The Unemployment Benefits Fund had \$2,353.8 million in expenses, \$2,096.5 million in program revenues with net expenses of \$257.3 million. Employer contributions decreased \$3.3 million, or 0.8%, due to reductions in workforce as a result of the COVID-19 pandemic. Unemployment benefit payments increased \$119.2 million, or 5.3%, due to the continued increase in claim filings as a result of the Unemployment Benefits program expansion in response to the economic situation due to the pandemic.
- Other business-type activities expenses increased \$37.7 million and program revenues increased \$52.0 million. The Liquor Control Act Fund which accounts for the revenues and expenses related to the sale of alcoholic beverages experienced a \$49.9 million increase in operating revenues and a \$35.6 million increase in operating expenses. In addition, the Iowa Prison Industries experienced a \$2.3 million increase in operating revenue and a \$2.4 million increase in operating expenses.
- In total, business-type activities had net expenses of \$784.3 million, \$634.3 million in net general revenues and \$693.7 million in net transfers, for a net increase of \$543.7 million, to end with a net position of \$9,066.9 million.

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

### **Governmental Funds**

The governmental funds reported total fund balances of \$3,924.4 million, an increase of 38.2% over the previous year. Net revenues totaled \$21,950.9 million with expenditures of \$20,210.5 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* – \$838.1 million and \$1,006.4 million for FY2021 and FY2020, 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* – \$3,389.1 million and \$2,161.1 million for FY2021 and FY2020, 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 \$441.8 million and negative \$442.6 million for FY2021 and FY2020, respectively, includes the residual amount of the General Fund not included in the categories above, which is available for any purpose, and any negative fund balances in the other governmental fund types.

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

**General Fund**

The General Fund is the chief operating fund of the State. Total fund balance increased from \$2,651.6 million for fiscal year 2020 to \$3,752.7 million for fiscal year 2021. The fiscal year 2021 General Fund consists of the following fund balances: \$122.3 million nonspendable, an increase of 23.0%, \$679.6 million restricted, a decrease of 11.7%, \$3,349.0 million committed, an increase of 56.5%, and negative \$398.2 million unassigned, an increase of 11.3%. For fiscal year 2021, the committed fund balance includes \$795.4 million in reserve (rainy day) funds, an increase of 2.0%.

Gross revenues of the General Fund increased \$2,552.3 million, or 12.0%, in fiscal year 2021. Receipts from other entities increased \$1,611.3 million, mainly due to federal pandemic aid. Fiscal year 2021 federal revenues included an additional \$329.4 million in Food Assistance – SNAP EBT due to increased costs associated with the pandemic, a net increase of \$418.6 million in Medical Assistance, \$114.0 million for federal school pandemic economic aid, and \$103.6 million for information technology and broadband. Taxes increased \$933.8 million over fiscal year 2020, to \$11,314.2 million in fiscal year 2021. Major contributors to the tax revenue increase include a \$384.6 million increase in sales and use tax, as a result of greater consumer spending with online retailers and a \$429.1 million increase in wagering tax following the due to the reopening of casinos following the pandemic. Investment income decreased \$48.2 million and fees, licenses & permits increased \$158.5 million. Net revenues were negatively impacted as tax refunds increased \$71.0 million, or 3.6% over 2020 refunds.

Total expenditures of the General Fund increased \$1,994.2 million in fiscal year 2021, primarily due to the pandemic emergency. Examples include an increase in Education expenditures of \$422.6 million due to a \$210.5 million increase for child nutrition programs related to the pandemic as well as expenditures of \$183.0 million for health safety education. Human Services expenditures increased \$366.0 million for EBT and other COVID related services.

Capital outlays increased \$75.3 million due primarily to fluctuations in Department of Transportation projects as well as an increase in capital outlays of \$18.7 million by the Department of Natural Resources including \$13.7 million of depreciable land improvements and \$5 million in land purchases. Additionally, the Judicial Department implemented new audio/visual recorders for every courthouse resulting in an increase of \$6.1 million.

**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. During 2021, the Authority issued approximately \$688.8 million of Tobacco Settlement Asset-backed Bonds with a par amount of \$2,022.4 million. The proceeds of the 2021 Bonds were used to refund the series 2005 Bonds, fund a debt service reserve account and pay costs of issuance. The Authority’s ending fund balance decreased \$91.1 million to \$75.1 million. The decrease was due to the combined effects of receipt of funds from the Tobacco Collections Fund which reduced the interfund advance (receivable), removal of the Guaranteed Insurance Contract required for the 2005 Bonds but not the required 2021 Bonds, and a decrease in liabilities primarily due to the favorable pricing on the 2021 Bonds. Funds of the Authority were primarily used to pay principal and interest on bonds totaling \$90.8 million and \$36.8 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 \$41.3 million to a deficit balance of \$43.5 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.

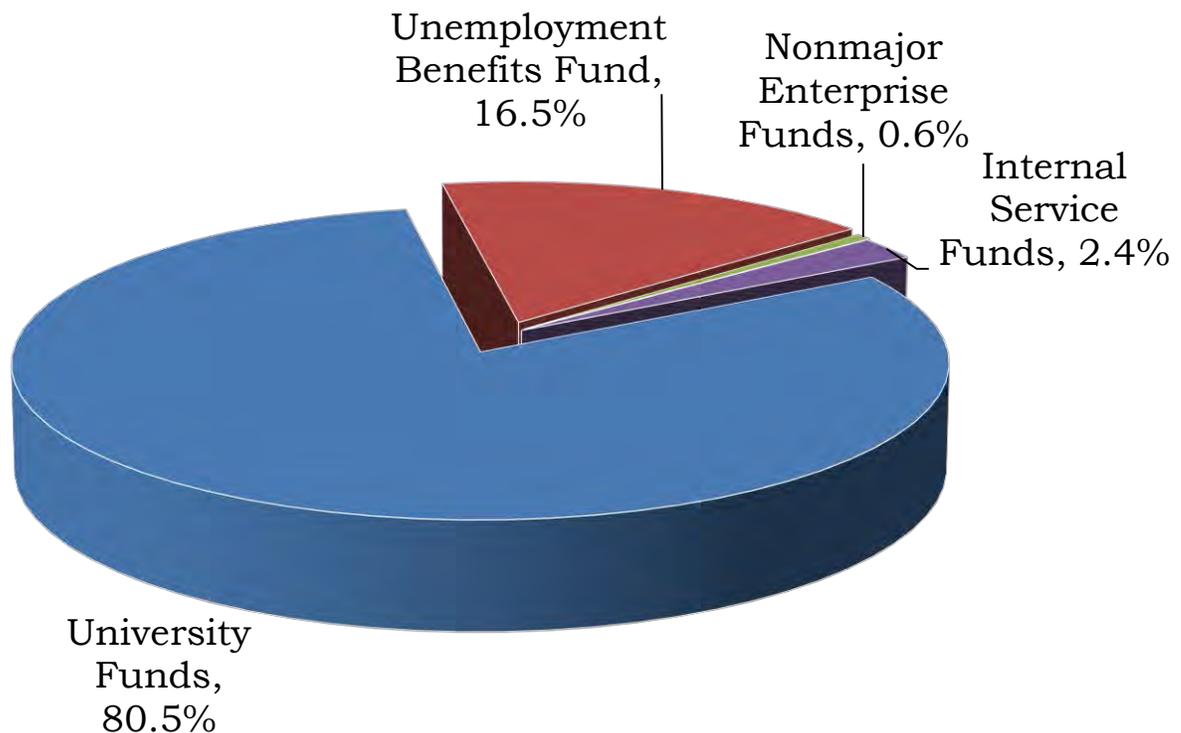
Total net position of the University Funds increased \$544.2 million to \$7,481.2 million, while unrestricted net position increased \$505.5 million to \$2,614.8 million.

The total net position of the Unemployment Benefits Fund, which is entirely restricted for unemployment benefits, decreased \$1.6 million to end fiscal year 2021 at \$1,535.9 million.

The nonmajor enterprise funds total net position decreased \$0.3 million, or 0.5%, to \$55.6 million. The Iowa Communications Network net position decreased \$1.5 million, or 12.0%, to \$10.7 million. The decrease in net position is primarily due to a decrease in outdated equipment that has been replaced by an upgraded network over the course of several prior years.

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

## **Total Net Position - Proprietary Funds**



## **General Fund Budgetary Highlights**

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

- Supplemental appropriations: \$44,230,000
- Adjustments to standing appropriations: \$4,111,898

The 2020 legislative session started on January 13, 2020. However, due to the COVID-19 pandemic, the session was suspended on March 16, 2020. Before the Legislature reconvened, the REC met on May 29, 2020 to review the impact the COVID-19 pandemic and subsequent closures had on the national and state economies. The REC lowered the fiscal year 2021 estimate from March 2020 by \$64.6 million to \$7,876.6 million or -0.8 percent reduction from fiscal year 2020. The legislative session reconvened on June 3, 2020 and finished its work on June 14, 2020.

The originally enacted General Fund budget for fiscal year 2021 of \$7,778.5 million was predicated on \$7,876.6 million, or a slightly less than 1% decrease in General Fund revenues, as projected by the State's Revenue Estimating Conference (REC) on May 29, 2020.

At the October 13, 2020 meeting, the REC revised its fiscal year 2021 General Fund revenue estimate upward \$35.1 million and with a finalized FY2020 base, the revenue growth was flat. This change was based upon the finalized base for fiscal year 2020 at nearly 1%. On December 11, 2020, the REC increased the estimate to \$7,969.3 million, an increase of \$38.7 million. On March 19, 2021, the REC raised the revenue estimate to \$8,078.9 million, or 1.9 percent growth.

During the 2021 legislative session, the legislature passed and Governor Reynolds signed two appropriation bills which contained supplemental appropriations from the General Fund totaling \$44.2 million for fiscal year 2021, both to provide funding for the purchase and installation of the new ERP system for the State.

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 2021, these standing appropriations were more than the original estimates by \$4.1 million. A variety of standing appropriations make up the changes to standing appropriations.

During April, May and June of 2021, and throughout the accrual period, actual General Fund revenue collections continued to run ahead of the revised projections. At the close of fiscal year 2021, revenue collections totaled \$8,800.6 million, which is 11.0 percent growth over fiscal year 2020.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2021, the State had \$17,458.3 million invested in capital assets, net of accumulated depreciation of \$16,923.2 million. Depreciation charges totaled \$1,120.6 million in fiscal year 2021. The details of these assets are presented in Table 4. Additional information about the State's capital assets is presented in NOTE 6 of the financial statements.

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

|                               | Governmental<br>Activities |                    | Business-type<br>Activities |                   | Total              |                    | Total<br>Percentage<br>Change<br>2020-2021 |
|-------------------------------|----------------------------|--------------------|-----------------------------|-------------------|--------------------|--------------------|--|
|                               | 2021                       | 2020               | 2021                        | 2020              | 2021               | 2020               |  |
| Land                          | \$ 998.8                   | \$ 978.1           | \$ 100.3                    | \$ 99.7           | \$ 1,099.1         | \$ 1,077.8         | 2.0%                                       |
| Land improvements             | 80.2                       | 67.9               | 54.2                        | 46.6              | 134.4              | 114.5              | 17.4%                                      |
| Construction in progress      | 52.4                       | 94.2               | 215.8                       | 364.8             | 268.2              | 459.0              | -41.6%                                     |
| Computer software in progress | 76.8                       | 41.4               | 8.5                         | 7.2               | 85.3               | 48.6               | 75.5%                                      |
| Infrastructure                | 8,756.9                    | 8,261.9            | 480.6                       | 482.3             | 9,237.5            | 8,744.2            | 5.6%                                       |
| Buildings & improvements      | 1,067.4                    | 1,081.4            | 4,121.8                     | 4,014.2           | 5,189.2            | 5,095.6            | 1.8%                                       |
| Equipment                     | 272.4                      | 239.9              | 414.7                       | 421.7             | 687.1              | 661.6              | 3.9%                                       |
| Works of art & collections    | 1.1                        | 1.1                | 472.7                       | 468.0             | 473.8              | 469.1              | 1.0%                                       |
| Computer software             | 220.8                      | 197.4              | 62.2                        | 70.4              | 283.0              | 267.8              | 5.7%                                       |
| Other intangibles             | -                          | -                  | 0.7                         | 0.9               | 0.7                | 0.9                | -22.2%                                     |
| <b>Total</b>                  | <b>\$ 11,526.8</b>         | <b>\$ 10,963.3</b> | <b>\$ 5,931.5</b>           | <b>\$ 5,975.8</b> | <b>\$ 17,458.3</b> | <b>\$ 16,939.1</b> | <b>3.1%</b>                                |

In the governmental activities, capital assets, net of accumulated depreciation, increased \$563.5 million, or 5.1%, to \$11,526.8 million. The largest changes were in infrastructure (an increase of \$495.0 million, or 6.0%), computer software in progress (an increase of \$35.4 million, or 85.5%), computer software (an increase of \$23.4 million, or 11.9%) and land (an increase of \$20.7 million, or 2.1%). Infrastructure increased due to the completion of \$1,079.2 million of highway and bridge construction projects by the Department of Transportation (DOT), offset by the recognition of depreciation expense of \$588.8 million for the year. Computer software in progress increased as a result of the increase in ongoing software projects at the Department of Human Services as well as the Department of Revenue. Computer software increased due to the completion of computer software projects for the Department of Human Services. Land increased primarily due to acquisitions for road construction at DOT.

Capital assets, net of accumulated depreciation, in the business-type activities decreased \$44.3 million, or 0.7%, to \$5,931.5 million. The largest changes were in construction in progress (a decrease of \$149.0 million, or 40.8%) as well as buildings & improvements (an increase of \$107.6 million, or 2.7%). These changes were primarily the result of the completion of construction projects at the University of Iowa, Iowa State University, and the University of Northern Iowa.

Outstanding commitments for future capital expenditures as of June 30, 2021 include \$938.4 million (net of \$684.7 million in anticipated federal funding) for highway and bridge construction, \$175.7 million for various projects at the three State universities, \$16.2 million for the Iowa Statewide Interoperable Communications System (ISICS), an emergency public safety communication system, \$29.4 million for statewide 911 and mass notification systems, \$34.8 million for State facilities and buildings, \$10.9 million for State parks, recreational areas, fisheries and wetland projects, \$11.3 million for public defense improvements at various locations, \$36.1 million for the modernization of the State's unemployment compensation system, and \$33.3 million for the modernization of the State's human resources and accounting systems.

## Long-term Debt

At year-end, the State had \$3,115.2 million in revenue bonds and leases & other financing arrangements outstanding as shown in Table 5. More detailed information about the State's long-term liabilities is presented in NOTE 7 through NOTE 10 to the financial statements.

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

|                                       | Governmental Activities |                   | Business-type Activities |                   | Total             |                   | Total Percentage Change 2020-2021 |
|---------------------------------------|-------------------------|-------------------|--------------------------|-------------------|-------------------|-------------------|-----------------------------------|
|                                       | 2021                    | 2020              | 2021                     | 2020              | 2021              | 2020              |                                   |
| Revenue bonds                         | \$ 1,281.0              | \$ 1,385.1        | \$ 1,763.8               | \$ 1,805.7        | \$ 3,044.8        | \$ 3,190.8        | -4.6%                             |
| Leases & other financing arrangements | 21.0                    | 24.5              | 49.4                     | 37.3              | 70.4              | 61.8              | 13.9%                             |
| <b>Total</b>                          | <b>\$ 1,302.0</b>       | <b>\$ 1,409.6</b> | <b>\$ 1,813.2</b>        | <b>\$ 1,843.0</b> | <b>\$ 3,115.2</b> | <b>\$ 3,252.6</b> | <b>-4.2%</b>                      |

Revenue bonds issued by the Primary Government totaled \$3,044.8 million outstanding at fiscal year-end. This amount consisted of \$1,763.8 million in revenue bonds issued by the three State universities (for equipment and facilities), \$715.0 million in revenue bonds issued by the Tobacco Settlement Authority, \$6.5 million in revenue bonds issued by the State of Iowa for the Iowa Utilities Board, \$481.3 million in revenue bonds issued by the State of Iowa for the IJOBS program, and \$78.2 million in revenue bonds issued by the State of Iowa for Prison Infrastructure. These bonds are backed by the revenues of the issuing program.

Governmental activities outstanding revenue bonds decreased \$104.1 million, due to the issuance of \$2,113.2 million of refunding bonds to refund \$874.5 million of outstanding bonds, as well as the payment of principal during fiscal year 2021. Leases & other financing arrangements decreased \$3.5 million, due to new capital leases and new other financing arrangement agreements totaling \$1.1 million along with the payment of principal in the amounts of \$4.2 million and \$0.4 million for capital leases and other financing arrangements, respectively

Business-type activities outstanding revenue bonds decreased \$41.9 million, due to the issuance of \$97.4 million, \$23.0 million, and \$15.4 million of new debt at the University of Iowa, Iowa State University, and the University of Northern Iowa, respectively; and the payment of principal by the three State universities. Leases & other financing arrangements increased \$12.1 million, due to new capital leases and other new financing arrangement agreements totaling \$27.8 million along with the payment of principal in the amounts of \$2.5 million and \$13.3 million for capital leases and other financing arrangements, respectively.

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

The Governor and General Assembly finished their work on May 19, 2021. Amounts available for appropriation in fiscal year 2022, based on the 99 percent budget limitation for the General Fund budget, were \$8,287.9 million. General Fund appropriations totaled \$8,118.5 million.

At the REC meeting in October 2021, the fiscal year 2022 revenue estimate was increased from a revised \$8,288.5 million to \$8,934.2 million, largely as a reflection of actual revenue collections in fiscal year 2020, law changes passed during the 2021 Legislative Sessions, and current year to date revenue growth. The revised estimate reflects projected revenue growth of 1.5 percent compared to actual revenues for the previous fiscal year.

The unemployment rate nationally stands at 4.8 percent for the month of September 2021, down from a revised 5.2 percent in August 2021. This measure is down considerably from the high at the end of the February-April 2020 recession. However, it remains above the level prior to the COVID-19 pandemic of 3.5 percent. Nationally, GDP growth has been high the first half of the calendar year 2021, growing at 6.3 percent in the first quarter and 6.7 percent in the second quarter. Moody's Analytics expects the third quarter to be slower at 3.4 percent with the fourth quarter coming back at 6.2 percent. Moody's expects 4.3 percent growth for 2022.

## **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



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September 1, 1880

BASIC  
FINANCIAL  
STATEMENTS

# STATE OF IOWA

## Statement of Net Position

June 30, 2021

(Expressed in Thousands)

|   | <b>PRIMARY GOVERNMENT</b>          |                                     |                   | <b>COMPONENT<br/>UNITS</b> |
|---|------------------------------------|-------------------------------------|-------------------|----------------------------|
|   | <b>GOVERNMENTAL<br/>ACTIVITIES</b> | <b>BUSINESS-TYPE<br/>ACTIVITIES</b> | <b>TOTAL</b>      |                            |
| <b>ASSETS</b>   |                                    |                                     |                   |                            |
| Current assets:   |                                    |                                     |                   |                            |
| Cash & investments  | \$ 3,952,182                       | \$ 1,932,417                        | \$ 5,884,599      | \$ 1,783,949               |
| Cash & investments - restricted                           | -                                  | -                                   | -                 | 795                        |
| Deposits with trustees                                    | 60,752                             | 40,043                              | 100,795           | -                          |
| Accounts receivable (net)                                 | 2,412,937                          | 830,444                             | 3,243,381         | 125,488                    |
| Interest receivable                                       | -                                  | 1,792                               | 1,792             | 6,165                      |
| Loans receivable (net)                                    | 5,150                              | 3,002                               | 8,152             | 158,877                    |
| Internal balances   | (208,944)                          | 208,944                             | -                 | -                          |
| Inventory   | 74,132                             | 102,186                             | 176,318           | 4,091                      |
| Prepaid expenses  | 69,118                             | 59,114                              | 128,232           | 944                        |
| Other assets  | -                                  | -                                   | -                 | 33,033                     |
| <b>Total current assets</b>                               | <b>6,365,327</b>                   | <b>3,177,942</b>                    | <b>9,543,269</b>  | <b>2,113,342</b>           |
| Noncurrent assets:  |                                    |                                     |                   |                            |
| Cash & investments  | -                                  | 4,469,287                           | 4,469,287         | 3,897,947                  |
| Deposits with trustees                                    | 26,252                             | 2,776                               | 29,028            | -                          |
| Accounts receivable (net)                                 | 104,188                            | 18,777                              | 122,965           | 238,394                    |
| Interest receivable                                       | -                                  | 618                                 | 618               | -                          |
| Loans receivable (net)                                    | 10,972                             | 43,301                              | 54,273            | 2,235,547                  |
| Capital assets - nondepreciable                           | 1,128,014                          | 761,112                             | 1,889,126         | 35,479                     |
| Capital assets - depreciable (net)                        | 10,398,803                         | 5,170,383                           | 15,569,186        | 121,596                    |
| Prepaid expenses  | -                                  | 9,097                               | 9,097             | -                          |
| Other assets  | -                                  | 16,254                              | 16,254            | 39,072                     |
| <b>Total noncurrent assets</b>                            | <b>11,668,229</b>                  | <b>10,491,605</b>                   | <b>22,159,834</b> | <b>6,568,035</b>           |
| <b>TOTAL ASSETS</b>                                       | <b>18,033,556</b>                  | <b>13,669,547</b>                   | <b>31,703,103</b> | <b>8,681,377</b>           |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                     |                                    |                                     |                   |                            |
| Accumulated decrease in fair value of hedging derivatives | -                                  | -                                   | -                 | 7,307                      |
| Debt refunding loss                                       | 39,019                             | 16,830                              | 55,849            | 10,529                     |
| Excess consideration provided for acquisition             | -                                  | 167                                 | 167               | -                          |
| Related to other postemployment benefits                  | 13,135                             | 102,078                             | 115,213           | 437                        |
| Related to pensions                                       | 281,940                            | 80,399                              | 362,339           | 5,457                      |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>               | <b>334,094</b>                     | <b>199,474</b>                      | <b>533,568</b>    | <b>23,730</b>              |

(continued on next page)

# STATE OF IOWA

## Statement of Net Position

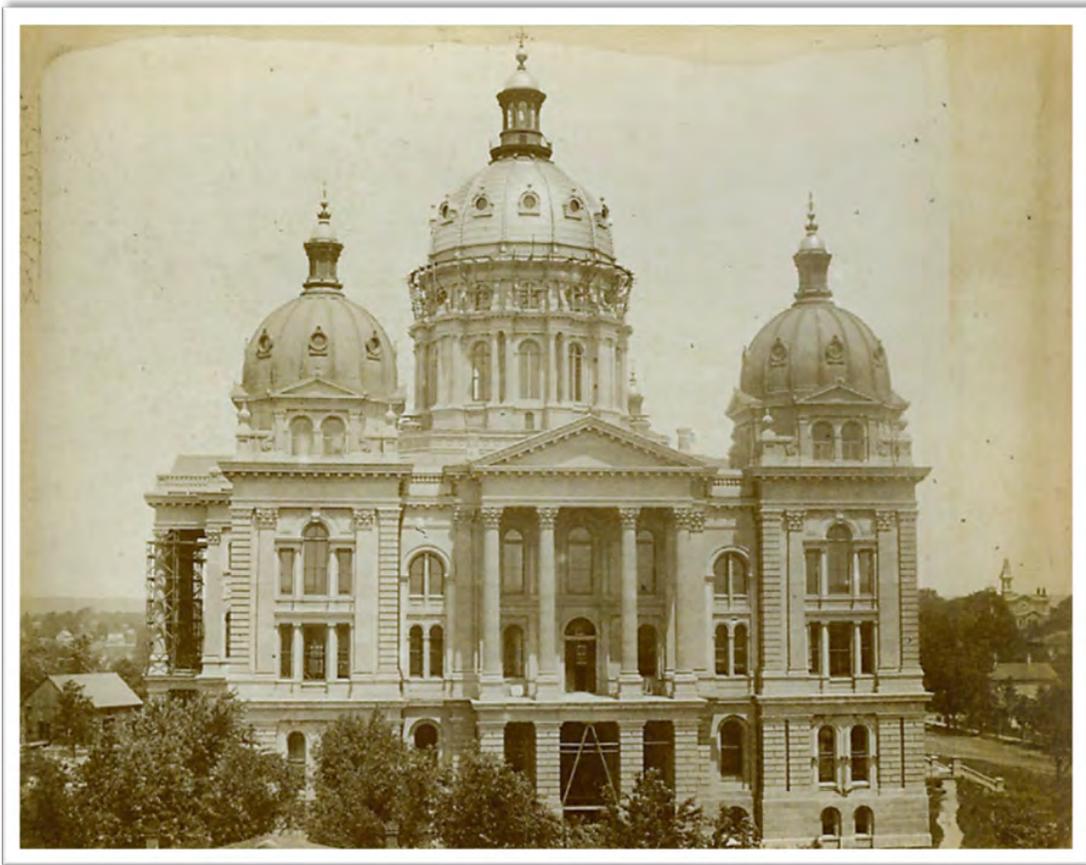
June 30, 2021

(Expressed in Thousands)

(continued)

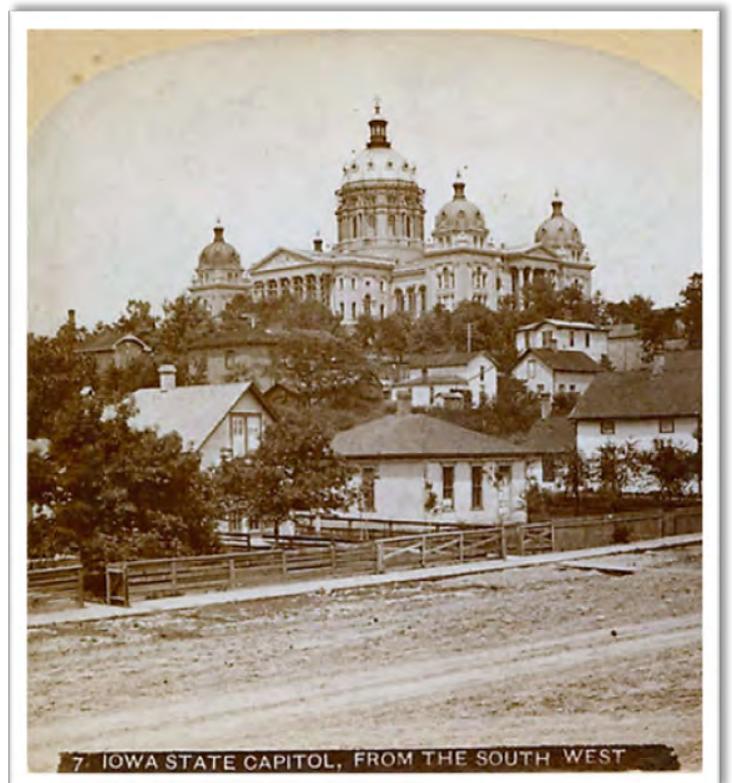
|   | <b>PRIMARY GOVERNMENT</b>          |                                     |                      | <b>COMPONENT<br/>UNITS</b> |
|---|------------------------------------|-------------------------------------|----------------------|----------------------------|
|   | <b>GOVERNMENTAL<br/>ACTIVITIES</b> | <b>BUSINESS-TYPE<br/>ACTIVITIES</b> | <b>TOTAL</b>         |                            |
| <b>LIABILITIES</b>  |                                    |                                     |                      |                            |
| Current liabilities:                                      |                                    |                                     |                      |                            |
| Accounts payable & accruals                               | 1,681,212                          | 711,147                             | 2,392,359            | 83,753                     |
| Interest payable  | 3,035                              | 23,652                              | 26,687               | 33,776                     |
| Unearned revenue  | 200,849                            | 136,353                             | 337,202              | 201,571                    |
| Compensated absences                                      | 146,342                            | 129,338                             | 275,680              | 2,994                      |
| Capital leases  | 4,363                              | 2,870                               | 7,233                | -                          |
| Bonds payable   | 69,884                             | 155,818                             | 225,702              | 74,276                     |
| Other financing arrangements payable                      | 121                                | 943                                 | 1,064                | -                          |
| Other postemployment benefits liability                   | 11,842                             | 18,631                              | 30,473               | -                          |
| Refundable allowances on student loans                    | -                                  | 1,472                               | 1,472                | -                          |
| Funds held in custody                                     | -                                  | 613                                 | 613                  | 122,000                    |
| <b>Total current liabilities</b>                          | <b>2,117,648</b>                   | <b>1,180,837</b>                    | <b>3,298,485</b>     | <b>518,370</b>             |
| Noncurrent liabilities:                                   |                                    |                                     |                      |                            |
| Accounts payable & accruals                               | 73,041                             | 42,818                              | 115,859              | 63,800                     |
| Unearned revenue  | 2,825                              | 22,250                              | 25,075               | -                          |
| Compensated absences                                      | 182,446                            | 128,987                             | 311,433              | 2,821                      |
| Capital leases  | 16,166                             | 19,622                              | 35,788               | -                          |
| Bonds payable   | 1,211,116                          | 1,608,030                           | 2,819,146            | 2,537,629                  |
| Other financing arrangements payable                      | 379                                | 25,970                              | 26,349               | -                          |
| Net pension liability                                     | 854,808                            | 222,366                             | 1,077,174            | 24,510                     |
| Other postemployment benefits liability                   | 194,975                            | 243,331                             | 438,306              | 3,845                      |
| Advance From Concessionaire                               | -                                  | 1,133,044                           | 1,133,044            | -                          |
| Refundable allowances on student loans                    | -                                  | 43,096                              | 43,096               | -                          |
| Funds held in custody                                     | -                                  | -                                   | -                    | 13,809                     |
| <b>Total noncurrent liabilities</b>                       | <b>2,535,756</b>                   | <b>3,489,514</b>                    | <b>6,025,270</b>     | <b>2,646,414</b>           |
| <b>TOTAL LIABILITIES</b>                                  | <b>4,653,404</b>                   | <b>4,670,351</b>                    | <b>9,323,755</b>     | <b>3,164,784</b>           |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                      |                                    |                                     |                      |                            |
| Accumulated increase in fair value of hedging derivatives | -                                  | -                                   | -                    | 1,937                      |
| Debt refunding gain                                       | 5,542                              | 1,919                               | 7,461                | -                          |
| Grants received in advance of meeting timing requirements | -                                  | 144                                 | 144                  | -                          |
| Related to other postemployment benefits                  | 14,033                             | 121,689                             | 135,722              | 450                        |
| Related to pensions                                       | 285,989                            | 7,997                               | 293,986              | 1,806                      |
| Unconditional remainder interest                          | 146                                | -                                   | 146                  | -                          |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                | <b>305,710</b>                     | <b>131,749</b>                      | <b>437,459</b>       | <b>4,193</b>               |
| <b>NET POSITION</b>                                       |                                    |                                     |                      |                            |
| Net investment in capital assets                          | 11,324,737                         | 4,226,846                           | 15,551,583           | 155,475                    |
| Restricted for:   |                                    |                                     |                      |                            |
| Education   | 64,202                             | -                                   | 64,202               | -                          |
| Human services  | 36,120                             | -                                   | 36,120               | -                          |
| Justice & public defense                                  | 15,698                             | -                                   | 15,698               | -                          |
| Transportation  | 483,721                            | -                                   | 483,721              | -                          |
| Agriculture & natural resources                           | 6,201                              | -                                   | 6,201                | -                          |
| Underground Storage Tank Program                          | 5,556                              | -                                   | 5,556                | -                          |
| Capital projects  | 5,389                              | -                                   | 5,389                | -                          |
| University Funds - expendable                             | -                                  | 578,962                             | 578,962              | -                          |
| University Funds - nonexpendable                          | -                                  | 92,728                              | 92,728               | -                          |
| Permanent Funds - nonexpendable                           | 16,180                             | -                                   | 16,180               | -                          |
| Unemployment Benefits Fund                                | -                                  | 1,535,944                           | 1,535,944            | -                          |
| Other   | 246,944                            | -                                   | 246,944              | 5,030,867                  |
| Unrestricted  | 1,203,788                          | 2,632,441                           | 3,836,229            | 349,788                    |
| <b>TOTAL NET POSITION</b>                                 | <b>\$ 13,408,536</b>               | <b>\$ 9,066,921</b>                 | <b>\$ 22,475,457</b> | <b>\$ 5,536,130</b>        |

The notes are an integral part of the financial statements.



Iowa State Capitol Building from the North,  
with some exterior construction still underway.  
Des Moines, Iowa ca 1885

Iowa State Capitol Building  
and neighborhood to the  
Southwest.  
Des Moines, Iowa 1885



**STATE OF IOWA**  
**Statement of Activities**  
For the Year Ended June 30, 2021  
(Expressed in Thousands)

| FUNCTIONS/PROGRAMS                                    | EXPENSES      | PROGRAM REVENUES     |                                  |                                | NET (EXPENSES) REVENUES & CHANGES IN NET POSITION |                          |               |                 |
|---|---------------|----------------------|----------------------------------|--------------------------------|---|--------------------------|---------------|-----------------|
|   |               | CHARGES FOR SERVICES | OPERATING GRANTS & CONTRIBUTIONS | CAPITAL GRANTS & CONTRIBUTIONS | PRIMARY GOVERNMENT                                |                          |               | COMPONENT UNITS |
|   |               |                      |                                  |                                | GOVERNMENTAL ACTIVITIES                           | BUSINESS-TYPE ACTIVITIES | TOTAL         |                 |
| <b>PRIMARY GOVERNMENT:</b>                            |               |                      |                                  |                                |   |                          |               |                 |
| <b>Governmental activities:</b>                       |               |                      |                                  |                                |   |                          |               |                 |
| Administration & regulation                           | \$ 2,500,552  | \$ 1,131,855         | \$ 885,096                       | \$ -                           | \$ (483,601)                                      | \$ -                     | \$ (483,601)  |                 |
| Education   | 4,839,703     | 20,311               | 929,699                          | -                              | (3,889,693)                                       | -                        | (3,889,693)   |                 |
| Health & human rights                                 | 565,016       | 78,464               | 364,699                          | 4,277                          | (117,576)   | -                        | (117,576)     |                 |
| Human services  | 8,497,262     | 711,411              | 5,762,932                        | -                              | (2,022,919)                                       | -                        | (2,022,919)   |                 |
| Justice & public defense                              | 1,207,698     | 137,035              | 313,250                          | 1,145                          | (756,268)   | -                        | (756,268)     |                 |
| Economic development                                  | 173,455       | 4,823                | 83,851                           | -                              | (84,781)  | -                        | (84,781)      |                 |
| Transportation  | 1,367,551     | 92,727               | 104,832                          | 510,329                        | (659,663)   | -                        | (659,663)     |                 |
| Agriculture & natural resources                       | 268,107       | 92,937               | 47,012                           | 4,506                          | (123,652)   | -                        | (123,652)     |                 |
| Interest expense                                      | 58,436        | -                    | -                                | -                              | (58,436)  | -                        | (58,436)      |                 |
| Total governmental activities                         | 19,477,780    | 2,269,563            | 8,491,371                        | 520,257                        | (8,196,589)                                       | -                        | (8,196,589)   |                 |
| <b>Business-type activities:</b>                      |               |                      |                                  |                                |   |                          |               |                 |
| University Funds                                      | 5,600,805     | 4,021,078            | 880,076                          | 33,205                         | -   | (666,446)                | (666,446)     |                 |
| Unemployment Benefits Fund                            | 2,353,780     | 413,464              | 1,682,997                        | -                              | -   | (257,319)                | (257,319)     |                 |
| Other   | 372,382       | 511,758              | -                                | -                              | -   | 139,376                  | 139,376       |                 |
| Total business-type activities                        | 8,326,967     | 4,946,300            | 2,563,073                        | 33,205                         | -   | (784,389)                | (784,389)     |                 |
| TOTAL PRIMARY GOVERNMENT                              | \$ 27,804,747 | \$ 7,215,863         | \$ 11,054,444                    | \$ 553,462                     | (8,196,589)                                       | (784,389)                | (8,980,978)   |                 |
| <b>COMPONENT UNITS:</b>                               |               |                      |                                  |                                |   |                          |               |                 |
| Iowa Finance Authority                                | \$ 323,918    | \$ 30,400            | \$ 263,282                       | \$ -                           | -   | -                        | -             | \$ (30,236)     |
| Iowa Economic Development Authority                   | 269,571       | 2,963                | 237,940                          | -                              | -   | -                        | -             | (28,668)        |
| Iowa State Fair Authority                             | 16,653        | 3,198                | 818                              | 2,801                          | -   | -                        | -             | (9,836)         |
| Iowa Lottery Authority                                | 452,528       | 452,603              | -                                | -                              | -   | -                        | -             | 75              |
| University of Iowa Center for Advancement & Affiliate | 131,725       | -                    | 103,873                          | -                              | -   | -                        | -             | (27,852)        |
| Iowa State University Foundation                      | 111,943       | -                    | 147,668                          | -                              | -   | -                        | -             | 35,725          |
| University of Northern Iowa Foundation                | 16,807        | -                    | 32,902                           | -                              | -   | -                        | -             | 16,095          |
| University of Iowa Research Foundation                | 4,686         | 3,389                | -                                | -                              | -   | -                        | -             | (1,297)         |
| University of Iowa Health System                      | 20,778        | 18,721               | -                                | -                              | -   | -                        | -             | (2,057)         |
| TOTAL COMPONENT UNITS                                 | \$ 1,348,609  | \$ 511,274           | \$ 786,483                       | \$ 2,801                       | -   | -                        | -             | (48,051)        |
| <b>GENERAL REVENUES:</b>                              |               |                      |                                  |                                |   |                          |               |                 |
| Personal income tax                                   |               |                      |                                  |                                | 4,224,590   | -                        | 4,224,590     | -               |
| Corporate income tax                                  |               |                      |                                  |                                | 799,466   | -                        | 799,466       | -               |
| Sales & use tax                                       |               |                      |                                  |                                | 3,510,049   | -                        | 3,510,049     | -               |
| Other tax   |               |                      |                                  |                                | 902,673   | 11,008                   | 913,681       | -               |
| Motor fuel tax restricted for transportation purposes |               |                      |                                  |                                | 673,745   | -                        | 673,745       | -               |
| Road use tax restricted for transportation purposes   |               |                      |                                  |                                | 444,548   | -                        | 444,548       | -               |
| Unrestricted investment earnings                      |               |                      |                                  |                                | 14,595  | 473,811                  | 488,406       | 851,604         |
| Other   |               |                      |                                  |                                | 129,563   | 149,487                  | 279,050       | 22,449          |
| Gain (loss) on sale of assets                         |               |                      |                                  |                                | 1,920   | 29                       | 1,949         | 18              |
| Transfers   |               |                      |                                  |                                | (693,712)   | 693,712                  | -             | -               |
| TOTAL GENERAL REVENUES & TRANSFERS                    |               |                      |                                  |                                | 10,007,437  | 1,328,047                | 11,335,484    | 874,071         |
| CHANGE IN NET POSITION                                |               |                      |                                  |                                | 1,810,848   | 543,658                  | 2,354,506     | 826,020         |
| NET POSITION - JULY 1                                 |               |                      |                                  |                                | 11,597,688  | 8,523,263                | 20,120,951    | 4,710,110       |
| NET POSITION - JUNE 30                                |               |                      |                                  |                                | \$ 13,408,536                                     | \$ 9,066,921             | \$ 22,475,457 | \$ 5,536,130    |

The notes are an integral part of the financial statements.



Crews grading Iowa State Capitol grounds. ca 1891



View of Iowa State Capitol Building from slight Northwest angle and showing street car on Grand Avenue. Ca 1900

# 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, 2021  
(Expressed in Thousands)

|   | GENERAL<br>FUND     | TOBACCO<br>SETTLEMENT<br>AUTHORITY | TOBACCO<br>COLLECTIONS<br>FUND | NONMAJOR<br>GOVERNMENTAL<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|---|---------------------|------------------------------------|--------------------------------|-----------------------------------|--------------------------------|
| <b>ASSETS</b>   |                     |                                    |                                |                                   |                                |
| Current assets:   |                     |                                    |                                |                                   |                                |
| Cash & investments  | \$ 3,716,474        | \$ 5,413                           | \$ -                           | \$ 140,795                        | \$ 3,862,682                   |
| Deposits with trustees  | 60,752              | -                                  | -                              | -                                 | 60,752                         |
| Accounts receivable (net)   | 2,335,841           | 5                                  | 22,833                         | 50,944                            | 2,409,623                      |
| Loans receivable (net)  | 5,055               | -                                  | -                              | 95                                | 5,150                          |
| Due from other funds  | 54,464              | 43,540                             | -                              | 2,487                             | 100,491                        |
| Inventory   | 65,169              | -                                  | -                              | 192                               | 65,361                         |
| Prepaid expenditures  | 57,116              | -                                  | -                              | 318                               | 57,434                         |
| Total current assets  | <u>6,294,871</u>    | <u>48,958</u>                      | <u>22,833</u>                  | <u>194,831</u>                    | <u>6,561,493</u>               |
| Noncurrent assets:  |                     |                                    |                                |                                   |                                |
| Deposits with trustees  | -                   | 26,252                             | -                              | -                                 | 26,252                         |
| Accounts receivable (net)   | 103,847             | -                                  | -                              | 341                               | 104,188                        |
| Loans receivable (net)  | 10,972              | -                                  | -                              | -                                 | 10,972                         |
| Total noncurrent assets   | <u>114,819</u>      | <u>26,252</u>                      | <u>-</u>                       | <u>341</u>                        | <u>141,412</u>                 |
| TOTAL ASSETS  | <u>\$ 6,409,690</u> | <u>\$ 75,210</u>                   | <u>\$ 22,833</u>               | <u>\$ 195,172</u>                 | <u>\$ 6,702,905</u>            |
| <b>LIABILITIES</b>  |                     |                                    |                                |                                   |                                |
| Current liabilities:  |                     |                                    |                                |                                   |                                |
| Accounts payable & accruals   | \$ 1,608,382        | \$ -                               | \$ -                           | \$ 4,673                          | \$ 1,613,055                   |
| Due to other funds/advances from<br>other funds                     | 323,386             | 144                                | 43,540                         | 37,197                            | 404,267                        |
| Unearned revenue  | 147,979             | -                                  | -                              | 700                               | 148,679                        |
| Total current liabilities   | <u>2,079,747</u>    | <u>144</u>                         | <u>43,540</u>                  | <u>42,570</u>                     | <u>2,166,001</u>               |
| Noncurrent liabilities:   |                     |                                    |                                |                                   |                                |
| Accounts payable & accruals   | -                   | -                                  | -                              | 1,891                             | 1,891                          |
| Unearned revenue  | 2,825               | -                                  | -                              | -                                 | 2,825                          |
| Total noncurrent liabilities  | <u>2,825</u>        | <u>-</u>                           | <u>-</u>                       | <u>1,891</u>                      | <u>4,716</u>                   |
| TOTAL LIABILITIES   | <u>2,082,572</u>    | <u>144</u>                         | <u>43,540</u>                  | <u>44,461</u>                     | <u>2,170,717</u>               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                |                     |                                    |                                |                                   |                                |
| Deferred revenue  | 574,461             | -                                  | 22,833                         | 10,348                            | 607,642                        |
| Unconditional remainder interest                                    | -                   | -                                  | -                              | 146                               | 146                            |
| TOTAL DEFERRED INFLOWS OF RESOURCES                                 | <u>574,461</u>      | <u>-</u>                           | <u>22,833</u>                  | <u>10,494</u>                     | <u>607,788</u>                 |
| <b>FUND BALANCES</b>  |                     |                                    |                                |                                   |                                |
| Nonspendable  | 122,285             | -                                  | -                              | 16,660                            | 138,945                        |
| Spendable:  |                     |                                    |                                |                                   |                                |
| Restricted  | 679,646             | 75,066                             | -                              | 83,417                            | 838,129                        |
| Committed   | 3,348,953           | -                                  | -                              | 40,190                            | 3,389,143                      |
| Unassigned  | (398,227)           | -                                  | (43,540)                       | (50)                              | (441,817)                      |
| TOTAL FUND BALANCES   | <u>3,752,657</u>    | <u>75,066</u>                      | <u>(43,540)</u>                | <u>140,217</u>                    | <u>3,924,400</u>               |
| TOTAL LIABILITIES, DEFERRED INFLOWS<br>OF RESOURCES & FUND BALANCES | <u>\$ 6,409,690</u> | <u>\$ 75,210</u>                   | <u>\$ 22,833</u>               | <u>\$ 195,172</u>                 | <u>\$ 6,702,905</u>            |

The notes are an integral part of the financial statements.

**STATE OF IOWA**

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

June 30, 2021  
(Expressed in Thousands)

**Total fund balances - governmental funds** \$ 3,924,400

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 \$22,344,815 and the accumulated depreciation is \$(11,001,338). 11,343,477

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. 223,417

Certain revenues are earned but not available and, therefore, are recognized as deferred inflows of resources in governmental funds. 607,642

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 | \$ 276,559 |         |
| Pension related deferred inflows of resources  | (283,835)  |         |
| Net pension related deferred                   |            | (7,276) |
| OPEB related deferred outflows of resources    | 12,892     |         |
| OPEB related deferred inflows of resources     | (13,821)   |         |
| Net OPEB related deferred                      |            | (929)   |

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. 33,477

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                           | (1,281,000) |             |
| Accrued interest payable                | (3,035)     |             |
| Compensated absences                    | (322,278)   |             |
| Capital leases                          | (20,529)    |             |
| Other financing arrangements payable    | (500)       |             |
| Pollution remediation                   | (5,303)     |             |
| Early retirement/termination benefits   | (20,692)    |             |
| Risk management                         | (25,000)    |             |
| Net pension liability                   | (833,712)   |             |
| Other postemployment benefits liability | (203,057)   |             |
| Other long-term liabilities             | (566)       |             |
| Total long-term liabilities             |             | (2,715,672) |

**Net position of governmental activities** \$ 13,408,536

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, 2021  
(Expressed in Thousands)

|  | GENERAL<br>FUND     | TOBACCO<br>SETTLEMENT<br>AUTHORITY | TOBACCO<br>COLLECTIONS<br>FUND | NONMAJOR<br>GOVERNMENTAL<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|--|---------------------|------------------------------------|--------------------------------|-----------------------------------|--------------------------------|
| <b>REVENUES</b>  |                     |                                    |                                |                                   |                                |
| Taxes  | \$ 11,314,249       | \$ -                               | \$ -                           | \$ -                              | \$ 11,314,249                  |
| Receipts from other entities   | 9,849,820           | -                                  | -                              | 13,548                            | 9,863,368                      |
| Investment income  | 3,441               | 2,041                              | -                              | 9,075                             | 14,557                         |
| Fees, licenses & permits   | 1,587,065           | -                                  | -                              | 124,652                           | 1,711,717                      |
| Refunds & reimbursements   | 723,627             | -                                  | 52,930                         | 5,789                             | 782,346                        |
| Sales, rents & services  | 29,543              | -                                  | -                              | 5,644                             | 35,187                         |
| Miscellaneous  | 272,318             | -                                  | -                              | 29,422                            | 301,740                        |
| <b>GROSS REVENUES</b>  | <b>23,780,063</b>   | <b>2,041</b>                       | <b>52,930</b>                  | <b>188,130</b>                    | <b>24,023,164</b>              |
| Less revenue refunds   | 2,068,448           | -                                  | -                              | 3,825                             | 2,072,273                      |
| <b>NET REVENUES</b>  | <b>21,711,615</b>   | <b>2,041</b>                       | <b>52,930</b>                  | <b>184,305</b>                    | <b>21,950,891</b>              |
| <b>EXPENDITURES</b>  |                     |                                    |                                |                                   |                                |
| Current:   |                     |                                    |                                |                                   |                                |
| Administration & regulation  | 2,461,615           | 5,442                              | -                              | 31,125                            | 2,498,182                      |
| Education  | 4,815,441           | -                                  | -                              | 19,359                            | 4,834,800                      |
| Health & human rights  | 552,064             | -                                  | -                              | 353                               | 552,417                        |
| Human services   | 8,495,835           | -                                  | -                              | 254                               | 8,496,089                      |
| Justice & public defense   | 1,171,264           | -                                  | -                              | 1,578                             | 1,172,842                      |
| Economic development   | 169,241             | -                                  | -                              | -                                 | 169,241                        |
| Transportation   | 605,948             | -                                  | -                              | 73                                | 606,021                        |
| Agriculture & natural resources                                      | 226,838             | -                                  | -                              | 9,601                             | 236,439                        |
| Capital outlay   | 1,419,721           | -                                  | -                              | 22,534                            | 1,442,255                      |
| Debt service:  |                     |                                    |                                |                                   |                                |
| Principal  | 48,800              | 90,787                             | -                              | -                                 | 139,587                        |
| Interest & fiscal charges  | 25,877              | 36,777                             | -                              | -                                 | 62,654                         |
| <b>TOTAL EXPENDITURES</b>  | <b>19,992,644</b>   | <b>133,006</b>                     | <b>-</b>                       | <b>84,877</b>                     | <b>20,210,527</b>              |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <b>1,718,971</b>    | <b>(130,965)</b>                   | <b>52,930</b>                  | <b>99,428</b>                     | <b>1,740,364</b>               |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                     |                                    |                                |                                   |                                |
| Transfers in   | 260,593             | -                                  | -                              | 26,313                            | 286,906                        |
| Transfers out  | (875,970)           | -                                  | (11,645)                       | (93,003)                          | (980,618)                      |
| Leases, installment purchases & other                                | 1,147               | -                                  | -                              | -                                 | 1,147                          |
| Premium on revenue refunding bonds                                   | 26,811              | 56,500                             | -                              | -                                 | 83,311                         |
| Revenue refunding bonds issued                                       | 90,825              | 688,806                            | -                              | -                                 | 779,631                        |
| Payment to refunded bond agent                                       | (121,355)           | (705,418)                          | -                              | -                                 | (826,773)                      |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                          | <b>(617,949)</b>    | <b>39,888</b>                      | <b>(11,645)</b>                | <b>(66,690)</b>                   | <b>(656,396)</b>               |
| <b>NET CHANGE IN FUND BALANCES</b>                                   | <b>1,101,022</b>    | <b>(91,077)</b>                    | <b>41,285</b>                  | <b>32,738</b>                     | <b>1,083,968</b>               |
| <b>FUND BALANCES - JULY 1</b>  | <b>2,651,635</b>    | <b>166,143</b>                     | <b>(84,825)</b>                | <b>107,479</b>                    | <b>2,840,432</b>               |
| <b>FUND BALANCES - JUNE 30</b>                                       | <b>\$ 3,752,657</b> | <b>\$ 75,066</b>                   | <b>\$ (43,540)</b>             | <b>\$ 140,217</b>                 | <b>\$ 3,924,400</b>            |

The notes are an integral part of the financial statements.

## STATE OF IOWA

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

For the Year Ended June 30, 2021  
(Expressed in Thousands)

**Net change in fund balances - total governmental funds** \$ 1,083,968

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                                     | \$ 1,247,707 |         |
| Depreciation expense                               | (700,085)    |         |
| Excess of capital outlay over depreciation expense |              | 547,622 |

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. (12,341)

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                        | (862,942) |           |
| Capital leases               | (547)     |           |
| Other financing arrangements | (600)     |           |
| Total                        |           | (864,089) |

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             | 966,361 |         |
| Capital lease payments                | 4,210   |         |
| Other financing arrangements payments | 421     |         |
| Total long-term debt repayments       |         | 970,992 |

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. 29,301

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. 35,569

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 | 1,103    |          |
| Pension related deferred inflows of resources  | (38,962) |          |
| Net pension related deferred                   |          | (37,859) |
| OPEB related deferred outflows of resources    | (1,905)  |          |
| OPEB related deferred inflows of resources     | (6,978)  |          |
| Net OPEB related deferred                      |          | (8,883)  |

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                    | (11,527) |        |
| Early retirement/termination benefits   | 88       |        |
| Net pension liability                   | 73,360   |        |
| Other postemployment benefits liability | (652)    |        |
| Other                                   | 5,299    |        |
| Total additional expenses               |          | 66,568 |

**Change in net position of governmental activities** \$ 1,810,848

The notes are an integral part of the financial statements.



Iowa State Capitol Building during fire.  
January 4, 1904  
Photographer - T.F. Shannon

# 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, 2021

(Expressed in Thousands)

|  | BUSINESS-TYPE ACTIVITIES -<br>ENTERPRISE FUNDS |                                  |                                 | TOTAL             | GOVERNMENTAL<br>ACTIVITIES -<br>INTERNAL<br>SERVICE<br>FUNDS |
|--|--|----------------------------------|---------------------------------|-------------------|--|
|  | UNIVERSITY<br>FUNDS                            | UNEMPLOYMENT<br>BENEFITS<br>FUND | NONMAJOR<br>ENTERPRISE<br>FUNDS |                   |  |
| <b>ASSETS</b>                                    |  |                                  |                                 |                   |  |
| Current assets:                                  |  |                                  |                                 |                   |  |
| Cash & investments                               | \$ 706,133                                     | \$ 1,166,738                     | \$ 53,620                       | \$ 1,926,491      | \$ 95,426  |
| Deposits with trustees                           | 40,043   | -                                | -                               | 40,043            | -  |
| Accounts receivable (net)                        | 607,191  | 207,035                          | 16,218                          | 830,444           | 3,313  |
| Interest receivable                              | 1,792  | -                                | -                               | 1,792             | -  |
| Loans receivable (net)                           | 3,002  | -                                | -                               | 3,002             | -  |
| Due from other funds/advances to<br>other funds  | -  | 237,840                          | 787                             | 238,627           | 100,648  |
| Inventory  | 95,583   | -                                | 6,603                           | 102,186           | 8,771  |
| Prepaid expenses                                 | 57,316   | -                                | 1,798                           | 59,114            | 11,684   |
| <b>Total current assets</b>                      | <b>1,511,060</b>                               | <b>1,611,613</b>                 | <b>79,026</b>                   | <b>3,201,699</b>  | <b>219,842</b>   |
| Noncurrent assets:                               |  |                                  |                                 |                   |  |
| Cash & investments                               | 4,469,287                                      | -                                | -                               | 4,469,287         | -  |
| Deposits with trustees                           | 2,776  | -                                | -                               | 2,776             | -  |
| Accounts receivable (net)                        | 18,777   | -                                | -                               | 18,777            | -  |
| Interest receivable                              | 618  | -                                | -                               | 618               | -  |
| Loans receivable (net)                           | 43,301   | -                                | -                               | 43,301            | -  |
| Capital assets - nondepreciable                  | 757,741  | -                                | 3,371                           | 761,112           | 27,103   |
| Capital assets - depreciable (net)               | 5,141,648                                      | -                                | 28,735                          | 5,170,383         | 156,237  |
| Prepaid expenses                                 | 9,097  | -                                | -                               | 9,097             | -  |
| Other assets                                     | 16,254   | -                                | -                               | 16,254            | -  |
| <b>Total noncurrent assets</b>                   | <b>10,459,499</b>                              | <b>-</b>                         | <b>32,106</b>                   | <b>10,491,605</b> | <b>183,340</b>   |
| <b>TOTAL ASSETS</b>                              | <b>11,970,559</b>                              | <b>1,611,613</b>                 | <b>111,132</b>                  | <b>13,693,304</b> | <b>403,182</b>   |
| <b>DEFERRED OUTFLOWS OF<br/>RESOURCES</b>        |  |                                  |                                 |                   |  |
| Debt refunding loss                              | 16,830   | -                                | -                               | 16,830            | -  |
| Excess consideration provided for<br>acquisition | 167  | -                                | -                               | 167               | -  |
| Related to other postemployment benefits         | 101,753  | -                                | 325                             | 102,078           | 244  |
| Related to pensions                              | 76,493   | -                                | 3,906                           | 80,399            | 5,381  |
| <b>TOTAL DEFERRED OUTFLOWS OF<br/>RESOURCES</b>  | <b>195,243</b>                                 | <b>-</b>                         | <b>4,231</b>                    | <b>199,474</b>    | <b>5,625</b>   |

(continued on next page)

# STATE OF IOWA

## Statement of Net Position Proprietary Funds

June 30, 2021

(Expressed in Thousands)

(continued)

|  | BUSINESS-TYPE ACTIVITIES -<br>ENTERPRISE FUNDS |                                  |                                 | TOTAL            | GOVERNMENTAL<br>ACTIVITIES -<br>INTERNAL<br>SERVICE<br>FUNDS |
|--|--|----------------------------------|---------------------------------|------------------|--|
|  | UNIVERSITY<br>FUNDS                            | UNEMPLOYMENT<br>BENEFITS<br>FUND | NONMAJOR<br>ENTERPRISE<br>FUNDS |                  |  |
| <b>LIABILITIES</b>   |  |                                  |                                 |                  |  |
| Current liabilities:   |  |                                  |                                 |                  |  |
| Accounts payable & accruals                                  | 646,159  | 44,555                           | 20,431                          | 711,145          | 44,380   |
| Due to other funds/advances from<br>other funds              | -  | 1,626                            | 17,256                          | 18,882           | 16,617   |
| Interest payable   | 23,652   | -                                | -                               | 23,652           | -  |
| Unearned revenue   | 104,297  | 29,488                           | 1,532                           | 135,317          | 53,206   |
| Compensated absences   | 127,238  | -                                | 2,100                           | 129,338          | 2,965  |
| Capital leases   | 2,870  | -                                | -                               | 2,870            | -  |
| Bonds payable  | 155,818  | -                                | -                               | 155,818          | -  |
| Other financing arrangements payable                         | 943  | -                                | -                               | 943              | -  |
| Other postemployment benefits liability                      | 18,508   | -                                | 123                             | 18,631           | 215  |
| Refundable allowances on student loans                       | 1,472  | -                                | -                               | 1,472            | -  |
| Funds held in custody  | 613  | -                                | -                               | 613              | -  |
| <b>Total current liabilities</b>                             | <b>1,081,570</b>                               | <b>75,669</b>                    | <b>41,442</b>                   | <b>1,198,681</b> | <b>117,383</b>   |
| Noncurrent liabilities:                                      |  |                                  |                                 |                  |  |
| Accounts payable & accruals                                  | 42,625   | -                                | 193                             | 42,818           | 43,369   |
| Unearned revenue   | 22,250   | -                                | -                               | 22,250           | -  |
| Compensated absences   | 127,224  | -                                | 1,763                           | 128,987          | 3,545  |
| Capital leases   | 19,622   | -                                | -                               | 19,622           | -  |
| Bonds payable  | 1,608,030                                      | -                                | -                               | 1,608,030        | -  |
| Other financing arrangements payable                         | 25,970   | -                                | -                               | 25,970           | -  |
| Net pension liability  | 211,610  | -                                | 10,756                          | 222,366          | 21,096   |
| Other postemployment benefits liability                      | 241,196  | -                                | 2,135                           | 243,331          | 3,545  |
| Advance From Concessionaire                                  | 1,133,044                                      | -                                | -                               | 1,133,044        | -  |
| Refundable allowances on student loans                       | 43,096   | -                                | -                               | 43,096           | -  |
| <b>Total noncurrent liabilities</b>                          | <b>3,474,667</b>                               | <b>-</b>                         | <b>14,847</b>                   | <b>3,489,514</b> | <b>71,555</b>  |
| <b>TOTAL LIABILITIES</b>                                     | <b>4,556,237</b>                               | <b>75,669</b>                    | <b>56,289</b>                   | <b>4,688,195</b> | <b>188,938</b>   |
| <b>DEFERRED INFLOWS OF<br/>RESOURCES</b>                     |  |                                  |                                 |                  |  |
| Debt refunding gain  | 1,919  | -                                | -                               | 1,919            | -  |
| Grants received in advance of meeting<br>timing requirements | 144  | -                                | -                               | 144              | -  |
| Related to other postemployment benefits                     | 121,168  | -                                | 521                             | 121,689          | 211  |
| Related to pensions  | 5,089  | -                                | 2,908                           | 7,997            | 2,154  |
| <b>TOTAL DEFERRED INFLOWS OF<br/>RESOURCES</b>               | <b>128,320</b>                                 | <b>-</b>                         | <b>3,429</b>                    | <b>131,749</b>   | <b>2,365</b>   |
| <b>NET POSITION</b>  |  |                                  |                                 |                  |  |
| Net investment in capital assets                             | 4,194,740                                      | -                                | 32,106                          | 4,226,846        | 183,340  |
| Restricted for:  |  |                                  |                                 |                  |  |
| Expendable   | 578,962  | -                                | -                               | 578,962          | -  |
| Nonexpendable  | 92,728   | -                                | -                               | 92,728           | -  |
| Unemployment benefits  | -  | 1,535,944                        | -                               | 1,535,944        | -  |
| Unrestricted   | 2,614,815                                      | -                                | 23,539                          | 2,638,354        | 34,164   |
| <b>TOTAL NET POSITION</b>                                    | <b>\$ 7,481,245</b>                            | <b>\$ 1,535,944</b>              | <b>\$ 55,645</b>                | <b>9,072,834</b> | <b>\$ 217,504</b>  |

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds (5,913)

**NET POSITION OF BUSINESS-TYPE ACTIVITIES** **\$ 9,066,921**

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, 2021  
(Expressed in Thousands)

|   | <b>BUSINESS-TYPE ACTIVITIES -<br/>ENTERPRISE FUNDS</b> |   |  | <b>TOTAL</b>      | <b>GOVERNMENTAL<br/>ACTIVITIES -<br/>INTERNAL<br/>SERVICE<br/>FUNDS</b> |
|---|--|---|--|-------------------|---|
|   | <b>UNIVERSITY<br/>FUNDS</b>                            | <b>UNEMPLOYMENT<br/>BENEFITS<br/>FUND</b> | <b>NONMAJOR<br/>ENTERPRISE<br/>FUNDS</b> |                   |   |
| <b>OPERATING REVENUES</b>   |  |   |  |                   |   |
| Employer contributions  | \$ -   | \$ 413,453                                | \$ -                                     | \$ 413,453        | \$ -  |
| Receipts from other entities  | -  | 1,682,997                                 | 18                                       | 1,683,015         | 214,349   |
| Fees, licenses & permits  | 3,400,353  | -   | 23,259                                   | 3,423,612         | -   |
| Refunds & reimbursements  | -  | 9   | 1,258                                    | 1,267             | 56,493  |
| Sales, rents & services   | 386,207  | -   | 481,241                                  | 867,448           | 1,754   |
| Grants & contracts  | 674,593  | -   | -  | 674,593           | -   |
| Independent/auxiliary operations  | 234,517  | -   | -  | 234,517           | -   |
| Miscellaneous   | 76,061   | 2   | 5,982                                    | 82,045            | 17,147  |
| <b>TOTAL OPERATING REVENUES</b>   | <b>4,771,731</b>                                       | <b>2,096,461</b>                          | <b>511,758</b>                           | <b>7,379,950</b>  | <b>289,743</b>  |
| <b>OPERATING EXPENSES</b>   |  |   |  |                   |   |
| General & administrative  | -  | -   | 10,602                                   | 10,602            | -   |
| Scholarship & fellowship  | 59,973   | -   | -  | 59,973            | -   |
| Depreciation  | 396,090  | -   | 5,094                                    | 401,184           | 19,337  |
| Direct & other  | -  | -   | 42,378                                   | 42,378            | -   |
| Personal services   | 3,152,006  | -   | 7,036                                    | 3,159,042         | 37,555  |
| Travel & subsistence  | 11,753   | -   | 254                                      | 12,007            | 18,362  |
| Supplies & materials  | 916,153  | -   | 335                                      | 916,488           | 46,543  |
| Contractual services  | 173,939  | -   | 12,891                                   | 186,830           | 71,354  |
| Equipment & repairs   | 759,646  | -   | 5,665                                    | 765,311           | 36,733  |
| Claims & miscellaneous  | 63,649   | -   | 284,767                                  | 348,416           | 29,528  |
| Licenses, permits & refunds   | 6,905  | -   | 1,224                                    | 8,129             | 16  |
| State aid & credits   | -  | 2,353,780                                 | 2,638                                    | 2,356,418         | -   |
| <b>TOTAL OPERATING EXPENSES</b>   | <b>5,540,114</b>                                       | <b>2,353,780</b>                          | <b>372,884</b>                           | <b>8,266,778</b>  | <b>259,428</b>  |
| <b>OPERATING INCOME (LOSS)</b>  | <b>(768,383)</b>                                       | <b>(257,319)</b>                          | <b>138,874</b>                           | <b>(886,828)</b>  | <b>30,315</b>   |
| <b>NONOPERATING REVENUES (EXPENSES)</b>   |  |   |  |                   |   |
| Gifts   | 205,483  | -   | -  | 205,483           | -   |
| Taxes   | -  | -   | 11,008                                   | 11,008            | -   |
| Investment income   | 450,170  | 23,371                                    | 29                                       | 473,570           | 292   |
| Interest expense  | (50,648)   | -   | -  | (50,648)          | -   |
| Miscellaneous revenue   | 73,428   | -   | -  | 73,428            | -   |
| Gain (loss) on sale of capital assets   | (10,281)   | -   | (347)                                    | (10,628)          | 50  |
| <b>NET NONOPERATING REVENUES (EXPENSES)</b>   | <b>668,152</b>   | <b>23,371</b>                             | <b>10,690</b>                            | <b>702,213</b>    | <b>342</b>  |
| <b>INCOME (LOSS) BEFORE CONTRIBUTIONS<br/>&amp; TRANSFERS</b>   | <b>(100,231)</b>                                       | <b>(233,948)</b>                          | <b>149,564</b>                           | <b>(184,615)</b>  | <b>30,657</b>   |
| Capital contributions & grants  | 33,205   | -   | -  | 33,205            | -   |
| Transfers in  | 611,210  | 237,470                                   | 2,071                                    | 850,751           | -   |
| Transfers out   | -  | (5,102)                                   | (151,937)                                | (157,039)         | -   |
| <b>CHANGE IN NET POSITION</b>   | <b>544,184</b>   | <b>(1,580)</b>                            | <b>(302)</b>                             | <b>542,302</b>    | <b>30,657</b>   |
| <b>TOTAL NET POSITION - JULY 1</b>  | <b>6,937,061</b>                                       | <b>1,537,524</b>                          | <b>55,947</b>                            |                   | <b>186,847</b>  |
| <b>TOTAL NET POSITION - JUNE 30</b>   | <b>\$ 7,481,245</b>                                    | <b>\$ 1,535,944</b>                       | <b>\$ 55,645</b>                         |                   | <b>\$ 217,504</b>   |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds |  |   |  | 1,356             |   |
| <b>CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES</b>   |  |   |  | <b>\$ 543,658</b> |   |

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, 2021  
(Expressed in Thousands)

|  | BUSINESS-TYPE ACTIVITIES -<br>ENTERPRISE FUNDS |                                  |                                 | TOTAL               | GOVERNMENTAL<br>ACTIVITIES -<br>INTERNAL<br>SERVICE<br>FUNDS |
|--|--|----------------------------------|---------------------------------|---------------------|--|
|  | UNIVERSITY<br>FUNDS                            | UNEMPLOYMENT<br>BENEFITS<br>FUND | NONMAJOR<br>ENTERPRISE<br>FUNDS |                     |  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                        |  |                                  |                                 |                     |  |
| Cash received from customers/students                              | \$ 3,983,187                                   | \$ -                             | \$ 505,689                      | \$ 4,488,876        | \$ -   |
| Cash received from miscellaneous                                   | 109,704  | 11                               | 6,000                           | 115,715             | -  |
| Cash received from employers                                       | -  | 469,211                          | -                               | 469,211             | -  |
| Cash received from other entities                                  | 663,836  | 1,682,997                        | -                               | 2,346,833           | 33,096   |
| Cash received from interfund transactions                          | -  | (237,441)                        | -                               | (237,441)           | 268,237  |
| Cash payments to suppliers for goods & services                    | (2,066,191)                                    | -                                | (346,082)                       | (2,412,273)         | (197,922)  |
| Cash payments to employees/students for services                   | (2,968,991)                                    | -                                | (16,423)                        | (2,985,414)         | (36,409)   |
| Cash payments for unemployment claims                              | -  | (2,403,364)                      | -                               | (2,403,364)         | -  |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES                   | <u>(278,455)</u>                               | <u>(488,586)</u>                 | <u>149,184</u>                  | <u>(617,857)</u>    | <u>67,002</u>  |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>             |  |                                  |                                 |                     |  |
| Transfers in from other funds                                      | 576,837  | -                                | 2,071                           | 578,908             | -  |
| Transfers out to other funds                                       | -  | 222,113                          | (148,271)                       | 73,842              | -  |
| Receipts from related agencies                                     | 403,385  | -                                | -                               | 403,385             | -  |
| Payments to related agencies                                       | (334,127)                                      | -                                | -                               | (334,127)           | -  |
| Other noncapital financing receipts                                | 85,805   | -                                | -                               | 85,805              | -  |
| Other noncapital financing payments                                | (2,536)  | -                                | -                               | (2,536)             | -  |
| Proceeds from noncapital gifts                                     | 124,633  | -                                | -                               | 124,633             | -  |
| Tax receipts   | -  | -                                | 11,008                          | 11,008              | -  |
| NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES        | <u>853,997</u>                                 | <u>222,113</u>                   | <u>(135,192)</u>                | <u>940,918</u>      | <u>-</u>   |
| <b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>  |  |                                  |                                 |                     |  |
| Acquisition & construction of capital assets                       | (365,548)                                      | -                                | (5,344)                         | (370,892)           | (47,488)   |
| Interest payments  | (57,109)                                       | -                                | -                               | (57,109)            | -  |
| Debt payments  | (220,040)                                      | -                                | -                               | (220,040)           | -  |
| Capital grants & contributions                                     | 27,548   | -                                | -                               | 27,548              | -  |
| Capital transfers in from other funds                              | 31,295   | -                                | -                               | 31,295              | -  |
| Debt proceeds  | 77,464   | -                                | -                               | 77,464              | -  |
| Proceeds from sale of capital assets                               | 3,664  | -                                | 29                              | 3,693               | -  |
| Other capital & related financing activities                       | 105,498  | -                                | -                               | 105,498             | -  |
| NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES | <u>(397,228)</u>                               | <u>-</u>                         | <u>(5,315)</u>                  | <u>(402,543)</u>    | <u>(47,488)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                        |  |                                  |                                 |                     |  |
| Interest & dividends on investments                                | 49,501   | 23,371                           | 29                              | 72,901              | 292  |
| Proceeds from sale & maturities of investments                     | 1,176,114                                      | -                                | -                               | 1,176,114           | -  |
| Purchase of investments  | (1,487,776)                                    | -                                | -                               | (1,487,776)         | -  |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES                   | <u>(262,161)</u>                               | <u>23,371</u>                    | <u>29</u>                       | <u>(238,761)</u>    | <u>292</u>   |
| NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS                 | (83,847)                                       | (243,102)                        | 8,706                           | (318,243)           | 19,806   |
| CASH & CASH EQUIVALENTS - JULY 1                                   | 509,843  | 1,409,840                        | 44,914                          | 1,964,597           | 75,620   |
| CASH & CASH EQUIVALENTS - JUNE 30                                  | 425,996  | 1,166,738                        | 53,620                          | 1,646,354           | 95,426   |
| INVESTMENTS  | 4,749,424                                      | -                                | -                               | 4,749,424           | -  |
| CASH & INVESTMENTS PER STATEMENT OF NET POSITION                   | <u>\$ 5,175,420</u>                            | <u>\$ 1,166,738</u>              | <u>\$ 53,620</u>                | <u>\$ 6,395,778</u> | <u>\$ 95,426</u>   |

(continued on next page)

**STATE OF IOWA**  
**Statement of Cash Flows**  
**Proprietary Funds**

For the Year Ended June 30, 2021  
(Expressed in Thousands)

(continued)

|  | BUSINESS-TYPE ACTIVITIES -<br>ENTERPRISE FUNDS |                                  |                                 | TOTAL               | GOVERNMENTAL<br>ACTIVITIES -<br>INTERNAL<br>SERVICE<br>FUNDS |
|--|--|----------------------------------|---------------------------------|---------------------|--|
|  | UNIVERSITY<br>FUNDS                            | UNEMPLOYMENT<br>BENEFITS<br>FUND | NONMAJOR<br>ENTERPRISE<br>FUNDS |                     |  |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED<br/>(USED) BY OPERATING ACTIVITIES</b> |  |                                  |                                 |                     |  |
| Operating income (loss)  | \$ (768,383)                                   | \$ (257,319)                     | \$ 138,874                      | \$ (886,828)        | \$ 30,315  |
| Adjustments to reconcile operating income (loss) to net cash provided (used)<br>by operating activities: |  |                                  |                                 |                     |  |
| Depreciation   | 396,090  | -                                | 5,094                           | 401,184             | 19,337   |
| (Increase) decrease in accounts receivable   | (72,515)                                       | 62,801                           | 609                             | (9,105)             | (1,721)  |
| (Increase) decrease in due from other funds/advances to other funds                                      |  | (237,441)                        | (443)                           | (237,884)           | (4,505)  |
| (Increase) decrease in inventory   | (13,574)                                       | -                                | 2,736                           | (10,838)            | 219  |
| (Increase) decrease in prepaid expenses  | (4,013)  | -                                | (447)                           | (4,460)             | (2,244)  |
| (Increase) decrease in loans receivable  | 6,487  | -                                | -                               | 6,487               | -  |
| (Increase) decrease in other assets  | 84   | -                                | -                               | 84                  | -  |
| (Increase) decrease in deferred outflows of resources  | (27,873)                                       | -                                | (910)                           | (28,783)            | (286)  |
| Increase (decrease) in accounts payable  | 126,115  | (51,366)                         | 2,371                           | 77,120              | 6,638  |
| Increase (decrease) in due to other funds/advances from other funds                                      | -  | -                                | 194                             | 194                 | 31   |
| Increase (decrease) in unearned revenue  | 46,524   | (5,260)                          | (235)                           | 41,029              | 17,785   |
| Increase (decrease) in compensated absences  | 18,740   | -                                | 262                             | 19,002              | 417  |
| Increase (decrease) in net pension liability   | 50,392   | -                                | 953                             | 51,345              | 3,445  |
| Increase (decrease) in other postemployment benefits liability   | 7,810  | -                                | 84                              | 7,894               | 110  |
| Increase (decrease) in Advance From Concessionaire   | (26,974)                                       | -                                | -                               | (26,974)            | -  |
| Increase (decrease) in deferred inflows of resources   | (17,365)                                       | -                                | 42                              | (17,323)            | (2,540)  |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>  | <u>\$ (278,455)</u>                            | <u>\$ (488,585)</u>              | <u>\$ 149,184</u>               | <u>\$ (617,856)</u> | <u>\$ 67,001</u>   |
| Capital assets contributed   | \$ 318,415                                     | \$ -                             | \$ -                            | \$ 318,415          | \$ -   |
| Unrealized loss on investments   | 378,672  | -                                | -                               | 378,672             | -  |
| <b>TOTAL NONCASH INVESTING, CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>                               | <u>\$ 697,087</u>                              | <u>\$ -</u>                      | <u>\$ -</u>                     | <u>\$ 697,087</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, 2021  
(Expressed in Thousands)

|   | <b>PENSION<br/>&amp; OTHER<br/>EMPLOYEE<br/>BENEFIT FUNDS</b> | <b>PRIVATE<br/>PURPOSE<br/>TRUST<br/>FUNDS</b> | <b>CUSTODIAL<br/>FUNDS</b> |
|---|---|--|----------------------------|
| <b>ASSETS</b>                               |   |  |                            |
| Cash & cash equivalents                     | \$ 522,076  | \$ 8,623                                       | \$ 217,001                 |
| Receivables:                                |   |  |                            |
| Accounts                                    | -   | -  | 9,187                      |
| Contributions                               | 75,352  | -  | -                          |
| Investments sold                            | 743,139   | -  | -                          |
| Foreign exchange contracts                  | 317,903   | -  | -                          |
| Taxes for other governments                 | -   | -  | 301,628                    |
| Interest & dividends                        | 83,528  | -  | 1                          |
| Miscellaneous                               | 7   | -  | -                          |
| Total receivables                           | <u>1,219,929</u>  | <u>-</u>                                       | <u>310,816</u>             |
| Investments, at fair value:                 |   |  |                            |
| Fixed income securities                     | 12,849,403  | -  | 5,456                      |
| Equity investments                          | 19,767,097  | 6,956,570                                      | 14,313                     |
| Real estate partnerships                    | 69,906  | -  | -                          |
| Investment in private equity/debt           | 8,652,675   | -  | -                          |
| Real assets                                 | 2,360,617   | -  | -                          |
| Securities lending collateral pool          | 580,774   | -  | -                          |
| Total investments                           | <u>44,280,472</u>   | <u>6,956,570</u>                               | <u>19,769</u>              |
| Capital assets:                             |   |  |                            |
| Land  | 500   | -  | -                          |
| Other - depreciable (net)                   | 12,627  | -  | 125                        |
| Total capital assets                        | <u>13,127</u>   | <u>-</u>                                       | <u>125</u>                 |
| Other assets                                | <u>628</u>  | <u>-</u>                                       | <u>508</u>                 |
| <b>TOTAL ASSETS</b>                         | <u><u>46,036,232</u></u>                                      | <u><u>6,965,193</u></u>                        | <u><u>548,219</u></u>      |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>       |   |  |                            |
| Related to other postemployment benefits    | <u>99</u>   | <u>-</u>                                       | <u>-</u>                   |
| <b>LIABILITIES</b>                          |   |  |                            |
| Accounts payable & accruals                 | 60,913  | 243  | 55,629                     |
| Accounts payable to other governments       | -   | -  | 422,915                    |
| Foreign exchange contracts payable          | 317,154   | -  | -                          |
| Payable for investments purchased           | 1,062,696   | -  | -                          |
| Payable to brokers for rebate & collateral  | 580,675   | -  | -                          |
| <b>TOTAL LIABILITIES</b>                    | <u>2,021,438</u>  | <u>243</u>                                     | <u>478,544</u>             |
| <b>DEFERRED INFLOWS OF RESOURCES</b>        |   |  |                            |
| Related to other postemployment benefits    | <u>78</u>   | <u>-</u>                                       | <u>-</u>                   |
| <b>NET POSITION</b>                         |   |  |                            |
| Restricted for:                             |   |  |                            |
| Pension/other postemployment benefits       | 44,014,815  | -  | -                          |
| Individuals, organizations & other entities | -   | 6,964,950                                      | 69,675                     |
| <b>TOTAL NET POSITION</b>                   | <u><u>\$ 44,014,815</u></u>                                   | <u><u>\$ 6,964,950</u></u>                     | <u><u>\$ 69,675</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, 2021  
(Expressed in Thousands)

|   | <b>PENSION<br/>&amp; OTHER<br/>EMPLOYEE<br/>BENEFIT FUNDS</b> | <b>PRIVATE<br/>PURPOSE<br/>TRUST<br/>FUNDS</b> | <b>CUSTODIAL<br/>FUNDS</b> |
|---|---|--|----------------------------|
| <b>ADDITIONS</b>                                    |   |  |                            |
| Contributions:                                      |   |  |                            |
| Member/participant contributions                    | \$ 561,086  | \$ 485,115                                     | \$ 457,764                 |
| Employer contributions                              | 849,472   | -  | -                          |
| Buy-back/buy-in contributions                       | 5,220   | -  | -                          |
| Other contributions                                 | -   | 1,514  | 73,118                     |
| Gifts, bequests & endowments                        | -   | -  | 3,638                      |
| Total contributions                                 | <u>1,415,778</u>  | <u>486,629</u>                                 | <u>534,520</u>             |
| Investment income:                                  |   |  |                            |
| Net increase in fair value of investments           | 9,673,605   | 1,251,589                                      | 5,266                      |
| Interest  | 394,806   | 1,035  | -                          |
| Dividends   | 124,147   | -  | -                          |
| Other   | 67,035  | -  | -                          |
| Total investment income                             | <u>10,259,593</u>   | <u>1,252,624</u>                               | <u>5,266</u>               |
| Less investment expense                             | <u>72,073</u>   | <u>-</u>                                       | <u>-</u>                   |
| Net investment income                               | <u>10,187,520</u>   | <u>1,252,624</u>                               | <u>5,266</u>               |
| Tax collections for other governments               | -   | -  | 1,259,371                  |
| Court revenue collections for others                | -   | -  | 293,265                    |
| Miscellaneous                                       | -   | -  | 47,299                     |
| <b>TOTAL ADDITIONS</b>                              | <u>11,603,298</u>   | <u>1,739,253</u>                               | <u>2,139,721</u>           |
| <b>DEDUCTIONS</b>                                   |   |  |                            |
| Pension & annuity benefits                          | 2,415,494   | -  | 409,419                    |
| Distributions to participants                       | -   | 541,262  | -                          |
| Payments in accordance with agreements              | 2,040   | -  | 101,425                    |
| Administrative expense                              | 14,156  | -  | 30,017                     |
| Payments of tax collections to other entities       | -   | -  | 1,259,640                  |
| Payment of court collections to others              | -   | -  | 292,362                    |
| Refunds   | 53,636  | -  | -                          |
| Other   | -   | 1,189  | 35,537                     |
| <b>TOTAL DEDUCTIONS</b>                             | <u>2,485,326</u>  | <u>542,451</u>                                 | <u>2,128,400</u>           |
| Extraordinary item -settlement payment <sup>1</sup> | 7,600   | -  | -                          |
| <b>CHANGE IN NET POSITION</b>                       | 9,125,572   | 1,196,802                                      | 11,321                     |
| <b>NET POSITION - JULY 1</b>                        | <u>34,889,243</u>   | <u>5,768,148</u>                               | <u>58,354</u>              |
| <b>NET POSITION - JUNE 30</b>                       | <u>\$ 44,014,815</u>  | <u>\$ 6,964,950</u>                            | <u>\$ 69,675</u>           |

<sup>1</sup>Iowa Public Employees' Retirement System (IPERS) received the final settlement payment from the Westridge Capital fraud case, CFTC V. Walsh/SEC v. WG. The payment resulted in an extraordinary item.

The notes are an integral part of the financial statements.

Celebration at Iowa State Capitol Building in honor of President Theodore Roosevelt's visit. President Roosevelt is standing in carriage in foreground.



Iowa State Capitol Building from West showing group gathered around fountain. ca 1905

## 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, 2021  
(Expressed in Thousands)

|   | <b>IOWA<br/>FINANCE<br/>AUTHORITY</b> | <b>IOWA<br/>ECONOMIC<br/>DEVELOPMENT<br/>AUTHORITY</b> | <b>IOWA<br/>STATE<br/>FAIR<br/>AUTHORITY</b> | <b>IOWA<br/>LOTTERY<br/>AUTHORITY</b> | <b>UNIVERSITY<br/>OF IOWA CENTER<br/>FOR ADVANCEMENT<br/>&amp; AFFILIATE</b> |
|---|---------------------------------------|--|--|---------------------------------------|--|
| <b>ASSETS</b>                               |                                       |  |  |                                       |  |
| Current assets:                             |                                       |  |  |                                       |  |
| Cash & investments                          | \$ 1,056,254                          | \$ 168,291   | \$ 23,623                                    | \$ 29,383                             | \$ 102,799   |
| Cash & investments - restricted             | -                                     | -  | -  | 795                                   | -  |
| Accounts receivable (net)                   | -                                     | 12,765   | 1,296  | 5,429                                 | 51,294   |
| Interest receivable                         | 6,116                                 | -  | 45   | 4                                     | -  |
| Loans receivable (net)                      | 152,669                               | 6,208  | -  | -                                     | -  |
| Inventory                                   | -                                     | -  | 262  | 3,367                                 | -  |
| Prepaid expenses                            | -                                     | 314  | 26   | 59                                    | -  |
| Other assets                                | 32,847                                | -  | -  | 59                                    | -  |
| <b>Total current assets</b>                 | <b>1,247,886</b>                      | <b>187,578</b>   | <b>25,252</b>                                | <b>39,096</b>                         | <b>154,093</b>   |
| Noncurrent assets:                          |                                       |  |  |                                       |  |
| Cash & investments                          | 846,025                               | -  | -  | -                                     | 1,578,964  |
| Accounts receivable (net)                   | -                                     | -  | 1,067  | -                                     | 115,513  |
| Loans receivable (net)                      | 2,167,397                             | 67,953   | -  | -                                     | -  |
| Capital assets - nondepreciable             | 1,208                                 | -  | 31,596                                       | 1,592                                 | 123  |
| Capital assets - depreciable (net)          | 12,748                                | -  | 84,753                                       | 5,343                                 | 15,964   |
| Other assets                                | 24,443                                | -  | -  | 5,636                                 | -  |
| <b>Total noncurrent assets</b>              | <b>3,051,821</b>                      | <b>67,953</b>  | <b>117,416</b>                               | <b>12,571</b>                         | <b>1,710,564</b>   |
| <b>TOTAL ASSETS</b>                         | <b>4,299,707</b>                      | <b>255,531</b>   | <b>142,668</b>                               | <b>51,667</b>                         | <b>1,864,657</b>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>       |                                       |  |  |                                       |  |
| Accumulated decrease in fair value of       |                                       |  |  |                                       |  |
| hedging derivatives                         | 4,827                                 | -  | -  | -                                     | -  |
| Debt refunding loss                         | 10,529                                | -  | -  | -                                     | -  |
| Related to other postemployment benefits    | 136                                   | 61   | 131  | 109                                   | -  |
| Related to pensions                         | 1,432                                 | 1,555  | 1,032  | 1,438                                 | -  |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b> | <b>16,924</b>                         | <b>1,616</b>   | <b>1,163</b>                                 | <b>1,547</b>                          | <b>-</b>   |
| <b>LIABILITIES</b>                          |                                       |  |  |                                       |  |
| Current liabilities:                        |                                       |  |  |                                       |  |
| Accounts payable & accruals                 | 21,697                                | 16,301   | 1,375  | 32,709                                | 4,942  |
| Interest payable                            | 33,776                                | -  | -  | -                                     | -  |
| Unearned revenue                            | 197,399                               | 5  | 3,959  | 208                                   | -  |
| Compensated absences                        | -                                     | 609  | 341  | 1,020                                 | -  |
| Bonds payable                               | 74,276                                | -  | -  | -                                     | -  |
| Funds held in custody                       | -                                     | -  | -  | -                                     | 99,559   |
| <b>Total current liabilities</b>            | <b>327,148</b>                        | <b>16,915</b>  | <b>5,675</b>                                 | <b>33,937</b>                         | <b>104,501</b>   |
| Noncurrent liabilities:                     |                                       |  |  |                                       |  |
| Accounts payable & accruals                 | 8,600                                 | 45   | 58   | 5,718                                 | 22,970   |
| Compensated absences                        | -                                     | 1,087  | 780  | 954                                   | -  |
| Bonds payable                               | 2,537,629                             | -  | -  | -                                     | -  |
| Net pension liability                       | 6,026                                 | 6,914  | 5,040  | 6,530                                 | -  |
| Other postemployment benefits liability     | 909                                   | 1,016  | 817  | 1,103                                 | -  |
| Funds held in custody                       | -                                     | -  | -  | -                                     | -  |
| <b>Total noncurrent liabilities</b>         | <b>2,553,164</b>                      | <b>9,062</b>   | <b>6,695</b>                                 | <b>14,305</b>                         | <b>22,970</b>  |
| <b>TOTAL LIABILITIES</b>                    | <b>2,880,312</b>                      | <b>25,977</b>  | <b>12,370</b>                                | <b>48,242</b>                         | <b>127,471</b>   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>        |                                       |  |  |                                       |  |
| Accumulated increase in fair value of       |                                       |  |  |                                       |  |
| hedging derivatives                         | 1,937                                 | -  | -  | -                                     | -  |
| Related to other postemployment benefits    | 90                                    | 131  | 54   | 175                                   | -  |
| Related to pensions                         | 785                                   | 488  | 137  | 396                                   | -  |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>  | <b>2,812</b>                          | <b>619</b>   | <b>191</b>                                   | <b>571</b>                            | <b>-</b>   |
| <b>NET POSITION</b>                         |                                       |  |  |                                       |  |
| Net investment in capital assets            | 13,956                                | -  | 116,349                                      | 6,935                                 | 16,087   |
| Restricted for:                             |                                       |  |  |                                       |  |
| Bond resolutions                            | 1,138,102                             | -  | -  | -                                     | -  |
| Clean water and drinking water programs     | 176,286                               | -  | -  | -                                     | -  |
| Title guaranty program                      | 54,788                                | -  | -  | -                                     | -  |
| Economic development                        | -                                     | 53,514   | -  | -                                     | -  |
| Other purposes                              | 43,655                                | -  | 11,392                                       | -                                     | 1,694,409  |
| Nonexpendable - foundations                 | -                                     | -  | -  | -                                     | -  |
| Expendable - foundations                    | -                                     | -  | -  | -                                     | -  |
| Unrestricted                                | 6,720                                 | 177,037  | 3,529  | (2,534)                               | 26,690   |
| <b>TOTAL NET POSITION</b>                   | <b>\$ 1,433,507</b>                   | <b>\$ 230,551</b>                                      | <b>\$ 131,270</b>                            | <b>\$ 4,401</b>                       | <b>\$ 1,737,186</b>  |

(continued on next page)

**STATE OF IOWA**  
**Statement of Net Position**  
**Component Units**  
June 30, 2021  
(Expressed in Thousands)

(continued)

|   | <b>IOWA STATE<br/>UNIVERSITY<br/>FOUNDATION</b> | <b>UNIVERSITY<br/>OF NORTHERN<br/>IOWA<br/>FOUNDATION</b> | <b>UNIVERSITY<br/>OF IOWA<br/>RESEARCH<br/>FOUNDATION</b> | <b>UNIVERSITY<br/>OF IOWA<br/>HEALTH SYSTEM</b> | <b>TOTAL<br/>COMPONENT<br/>UNITS</b> |
|---|---|---|---|---|--------------------------------------|
| <b>ASSETS</b>                               |   |   |   |   |                                      |
| Current assets:                             |   |   |   |   |                                      |
| Cash & investments                          | \$ 356,758                                      | \$ 30,654   | \$ 544  | \$ 15,643                                       | \$ 1,783,949                         |
| Cash & investments - restricted             | -   | -   | -   | -   | 795                                  |
| Accounts receivable (net)                   | 49,097  | 1,296   | 2,069   | 2,242   | 125,488                              |
| Interest receivable                         | -   | -   | -   | -   | 6,165                                |
| Loans receivable (net)                      | -   | -   | -   | -   | 158,877                              |
| Inventory                                   | -   | -   | -   | 462   | 4,091                                |
| Prepaid expenses                            | 9   | -   | 74  | 462   | 944                                  |
| Other assets                                | -   | 127   | -   | -   | 33,033                               |
| <b>Total current assets</b>                 | <b>405,864</b>                                  | <b>32,077</b>   | <b>2,687</b>  | <b>18,809</b>                                   | <b>2,113,342</b>                     |
| Noncurrent assets:                          |   |   |   |   |                                      |
| Cash & investments                          | 1,268,809                                       | 184,336   | 8,452   | 11,361  | 3,897,947                            |
| Accounts receivable (net)                   | 104,597   | 17,217  | -   | -   | 238,394                              |
| Loans receivable (net)                      | -   | -   | 197   | -   | 2,235,547                            |
| Capital assets - nondepreciable             | 960   | -   | -   | -   | 35,479                               |
| Capital assets - depreciable (net)          | 2,399   | 96  | 2   | 291   | 121,596                              |
| Other assets                                | 7,878   | 865   | 250   | -   | 39,072                               |
| <b>Total noncurrent assets</b>              | <b>1,384,643</b>                                | <b>202,514</b>  | <b>8,901</b>  | <b>11,652</b>                                   | <b>6,568,035</b>                     |
| <b>TOTAL ASSETS</b>                         | <b>1,790,507</b>                                | <b>234,591</b>  | <b>11,588</b>   | <b>30,461</b>                                   | <b>8,681,377</b>                     |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>       |   |   |   |   |                                      |
| Accumulated decrease in fair value of       |   |   |   |   |                                      |
| hedging derivatives                         | -   | -   | -   | 2,480   | 7,307                                |
| Debt refunding loss                         | -   | -   | -   | -   | 10,529                               |
| Related to other postemployment benefits    | -   | -   | -   | -   | 437                                  |
| Related to pensions                         | -   | -   | -   | -   | 5,457                                |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b> | <b>-</b>  | <b>-</b>  | <b>-</b>  | <b>2,480</b>                                    | <b>23,730</b>                        |
| <b>LIABILITIES</b>                          |   |   |   |   |                                      |
| Current liabilities:                        |   |   |   |   |                                      |
| Accounts payable & accruals                 | 1,935   | 1,450   | 1,516   | 1,828   | 83,753                               |
| Interest payable                            | -   | -   | -   | -   | 33,776                               |
| Unearned revenue                            | -   | -   | -   | -   | 201,571                              |
| Compensated absences                        | 1,024   | -   | -   | -   | 2,994                                |
| Bonds payable                               | -   | -   | -   | -   | 74,276                               |
| Funds held in custody                       | 16,710  | -   | -   | 5,731   | 122,000                              |
| <b>Total current liabilities</b>            | <b>19,669</b>                                   | <b>1,450</b>  | <b>1,516</b>  | <b>7,559</b>                                    | <b>518,370</b>                       |
| Noncurrent liabilities:                     |   |   |   |   |                                      |
| Accounts payable & accruals                 | 24,213  | 2,196   | -   | -   | 63,800                               |
| Compensated absences                        | -   | -   | -   | -   | 2,821                                |
| Bonds payable                               | -   | -   | -   | -   | 2,537,629                            |
| Net pension liability                       | -   | -   | -   | -   | 24,510                               |
| Other postemployment benefits liability     | -   | -   | -   | -   | 3,845                                |
| Funds held in custody                       | 13,809  | -   | -   | -   | 13,809                               |
| <b>Total noncurrent liabilities</b>         | <b>38,022</b>                                   | <b>2,196</b>  | <b>-</b>  | <b>-</b>  | <b>2,646,414</b>                     |
| <b>TOTAL LIABILITIES</b>                    | <b>57,691</b>                                   | <b>3,646</b>  | <b>1,516</b>  | <b>7,559</b>                                    | <b>3,164,784</b>                     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>        |   |   |   |   |                                      |
| Accumulated increase in fair value of       |   |   |   |   |                                      |
| hedging derivatives                         | -   | -   | -   | -   | 1,937                                |
| Related to other postemployment benefits    | -   | -   | -   | -   | 450                                  |
| Related to pensions                         | -   | -   | -   | -   | 1,806                                |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>  | <b>-</b>  | <b>-</b>  | <b>-</b>  | <b>-</b>  | <b>4,193</b>                         |
| <b>NET POSITION</b>                         |   |   |   |   |                                      |
| Net investment in capital assets            | 1,855   | -   | 2   | 291   | 155,475                              |
| Restricted for:                             |   |   |   |   |                                      |
| Bond resolutions                            | -   | -   | -   | -   | 1,138,102                            |
| Clean water and drinking water programs     | -   | -   | -   | -   | 176,286                              |
| Title guaranty program                      | -   | -   | -   | -   | 54,788                               |
| Economic development                        | -   | -   | -   | -   | 53,514                               |
| Other purposes                              | -   | -   | -   | -   | 1,749,456                            |
| Nonexpendable - foundations                 | 1,252,462                                       | -   | -   | -   | 1,252,462                            |
| Expendable - foundations                    | 390,750   | 215,509   | -   | -   | 606,259                              |
| Unrestricted                                | 87,749  | 15,436  | 10,070  | 25,091  | 349,788                              |
| <b>TOTAL NET POSITION</b>                   | <b>\$ 1,732,816</b>                             | <b>\$ 230,945</b>   | <b>\$ 10,072</b>  | <b>\$ 25,382</b>                                | <b>\$ 5,536,130</b>                  |

The notes are an integral part of the financial statements.

**STATE OF IOWA**  
**Statement of Activities**  
**Component Units**

For the Year Ended June 30, 2021  
(Expressed in Thousands)

|                                  | <b>IOWA<br/>FINANCE<br/>AUTHORITY</b> | <b>IOWA<br/>ECONOMIC<br/>DEVELOPMENT<br/>AUTHORITY</b> | <b>IOWA<br/>STATE<br/>FAIR<br/>AUTHORITY</b> | <b>IOWA<br/>LOTTERY<br/>AUTHORITY</b> | <b>UNIVERSITY<br/>OF IOWA CENTER<br/>FOR ADVANCEMENT<br/>&amp; AFFILIATE</b> |
|----------------------------------|---------------------------------------|--|--|---------------------------------------|--|
| Expenses                         | \$ 323,918                            | \$ 269,571   | \$ 16,653                                    | \$ 452,528                            | \$ 131,725   |
| Program revenues:                |                                       |  |  |                                       |  |
| Charges for services             | 30,400                                | 2,963  | 3,198  | 452,603                               | -  |
| Operating grants & contributions | 263,282                               | 237,940  | 818  | -                                     | 103,873  |
| Capital grants & contributions   | -                                     | -  | 2,801  | -                                     | -  |
| Total program revenues           | <u>293,682</u>                        | <u>240,903</u>   | <u>6,817</u>                                 | <u>452,603</u>                        | <u>103,873</u>   |
| Net program (expenses) revenues  | <u>(30,236)</u>                       | <u>(28,668)</u>  | <u>(9,836)</u>                               | <u>75</u>                             | <u>(27,852)</u>  |
| General revenues:                |                                       |  |  |                                       |  |
| Investment income                | 72,938                                | 471  | 411  | 59                                    | 348,065  |
| Other                            | -                                     | 7,531  | 4,944  | -                                     | -  |
| Gain (loss) on sale of assets    | -                                     | -  | -  | 18                                    | -  |
| Total general revenues           | <u>72,938</u>                         | <u>8,002</u>   | <u>5,355</u>                                 | <u>77</u>                             | <u>348,065</u>   |
| CHANGE IN NET POSITION           | 42,702                                | (20,666)   | (4,481)                                      | 152                                   | 320,213  |
| NET POSITION - JULY 1            | <u>1,390,805</u>                      | <u>251,217</u>   | <u>135,751</u>                               | <u>4,249</u>                          | <u>1,416,973</u>   |
| NET POSITION - JUNE 30           | <u>\$ 1,433,507</u>                   | <u>\$ 230,551</u>                                      | <u>\$ 131,270</u>                            | <u>\$ 4,401</u>                       | <u>\$ 1,737,186</u>  |

(continued on next page)

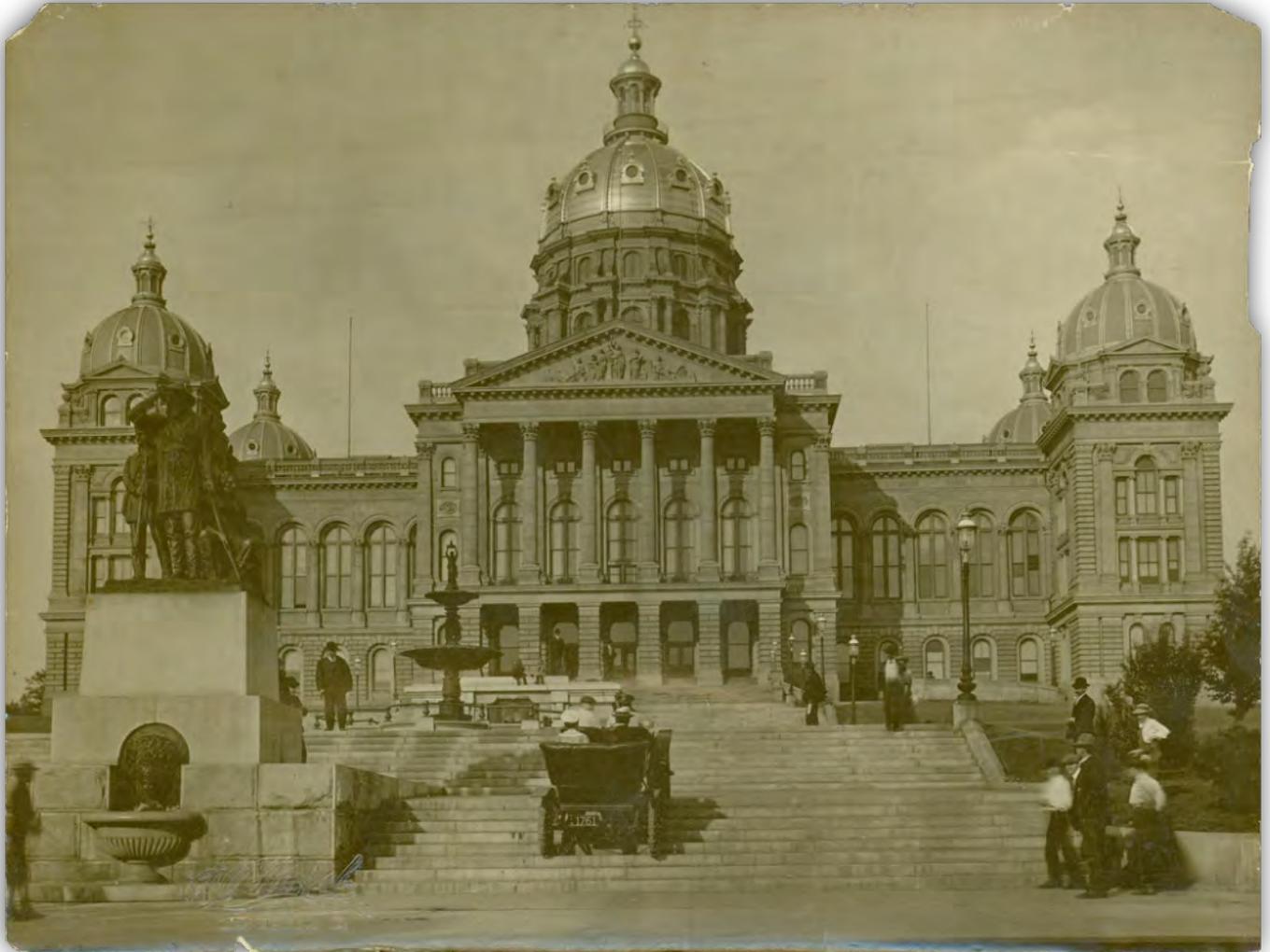
**STATE OF IOWA**  
**Statement of Activities**  
**Component Units**

For the Year Ended June 30, 2021  
(Expressed in Thousands)

(continued)

|                                  | <b>IOWA STATE<br/>UNIVERSITY<br/>FOUNDATION</b> | <b>UNIVERSITY<br/>OF NORTHERN<br/>IOWA<br/>FOUNDATION</b> | <b>UNIVERSITY<br/>OF IOWA<br/>RESEARCH<br/>FOUNDATION</b> | <b>UNIVERSITY<br/>OF IOWA<br/>HEALTH SYSTEM</b> | <b>TOTAL<br/>COMPONENT<br/>UNITS</b> |
|----------------------------------|---|---|---|---|--------------------------------------|
| Expenses                         | \$ 111,943                                      | \$ 16,807   | \$ 4,686  | \$ 20,778                                       | \$ 1,348,609                         |
| Program revenues:                |   |   |   |   |                                      |
| Charges for services             | -   | -   | 3,389   | 18,721  | 511,274                              |
| Operating grants & contributions | 147,668   | 32,902  | -   | -   | 786,483                              |
| Capital grants & contributions   | -   | -   | -   | -   | 2,801                                |
| Total program revenues           | <u>147,668</u>                                  | <u>32,902</u>   | <u>3,389</u>  | <u>18,721</u>                                   | <u>1,300,558</u>                     |
| Net program (expenses) revenues  | <u>35,725</u>                                   | <u>16,095</u>   | <u>(1,297)</u>  | <u>(2,057)</u>                                  | <u>(48,051)</u>                      |
| General revenues:                |   |   |   |   |                                      |
| Investment income                | 383,985   | 42,432  | 212   | 3,031   | 851,604                              |
| Other                            | 6,028   | 1,267   | 120   | 2,559   | 22,449                               |
| Gain (loss) on sale of assets    | -   | -   | -   | -   | 18                                   |
| Total general revenues           | <u>390,013</u>                                  | <u>43,699</u>   | <u>332</u>  | <u>5,590</u>                                    | <u>874,071</u>                       |
| CHANGE IN NET POSITION           | 425,738   | 59,794  | (965)   | 3,533   | 826,020                              |
| NET POSITION - JULY 1            | <u>1,307,078</u>                                | <u>171,151</u>  | <u>11,037</u>   | <u>21,849</u>                                   | <u>4,710,110</u>                     |
| NET POSITION - JUNE 30           | <u>\$ 1,732,816</u>                             | <u>\$ 230,945</u>   | <u>\$ 10,072</u>  | <u>\$ 25,382</u>                                | <u>\$ 5,536,130</u>                  |

The notes are an integral part of the financial statements.



Mason Motor Company car climbing steps of the  
Iowa State Capitol Building in a promotional  
exhibition of the automobile's power.

Des Moines, Iowa 1907

Photographer: A.O. Harpel, Des Moines

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Basis of Presentation

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

#### B. Financial Reporting Entity

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

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

#### **Blended Component Units**

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

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

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

#### ***Discretely Presented Component Units***

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

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

During the year ended June 30, 2021, the Iowa Lottery Authority provided \$101.7 million to the State of Iowa.

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

During the year ended June 30, 2021, the Foundations distributed \$196.1 million to the Universities for academic and institutional support.

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

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

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

### **Related Organizations**

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

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

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

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

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

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

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

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

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

#### **Fund Financial Statements**

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

#### **Governmental Fund Balance Reporting**

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

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

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

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

### D. Financial Statement Presentation

The State reports the following major governmental funds:

#### General Fund

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

#### Special Revenue Funds

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

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

The State reports the following major proprietary funds:

#### Enterprise Funds

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

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

In addition, the State reports the following fund types:

#### Governmental Funds

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

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

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

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

### Proprietary Funds

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

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

### Fiduciary Funds

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

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

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

### **E. Measurement Focus and Basis of Accounting**

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

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

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

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

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

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

Proprietary and fiduciary fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Fiduciary fund liabilities are incurred when an event has happened that compels the government to disburse resources or when no further action, approval or condition is required to be taken or met by the beneficiary to release the assets.

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

In fiscal year 2021, the State of Iowa implemented the following GASB standards:

- GASB Statement No. 93, *Replacement of Interbank Offered Rates*. This statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate. All paragraphs were implemented except for 11b, 13 and 14, which are effective for fiscal 2022.
- GASB Statement No. 98, *The Annual Comprehensive Financial Report*, was early implemented for the State's 2021 annual financial statements. This statement updates the term "comprehensive annual financial report" or "CAFR" to "annual comprehensive financial report" or "ACFR".

#### **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 \$4.6 million associated with certain funds has been assigned to other funds for fiscal year 2021.

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

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

collateral in the form of cash in U.S. dollars, U.S. government securities or irrevocable letters of credit. The types of securities on loan included equity investments and fixed income securities.

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

At year-end, IPERS had \$7.6 million in risk exposure due to the amount on loan by IPERS exceeding the amount owed to IPERS. This was because of a timing issue on the receipt of payment and was resolved the next day. PORS and JRS had no credit risk exposure to borrowers because the amounts the borrowers owed PORS and JRS did not exceed the amount the PORS and JRS owed the borrowers. The contracts with Deutsche Bank require it to indemnify the Systems if a borrower becomes insolvent, or if a loss is incurred from an investment of collateral in an overnight repurchase agreement. The securities lending contracts do not allow the Systems to pledge or sell collateral securities received unless the borrower defaults. As of June 30, 2021, the Systems had securities on loan, including accrued interest income, with a total value of \$560.7 million against collateral with a total value of \$580.7 million.

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

The effective duration of the cash collateral pool at June 30, 2021, for IPERS was 0.00. Credit quality and years to maturity statistics for the cash collateral pool at June 30, 2021, for the Systems are as follows (expressed in thousands):

| <b>Securities Lending Collateral Pool</b> |              |                                 |           |           |                                   |                         |                                |
|---|--------------|---------------------------------|-----------|-----------|-----------------------------------|-------------------------|--------------------------------|
| Investment Type                           | Fair Value * | Credit Risk: S&P Quality Rating |           |           | Investment<br>Maturity<br>(Years) | Redemption<br>Frequency | Redemption<br>Notice<br>Period |
|   |              | AAA                             | A-1       | Not Rated |                                   |                         |                                |
| Money market funds                        | \$ 356,629   | \$356,629                       | \$ -      | \$ -      | Less than 1                       | N/A                     | on demand                      |
| Overnight repurchase agreements           | 210,290      | -                               | 184,500   | 25,790    | Less than 1                       | Daily                   | on demand                      |
|   | \$ 566,919   | \$356,629                       | \$184,500 | \$ 25,790 |                                   |                         |                                |

\* 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

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

amounts to correlate with the consumption method. Inventory asset amounts are not available for budgetary appropriation as they have been charged to expenditures when purchased rather than when used.

### I. Prepaid Items

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

### J. Capital Assets

Capital assets are reported in the government-wide and proprietary fund financial statements at historical cost. Donated capital assets acquired before July 1, 2015, are reported at their estimated fair market value at the date of acquisition. Donated capital assets acquired after June 30, 2015, are reported at their acquisition value at the date of acquisition. Capital assets utilized in governmental funds are reported as expenditures when purchased in the governmental fund financial statements. Interest incurred during the construction phase of capital assets 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

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

or straight-line method, which approximates the effective interest method. In governmental fund types, bond discounts are recognized in the current period.

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

### **N. Deferred Inflows of Resources**

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

### **O. Interfund Activity and Balances**

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

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

#### ***Interfund Balances***

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

### **P. Encumbrances**

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

### **Q. Stabilization Arrangements (Reserve Funds)**

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

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

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

must be contained in a bill or joint resolution in which the appropriation is the only subject matter of the bill or joint resolution, and the bill or joint resolution states the reasons the appropriation is necessary.

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

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

#### **R. Minimum Fund Balance Requirements**

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

#### **S. Budgeting and Budgetary Control**

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

(Notes continue on next page.)

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

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

#### A. Primary Government and Fiduciary Funds

##### *Fair Value Measurement*

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

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

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

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

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

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

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

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

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

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

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

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

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

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

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

The fair value measurements, categorized by level of the fair value hierarchy, for the investments of the primary government, at June 30, 2021 follow (expressed in thousands):

#### Investments Measured at Fair Value Primary Government

| Investment Type                                  | Total               | Level 1          | Level 2          | Level 3   | NAV              |
|--|---------------------|------------------|------------------|-----------|------------------|
| <b>Fixed:</b>                                    |                     |                  |                  |           |                  |
| U.S. government treasuries, bills, notes & bonds | \$ 1,636,362        | \$ 179,283       | \$ 1,457,079     | \$ -      | -                |
| U.S. government agency                           | 1,102,017           | -                | 1,102,017        | -         | -                |
| Government asset & mortgage-backed               | 413,248             | -                | 413,248          | -         | -                |
| Corporate bonds                                  | 246,689             | -                | 246,689          | -         | -                |
| Corporate asset backed                           | 28,385              | -                | 28,385           | -         | -                |
| Private placements                               | 5,244               | -                | 5,244            | -         | -                |
| Fixed income mutual funds                        | 2,911,891           | 1,902,456        | -                | -         | 1,009,435        |
| Commercial paper                                 | 53,934              | -                | 53,934           | -         | -                |
| Other fixed income                               | 797,421             | -                | 797,421          | -         | -                |
| Total fixed                                      | <u>7,195,191</u>    | <u>2,081,739</u> | <u>4,104,017</u> | <u>-</u>  | <u>1,009,435</u> |
| <b>Equity:</b>                                   |                     |                  |                  |           |                  |
| U.S. equity                                      | 46,671              | 46,091           | 580              | -         | -                |
| Private equity                                   | 196,693             | -                | -                | -         | 196,693          |
| Non U.S. equity                                  | 4,592               | 4,474            | -                | -         | 118              |
| Pooled & mutual funds                            | 1,115,641           | 775,401          | 1,123            | -         | 339,117          |
| Real assets                                      | 237,136             | -                | -                | -         | 237,136          |
| Investment pools                                 | 2,187               | 423              | 123              | 22        | 1,619            |
| Other  | 1,775               | 490              | 1,131            | 38        | 116              |
| Total equity                                     | <u>1,604,695</u>    | <u>826,879</u>   | <u>2,957</u>     | <u>60</u> | <u>774,799</u>   |
| Total  | 8,799,886           | \$ 2,908,618     | \$ 4,106,974     | \$ 60     | \$ 1,784,234     |
| <b>Other:</b>                                    |                     |                  |                  |           |                  |
| Bank investments                                 | 56,860              |                  |                  |           |                  |
| Money markets                                    | 600,076             |                  |                  |           |                  |
| Total invested assets                            | <u>\$ 9,456,822</u> |                  |                  |           |                  |

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

The following table summarizes investments measured at the net asset value per share, or equivalent, for the primary government, at June 30, 2021 (expressed in thousands):

#### Investments Measured at the Net Asset Value Primary Government

| Investment Type              | Fair Value   | Unfunded<br>Commitments | Redemption<br>Frequency | Redemption<br>Notice Period |
|------------------------------|--------------|-------------------------|-------------------------|-----------------------------|
| Fixed:                       |              |                         |                         |                             |
| Fixed income mutual funds    | \$ 1,009,435 | \$ -                    | daily - quarterly       | 5 - 60 days                 |
| Equity:                      |              |                         |                         |                             |
| Private equity               | 196,693      | 113,514                 | N/A                     | N/A                         |
| Non U.S. equity - redeemable | 118          | 35                      | daily - monthly         | 1 - 30 days                 |
| Pooled & mutual funds        | 339,117      | -                       | daily - monthly         | 2 - 30 days                 |
| Real assets - redeemable     | 176,488      | -                       | quarterly               | 60 - 90 days                |
| Real assets - nonredeemable  | 60,648       | 4,707                   | N/A                     | N/A                         |
| Investment Pool              | 1,619        | -                       | N/A                     | N/A                         |
| Other                        | 116          | -                       | quarterly               | 60 - 90 days                |
| Total equity                 | 774,799      | 118,256                 |                         |                             |
| Total                        | \$ 1,784,234 | \$ 118,256              |                         |                             |

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, 2021 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 | \$ 1,621,704         | \$ 1,557,682         | \$ 64,022           | \$ -                | \$ -                 |
| U.S. government agency                           | 556,582              | 1,349                | 555,233             | -                   | -                    |
| Government asset & mortgage-backed               | 1,521,455            | -                    | 1,521,455           | -                   | -                    |
| Corporate bonds                                  | 2,815,801            | -                    | 2,637,666           | 178,135             | -                    |
| Corporate asset backed                           | 148,428              | -                    | 148,428             | -                   | -                    |
| Private placements                               | 2,368,350            | -                    | 2,368,350           | -                   | -                    |
| Fixed income mutual funds                        | 1,233,333            | 3,125                | -                   | 7,923               | 1,222,285            |
| Commingled bond funds                            | 2,745,647            | -                    | -                   | -                   | 2,745,647            |
| Other fixed income                               | 404,085              | 4,662                | 45,584              | 353,839             | -                    |
| Total fixed                                      | <u>13,415,385</u>    | <u>1,566,818</u>     | <u>7,340,738</u>    | <u>539,897</u>      | <u>3,967,932</u>     |
| Equity:  |                      |                      |                     |                     |                      |
| U.S. equity                                      | 6,660,769            | 6,268,991            | 388,703             | 3,075               | -                    |
| Private equity                                   | 7,498,079            | -                    | -                   | -                   | 7,498,079            |
| Commingled & mutual funds                        | 19,958,169           | 6,475,135            | 484,246             | -                   | 12,998,788           |
| Real assets                                      | 3,580,158            | -                    | -                   | 2,430,523           | 1,149,635            |
| Other  | 54,721               | 7,735                | 46,986              | -                   | -                    |
| Total equity                                     | <u>37,751,896</u>    | <u>12,751,861</u>    | <u>919,935</u>      | <u>2,433,598</u>    | <u>21,646,502</u>    |
| Total  | 51,167,281           | <u>\$ 14,318,679</u> | <u>\$ 8,260,673</u> | <u>\$ 2,973,495</u> | <u>\$ 25,614,434</u> |
| Other:   |                      |                      |                     |                     |                      |
| Bank investments                                 | 41                   |                      |                     |                     |                      |
| Money markets                                    | 211                  |                      |                     |                     |                      |
| Total invested assets                            | <u>\$ 51,167,533</u> |                      |                     |                     |                      |

The following table summarizes investments measured at the net asset value per share, or equivalent, for the fiduciary funds, at June 30, 2021 (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   | \$ 1,222,285         | \$ -                 | daily - monthly      | 5 - 60 days              |
| Commingled bond funds       | 2,745,647            | -                    | daily                | 2 days                   |
| Total fixed                 | <u>3,967,932</u>     | <u>-</u>             |                      |                          |
| Equity:                     |                      |                      |                      |                          |
| Private equity              | 7,498,079            | 2,484,644            | N/A                  | N/A                      |
| Commingled & mutual funds   | 12,998,788           | -                    | daily - monthly      | 1 - 30 days              |
| Real assets - redeemable    | 286                  | -                    | quarterly            | 60 - 90 days             |
| Real assets - nonredeemable | 1,149,349            | 449,696              | N/A                  | N/A                      |
| Total equity                | <u>21,646,502</u>    | <u>2,934,340</u>     |                      |                          |
| Total                       | <u>\$ 25,614,434</u> | <u>\$ 2,934,340</u>  |                      |                          |

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

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

- Commingled bond funds and commingled & mutual funds – Consists of various collective trust funds where assets are commingled for investment purposes. Each are valued at the net asset value of the units held at the end of the period based upon the fair value of the underlying investments.
- Private equity – Consists of 153 active partnerships within the legacy program and a fund-of-one investment, which invests primarily in buyout funds, with some exposure to venture capital, special situations, and distressed debt funds. The fair values of these funds and the fund-of-one have been determined using net assets valued one quarter in arrears plus current quarter cash flows. These funds are not eligible for redemption. 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 assets – nonredeemable – Consists of nine partnerships. Four of the funds determine fair value by utilizing net asset values from one quarter in arrears plus current quarter cash flows. Three of the funds determine fair value by utilizing net asset values from the current quarter. Two funds have not yet been funded. None of the private credit funds are 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, 2021, is summarized as follows (expressed in thousands):

| <b>Primary Government</b> |                     |                | <b>Fiduciary Funds</b>   |                      |                |
|---------------------------|---------------------|----------------|--------------------------|----------------------|----------------|
| S & P<br>Quality Ratings  | Fair Value          | Percentage     | S & P<br>Quality Ratings | Fair Value           | Percentage     |
| TSY                       | \$ 213,362          | 2.97%          | TSY                      | \$ 2,658,482         | 19.82%         |
| AGY                       | 7,600               | 0.11%          | AGY                      | 256,679              | 1.91%          |
| AAA                       | 113,399             | 1.58%          | AAA                      | 1,089,182            | 8.12%          |
| AA                        | 4,315,204           | 59.97%         | AA                       | 966,461              | 7.20%          |
| A                         | 725,510             | 10.08%         | A                        | 1,359,755            | 10.14%         |
| BBB                       | 253,563             | 3.52%          | BBB                      | 2,478,202            | 18.47%         |
| BB                        | 184,821             | 2.57%          | BB                       | 1,158,311            | 8.63%          |
| B                         | 371,321             | 5.16%          | B                        | 709,517              | 5.29%          |
| Below B                   | 51,732              | 0.72%          | Below B                  | 211,174              | 1.57%          |
| Not rated                 | 958,679             | 13.32%         | Not rated                | 2,527,622            | 18.85%         |
| Total                     | <u>\$ 7,195,191</u> | <u>100.00%</u> | Total                    | <u>\$ 13,415,385</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 or A1/P1 by Standard & Poor's and 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.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

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](https://www.iowaregents.edu/plans-and-policies/board-policy-manual/22-business-procedures/#Investment%20Policy)) permits investments authorized in Chapter 12B.10 of the Code of Iowa. The Universities manage exposure to credit risk by measuring portfolios against benchmarks as established by the BOR.

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

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

### **Concentration of Credit Risk**

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

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

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

### **Custodial Credit Risk**

*Deposits:* Custodial credit risk for deposits is the risk that in the event of a failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. Protection from custodial credit risk exists for the State's deposits in excess of FDIC insurance coverage. Banks in Iowa which accept public funds deposits are required to pledge collateral in an amount equal to, or in excess of, the total amount by which the public funds deposits in the bank exceeds the total capital of the bank. If the applicable deposit insurance, the liquidation of pledged collateral, or the funds received from drawing on any Letters of Credit, and the assets of the bank which are liquidated within 30 days of the closing of the bank are not sufficient to satisfy the loss to public units, then the Treasurer shall obtain the additional amount needed to satisfy all remaining claims from the state sinking fund for public deposits in banks to the extent funds in the sinking fund are sufficient to cover public funds depositors' claims. If the funds in the sinking fund for public deposits in banks are inadequate to cover the remaining loss, the Treasurer shall make assessments against all remaining banks whose public funds deposits exceed federal deposit insurance coverage to satisfy the remaining loss. The \$997.4 million of total combined bank deposits of the primary government and fiduciary funds at June 30, 2021, were exposed to custodial credit risk for \$357.8 million of uninsured and uncollateralized bank deposits, of which \$351.9 million was invested in money market funds as cash equivalents.

*Investments:* Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, a government will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the government's name and are held by either the counterparty or the counterparty's trust department or agent but not in the government's name. The Treasurer's investment policy requires that all investments be held by a third-party custodian while the Universities and Systems have no formal policy for investment custodial credit risk. Of the \$60.6 billion of total combined investments of the primary government and fiduciary funds at June 30, 2021, \$2.2 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 \$982.3 million on deposit with the U.S. Treasury. This amount is presented as cash and investments but is not included in the carrying amounts of deposits nor is it categorized according to risk because it is neither a deposit with a financial institution nor an investment.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

#### **Interest Rate Risk**

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

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

*Maturity Limitations:* No investment shall be made in a U.S. Treasury note or bond, a U.S. government agency note or bond or a U.S. government instrumentality note or bond with a maturity that exceeds 61 months at the time of purchase. (The 61-month maturity limitation for government agency or instrumentality securities does not apply 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, 2021, is summarized using the effective duration method, as follows (expressed in thousands):

| <b>Primary Government</b>                           |                     |                                  | <b>Fiduciary Funds</b>                              |                      |                                  |
|---|---------------------|----------------------------------|---|----------------------|----------------------------------|
| Investment Type                                     | Fair Value          | Effective<br>Duration<br>(Years) | Investment Type                                     | Fair Value           | Effective<br>Duration<br>(Years) |
| U.S. government treasuries,<br>bills, notes & bonds | \$ 1,636,362        | 0.75                             | U.S. government treasuries,<br>bills, notes & bonds | \$ 1,621,704         | 8.89                             |
| U.S. government agency                              | 1,102,017           | 1.89                             | U.S. government agency                              | 556,582              | 8.63                             |
| Government asset &<br>mortgage-backed               | 413,248             | 2.16                             | Government asset &<br>mortgage-backed               | 1,521,455            | 4.03                             |
| Corporate bonds                                     | 246,689             | 4.46                             | Corporate bonds                                     | 2,815,801            | 6.77                             |
| Corporate asset backed                              | 28,385              | 0.60                             | Corporate asset backed                              | 148,428              | 1.48                             |
| Private placements                                  | 5,244               | 0.67                             | Private placements                                  | 2,368,350            | 4.16                             |
| Fixed income mutual funds                           | 2,911,891           | 3.26                             | Fixed income mutual funds                           | 1,233,333            | 0.10                             |
| Commercial paper                                    | 53,934              | 0.10                             | Commingled bond funds                               | 2,745,647            | 6.59                             |
| Other fixed income                                  | 797,421             | 0.52                             | Other fixed income                                  | 404,085              | 8.58                             |
| Total   | <u>\$ 7,195,191</u> | <u>2.12</u>                      | Total   | <u>\$ 13,415,385</u> | <u>5.68</u>                      |

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

#### **Foreign Currency Risk**

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

IPERS' currency policy is to allow its investment managers the discretion to hedge their foreign currency exposures. PORS' external managers may or may not hedge the portfolio's foreign currency exposures with forward foreign exchange contracts, currency options, currency futures or options on currency futures depending upon their views on a specific foreign currency relative to the U.S. dollar. IPERS generally does not allow its investment managers to enter into currency positions greater than 100% or less than 0% of the underlying asset exposure in their respective portfolios. The only exceptions are (1) as it relates to specific cross-hedging activity, which may be permitted in certain investment manager contracts, and (2) in liquid absolute return strategies (LARS) where the managers are permitted to tactically allocate across several asset classes and strategies, including currency. IPERS' net foreign currency exposure of the LARS managers was less than 1% of IPERS' total foreign currency exposure on June 30, 2021.

Foreign currency risk by investment type for the fiduciary funds, at June 30, 2021, follows (expressed in thousands):

|                             | Total               | Cash                | Derivatives     | Equity              | Fixed Income      |
|-----------------------------|---------------------|---------------------|-----------------|---------------------|-------------------|
| Argentine peso              | \$ 68               | \$ -                | \$ -            | \$ -                | \$ 68             |
| Australian dollar           | 155,537             | 920                 | 567             | 154,050             | -                 |
| Brazilian real              | 41,862              | 623                 | -               | 39,113              | 2,126             |
| British pound               | 303,151             | (4,588)             | 162             | 297,821             | 9,756             |
| Canadian dollar             | 52,728              | 815                 | 655             | 50,993              | 265               |
| Chilean peso                | 9,682               | 128                 | (156)           | 9,710               | -                 |
| Chinese yuan renminbi       | 103,690             | 283                 | -               | 103,407             | -                 |
| Chinese yuan                | (28,186)            | (28,186)            | -               | -                   | -                 |
| Colombian peso              | 1,278               | 1                   | -               | 1,277               | -                 |
| Czech koruna                | 878                 | 26                  | -               | 852                 | -                 |
| Danish krone                | 65,256              | 652                 | -               | 64,604              | -                 |
| Egyptian pound              | 845                 | (418)               | -               | 1,263               | -                 |
| Euro                        | 745,009             | (97,457)            | (960)           | 736,212             | 107,214           |
| Hong Kong dollar            | 214,640             | 1,500               | 245             | 212,895             | -                 |
| Hungarian forint            | 14,512              | 12                  | -               | 14,500              | -                 |
| Indian rupee                | 99,929              | 4,714               | -               | 95,213              | 2                 |
| Indonesian rupiah           | 8,413               | 165                 | -               | 8,248               | -                 |
| Israeli shekel              | 15,144              | 6                   | -               | 15,138              | -                 |
| Japanese yen                | 557,075             | 2,888               | 673             | 553,514             | -                 |
| Malaysian ringgit           | 6,469               | 24                  | 309             | 6,136               | -                 |
| Mexican peso                | 74,812              | (4,610)             | 362             | 34,482              | 44,578            |
| New Zealand dollar          | 8,838               | 96                  | -               | 8,742               | -                 |
| Norwegian krone             | 22,924              | 206                 | (221)           | 22,939              | -                 |
| Philippine peso             | 12,202              | 41                  | -               | 12,161              | -                 |
| Polish zloty                | 38,659              | 20                  | -               | 38,639              | -                 |
| Qatari riyal                | 3,448               | 127                 | -               | 3,321               | -                 |
| Russian ruble               | 550                 | 139                 | -               | 411                 | -                 |
| Singapore dollar            | 50,897              | 152                 | (56)            | 50,801              | -                 |
| South African rand          | 55,231              | 94                  | 153             | 54,984              | -                 |
| South Korean won            | 164,574             | 216                 | -               | 164,358             | -                 |
| Swedish krona               | 105,006             | 701                 | (175)           | 104,480             | -                 |
| Swiss franc                 | 170,471             | 2,771               | -               | 167,700             | -                 |
| Taiwanese dollar            | 159,061             | 452                 | -               | 158,609             | -                 |
| Thai baht                   | 22,647              | 20                  | (9)             | 22,636              | -                 |
| Turkish lira                | 18,239              | 1                   | 170             | 18,068              | -                 |
| United Arab Emirates dirham | 3,009               | 107                 | -               | 2,902               | -                 |
| <b>Total</b>                | <b>\$ 3,278,548</b> | <b>\$ (117,359)</b> | <b>\$ 1,719</b> | <b>\$ 3,230,179</b> | <b>\$ 164,009</b> |

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### ***Deposits with Trustees***

Deposits with trustees totaled \$129.8 million at June 30, 2021. \$100 thousand was invested in fixed U.S. government agency securities with an effective duration of .25 years and a credit quality rating of AAA, \$87 million was invested in equity securities not subject to credit quality ratings, and the remaining \$42.7 million was cash and cash equivalents.

### ***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):

|                             | <u>Amount</u> | <u>Net Position Classification</u>    |
|-----------------------------|---------------|---------------------------------------|
| University of Iowa          | \$ 27,340     | Restricted nonexpendable net position |
| Iowa State University       | 6,289         | Restricted expendable net position    |
| University of Northern Iowa | 1,014         | 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, 2021 follow (expressed in thousands):

#### Investments Measured at Fair Value

| Investment Type                                  | Total        | Level 2    | Level 3 |
|--|--------------|------------|---------|
| Fixed:   |              |            |         |
| U.S. government treasuries, bills, notes & bonds | \$ 3,762     | \$ 3,762   | \$ -    |
| U.S. government agency                           | 3,601        | 3,601      | -       |
| Government asset & mortgage-backed               | 848,615      | 848,615    | -       |
| Corporate bonds                                  | 20,920       | 20,920     | -       |
| Certificates of deposit                          | 1,555        | 1,555      | -       |
| Commercial paper                                 | 28,475       | 28,475     | -       |
| Total fixed                                      | 906,928      | 906,928    | -       |
| Equity:  |              |            |         |
| Other  | 955          | -          | 955     |
| Total  | 907,883      | \$ 906,928 | \$ 955  |
| Other:   |              |            |         |
| Money markets                                    | 693,108      |            |         |
| State of Iowa Treasurer pooled money fund        | 57,966       |            |         |
| Healthcare joint ventures                        | 11,408       |            |         |
| Total invested assets                            | \$ 1,670,365 |            |         |

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

#### **Credit Risk**

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

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

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

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

The exposure to credit risk for the component units fixed income investments at June 30, 2021, is summarized as follows (expressed in thousands):

| S & P<br>Quality Ratings | Fair Value | Percentage |
|--------------------------|------------|------------|
| AAA                      | \$ 28,475  | 3.14%      |
| AA                       | \$ 28,283  | 3.12%      |
| Not rated                | 850,170    | 93.74%     |
| Total                    | \$ 906,928 | 100.00%    |

#### **Concentration of Credit Risk**

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

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

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

#### **Interest Rate Risk**

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

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

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

The component units' exposure to interest rate risk for the fixed income investments at June 30, 2021, is summarized using the weighted average maturity method, as follows (expressed in thousands):

| Investment Type                                  | Fair Value | Weighted Average<br>Maturity (Years) |
|--|------------|--------------------------------------|
| U.S. government treasuries, bills, notes & bonds | \$ 3,762   | 1.40                                 |
| U.S. government agency                           | 3,601      | 2.69                                 |
| Government asset & mortgage-backed               | 848,615    | 22.66                                |
| Corporate bonds                                  | 20,920     | 2.82                                 |
| Certificates of deposit                          | 1,555      | 0.93                                 |
| Commercial paper                                 | 28,475     | 0.53                                 |
| Total  | \$ 906,928 | 21.31                                |

#### **C. Derivatives**

##### **Fiduciary Funds**

GAAP requires the fair value of financial arrangements called "derivative instruments" to be reported in the financial statements of state and local governments. Further, derivative instruments are required to be categorized as either hedging derivative instruments or investment derivative instruments. All of IPERS' derivative instrument exposures at June 30, 2021, are categorized as investment derivative instruments and, therefore, hedge accounting provisions are not applicable.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

Summaries of futures and options contracts by sector outstanding at June 30, 2021, follow (expressed in thousands):

#### Futures Exposure Summary

|                       | Number<br>of Contracts | Notional<br>Value | Fair<br>Value | % of Total<br>Fund NAV |
|-----------------------|------------------------|-------------------|---------------|------------------------|
| <b>Long Futures:</b>  |                        |                   |               |                        |
| Agriculture           | 199                    | \$ 5,627          | \$ 125        | 0.00029                |
| Currency              | 1,164                  | 85,534            | (972)         | (0.00227)              |
| Energy                | 404                    | 28,333            | 653           | 0.00152                |
| Index                 | 1,792                  | 194,761           | (141)         | (0.00033)              |
| Interest              | 19,483                 | 3,106,287         | 8,113         | 0.01893                |
| Metal                 | 552                    | 44,451            | 797           | 0.00186                |
| Total                 | 23,594                 | \$ 3,464,993      | \$ 8,575      | 0.02000                |
| <b>Short Futures:</b> |                        |                   |               |                        |
| Agriculture           | (59)                   | \$ (1,606)        | \$ (11)       | (0.00003)              |
| Currency              | (2,458)                | (245,315)         | 5,998         | 0.01400                |
| Energy                | (50)                   | (1,674)           | (151)         | (0.00035)              |
| Index                 | (50)                   | (975)             | 6             | 0.00001                |
| Interest              | (13,726)               | (2,499,625)       | (6,056)       | (0.01413)              |
| Metal                 | (441)                  | (35,004)          | (626)         | (0.00146)              |
| Total                 | (16,784)               | \$(2,784,199)     | \$ (840)      | (0.00196)              |

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### NOTES TO THE FINANCIAL STATEMENTS

#### Options Exposure Summary

|                    | Fair Value | % of Total<br>Fund NAV |
|--------------------|------------|------------------------|
| Options purchased: |            |                        |
| Interest           | \$ 1,173   | 0.00274                |
| Total              | \$ 1,173   | 0.00274                |
| Options written:   |            |                        |
| Interest           | \$ (1,669) | (0.00389)              |
| Total              | \$ (1,669) | (0.00389)              |

*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, 2021, the net notional value of the credit default swaps held in IPERS' fixed-income portfolio was \$51.3 million. The credit default swaps are reported at a fair value of \$1.7 million in the Statement of Fiduciary Net Position.

*Interest Rate Swaps:* Interest rate swaps are transactions between two parties in which interest payments from different indexes are swapped. Interest rate swaps are often used to alter the portfolios' exposure to interest rate fluctuations by swapping fixed-rate obligations for floating-rate obligations or vice versa. By utilizing interest rate swaps, IPERS' investment managers are able to alter their interest rate exposure and bring it in line with their strategic objectives for interest rate risk. At June 30, 2021, the net notional value of the interest rate swaps held in IPERS' fixed-income portfolio was \$9.2 billion. All interest rate swaps held by IPERS are reported at a fair value of \$13.7 million in the Statement of Fiduciary Net Position.

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

#### **Component Units**

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

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

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

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### NOTES TO THE FINANCIAL STATEMENTS

Aggregate debt service requirements of the Authority's hedged variable-rate debt and net receipts/payments on associated derivative instruments at June 30, 2021, follow (expressed in thousands):

| Year Ending<br>June 30, | Variable-rate<br>Bonds<br>Principal | Variable-rate<br>Bonds<br>Interest | Interest Rate<br>Swaps, Net | Total             |
|-------------------------|-------------------------------------|------------------------------------|-----------------------------|-------------------|
| 2022                    | \$ -                                | \$ 56                              | \$ 3,177                    | \$ 3,233          |
| 2023                    | 1,300                               | 55                                 | 3,157                       | 4,512             |
| 2024                    | 4,720                               | 55                                 | 3,146                       | 7,921             |
| 2025                    | 1,440                               | 53                                 | 2,982                       | 4,475             |
| 2026                    | 1,520                               | 53                                 | 2,930                       | 4,503             |
| 2027-2031               | 15,460                              | 252                                | 13,662                      | 29,374            |
| 2032-2036               | 39,348                              | 209                                | 9,982                       | 49,539            |
| 2037-2041               | 42,953                              | 142                                | 6,625                       | 49,720            |
| 2042-2046               | 52,191                              | 67                                 | 3,152                       | 55,410            |
| 2047-2051               | 17,858                              | 5                                  | 278                         | 18,141            |
| Total                   | <u>\$ 176,790</u>                   | <u>\$ 947</u>                      | <u>\$ 49,091</u>            | <u>\$ 226,828</u> |

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

*Hedging Derivatives – Swaps:* Swap agreements allow the Authority to raise funds at variable rates and swap them into fixed rates that are lower than those available to the Authority if fixed-rate borrowings were made directly. These contracts involve the exchange of variable-rate for fixed-rate payments between the parties, without the exchange of the underlying debt, based on a common notional amount and maturity date. The terms of the authority's swap hedging derivative instruments outstanding at June 30, 2021, follow (expressed in thousands):

| Bond<br>Series | 2020               |                   | Termination<br>Date | Terms  |  | S & P Global<br>Rating |
|----------------|--------------------|-------------------|---------------------|--------|--|------------------------|
|                | Notional<br>Amount | Effective<br>Date |                     | Pay    | Receive  |                        |
| SF 2015 B      | \$ 2,185           | 09/01/06          | 01/01/36            | 3.766% | Enhanced LIBOR   | A+                     |
| MF 2008 A      | 3,350              | 04/17/08          | 06/01/24            | 3.971% | SIFMA + 0.08%  | A+                     |
| SF 2015 B      | 27,765             | 01/01/17          | 01/01/46            | 2.518% | 67% of USD LIBOR   | AA-                    |
| SF 2016 B*     | 14,800             | 07/01/16          | 07/01/21            | 2.206% | 67% of USD LIBOR   | AA-                    |
| SF 2016 B*     | 135                | 12/12/07          | 07/01/21            | 4.373% | 100% of USD LIBOR  | AA-                    |
| SF 2016 E      | 5,355              | 01/01/18          | 07/01/46            | 2.292% | 67% of USD LIBOR   | A+                     |
| SF 2017 D      | 13,125             | 01/01/18          | 01/01/47            | 2.126% | 67% of USD LIBOR   | A+                     |
| SF 2018 B      | 15,000             | 07/01/18          | 07/01/47            | 2.490% | 70% of USD LIBOR   | AA-                    |
| SF 2018 D      | 11,250             | 07/01/19          | 07/01/48            | 2.638% | 70% of USD LIBOR   | AA-                    |
| SF 2019 B      | 15,000             | 07/01/19          | 07/01/30            | 1.939% | SIFMA  | A+                     |
| SF 2019 E      | 11,250             | 01/01/20          | 01/01/49            | 1.605% | SIFMA Swap Index until<br>1/1/2029; 67% of USD<br>LIBOR thereafter | AA-                    |
| SF 2020 B      | 15,000             | 07/01/20          | 07/01/49            | 1.691% | SIFMA Swap Index until<br>7/1/2029; 67% of USD<br>LIBOR thereafter | A+                     |
| SF 2020 E      | 11,250             | 07/01/21          | 07/01/35            | 1.051% | SIFMA  | A+                     |
| SF 2016 B      | 15,000             | 07/01/21          | 01/01/28            | 0.870% | SIFMA  | AA-                    |
|                | <u>\$ 160,465</u>  |                   |                     |        |  |                        |

\* Swap was terminated on 07/01/2021

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

*Hedging Derivatives – Caps:* Interest rate cap derivatives are when the Authority receives payments at the end of each period, based on a notional amount, when the interest rate exceeds the agreed-upon strike rate. Terms of the Authority’s cap derivative instruments outstanding at June 30, 2021, follow (expressed in thousands):

| Bond Series | 2021             |                | Maturity Date | Strike Rate    | S & P Global Rating |
|-------------|------------------|----------------|---------------|----------------|---------------------|
|             | Notional Amount  | Effective Date |               |                |                     |
| MF 2007 B   | \$ 9,300         | 06/14/07       | 01/01/24      | SIFMA = 5.5%   | AA-                 |
| MF 2007 A   | 11,305           | 07/01/18       | 07/01/21      | SIFMA = 3%     | AA-                 |
| MF 2007 A   | 11,030           | 07/01/21       | 07/01/24      | SIFMA = 3%     | AA-                 |
| MF FHLB B-1 | 9,839            | 07/01/18       | 07/01/22      | USD LIBOR = 6% | AA-                 |
|             | <u>\$ 41,474</u> |                |               |                |                     |

*Investment Derivatives:* The Authority’s investment derivative instruments had the following maturities as of June 30, 2021 (expressed in thousands):

| Investment Type                    | Notional Value    | Fair Value    | Investment Maturities (in Years) |                 |
|------------------------------------|-------------------|---------------|----------------------------------|-----------------|
|                                    |                   |               | Less than 1                      | 1 - 5           |
| Investment derivative instruments: |                   |               |                                  |                 |
| Swaps                              | \$ 7,900          | \$ (348)      | \$ -                             | \$ (348)        |
| Forward MBS sales                  | 28,350            | (45)          | (45)                             | -               |
| MBS purchase commitments           | 125,803           | 1,169         | 1,169                            | -               |
| Total                              | <u>\$ 162,053</u> | <u>\$ 776</u> | <u>\$ 1,124</u>                  | <u>\$ (348)</u> |

*Fair Values of Derivatives:* The Authority’s fair value of derivative instruments outstanding at June 30, 2021, 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, 2021 | Change in Fair Value | Fair Value June 30, 2020 |
|------------------------------|------------|--------------------------|----------------------|--------------------------|
| Hedging derivatives:         |            |                          |                      |                          |
| SF 2015 B                    | Swap       | \$ (142)                 | \$ 70                | \$ (212)                 |
| SF 2015 B                    | Swap       | (372)                    | 477                  | (849)                    |
| SF 2016 B                    | Swap       | (64)                     | 49                   | (113)                    |
| SF 2016 E                    | Swap       | (254)                    | 64                   | (318)                    |
| SF 2017 D                    | Swap       | (398)                    | 223                  | (621)                    |
| SF 2018 B                    | Swap       | (885)                    | 402                  | (1,287)                  |
| SF 2018 D                    | Swap       | (822)                    | 367                  | (1,189)                  |
| SF 2019 B                    | Swap       | (1,206)                  | 764                  | (1,970)                  |
| SF 2019 E                    | Swap       | (156)                    | 391                  | (547)                    |
| SF 2020 B                    | Swap       | (338)                    | 549                  | (887)                    |
| SF 2020 E                    | Swap       | 353                      | 353                  | -                        |
| MF 2007 A                    | Cap        | 6                        | 6                    | -                        |
| MF 2007 B                    | Cap        | 1                        | (1)                  | 2                        |
| MF 2008 A                    | Swap       | (332)                    | 135                  | (467)                    |
| Total hedging derivatives    |            | <u>\$ (4,609)</u>        | <u>\$ 3,849</u>      | <u>\$ (8,458)</u>        |
| Investment derivatives:      |            |                          |                      |                          |
| NONE                         | Swap       | \$ (366)                 | \$ 227               | \$ (593)                 |
| NONE                         | Basis swap | 18                       | (1)                  | 19                       |
| NONE                         | Swap       | -                        | 12                   | (12)                     |
| Forward MBS sales            | Forward    | (45)                     | (53)                 | 8                        |
| MBS purchase commitments     | Commitment | 1,169                    | (1,283)              | 2,452                    |
| Total investment derivatives |            | <u>\$ 776</u>            | <u>\$ (1,098)</u>    | <u>\$ 1,874</u>          |

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### NOTES TO THE FINANCIAL STATEMENTS

The fair values, categorized by level of the fair value hierarchy, for the hedging and investment derivative instruments of the Authority, at June 30, 2021 follow (expressed in thousands):

| Derivative Type                   | Total      | Level 2    | Level 3 |
|-----------------------------------|------------|------------|---------|
| Hedging derivative instruments    | \$ (4,609) | \$ (4,609) | \$ -    |
| Investment derivative instruments | 776        | (393)      | 1,169   |

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

The fair value of the forward MBS sales 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 calculation, which represents the percentage of commitments that management estimates it will ultimately fund, takes into consideration historical data and loan-level data. The weighted average closing ratio at June 30, 2021, was 77.25%.

#### *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, 2021 was \$378,000. 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, 2021, the SIFMA swap index rate is 0.03% and US 1-month LIBOR is 0.1005%.

*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

## **STATE OF IOWA**

### **NOTES TO THE FINANCIAL STATEMENTS**

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

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

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### NOTES TO THE FINANCIAL STATEMENTS

#### NOTE 3 – TRANSFERS

Interfund transfers for the year ended June 30, 2021, consisted of the following (expressed in thousands):

| Transferred Out             | Transferred In    |                             |                   |                            |                           | Total               |
|-----------------------------|-------------------|-----------------------------|-------------------|----------------------------|---------------------------|---------------------|
|                             | General Fund      | Nonmajor Governmental Funds | University Funds  | Unemployment Benefits Fund | Nonmajor Enterprise Funds |                     |
| General Fund                | \$ -              | \$ 25,219                   | \$ 611,210        | \$ 237,470                 | \$ 2,071                  | \$ 875,970          |
| Tobacco Collections Fund    | 11,645            | -                           | -                 | -                          | -                         | 11,645              |
| Nonmajor Governmental Funds | 91,909            | 1,094                       | -                 | -                          | -                         | 93,003              |
| Unemployment Benefits Fund  | 5,102             | -                           | -                 | -                          | -                         | 5,102               |
| Nonmajor Enterprise Funds   | 151,937           | -                           | -                 | -                          | -                         | 151,937             |
| <b>Total</b>                | <b>\$ 260,593</b> | <b>\$ 26,313</b>            | <b>\$ 611,210</b> | <b>\$ 237,470</b>          | <b>\$ 2,071</b>           | <b>\$ 1,137,657</b> |

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

#### NOTE 4 – RECEIVABLES

Receivables at June 30, 2021, consisted of the following (expressed in thousands):

|                                 | Governmental Funds  | Proprietary Funds |                        |                     |
|---------------------------------|---------------------|-------------------|------------------------|---------------------|
|                                 |                     | Enterprise Funds  | Internal Service Funds | Component Units     |
| Accounts receivable:            |                     |                   |                        |                     |
| Taxes                           | \$ 796,320          | \$ 1,173          | \$ -                   | \$ -                |
| Pledges                         | 2,580               | -                 | -                      | 335,390             |
| Benefit overpayments            | -                   | 72,374            | -                      | -                   |
| Employer contributions          | -                   | 150,810           | -                      | -                   |
| Grants & contracts              | 1,486,755           | 1,491,902         | 429                    | -                   |
| Other                           | 1,022,033           | 125,647           | 2,884                  | 67,549              |
| Less:                           |                     |                   |                        |                     |
| Allowance for doubtful accounts | 793,877             | 992,685           | -                      | 6,802               |
| Discount to present value       | -                   | -                 | -                      | 32,255              |
| Accounts receivable (net)       | <u>\$ 2,513,811</u> | <u>\$ 849,221</u> | <u>\$ 3,313</u>        | <u>\$ 363,882</u>   |
| Current                         | \$ 2,409,623        | \$ 830,444        | \$ 3,313               | \$ 125,488          |
| Noncurrent                      | 104,188             | 18,777            | -                      | 238,394             |
| <b>Total</b>                    | <b>\$ 2,513,811</b> | <b>\$ 849,221</b> | <b>\$ 3,313</b>        | <b>\$ 363,882</b>   |
| Loans receivable:               |                     |                   |                        |                     |
| Loans receivable                | \$ 24,836           | \$ 48,449         | \$ -                   | \$ 2,508,565        |
| Less:                           |                     |                   |                        |                     |
| Allowance for doubtful accounts | 8,714               | 2,146             | -                      | 114,141             |
| Loans receivable (net)          | <u>\$ 16,122</u>    | <u>\$ 46,303</u>  | <u>\$ -</u>            | <u>\$ 2,394,424</u> |
| Current                         | \$ 5,150            | \$ 3,002          | \$ -                   | \$ 158,877          |
| Noncurrent                      | 10,972              | 43,301            | -                      | 2,235,547           |
| <b>Total</b>                    | <b>\$ 16,122</b>    | <b>\$ 46,303</b>  | <b>\$ -</b>            | <b>\$ 2,394,424</b> |

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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5 – INTERFUND BALANCES**

Interfund balances for the year ended June 30, 2021, consisted of the following (expressed in thousands):

| Due To Other Funds /<br>Advances From Other Funds | Due From Other Funds /Advances To Other Funds |                                    |                                   |                                  |                                 |                              | Total            |
|---|---|------------------------------------|-----------------------------------|----------------------------------|---------------------------------|------------------------------|------------------|
|   | General<br>Fund                               | Tobacco<br>Settlement<br>Authority | Nonmajor<br>Governmental<br>Funds | Unemployment<br>Benefits<br>Fund | Nonmajor<br>Enterprise<br>Funds | Internal<br>Service<br>Funds |                  |
| General Fund                                      | \$ -  | \$ -                               | \$ 2,115                          | \$ 237,840                       | \$ 180                          | \$ 83,251                    | \$323,386        |
| Tobacco Settlement Authority                      | 144   | -                                  | -                                 | -                                | -                               | -                            | 144              |
| Tobacco Collections Fund                          | -   | 43,540                             | -                                 | -                                | -                               | -                            | 43,540           |
| Nonmajor Governmental Funds                       | 34,570  | -                                  | 9                                 | -                                | 606                             | 2,012                        | 37,197           |
| Unemployment Benefits Fund                        | 1,626   | -                                  | -                                 | -                                | -                               | -                            | 1,626            |
| Nonmajor Enterprise Funds                         | 17,102  | -                                  | -                                 | -                                | -                               | 154                          | 17,256           |
| Internal Service Funds                            | 1,022   | -                                  | 363                               | -                                | 1                               | 15,231                       | 16,617           |
| Total   | <u>\$54,464</u>                               | <u>\$ 43,540</u>                   | <u>\$ 2,487</u>                   | <u>\$ 237,840</u>                | <u>\$ 787</u>                   | <u>\$100,648</u>             | <u>\$439,766</u> |

\$63.6 million is due from the General Fund to the Workers' Compensation Fund (an Internal Service Fund) to fund the cost of claims incurred. Remaining interfund balances result mainly from the time lag between the dates (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2021, was as follows (expressed in thousands):

|  | Beginning<br>Balance | Reclass-<br>ifications | Increases         | Decreases        | Ending<br>Balance    |
|--|----------------------|------------------------|-------------------|------------------|----------------------|
| <b>Governmental activities</b>               |                      |                        |                   |                  |                      |
| Capital assets not being depreciated:        |                      |                        |                   |                  |                      |
| Land   | \$ 978,092           | \$ 48                  | \$ 22,234         | \$ 1,593         | \$ 998,781           |
| Construction in progress                     | 94,205               | (75,833)               | 34,021            | -                | 52,393               |
| Computer software in progress                | 41,437               | (31,775)               | 67,178            | -                | 76,840               |
| Total capital assets not being depreciated   | <u>1,113,734</u>     | <u>(107,560)</u>       | <u>123,433</u>    | <u>1,593</u>     | <u>1,128,014</u>     |
| Capital assets being depreciated:            |                      |                        |                   |                  |                      |
| Infrastructure                               | 17,267,911           | 7,751                  | 1,079,050         | 14               | 18,354,698           |
| Buildings & improvements                     | 2,011,232            | 26,598                 | 18,332            | 17,146           | 2,039,016            |
| Machinery, equipment & vehicles              | 680,424              | 31,511                 | 51,906            | 29,856           | 733,985              |
| Land improvements                            | 105,767              | 9,925                  | 5,778             | 60               | 121,410              |
| Works of art & historical treasures          | 1,426                | -                      | -                 | -                | 1,426                |
| Computer software                            | 300,552              | 31,775                 | 18,433            | -                | 350,760              |
| Total capital assets being depreciated       | <u>20,367,312</u>    | <u>107,560</u>         | <u>1,173,499</u>  | <u>47,076</u>    | <u>21,601,295</u>    |
| Less accumulated depreciation for:           |                      |                        |                   |                  |                      |
| Infrastructure                               | 9,005,980            | -                      | 591,877           | 12               | 9,597,845            |
| Buildings & improvements                     | 929,803              | 144                    | 48,639            | 6,970            | 971,616              |
| Machinery, equipment & vehicles              | 440,542              | (144)                  | 48,728            | 27,601           | 461,525              |
| Land improvements                            | 37,882               | -                      | 3,426             | 60               | 41,248               |
| Works of art & historical treasures          | 312                  | -                      | 16                | -                | 328                  |
| Computer software                            | 103,192              | -                      | 26,738            | -                | 129,930              |
| Total accumulated depreciation               | <u>10,517,711</u>    | <u>-</u>               | <u>719,424</u>    | <u>34,643</u>    | <u>11,202,492</u>    |
| Total capital assets being depreciated (net) | <u>9,849,601</u>     | <u>107,560</u>         | <u>454,075</u>    | <u>12,433</u>    | <u>10,398,803</u>    |
| Governmental activities capital assets (net) | <u>\$ 10,963,335</u> | <u>\$ -</u>            | <u>\$ 577,508</u> | <u>\$ 14,026</u> | <u>\$ 11,526,817</u> |

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**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

|   | Beginning<br>Balance | Reclass-<br>ifications | Increases          | Decreases        | Ending<br>Balance   |
|---|----------------------|------------------------|--------------------|------------------|---------------------|
| <b>Business-type activities</b>               |                      |                        |                    |                  |                     |
| Capital assets not being depreciated:         |                      |                        |                    |                  |                     |
| Land  | \$ 99,658            | \$ -                   | \$ 642             | \$ -             | \$ 100,300          |
| Land improvements                             | 6,026                | -                      | -                  | -                | 6,026               |
| Library collections                           | 390,544              | -                      | 11,893             | 924              | 401,513             |
| Works of art                                  | 29,001               | -                      | 28                 | -                | 29,029              |
| Construction in progress                      | 364,834              | (395,765)              | 246,849            | 146              | 215,772             |
| Computer software in progress                 | 7,237                | (2,735)                | 4,033              | 63               | 8,472               |
| Total capital assets not being depreciated    | <u>897,300</u>       | <u>(398,500)</u>       | <u>263,445</u>     | <u>1,133</u>     | <u>761,112</u>      |
| Capital assets being depreciated:             |                      |                        |                    |                  |                     |
| Infrastructure                                | 1,215,157            | 35,265                 | -                  | -                | 1,250,422           |
| Buildings & improvements                      | 7,318,325            | 347,654                | 22                 | 13,054           | 7,652,947           |
| Machinery, equipment & vehicles               | 1,368,176            | -                      | 98,251             | 71,060           | 1,395,367           |
| Land improvements                             | 103,162              | 12,846                 | -                  | -                | 116,008             |
| Library collections                           | 309,381              | -                      | 7,623              | 15,441           | 301,563             |
| Computer software                             | 168,444              | 2,735                  | 2,274              | 1,058            | 172,395             |
| Goodwill                                      | 2,302                | -                      | -                  | -                | 2,302               |
| Trademarks                                    | 107                  | -                      | -                  | -                | 107                 |
| Total capital assets being depreciated        | <u>10,485,054</u>    | <u>398,500</u>         | <u>108,170</u>     | <u>100,613</u>   | <u>10,891,111</u>   |
| Less accumulated depreciation for:            |                      |                        |                    |                  |                     |
| Infrastructure                                | 732,826              | -                      | 37,035             | -                | 769,861             |
| Buildings & improvements                      | 3,304,129            | -                      | 236,232            | 9,234            | 3,531,127           |
| Machinery, equipment & vehicles               | 946,470              | -                      | 100,226            | 66,015           | 980,681             |
| Land improvements                             | 62,646               | -                      | 5,125              | -                | 67,771              |
| Library collections                           | 260,907              | -                      | 9,199              | 10,672           | 259,434             |
| Computer software                             | 98,027               | -                      | 13,208             | 1,058            | 110,177             |
| Goodwill                                      | 1,450                | -                      | 153                | -                | 1,603               |
| Trademarks                                    | 67                   | -                      | 7                  | -                | 74                  |
| Total accumulated depreciation                | <u>5,406,522</u>     | <u>-</u>               | <u>401,185</u>     | <u>86,979</u>    | <u>5,720,728</u>    |
| Total capital assets being depreciated (net)  | <u>5,078,532</u>     | <u>398,500</u>         | <u>(293,015)</u>   | <u>13,634</u>    | <u>5,170,383</u>    |
| Business-type activities capital assets (net) | <u>\$ 5,975,832</u>  | <u>\$ -</u>            | <u>\$ (29,570)</u> | <u>\$ 14,767</u> | <u>\$ 5,931,495</u> |

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

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

|  |                   |
|--|-------------------|
| Governmental activities:   |                   |
| Administration & regulation  | \$ 12,169         |
| Education  | 7,644             |
| Health & human rights  | 8,460             |
| Human services   | 20,512            |
| Justice & public defense   | 46,431            |
| Economic development   | 861               |
| Transportation   | 592,210           |
| Agriculture & natural resources  | <u>11,800</u>     |
| Subtotal   | 700,087           |
| Depreciation on capital assets held by the State's<br>internal service funds is allocated to the various<br>functions based on their use of the assets | <u>19,337</u>     |
| Total  | <u>\$ 719,424</u> |
| Business-type activities:  |                   |
| Enterprise   | <u>\$ 401,185</u> |

#### Discretely Presented Component Units (expressed in thousands)

|   |                   |
|---|-------------------|
| Capital assets not being depreciated:                     |                   |
| Land  | \$ 19,530         |
| Construction in progress                                  | 15,454            |
| Goodwill  | <u>495</u>        |
| Total capital assets not being depreciated                | <u>35,479</u>     |
| Capital assets being depreciated:                         |                   |
| Infrastructure  | 28,663            |
| Buildings & improvements                                  | 163,918           |
| Machinery, equipment & vehicles                           | 16,825            |
| Land improvements   | 700               |
| Computer software   | <u>1,803</u>      |
| Total capital assets being depreciated                    | 211,909           |
| Less accumulated depreciation                             | <u>90,313</u>     |
| Total capital assets being depreciated (net)              | <u>121,596</u>    |
| Discretely presented component units capital assets (net) | <u>\$ 157,075</u> |

## 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, 2021, are summarized as follows (expressed in thousands):

|  | Beginning<br>Balance | Additions           | Deductions          | Ending<br>Balance   | Amounts<br>due within<br>one year |
|--|----------------------|---------------------|---------------------|---------------------|-----------------------------------|
| <b>Governmental activities</b>                         |                      |                     |                     |                     |                                   |
| Compensated absences                                   | \$ 310,751           | \$ 155,441          | \$ 143,914          | \$ 322,278          | \$ 143,377                        |
| Capital leases   | 24,192               | 547                 | 4,210               | 20,529              | 4,363                             |
| Bonds payable  | 1,385,066            | 864,405             | 968,471             | 1,281,000           | 69,884                            |
| Other financing arrangements payable                   | 321                  | 600                 | 421                 | 500                 | 121                               |
| Net pension liability                                  | 907,072              | 173,263             | 246,623             | 833,712             | -                                 |
| Other postemployment benefits liability                | 202,405              | 652                 | -                   | 203,057             | 11,627                            |
| Early retirement/termination benefits                  | 20,780               | 10,814              | 10,902              | 20,692              | 8,996                             |
| Risk management  | 25,000               | 12,168              | 12,168              | 25,000              | 12,576                            |
| Pollution remediation                                  | 6,321                | -                   | 1,018               | 5,303               | 2,148                             |
| Other liabilities                                      | 627                  | -                   | 61                  | 566                 | 61                                |
| <b>Total *</b>   | <b>2,882,535</b>     | <b>1,217,890</b>    | <b>1,387,788</b>    | <b>2,712,637</b>    | <b>253,153</b>                    |
| <b>Allocation of Internal Service</b>                  |                      |                     |                     |                     |                                   |
| <b>Funds liabilities:</b>                              |                      |                     |                     |                     |                                   |
| Compensated absences                                   | 5,930                | 3,212               | 2,632               | 6,510               | 2,965                             |
| Net pension liability                                  | 17,651               | 3,445               | -                   | 21,096              | -                                 |
| Other postemployment benefits liability                | 3,650                | 110                 | -                   | 3,760               | 215                               |
| Early retirement/termination benefits                  | 527                  | 48                  | 212                 | 363                 | 183                               |
| <b>Total</b>   | <b>27,758</b>        | <b>6,815</b>        | <b>2,844</b>        | <b>31,729</b>       | <b>3,363</b>                      |
| Total primary government -<br>governmental activities  | <u>\$ 2,910,293</u>  | <u>\$ 1,224,705</u> | <u>\$ 1,390,632</u> | <u>\$ 2,744,366</u> | <u>\$ 256,516</u>                 |
| <b>Business-type activities</b>                        |                      |                     |                     |                     |                                   |
| Compensated absences                                   | \$ 239,071           | \$ 155,116          | \$ 135,862          | \$ 258,325          | \$ 129,338                        |
| Capital leases   | 22,469               | 2,524               | 2,501               | 22,492              | 2,870                             |
| Bonds payable  | 1,805,709            | 146,645             | 188,506             | 1,763,848           | 155,818                           |
| Other financing arrangements payable                   | 14,870               | 25,319              | 13,276              | 26,913              | 943                               |
| Net pension liability                                  | 171,021              | 51,345              | -                   | 222,366             | -                                 |
| Other postemployment benefits liability                | 254,067              | 7,895               | -                   | 261,962             | 18,631                            |
| Early retirement/termination benefits                  | 199                  | 315                 | 138                 | 376                 | 128                               |
| Total primary government -<br>business-type activities | <u>\$ 2,507,406</u>  | <u>\$ 389,159</u>   | <u>\$ 340,283</u>   | <u>\$ 2,556,282</u> | <u>\$ 307,728</u>                 |

\* The General Fund has typically been used to liquidate most long-term liabilities, except for \$659.6 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 15.40% 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<br>June 30, | Principal        | Interest        |
|-------------------------|------------------|-----------------|
| 2022                    | \$ 4,363         | \$ 398          |
| 2023                    | 4,456            | 297             |
| 2024                    | 3,905            | 191             |
| 2025                    | 3,914            | 128             |
| 2026                    | 3,891            | 64              |
| Total                   | <u>\$ 20,529</u> | <u>\$ 1,078</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):

|                          |                 |
|--------------------------|-----------------|
| Equipment                | \$ 3,341        |
| Accumulated depreciation | <u>(1,121)</u>  |
| Net                      | <u>\$ 2,220</u> |

##### *Business-type Activities*

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

| Year Ending<br>June 30, | Principal        | Interest        |
|-------------------------|------------------|-----------------|
| 2022                    | \$ 2,870         | \$ 696          |
| 2023                    | 2,969            | 851             |
| 2024                    | 2,642            | 733             |
| 2025                    | 2,676            | 623             |
| 2026                    | 2,625            | 510             |
| 2027-2031               | 8,412            | 1,178           |
| Thereafter              | 298              | 17              |
| Total                   | <u>\$ 22,492</u> | <u>\$ 4,608</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 | \$ 35,199        |
| Equipment                | <u>2,007</u>     |
| Total                    | 37,206           |
| Accumulated depreciation | <u>(10,859)</u>  |
| Net                      | <u>\$ 26,347</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 \$500,000 with an interest rate of 2.00%. The following is a schedule by year of the future minimum payments required (expressed in thousands):

| Year Ending<br>June 30, | Principal | Interest |
|-------------------------|-----------|----------|
| 2022                    | \$ 121    | \$ 10    |
| 2023                    | 124       | 8        |
| 2024                    | 126       | 5        |
| 2025                    | 129       | 2        |
| Total                   | \$ 500    | \$ 25    |

***Business-type Activities***

University of Northern Iowa and the University of Iowa have entered into agreements for buildings and equipment for a total of \$28,419,000 with interest rates ranging from 0.00% to 3.19%. The following is a schedule by year of future minimum payments required (expressed in thousands):

| Year Ending<br>June 30, | Principal | Interest  |
|-------------------------|-----------|-----------|
| 2022                    | \$ 943    | \$ 1,164  |
| 2023                    | 2,060     | 1,313     |
| 2024                    | 2,314     | 1,224     |
| 2025                    | 2,651     | 1,132     |
| 2026                    | 2,124     | 1,042     |
| 2027-2031               | 9,929     | 3,913     |
| 2032-2036               | 3,446     | 2,231     |
| Thereafter              | 3,446     | 836       |
| Total                   | \$ 26,913 | \$ 12,855 |

(Notes continue on next page.)

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 10 – BONDS PAYABLE

Revenue bonds payable at June 30, 2021, are as follows (expressed in thousands):

|   | <b>ISSUE<br/>DATES</b> | <b>ORIGINAL<br/>ISSUANCE</b> | <b>INTEREST<br/>RATES</b> | <b>MATURITY<br/>DATE<br/>RANGE</b> | <b>OUTSTANDING<br/>PRINCIPAL</b> |
|---|------------------------|------------------------------|---------------------------|------------------------------------|----------------------------------|
| <b>PRIMARY GOVERNMENT</b>               |                        |                              |                           |                                    |                                  |
| <b>Governmental activities</b>          |                        |                              |                           |                                    |                                  |
| Revenue bonds                           |                        |                              |                           |                                    |                                  |
| <i>Term bonds</i>                       |                        |                              |                           |                                    |                                  |
| Tobacco Settlement Authority            | 2021                   | \$ 308,255                   | .375-4.00                 | 2030-2049                          | \$ 279,650                       |
| <i>Serial bonds</i>                     |                        |                              |                           |                                    |                                  |
| Refunding, Prison Infrastructure - 2016 | 2017                   | 79,790                       | 5.00                      | 2021-2027                          | 69,990                           |
| Refunding, IJOBS - 2016                 | 2017                   | 265,425                      | 2.00-5.00                 | 2017-2029                          | 172,745                          |
| Refunding, IJOBS - 2019                 | 2019                   | 143,675                      | 5.00                      | 2029-2034                          | 143,675                          |
| Refunding, Iowa Utilities Board - 2020  | 2020                   | 7,230                        | 1.88                      | 2021-2029                          | 6,490                            |
| Refunding, IJOBS - 2020                 | 2021                   | 90,825                       | 5.00                      | 2021-2034                          | 87,695                           |
| Tobacco Settlement Authority            | 2021                   | 106,610                      | .51-5.00                  | 2021-2040                          | 104,550                          |
| Total                                   |                        |                              |                           |                                    | <u>585,145</u>                   |
| <i>Capital appreciation bonds</i>       |                        |                              |                           |                                    |                                  |
| Tobacco Settlement Authority (2)        | 2021                   | \$ 1,607,504                 | 4.00-4.05                 | 2049-2065                          | 1,607,540                        |
| Total revenue bonds                     |                        |                              |                           |                                    | <u>2,472,335</u>                 |
| Unamortized premium                     |                        |                              |                           |                                    | 140,801                          |
| Unamortized appreciation discount       |                        |                              |                           |                                    | (1,332,136)                      |
| Total governmental activities           |                        |                              |                           |                                    | <u>\$ 1,281,000</u>              |
| <b>Business-type activities</b>         |                        |                              |                           |                                    |                                  |
| Revenue bonds                           |                        |                              |                           |                                    |                                  |
| University of Iowa                      | 2010-2021              | \$ 1,373,930                 | 0.30-5.00                 | 2012-2050                          | \$ 1,103,420                     |
| Iowa State University                   | 2009-2021              | 617,200                      | 1.50-5.00                 | 2011-2043                          | 490,870                          |
| University of Northern Iowa             | 2012-2020              | 148,103                      | 1.00-5.00                 | 2012-2040                          | 106,216                          |
| Total revenue bonds                     |                        |                              |                           |                                    | <u>1,700,506</u>                 |
| Unamortized premium                     |                        |                              |                           |                                    | 64,242                           |
| Unamortized discount                    |                        |                              |                           |                                    | (900)                            |
| Total business-type activities          |                        |                              |                           |                                    | <u>\$ 1,763,848</u>              |
| <b>COMPONENT UNITS</b>                  |                        |                              |                           |                                    |                                  |
| Revenue bonds                           |                        |                              |                           |                                    |                                  |
| Iowa Finance Authority                  | 2007-2021              | \$ 3,164,316                 | variable (1)              | 2012-2052                          | \$ 2,342,997                     |
| Unamortized premium                     |                        |                              |                           |                                    | <u>268,908</u>                   |
| Total component units                   |                        |                              |                           |                                    | <u>\$ 2,611,905</u>              |

(1) Variable rates are as of June 30, 2021

(2) Accreted value at maturity

# 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 100% of total deposits into the Vision Iowa Fund. Principal and interest paid for the current year and total deposits into the Vision Iowa Fund were \$15.7 million and \$0.5 million, respectively. As of June 30, 2021, there is no principal and interest remaining to be paid on the debt.

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

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

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

On April 13, 2021, the Authority issued Tobacco Settlement Asset-Backed, Series 2021 Senior Bonds to refund Tobacco Settlement Asset-Backed Series 2005 Bonds, in the par amount of \$2,022.4 million. The Authority has pledged, as the sole security for the bonds, 78% of the future TSRs payable under the terms of the Sales Agreement, investment earnings on certain accounts pledged under the bond indenture and amounts held in accounts established under the bond indenture (i.e. collection, debt service reserve, turbo redemption, etc.). As of June 30, 2021, total principal and interest remaining on the debt is \$2,151.1 million with annual requirements ranging from \$49.1 million in 2022 to \$1,607.5 million in the final year. For the current year, principal and interest paid by the Authority and the total TSRs recognized by the State were \$127.6 million and \$52.9 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 – 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.

In September 2020, the State issued \$90.8 million of IJOBS Program Special Obligation Refunding Bonds, Series 2020A, with an interest rate of 5.00%, to refund the outstanding State of Iowa IJOBS Program Special Obligation Bonds, Taxable Series 2010A bonds. \$117.8 million of proceeds and \$3.6 million of existing reserve funds were used to refund the \$121.4 million on Series 2010A bonds. The advanced 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 \$41.4 million; and reduced the aggregate debt service payments by \$46.7 million over the next 13 years.

There were no principal and interest paid in the current year for the Series 2010A bonds. As of June 30, 2021, there is no principal or interest remaining to be paid on the Series 2010A Bonds.

#### ***Refunding, Prison Infrastructure – 2016***

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

The State of Iowa has issued Special Obligation Refunding Bonds (Prison Infrastructure Fund), Series 2016 to advance refund a portion of the outstanding Special Obligation Bonds (Prison Infrastructure Fund), Series 2010 and to pay certain costs of issuance. The State has pledged all funds deposited in the Prison Infrastructure Fund from fines, fees, costs, and forfeited bail collected by the clerks of the district court in criminal cases, including those collected for both scheduled and nonscheduled violations, but excluding fines and fees attributable to commercial vehicle violation citations not reverting to the State's General Fund at the end of each fiscal year, plus interest earnings on moneys in the Prison Infrastructure Fund to repay \$79.8 million in refunding bonds issued in July 2016. The bonds are payable from the Debt Service Reserve Fund and are payable through fiscal year 2027. Annual principal and interest payments on the bonds are expected to require less than 91.5% of total deposits into the Prison Infrastructure Fund. As of June 30, 2021, total principal and interest remaining to be paid on the debt is \$82.7 million. Principal and interest paid in the current year and total deposits into the Prison Infrastructure Fund were \$13.8 million and \$15.1 million, respectively.

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

#### ***Refunding, IJOBS – 2016***

The State of Iowa has issued IJOBS Program Special Obligation Refunding Bonds, Series 2016A to refund the IJOBS Program Special Obligation Bonds, Series 2009A, fund a Bond Reserve Fund and pay costs of issuance. The State has pledged a portion of future revenues to repay \$265.4 million of bonds issued in July 2016. These revenues include amounts to be deposited in the Revenue Bonds Debt Service Fund, including a standing appropriation of \$55.0 million annually from gaming revenues which would otherwise be deposited in the State's General Fund and, to the extent of any shortfall in gaming revenues, beer and liquor revenues. The bonds are payable from the Bond Reserve Fund including any amounts appropriated to replenish such fund and are payable through fiscal year 2029. Annual principal and interest payments on the bonds are expected to require less than 52.9% of total deposits into the Revenue Bonds Debt Service Fund. As of June 30, 2021, total principal and interest remaining to be paid on the debt is \$208.5 million. Principal and interest paid for the current year and total deposits into the Revenue Bonds Debt Service Fund were \$29.1 million and \$55.0 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. Annual principal and interest payments on the bonds are expected to require less than 13.1% of total deposits into the Revenue Bonds Debt Service Fund. As of June 30, 2021, total principal and interest remaining to be paid on the debt is \$221.0 million. Interest paid for the current year and total deposits into the Revenue Bonds Debt Service Fund were \$7.2 million and \$55.0 million, respectively.

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

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

The State of Iowa has issued Iowa Utilities Board and Consumer Advocate State Building Special Obligation Refunding Bonds, Series 2020 to refund the Iowa Utilities Board and Consumer Advocate State Building Special Obligation Bonds, Series 2009, fund a Debt Service Reserve Fund, and pay certain costs of issuance. The Series 2020 bonds will be payable solely and only out of moneys, assets, or revenues of the Chargeable Expenses Fund (as defined in Iowa Code Section 12.91(1)(c)). In accordance with Iowa Code Section 12.91, the Treasurer shall deposit in the Chargeable Expenses Fund all amounts collected by the Iowa Utilities Board in accordance with Iowa Code Sections 476.10 and 476.10B as chargeable expenses in each fiscal year until the amount on deposit in the Chargeable Expenses Fund is equal to the amount of principal and interest on the Series 2020 bonds due in that

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

fiscal year. The bonds are payable from the Bond Fund and are payable through fiscal year 2029. As of June 30, 2021, total principal and interest remaining to be paid on the debt is \$7.1 million.

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

#### ***Refunding, IJOBS 2020***

The State of Iowa has issued IJOBS Program Special Obligation Refunding Bonds, Series 2020A to refund the IJOBS program Special Obligation Bonds, Taxable Series 2010A, fund a Bond Reserve Fund and pay costs of issuance. The State has pledged a portion of future revenues to repay \$90.8 million of bonds issued in September 2020. These revenues include amounts to be deposited in the Revenue Bonds Debt Service Fund, including a standing appropriation of \$55.0 million annually from gaming revenues which would otherwise be deposited in the State's General fund and, to the extent of any shortfall in gaming revenues, beer and liquor revenues. The bonds are payable from the Bond Reserve Fund including any amounts appropriated to replenish such fund and are payable through fiscal year 2034. Annual principal and interest payments on the bonds are expected to require less than 11.3% of total deposits into the Revenue Bonds Debt Service Fund. As of June 30, 2021, total principal and interest remaining to be paid on the debt is \$124.5 million. Principal and interest paid for the current year and total deposits into the Revenue Bonds Debt Service Fund were \$6.2 million and \$55.0 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.

#### ***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, 2021, bonds totaling \$195.7 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<br>June 30, | Principal          | Interest          |
|-------------------------|--------------------|-------------------|
| 2022                    | \$ 69,884          | \$ 38,186         |
| 2023                    | 67,669             | 35,616            |
| 2024                    | 69,983             | 32,700            |
| 2025                    | 72,783             | 29,664            |
| 2026                    | 75,783             | 26,480            |
| 2027-2031               | 255,623            | 88,557            |
| 2032-2036               | 140,965            | 37,574            |
| 2037-2041               | 36,765             | 19,590            |
| 2042-2046               | 44,385             | 11,651            |
| 2047-2051               | 30,955             | 2,508             |
| 2052-2056               | -                  | -                 |
| 2057-2061               | -                  | -                 |
| Thereafter              | 1,607,540          | -                 |
| Total                   | <u>\$2,472,335</u> | <u>\$ 322,526</u> |

#### **B. Primary Government – Business-type Activities**

##### **Universities**

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

- \$6.8 million of Academic Building Revenue Bonds, Series S.U.I 2020, with an average interest rate of 3.45% and accrued interest of \$19,000 to current refund \$7.8 million of outstanding Academic Building Revenue Bonds, Series S.U.I 2010, with interest rates ranging between 3.35% and 4.20%. Net bond proceeds of \$7.9 million were placed in an escrow account with the University as trustee. The escrow account was sufficient to fully service all remaining principal and interest due on the bonds. The Academic Building Revenue Refunding Bonds, Series S.U.I 2010 were called on October 1, 2020. The refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of \$1.5 million; and reduced the aggregate debt service payments by \$1.6 million over the next 12 years.
- \$20.9 million of Hospital Revenue Refunding Bonds, Series S.U.I. 2020, with an average interest reate of 3.03% and accrued interest of \$53,000 to current refund \$23.3 million of outstanding Hospital Revenue Bonds, Series S.U.I. 2010, with interest rates ranging between 3.38% and 4.50%. Net bond proceeds of \$23.8 million were placed in an escrow account with the University as trustee. The escrow account was sufficient to fully service all remaining principal and interest due on the bonds. The Hospital Revenue Refunding Bonds, Series S.U.I 2010 were called on September 1, 2020. The refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of \$5.3 million; and reduced the aggregate debt service payments by \$5.7 million over the next 16 years.
- \$13.6 million of Athletics Facilities Revenue Refunding Bonds, Series S.U.I. 2021, with an average interest rate of 3.03% and accrued interest of \$16,000 to current refund \$15.2 million of outstanding Athletic Facilities Revenue Bonds, Series S.U.I. 2010, with interest rates ranging between 3.00% and 4.00%. Net bond proceeds of \$15.6 million were placed in an escrow account with the University as trustee. The escrow account is sufficient to fully service all remaining principal and interest due on the bonds. The Athletic Facilities Revenue Refunding Bonds, Series S.U.I. 2010 will be called on July 1, 2021. The refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of \$2.7 million; and reduced the aggregate debt service payments by \$2.7 million over the next 15 years.
- \$5.8 million of Telecommunications Facilities Revenue Refunding Bonds, Series S.U.I. 2021, with an average interest rate of the 3.51% and accrued interest of \$8,000 to current refund \$7.6 million of outstanding Telecommunications Facilities Revenue Bonds, Series S.U.I 2011, with interest rates ranging between 3.00% and 4.50%. Net bond proceeds of \$6.7 million were placed in an escrow account with the University as trustee. The escrow account is sufficient to fully service all remaining principal and interest due on the

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

bonds. The Telecommunications Facilities Revenue Refunding Bonds, Series S.U.I. 2011 will be called on July 1, 2021. The refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of \$1.5 million; and reduced the aggregate debt service payments by \$1.5 million over the next 11 years.

- \$31.2 million of University of Iowa Facilities Corporation Revenue Refunding Bonds, Series 2021, with an average interest rate of 3.73% and accrued interest of \$45,000 to current refund \$6.4 million of outstanding University of Iowa Facilities Corporation Revenue Refunding Bonds (Roy J. and Lucille A. Carver Biomedical Research Building Project), Series 2012, with an interest rate of 3.00%, \$13.1 million of outstanding University of Iowa Facilities Corporation Revenue Refunding Bonds (Roy J. and Lucille A. Carver Biomedical Research Building Project), Series 2012 A, with interest rates ranging between 3.00% and 3.38%, and \$20.4 million of outstanding University of Iowa Facilities Corporation Revenue Bonds (John and May Pappajohn Biomedical Discover Building Project), Series 2012, with interest rates ranging between 2.00% and 3.30%. Net bond proceeds of \$36.4 million were placed in an escrow account with the University as trustee. The escrow account is sufficient to fully service all remaining principal and interest due on the bonds. The University of Iowa Facilities Corporation Revenue Bonds will be called on July 1, 2021. The refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of \$5.4 million; and reduced the aggregate debt service payments by \$5.7 million over the next 17 years.

In prior years, the *University of Iowa* defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the State's financial statements. As of June 30, 2021, bonds totaling \$113.3 million for the University of Iowa were considered defeased.

During the current year, *Iowa State University* issued \$23.0 million of Academic Building Revenue Refunding Bonds, Series I.S.U 2020. The bond proceeds were placed in an irrevocable trust to refund \$26.0 million of Academic Building Refunding Revenue Bonds, Series I.S.U. 2010. The current refunding of these bonds permitted the University to realize an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$5.7 million and will reduce future aggregate debt service payments by \$6.1 million over the next 14 years.

During the current year, the *University of Northern Iowa* issued \$14.5 million of Dormitory Revenue Bonds, Series U.N.I. 2017, with an interest rate of 2.00%. The proceeds were used to advance refund \$24.9 million of outstanding Dormitory Revenue Bonds, Series U.N.I 2001, with interest rates ranging between 2.00% and 4.00% and pay the costs of issuing the Bonds. Net bond proceeds of \$15.3 million were placed in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. The Dormitory Revenue Bonds, Series U.N.I. 2011 were called on July 1, 2021. The advanced refunding resulted in an economic gain of \$1.4 million and reduced the aggregate debt service payments by \$1.9 million over the next 13 years.

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, 2021, bonds totaling \$16.2 million for the University of Northern Iowa were considered defeased.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

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

| Year Ending<br>June 30, | Principal    | Interest   |
|-------------------------|--------------|------------|
| 2022                    | \$ 155,818   | \$ 54,158  |
| 2023                    | 99,180       | 50,772     |
| 2024                    | 103,560      | 47,265     |
| 2025                    | 106,301      | 43,557     |
| 2026                    | 104,996      | 39,796     |
| 2027-2031               | 506,227      | 142,974    |
| 2032-2036               | 404,573      | 66,093     |
| 2037-2041               | 186,135      | 17,163     |
| 2042-2046               | 26,970       | 2,392      |
| Thereafter              | 6,746        | 447        |
| Total                   | \$ 1,700,506 | \$ 464,617 |

#### 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 five new bond series totaling \$533.5 million to purchase mortgage-backed securities (MBS) and State Revolving Fund (SRF) loans. The Authority made bond payments of \$250.2 million.

On June 28, 2021, the Authority placed cash into an irrevocable trust to provide funds for debt service payments on July 1, 2021. Cash for the irrevocable trust came from \$7.3 million of Single-Family Mortgage bonds that were issued on June 17, 2021, in addition to \$0.2 million contributed from accounts related to the defeased debt. The funds required for this transaction equaled the net carrying value of the defeased debt.

In prior years, the Authority defeased certain SRF revenue bonds by issuing bonds to provide resources to purchase investment securities that were placed into an irrevocable trust to provide funds for future debt service payments. The irrevocable trust account assets and the liabilities for the defeased bonds are not included in the Authority's financial statements. As of June 30, 2021, bonds totaling \$214.9 million were considered defeased.

**STATE OF IOWA**

**NOTES TO THE FINANCIAL STATEMENTS**

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

| Year Ending<br>June 30, | Principal          | Interest            |
|-------------------------|--------------------|---------------------|
| 2022                    | \$ 74,276          | \$ 81,760           |
| 2023                    | 86,395             | 82,753              |
| 2024                    | 99,039             | 79,553              |
| 2025                    | 96,109             | 76,237              |
| 2026                    | 107,231            | 72,842              |
| 2027-2031               | 491,500            | 308,141             |
| 2032-2036               | 503,720            | 204,801             |
| 2037-2041               | 467,345            | 105,817             |
| 2042-2046               | 264,617            | 42,032              |
| 2047-2051               | 146,310            | 10,175              |
| Thereafter              | 6,455              | 109                 |
| Total                   | <u>\$2,342,997</u> | <u>\$ 1,064,220</u> |

(Notes continue on next page.)

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

#### NOTE 11 – ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals at June 30, 2021, consisted of the following (expressed in thousands):

|                                       | Current      | Noncurrent |
|---------------------------------------|--------------|------------|
| <b>PRIMARY GOVERNMENT</b>             |              |            |
| <b>Governmental activities</b>        |              |            |
| Salaries & fringes                    | \$ 29,549    | \$ -       |
| Early retirement/termination benefits | 9,179        | 11,876     |
| Risk management                       | 12,576       | 12,424     |
| Pollution remediation                 | 2,148        | 3,155      |
| State aid                             | 759,756      | -          |
| Trade & other payables                | 868,004      | 45,586     |
| Total governmental activities         | \$ 1,681,212 | \$ 73,041  |
| <b>Business-type activities</b>       |              |            |
| Salaries & fringes                    | \$ 285,778   | \$ -       |
| Early retirement/termination benefits | 128          | 248        |
| General claims                        | 79,508       | -          |
| Unemployment benefits                 | 44,555       | -          |
| Trade & other payables                | 301,178      | 42,570     |
| Total business-type activities        | \$ 711,147   | \$ 42,818  |
| <b>COMPONENT UNITS</b>                |              |            |
| Annuity & life income obligations     | \$ 354       | \$ 24,842  |
| Lotto prizes & annuity prizes payable | 5,360        | 896        |
| Other                                 | 78,039       | 38,062     |
| Total component units                 | \$ 83,753    | \$ 63,800  |

#### **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, 2021, pollution remediation obligations totaled \$5.3 million for the Iowa Petroleum Underground Storage Tank Program.

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

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

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 12 – NET POSITION/GOVERNMENTAL FUND BALANCES

#### A. Net Position Restricted By Enabling Legislation

The Governmental Activities Statement of Net Position reports \$880.0 million of Restricted Net Position, of which \$27.1 million is restricted by enabling legislation.

#### B. Governmental Fund Balances

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

The nonspendable and spendable fund balances for governmental funds at June 30, 2021, are as follows (expressed in thousands):

|                                  | GENERAL<br>FUND     | TOBACCO<br>SETTLEMENT<br>AUTHORITY | TOBACCO<br>COLLECTIONS<br>FUND | NONMAJOR<br>GOVERNMENTAL<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|----------------------------------|---------------------|------------------------------------|--------------------------------|-----------------------------------|--------------------------------|
| <b>NONSPENDABLE</b>              |                     |                                    |                                |                                   |                                |
| Inventory & prepaid expenditures | \$ 122,285          | \$ -                               | \$ -                           | \$ 510                            | \$ 122,795                     |
| Permanent fund principal         | -                   | -                                  | -                              | 16,150                            | 16,150                         |
| Total nonspendable               | 122,285             | -                                  | -                              | 16,660                            | 138,945                        |
| <b>SPENDABLE</b>                 |                     |                                    |                                |                                   |                                |
| Restricted:                      |                     |                                    |                                |                                   |                                |
| Administration & regulation      | 209,888             | 75,066                             | -                              | 4,817                             | 289,771                        |
| Education                        | 46,659              | -                                  | -                              | 65,764                            | 112,423                        |
| Health & human rights            | 9,878               | -                                  | -                              | 2,514                             | 12,392                         |
| Human services                   | 9,200               | -                                  | -                              | 36                                | 9,236                          |
| Justice & public defense         | 23,557              | -                                  | -                              | 4,725                             | 28,282                         |
| Economic development             | 9                   | -                                  | -                              | -                                 | 9                              |
| Transportation                   | 379,851             | -                                  | -                              | 5,514                             | 385,365                        |
| Agriculture & natural resources  | 604                 | -                                  | -                              | 47                                | 651                            |
| Total restricted                 | 679,646             | 75,066                             | -                              | 83,417                            | 838,129                        |
| Committed:                       |                     |                                    |                                |                                   |                                |
| Cash reserve                     | 587,868             | -                                  | -                              | -                                 | 587,868                        |
| Economic emergency               | 207,547             | -                                  | -                              | -                                 | 207,547                        |
| Administration & regulation      | 1,822,844           | -                                  | -                              | 5,683                             | 1,828,527                      |
| Education                        | 50,310              | -                                  | -                              | 17                                | 50,327                         |
| Health & human rights            | 75,913              | -                                  | -                              | 20                                | 75,933                         |
| Human services                   | 314,951             | -                                  | -                              | 20,261                            | 335,212                        |
| Justice & public defense         | 89,143              | -                                  | -                              | 3,203                             | 92,346                         |
| Economic development             | 19,339              | -                                  | -                              | -                                 | 19,339                         |
| Transportation                   | 43,839              | -                                  | -                              | 120                               | 43,959                         |
| Agriculture & natural resources  | 137,199             | -                                  | -                              | 10,886                            | 148,085                        |
| Total committed                  | 3,348,953           | -                                  | -                              | 40,190                            | 3,389,143                      |
| Unassigned                       | (398,227)           | -                                  | (43,540)                       | (50)                              | (441,817)                      |
| <b>TOTAL FUND BALANCES</b>       | <b>\$ 3,752,657</b> | <b>\$ 75,066</b>                   | <b>\$ (43,540)</b>             | <b>\$ 140,217</b>                 | <b>\$ 3,924,400</b>            |

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

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

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

### **NOTE 13 – OPERATING LEASES**

The State has leased office space and equipment. These leases have been classified as operating leases and expire before June 30, 2051. 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<br>June 30, |                  |
|-------------------------|------------------|
| 2022                    | \$ 11,936        |
| 2023                    | 9,781            |
| 2024                    | 6,791            |
| 2025                    | 5,054            |
| 2026                    | 3,411            |
| 2027-2031               | 6,350            |
| 2032-2036               | 688              |
| 2037-2041               | 352              |
| 2042-2046               | 17               |
| Thereafter              | <u>2</u>         |
| Total                   | <u>\$ 44,382</u> |

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

Rental expense for the year ended June 30, 2021 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$14.8 million. Rental expense has not been adjusted for sublease rentals totaling \$0.6 million for the year ended June 30, 2021.

##### ***Business-type Activities***

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

| Year Ending<br>June 30, |                   |
|-------------------------|-------------------|
| 2022                    | \$ 20,074         |
| 2023                    | 18,539            |
| 2024                    | 17,545            |
| 2025                    | 12,013            |
| 2026                    | 10,348            |
| 2027-2031               | 40,775            |
| 2032-2036               | 13,489            |
| Thereafter              | <u>436</u>        |
| Total                   | <u>\$ 133,219</u> |

Rental expense for the year ended June 30, 2021 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$20.1 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<br>June 30, |                  |
|-------------------------|------------------|
| 2022                    | \$ 2,025         |
| 2023                    | 1,949            |
| 2024                    | 1,469            |
| 2025                    | 1,382            |
| 2026                    | 1,416            |
| 2027-2031               | 4,201            |
| Thereafter              | 2,400            |
| Total                   | <u>\$ 14,842</u> |

Rental expense for the year ended June 30, 2021 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$3.0 million.

#### NOTE 14 – LESSOR OPERATING LEASES

The Iowa Department of Natural Resources leases tracts of land for agricultural purposes valued at \$12.3 million. Glenwood Resource Center leases building space that is fully depreciated (net of accumulated depreciation of \$6.4 million). Iowa PBS leases antenna and building space, Woodward Resource Center 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 \$1.8 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 \$0.1 million (net of accumulated depreciation of \$0.8 million), tracts of land for agricultural purposes valued at \$0.2 million and tower space for which no value has been assigned to the lease portions.

The following is a schedule by year of minimum future rentals on operating leases as of June 30, 2021 (expressed in thousands):

| Year Ending<br>June 30, |                  |
|-------------------------|------------------|
| 2022                    | \$ 4,026         |
| 2023                    | 2,823            |
| 2024                    | 2,109            |
| 2025                    | 1,577            |
| 2026                    | 1,086            |
| 2027-2031               | 2,488            |
| 2032-2036               | 1,258            |
| 2037-2041               | 764              |
| 2042-2046               | 632              |
| 2047-2051               | 632              |
| 2052-2056               | 632              |
| 2057-2061               | 631              |
| 2062-2066               | 631              |
| Thereafter              | 316              |
| Total                   | <u>\$ 19,605</u> |

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 15 – PENSION PLANS

#### A. Summary of Significant Accounting Policies & Pension Totals

##### *Pensions*

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

##### *Deferred Outflows and Inflows of Resources Related to Pensions*

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

##### *Investments*

IPERS – All investments are reported at fair value.

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

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

PORS’ and JRS’ investments in governmental bonds and treasury notes constitute approximately 4.99 % and 8.00%, respectively, of total assets. PORS and JRS are not permitted to invest more than 5.00% of their System accounts in any one corporate issuer without written direction and approval of the Treasurer of State of Iowa.

##### *Pension Totals*

At June 30, 2021, 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,<br>Multiple-employer | Single-employer |            | Total<br>Primary<br>Government | Cost-sharing,<br>Multiple-employer                 |
|  | IPERS -<br>Primary<br>Government   | PORS            | JRS        |                                | IPERS -<br>Discretely Presented<br>Component Units |
| Net pension liability (asset)  | \$ 1,163,545                       | \$ (27,444)     | \$(58,928) | \$ 1,077,173                   | \$ 24,510  |
| Deferred outflows of resources related to pensions                     | 321,147                            | 34,486          | 6,705      | 362,338                        | 5,457  |
| Deferred inflows of resources related to pensions                      | 73,723                             | 157,776         | 62,486     | 293,985                        | 1,806  |
| Pension expense for the period associated with net pension liabilities | 189,205                            | (18,124)        | (8,358)    | 162,723                        | 3,446  |

# 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, 2021, IPERS had 1,943 public employers with 173,186 active members contributing to the system.

##### *Plan Membership.*

|  | Fiscal Years Ended June 30, |         |
|--|-----------------------------|---------|
|  | 2021                        | 2020    |
| Inactive employees or beneficiaries currently receiving benefits | 129,026                     | 126,600 |
| Inactive employees entitled to but not yet receiving benefits    | 79,710                      | 78,360  |
| Active employees   | 173,186                     | 170,380 |
| Total  | 381,922                     | 375,340 |

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.

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## NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

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

In fiscal year 2021, the contribution rates for all members exceeded the actuarial rates.

|                               | Fiscal Year 2021 |          |        |
|-------------------------------|------------------|----------|--------|
|                               | Employee         | Employer | Total  |
| Regular members               | 6.29%            | 9.44%    | 15.73% |
| Sheriffs and deputies         | 9.26%            | 9.26%    | 18.52% |
| Protection occupation members | 6.41%            | 9.61%    | 16.02% |

Contributions are remitted by participating employers. Wages were covered up to the Internal Revenue Code Section 401(a)(17) compensation limit of \$285,000 for calendar year 2020 and \$290,000 for calendar year 2021. There are no non-employer contributing entities to IPERS.

The State's employer contributions to IPERS for the years ended June 30, 2021 and 2020 were \$144,855,000 and \$139,227,000, respectively.

*Actuarial Methods and Assumptions.* The total pension liability was determined by an actuarial valuation as of June 30, 2020, 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, and

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### NOTES TO THE FINANCIAL STATEMENTS

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, 2020 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 June 28, 2018.

The long-term rate of return, 7.00% effective June 30, 2020, 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, 2020, are shown in the following table:

| <u>Asset Class</u>       | <u>Target Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|--------------------------|--------------------------|---|
| Core-plus fixed income   | 28.00%                   | -0.29%  |
| Domestic equity          | 22.00%                   | 4.43%   |
| International equity     | 17.50%                   | 5.15%   |
| Private equity           | 11.00%                   | 3.11%   |
| Private real assets      | 7.50%                    | 4.48%   |
| Public credit            | 4.00%                    | 2.29%   |
| Private credit           | 3.00%                    | 6.54%   |
| Global smart beta equity | 6.00%                    | 4.87%   |
| Cash                     | 1.00%                    | -0.78%  |
| 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 year for the remainder of existing members to the total covered payroll for all members. Based on those assumptions, the pension fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability. The municipal bond rate was not used in determining the discount rate, but if it were required, the rate would have been 2.19%. The projected future benefit payments for all current plan members were projected through 2120.

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### NOTES TO THE FINANCIAL STATEMENTS

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

|   | 2021          | 2020          |
|---|---------------|---------------|
| Total pension liability   | \$ 42,544,649 | \$ 41,072,427 |
| Plan fiduciary net position   | 42,889,876    | 34,047,692    |
| Employers' net pension liability (asset)  | \$ (345,227)  | \$ 7,024,735  |
| Plan fiduciary net position as a percentage<br>of the total pension liability (asset) | 100.81%       | 82.90%        |

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](mailto: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, 2021, the State reported a total of \$1,188.1 million for its proportionate share of the net pension liability, with \$1,163.5 million in the primary government and \$24.6 million in the discretely presented component units. The net pension liability was measured as of June 30, 2020, and the total pension liability as of June 30, 2020, used to calculate the net pension liability was determined based on the June 30, 2020 actuarial valuation for funding, dated October 29, 2020.

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, 2020, the State's total proportion was 16.912445% (16.563546% in the primary government and 0.348899% in the discretely presented component units). This was an increase of 0.402674% from the State's total proportion (an increase of 0.408322% in the primary government and a decrease of 0.005648% in the discretely presented component units), measured as of June 30, 2019.

For the year ended June 30, 2021, the State recognized IPERS pension expense of \$189.2 million for the primary government and \$3.4 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<br>(expressed in thousands) |   |
|---|--|---|
|   | Primary<br>Government                                      | Discretely Presented<br>Component Units |
|   | Differences between expected and actual experience         | \$ 3,284                                |
| Changes in assumptions  | 65,183   | 1,258                                   |
| Net difference between projected and actual earnings on<br>pension plan investments                     | 74,993   | 1,378                                   |
| Changes in proportion and differences between contributions<br>and proportionate share of contributions | 32,617   | 445                                     |
| Contributions subsequent to the measurement date  | 145,070  | 2,349                                   |
| Total   | \$ 321,147   | \$ 5,457                                |

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**NOTES TO THE FINANCIAL STATEMENTS**

|   | Deferred Inflows of Resources<br>(expressed in thousands) |                      |
|---|---|----------------------|
|   | Primary   | Discretely Presented |
|   | Government  | Component Units      |
| Differences between expected and actual experience  | \$ 27,482   | \$ 581               |
| Changes in assumptions  | 301   | -                    |
| Changes in proportion and differences between contributions<br>and proportionate share of contributions | 45,940  | 1,225                |
| Total   | \$ 73,723   | \$ 1,806             |

The primary government and discretely presented component units reported deferred outflows of resources relating to pensions of \$145.1 million and \$2.3 million, respectively, as a result of employer contributions subsequent to the measurement date which will be recognized as a reduction of net pension liability in the year ended June 30, 2022. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

| Year Ending<br>June 30, | Primary<br>Government | Discretely Presented<br>Component Units |
|-------------------------|-----------------------|---|
| 2022                    | \$ 20,844             | \$ 257                                  |
| 2023                    | 22,172                | 266                                     |
| 2024                    | 25,595                | 301                                     |
| 2025                    | 28,305                | 405                                     |
| 2026                    | 5,438                 | 73                                      |
| Total                   | \$ 102,354            | \$ 1,302                                |

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<br>(6.00%)                                    | Current<br>Discount Rate<br>(7.00%) | 1% Increase<br>(8.00%) |
|--------------------------------------|---|-------------------------------------|------------------------|
|                                      | State's proportionate share of the net pension liability: |                                     |                        |
| Primary government                   | \$ 2,033,570  | \$ 1,163,545                        | \$ 434,164             |
| Discretely presented component units | 40,867  | 24,510                              | 10,793                 |
| Total                                | \$ 2,074,437  | \$ 1,188,055                        | \$ 444,957             |

Payables to the Pension Plan

At June 30, 2021, the State had remitted to IPERS all legally required employer contributions and employee contributions which had been withheld from employee wages.

# 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, 2021, the following employees were covered by the benefit terms:

|  |              |
|--|--------------|
| Inactive employees or beneficiaries currently receiving benefits | 654          |
| Inactive employees entitled to but not yet receiving benefits    | 41           |
| Nonvested terminations   | 6            |
| Active employees   | 547          |
| Total  | <u>1,248</u> |

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

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

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### 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 lesser of 37.0% of payroll and the actuarial rate, but not less than 17.0% of payroll. In addition, the State contributed an additional \$5 million and will continue the supplemental contribution until the funded status of PORS attains 85%. Contribution provisions are established by State law and may be amended only by the State Legislature. The State of Iowa has historically followed a contribution policy of appropriating funds based upon a percentage of the current salaries for which funds are appropriated.

The member contribution required and contributed was \$5,458,000, representing 11.4% of the current year covered payroll. The State contribution required by statute and the amount actually contributed was \$22,711,000. \$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 7<sup>th</sup> Street, Des Moines, IA 50319 or at [info@aos.iowa.gov](mailto:info@aos.iowa.gov).

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### NOTES TO THE FINANCIAL STATEMENTS

#### Net Pension Liability (Asset)

The net pension liability (asset) was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial Assumptions.* The total pension liability was determined by an actuarial valuation as of July 1, 2021, using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement:

- Inflation: 2.50%
- Salary increases: 4.00% to 8.50%, including inflation
- Investment rate of return: 7.00% 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, 2021 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. The most recent economic experience study was performed in March 2020. Several factors are considered in evaluating the long-term rate of return assumption including the long-term historical data, estimates inherent in current market data and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by investment consultants are often intended for use over a 10-year investment horizon and are not always useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The long-term rate of return assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

| <u>Asset Class</u>              | <u>Target Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|---------------------------------|--------------------------|---|
| Large cap equities              | 25.00%                   | 5.41%   |
| Small/mid cap equities          | 15.00%                   | 6.39%   |
| International equity - unhedged | 18.75%                   | 6.28%   |
| International equity - emerging | 6.25%                    | 9.92%   |
| Core bonds                      | 22.75%                   | 1.09%   |
| High-yield bonds                | 2.25%                    | 3.81%   |
| Real estate                     | 10.00%                   | 4.21%   |
| Total                           | <u>100.00%</u>           |   |

*Discount Rate.* The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed plan contributions from members and the State will be made 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

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

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 2.13%. The projected future benefit payments for all current plan members were projected through 2120.

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

|                               | 1% Decrease<br>(6.00%) | Current<br>Discount Rate<br>(7.00%) | 1% Increase<br>(8.00%) |
|-------------------------------|------------------------|-------------------------------------|------------------------|
| Net pension liability (asset) | \$ 83,792              | \$ (27,444)                         | \$ (118,032)           |

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

#### Changes in the Net Pension Liability (Asset)

|   | Increase (Decrease) Expressed in Thousands |                                       |   |
|---|--|---------------------------------------|---|
|   | Total<br>Pension Liability<br>(a)          | Plan Fiduciary<br>Net Position<br>(b) | Net Pension<br>Liability (Asset)<br>(a) - (b) |
|   | Balances at June 30, 2020                  | \$ 751,077                            | \$ 604,573                                    |
| Changes for the year:   |  |                                       |   |
| Service cost  | 14,707                                     | -                                     | 14,707  |
| Interest  | 51,368                                     | -                                     | 51,368  |
| Differences between expected and actual experience            | (1,917)                                    | -                                     | (1,917)                                       |
| Contributions - employer                                      | -  | 22,711                                | (22,711)                                      |
| Contributions - employee                                      | -  | 5,458                                 | (5,458)                                       |
| Net investment income   | -  | 210,222                               | (210,222)                                     |
| Benefit payments, including refunds of employee contributions | (35,085)                                   | (35,085)                              | -   |
| Administrative expense  | -  | (285)                                 | 285   |
| Net changes   | 29,073                                     | 203,021                               | (173,948)                                     |
| Balances at June 30, 2021                                     | \$ 780,150                                 | \$ 807,594                            | \$ (27,444)                                   |

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

For the year ended June 30, 2021, the State recognized pension expense related to PORS of negative \$18.1 million. At June 30, 2021, 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<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience                                  | \$ -                              | \$ 7,965                         |
| Changes in assumptions  | 34,486                            | -                                |
| Net difference between projected and actual earnings on<br>pension plan investments | -                                 | 149,811                          |
| Total   | \$ 34,486                         | \$ 157,776                       |

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### 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<br>June 30, |                     |
|-------------------------|---------------------|
| 2022                    | \$ (29,604)         |
| 2023                    | (29,591)            |
| 2024                    | (33,577)            |
| 2025                    | (30,356)            |
| 2026                    | (162)               |
| Total                   | <u>\$ (123,290)</u> |

There are no non-employer contributing entities to PORS.

#### Payables to the Pension Plan

At June 30, 2021, the State reported payables of \$671,000 for legally required employer contributions and \$207,000 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, 2021, the following employees were covered by the benefit terms:

|  |                   |
|--|-------------------|
| Inactive employees or beneficiaries currently receiving benefits | 230               |
| Inactive employees entitled to but not yet receiving benefits    | 3                 |
| Active employees   | <u>205</u>        |
| Total  | <u><u>438</u></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 annuity

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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 \$2,811,000, representing 9.35% of the current year covered payroll. The State contribution required by statute and the amount contributed was \$9,200,000. 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](mailto:info@aos.iowa.gov).

#### Net Pension Liability (Asset)

The net pension liability (asset) was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial Assumptions.* The total pension liability was determined by an actuarial valuation as of July 1, 2021, using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the July 1, 2021 valuation are based on the results of the most recent actuarial experience study, which covered the five-year period ending June 30, 2018. The experience study report is dated September 28, 2018.

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.

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

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

*Discount Rate.* The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed plan contributions from members and the State will be made at the current contribution rates as set in State statute: (1) employee contribution rate: 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 2.13%. The projected future benefit payments for all current plan members were projected through 2120.

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

|                               | 1% Decrease<br>(5.75%) | Current<br>Discount Rate<br>(6.75%) | 1% Increase<br>(7.75%) |
|-------------------------------|------------------------|-------------------------------------|------------------------|
| Net pension liability (asset) | \$ (31,911)            | \$ (58,928)                         | \$ (81,924)            |

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

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#### Changes in the Net Pension Liability (Asset)

|   | Increase (Decrease) Expressed in Thousands |                     |                                |
|---|--|---------------------|--------------------------------|
|   | Total                                      | Plan Fiduciary      | Net Pension                    |
|   | Pension Liability<br>(a)                   | Net Position<br>(b) | Liability (Asset)<br>(a) - (b) |
| Balances at June 30, 2020                                     | \$ 245,233                                 | \$ 231,485          | \$ 13,748                      |
| Changes for the year:   |  |                     |                                |
| Service cost  | 7,823                                      | -                   | 7,823                          |
| Interest  | 16,048                                     | -                   | 16,048                         |
| Differences between expected and actual experience            | (2,634)                                    | -                   | (2,634)                        |
| Contributions - employer                                      | -  | 9,200               | (9,200)                        |
| Contributions - employee                                      | -  | 2,811               | (2,811)                        |
| Net investment income   | -  | 81,921              | (81,921)                       |
| Benefit payments, including refunds of employee contributions | (15,233)                                   | (15,233)            | -                              |
| Administrative expense  | -  | (19)                | 19                             |
| Net changes   | 6,004                                      | 78,680              | (72,676)                       |
| Balances at June 30, 2021                                     | \$ 251,237                                 | \$ 310,165          | \$ (58,928)                    |

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

For the year ended June 30, 2021, the State recognized pension expense related to JRS of negative \$8.4 million. At June 30, 2021, 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<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience                               | \$ -                              | \$ 7,740                         |
| Changes in assumptions   | 6,705                             | -                                |
| Net difference between projected and actual earnings on pension plan investments | -                                 | 54,746                           |
| Total  | \$ 6,705                          | \$ 62,486                        |

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<br>June 30, |             |
|-------------------------|-------------|
| 2022                    | \$ (10,768) |
| 2023                    | (14,345)    |
| 2024                    | (15,682)    |
| 2025                    | (14,623)    |
| 2026                    | (363)       |
| Total                   | \$ (55,781) |

There are no non-employer contributing entities to JRS.

#### Payables to the Pension Plan

At June 30, 2021, the State reported payables of \$354,000 for legally required employer contributions and \$108,000 for legally required employee contributions which had been withheld from employee wages but not yet remitted to JRS.

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

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

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

During fiscal years 2021 and 2020, the employers' required and actual contributions amounted to \$171,076,000 and \$178,260,000, respectively. During fiscal years 2021 and 2020, the employees' required and actual contributions amounted to \$88,926,000 and \$89,802,000, respectively. As of June 30, 2021, the employers reported payables of \$13,720,000 for legally required employer contributions and \$7,142,000 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, 2021, the State of Iowa recognized the following amounts related to other postemployment benefits (OPEB) in financial statements prepared using the economic resources measurement focus and accrual basis of accounting (expressed in thousands):

|  | Defined Benefit - Single-employer |                 |            |                      |
|--|-----------------------------------|-----------------|------------|----------------------|
|  | State Plan                        | University Plan | Total      | State Plan           |
|  | Primary                           | Primary         | Primary    | Discretely Presented |
|  | Government                        | Government      | Government | Component Units      |
| Total OPEB liability   | \$ 209,075                        | \$ 259,704      | \$ 468,779 | \$ 3,845             |
| Deferred outflows of resources related to OPEB                     | 13,460                            | 101,753         | 115,213    | 437                  |
| Deferred inflows of resources related to OPEB                      | 14,554                            | 121,168         | 135,722    | 450                  |
| OPEB expense for the period associated with total OPEB liabilities | 21,921                            | 10,951          | 32,872     | 413                  |

#### B. State Plan

##### Plan Description

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

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

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

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

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

### ***Plan Membership***

There are 17,448 active and 2,227 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 \$212,920,000 (\$209,075,000 in the primary government and \$3,845,000 in the discretely presented component units), was measured as of June 30, 2021, and was determined by an actuarial valuation as of January 1, 2020. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year ended June 30, 2021.

### ***Actuarial Assumptions***

The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

- Inflation: 2.60%
- Salary increases: 3.25% to 16.25%, based on years of service
- Discount rate: 2.16%, as of June 30, 2021
- Healthcare cost trend rate – non SPOC - Medical: 7.00% initial, decreasing to 4.50%
- Healthcare cost trend rate – non SPOC - Rx: 8.00% initial, decreasing to 4.50%
- Healthcare cost trend rate – SPOC- Medical & Rx: 7.25% initial, decreasing to 4.50%

The majority of State of Iowa employees are participants in the Iowa Public Employees' Retirement System (IPERS). For this reason, the individual salary increases, the mortality rates, withdrawal, retirement and age of spouse assumptions are based on the assumptions used for the IPERS Actuarial Valuation Report as of June 30, 2019. 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 2.16% using the 20-year Bond Buyer GO Index as of June 30, 2021.

Mortality rates for general population pre-retirement employees were based on the RP-2014 Employee Table, Generational using MP-2017, set back 4 years for both males and females. Mortality rates for postretirement employees were based on the RP-2014 Healthy Annuitant Table, Generational using MP-2017, with an 8.5% increase in rates above age 75 for males and no age adjustment for females.

Mortality rates for the SPOC population pre-retirement employees were based on the RP-2014 Employee Table, Generational using MP-2017, set back 3 years for males and 4 years for females. Mortality rates for postretirement employees were based on the RP-2014 Healthy Annuitant Table, Generational using MP-2017, set forward 1 year for males with an 10.0% increase in rates above age 75, and no age adjustment for females.

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#### *Changes in the Total OPEB Liability*

|  | Increase (Decrease)    |                             |
|--|------------------------|-----------------------------|
|  | Expressed in Thousands |                             |
|  | Primary<br>Government  | Discrete<br>Component Units |
| Balances at June 30, 2020                            | \$ 208,229             | \$ 3,826                    |
| Changes for the year:                                |                        |                             |
| Service cost   | 16,944                 | 312                         |
| Interest   | 4,840                  | 89                          |
| Difference between expected and<br>actual experience | (5,790)                | (107)                       |
| Change in assumptions                                | (3,012)                | (55)                        |
| Benefit payments - implicit subsidy                  | (12,136)               | (220)                       |
| Net changes  | 846                    | 19                          |
| Balances at June 30, 2021                            | \$ 209,075             | \$ 3,845                    |

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

- Decreased the discount rate from 2.21% to 2.16%.
- Updated medical claims costs to reflect recent experience.
- Updated annual medical trend rates to reflect recent experience and future expectations.

*Sensitivity Analysis – Changes to the Discount Rate.* The total OPEB liability was calculated using a discount rate of 2.16%, as well as a discount rate that is 1-percentage-point lower (1.16%) or 1-percentage-point higher (3.16%) 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<br>(1.16%) | Current<br>Discount Rate<br>(2.16%) | 1% Increase<br>(3.16%) |
|--------------------------------------|------------------------|-------------------------------------|------------------------|
| Total OPEB liability                 |                        |                                     |                        |
| Primary government                   | \$ 222,360             | \$ 209,075                          | \$ 196,566             |
| Discretely presented component units | 4,089                  | 3,845                               | 3,615                  |
| Total                                | \$ 226,449             | \$ 212,920                          | \$ 200,181             |

*Sensitivity Analysis – Changes to the Healthcare Cost Trend Rate.* The total OPEB liability was calculated using a healthcare cost trend rate of 7.00% for non SPOC - Medical, 8.00% for non SPOC - Rx and 7.25% SPOC Medical & Rx for as well as a healthcare cost trend rate that is 1-percentage-point lower (6.00%, 7.00%, and 6.25%) or 1-percentage-point higher (8.00%, 9.00% and 8.25%) 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<br>(6.00%, 7.00%<br>& 6.25%) | Current<br>Healthcare Cost<br>Trend Rate<br>(7.00%, 8.00%<br>& 7.25%) | 1% Increase<br>(8.00%, 9.00%<br>& 8.25%) |
|--------------------------------------|--|---|--|
| Total OPEB liability                 |  |   |  |
| Primary government                   | \$ 185,607                               | \$ 209,075  | \$ 237,075                               |
| Discretely presented component units | 3,413                                    | 3,845   | 4,360                                    |
| Total                                | \$ 189,020                               | \$ 212,920  | \$ 241,435                               |

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

For the year ended June 30, 2021, the State of Iowa recognized OPEB expense related to the Plan of \$22,334,000 (\$21,921,000 in the primary government and \$413,000 in the discretely presented component units). At June 30, 2021, 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<br>Government          | Discretely Presented<br>Component Units |
|  | Changes in assumptions         | \$ 12,662                               |
| Changes in proportion and differences between contributions and proportionate share of contributions | 798                            | 139                                     |
| Total  | \$ 13,460                      | \$ 437                                  |

|  | Deferred Inflows of Resources                      |   |
|--|--|---|
|  | Primary<br>Government                              | Discretely Presented<br>Component Units |
|  | Differences between expected and actual experience | \$ 11,047                               |
| Changes in assumptions   | 2,754  | 80                                      |
| Changes in proportion and differences between contributions and proportionate share of contributions | 753  | 210                                     |
| Total  | \$ 14,554  | \$ 450                                  |

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<br>June 30, | Primary<br>Government | Discretely Presented<br>Component Units |
|-------------------------|-----------------------|---|
| 2022                    | \$ 134                | \$ (1)                                  |
| 2023                    | 134                   | (1)                                     |
| 2024                    | 134                   | (1)                                     |
| 2025                    | 134                   | (1)                                     |
| 2026                    | 106                   | (2)                                     |
| Thereafter              | (1,736)               | (7)                                     |
| Total                   | \$ (1,094)            | \$ (13)                                 |

#### **C. University Plans**

##### ***Plan Description***

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

##### ***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.

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**Plan Membership**

|  | 2021   |       |       |
|--|--------|-------|-------|
|  | U of I | ISU   | UNI   |
| Inactive employees or beneficiaries currently receiving benefits | 2,790  | 2,932 | 676   |
| Active employees   | 18,785 | 6,494 | 1,761 |
| Total  | 21,575 | 9,426 | 2,437 |

**Total OPEB Liability**

The total OPEB liability of \$259,704,000 is reported based on the following measurement dates, actuarial valuation dates, and actuarial assumptions:

|                             | U of I                                      | ISU                                     | UNI                                     |
|-----------------------------|---|---|---|
| Measurement date            | June 30, 2020                               | January 1, 2021                         | June 30, 2021                           |
| Actuarial valuation date    | June 30, 2020                               | January 1, 2020                         | June 30, 2021                           |
| Actuarial cost method       | Entry age normal                            | Entry age normal - level<br>% of salary | Entry age normal - level<br>% of salary |
| Amortization method         | Level percentage of pay on an<br>open basis | Linearly on a principal<br>only basis   | Linearly on a principal<br>only basis   |
| Amortization period         | 10.18 years (LDT 12.37 years)               | 7 years                                 | 7 years                                 |
| Discount rate               | 2.21%                                       | 2.12%                                   | 2.19%                                   |
| Medical trend rate          | 6.19% (7.00% for post age 65)               | 7.50%                                   | 7.50%                                   |
| Ultimate medical trend rate | 4.50%                                       | 4.50%                                   | 4.50%                                   |
| Inflation rate              | 2.50%                                       | 2.60%                                   | 2.60%                                   |
| Payroll growth rate         | 3.00%                                       | 3.25%                                   | 1.50%                                   |

*Discount Rate.* The U of I discount rate of 2.21% is based on the Bond Buyer 20 Year GO Municipal Bond Index as of June 30, 2020. The ISU discount rate of 2.12% is based on the Bond Buyer GO 20-Bond Municipal Bond Index as of January 1, 2021. The UNI discount rate of 2.19% is based on the S&P Municipal Bond 20-Year High Grade Index as of June 30, 2021.

*Mortality Rates.* The U of I rates are from the Pub-2010 Aggregate Mortality Table projected using Scale MP-2018. The ISU rates are from the Pub-2010 Total Dataset Mortality Table fully generational using Scale MP-2019. The UNI rates are from Pub-2010 Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2019.

**Changes in the Total OPEB Liability**

|   | Increase (Decrease) Expressed in Thousands |           |           |
|---|--|-----------|-----------|
|   | U of I                                     | ISU       | UNI       |
| Balances at June 30, 2020                         | \$ 176,421                                 | \$ 60,279 | \$ 15,193 |
| Changes for the year:                             |  |           |           |
| Service cost                                      | 7,028                                      | 5,470     | 1,123     |
| Interest  | 6,214                                      | 2,052     | 427       |
| Difference between expected and actual experience | (181)                                      | (22,902)  | (267)     |
| Change in assumptions                             | 27,290                                     | 3,243     | (3,537)   |
| Benefit payments                                  | (11,931)                                   | (5,669)   | (549)     |
| Net changes                                       | 28,420                                     | (17,806)  | (2,803)   |
| Balances at June 30, 2021                         | \$ 204,841                                 | \$ 42,473 | \$ 12,390 |

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

#### U of I

- Decreased the discount rate from 3.50% to 2.21%.
- Removed the impact of the excise tax on high cost plans from future medical trend rate assumptions.

#### ISU

- Decreased the discount rate from 3.26% to 2.12%.

#### UNI

- Decreased the discount rate from 2.66% to 2.19%.

*Sensitivity Analysis – Changes to the Discount Rate.* The total OPEB liability was calculated using a discount rate of 2.21%, 2.12% and 2.19% for the University of Iowa, Iowa State University, and the University of Northern Iowa, respectively, as well as a discount rate that is 1-percentage-point lower (1.21%, 1.12% and 1.19%) or 1-percentage-point higher (3.21%, 3.12% and 3.19%) 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<br>(1.21%, 1.12% & 1.19%) | Current<br>Discount Rate<br>(2.21%, 2.12% & 2.19%) | 1% Increase<br>(3.21%, 3.12% & 3.19%) |
|----------------------|---------------------------------------|--|---------------------------------------|
| Total OPEB liability |                                       |  |                                       |
| U of I               | \$ 223,431                            | \$ 204,841   | \$ 188,015                            |
| ISU                  | 45,630                                | 42,473   | 39,609                                |
| UNI                  | 13,641                                | 12,390   | 11,266                                |

*Sensitivity Analysis – Changes to the Healthcare Cost Trend Rate.* The total OPEB liability was calculated using a healthcare cost trend rate of 6.19%, 7.50% and 7.50% for the University of Iowa, Iowa State University, and the University of Northern Iowa, respectively, as well as a healthcare cost trend rate that is 1-percentage-point lower (5.19%, 6.50% and 6.50%) or 1-percentage-point higher (7.19%, 8.50% and 8.50%) than the current rate. The sensitivity of the total OPEB liability to changes in the healthcare cost trend rate is presented below (expressed in thousands):

|                      | 1% Decrease<br>(5.19%, 6.50% & 6.50%) | Current<br>Healthcare Cost Trend Rate<br>(6.19%, 7.50% & 7.50%) | 1% Increase<br>(7.19%, 8.50% & 8.50%) |
|----------------------|---------------------------------------|---|---------------------------------------|
| Total OPEB liability |                                       |   |                                       |
| U of I               | \$ 187,297                            | \$ 204,841  | \$ 227,279                            |
| ISU                  | 39,015                                | 42,473  | 46,521                                |
| UNI                  | 11,107                                | 12,390  | 13,912                                |

## 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, 2021, the U of I, ISU, and UNI recognized OPEB expense related to the Plans of \$13.0 million, \$(1.7) million, and \$(0.7) million, respectively. At June 30, 2021, 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 | \$ 33,645                      | \$ 1,318 | \$ -   |
| Changes in assumptions                             | 46,892                         | 6,616    | 957    |
| Contributions subsequent to the measurement date   | 12,324                         | -        | -      |
| Total  | \$ 92,861                      | \$ 7,934 | \$ 957 |

|  | Deferred Inflows of Resources |           |           |
|--|-------------------------------|-----------|-----------|
|  | U of I                        | ISU       | UNI       |
| Differences between expected and actual experience | \$ 953                        | \$ 37,581 | \$ 9,616  |
| Changes in assumptions                             | 68,034                        | 1,900     | 3,084     |
| Total  | \$ 68,987                     | \$ 39,481 | \$ 12,700 |

Employer contributions subsequent to the measurement date will be recognized as a reduction of total OPEB liability in the year ended June 30, 2021. 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         |
| 2022        | \$ (200)  | \$ (9,262)  | \$ (2,259)  |
| 2023        | (200)     | (9,262)     | (2,259)     |
| 2024        | (200)     | (9,262)     | (2,259)     |
| 2025        | (184)     | (3,761)     | (2,370)     |
| 2026        | (71)      | -           | (2,051)     |
| Thereafter  | 12,405    | -           | (545)       |
| Total       | \$ 11,550 | \$ (31,547) | \$ (11,743) |

#### **NOTE 17 – OTHER TERMINATION BENEFITS**

##### **A. State Police Officers Council**

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

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

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

If the carrier of either the health or life insurance policy is not a current contracted carrier with the State of Iowa, SPOC or any of its suborganizations, the employee or spouse shall be eligible for reimbursement of a premium

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

payment to that carrier upon submission of proof of payment. If there is dissolution of marriage or divorce, it is the employee's responsibility to withdraw their authority.

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

For the year ended June 30, 2021, 340 SPOC retirees received benefits totaling \$2.0 million.

### **B. Other Voluntary Termination Benefit Programs**

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

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

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

The final calculated dollar value will be credited to the employee's Sick Leave Insurance Program (SLIP) 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, 2021, 1,128 employees from the Executive and Legislative branches have retired and received benefits totaling \$9.3 million under SLIP. In addition, 189 employees from the Judicial branch and Community Based Corrections have retired and received benefits totaling \$2.0 million under SLIP.

**STATE OF IOWA**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 18 – RISK MANAGEMENT**

**A. Self-Insurance/Retention of Risk**

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

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

The State is self-insured for various risks of loss related to work injuries of its employees. The Workers' Compensation Fund, an internal service fund, services workers' compensation claims. The liability for unpaid claims is estimated based on the average cost per claim-type determined from an actuarial review. Changes in the balances for estimated claims liabilities for fiscal years 2020 and 2021 were (expressed in thousands):

|         | Beginning<br>Balance | Current Year Claims<br>& Changes in Estimates | Claim<br>Payments | Ending<br>Balance |
|---------|----------------------|---|-------------------|-------------------|
| FY 2020 | \$ 66,550            | 28,243  | 25,219            | \$ 69,574         |
| FY 2021 | 69,574               | 27,426  | 25,064            | 71,936            |

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 2020 and 2021 were (expressed in thousands):

|         | Beginning<br>Balance | Current Year Claims<br>& Changes in Estimates | Claim<br>Payments | Ending<br>Balance |
|---------|----------------------|---|-------------------|-------------------|
| FY 2020 | \$ 4,036             | (2,635)                                       | 1,120             | \$ 281            |
| FY 2021 | 281                  | 3,978   | 1,162             | 3,097             |

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 2020 and 2021 were (expressed in thousands):

|         | Beginning<br>Balance | Current Year Claims<br>& Changes in Estimates | Claim<br>Payments | Ending<br>Balance |
|---------|----------------------|---|-------------------|-------------------|
| FY 2020 | \$ 1,157             | 474   | 770               | \$ 861            |
| FY 2021 | 861                  | 465   | 290               | 1,036             |

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 2020 and 2021 were (expressed in thousands):

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

|         |    | Beginning<br>Balance | Current Year Claims<br>& Changes in Estimates | Claim<br>Payments |    | Ending<br>Balance |
|---------|----|----------------------|---|-------------------|----|-------------------|
| FY 2020 | \$ | 25,000               | 16,738  | 16,738            | \$ | 25,000            |
| FY 2021 |    | 25,000               | 12,168  | 12,168            |    | 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 2020 and 2021 were (expressed in thousands):

|         |    | Beginning<br>Balance | Current Year Claims<br>& Changes in Estimates | Claim<br>Payments |    | Ending<br>Balance |
|---------|----|----------------------|---|-------------------|----|-------------------|
| FY 2020 | \$ | 65,907               | 447,673                                       | 447,077           | \$ | 66,503            |
| FY 2021 |    | 66,503               | 488,005                                       | 480,465           |    | 74,043            |

#### **B. Insurance/Transfer of Risk**

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

- State employee benefits for health, dental, long-term disability and life insurance coverage are fully insured.
- The State maintains an employee fidelity bond for up to \$2.0 million.
- The University of Iowa is insured for \$2.0 billion for catastrophic property loss for general fund properties with a \$2.0 million deductible on general University buildings. Additional coverage is provided for auxiliary enterprises. The fine art collections are insured for \$207.4 million.
- Iowa State University is insured for \$2.7 billion for catastrophic property loss for general fund properties with various deductibles on general University buildings. Additional coverage is provided for auxiliary enterprises.
- The University of Northern Iowa is insured for \$1.2 billion for catastrophic property loss for general fund properties with a \$1.0 million deductible on general University buildings. Additional coverage is provided for auxiliary enterprises.
- The Iowa School for the Deaf is insured for catastrophic loss liabilities for \$79.9 million after a \$1.0 million deductible.
- The eight Judicial Districts individually insure buildings and contents with coverage ranging from \$4.3 million to \$29.9 million.
- Iowa Workforce Development is insured for \$25.2 million for buildings and contents.
- Iowa PBS insures broadcasting trucks and contents for \$3.4 million.
- The Iowa Department of Administrative Services is insured for construction projects for up to \$2.0 million, with additional coverage for the value of individual projects in excess of \$2.0 million.
- The Iowa Lottery Authority is insured for \$12.1 million for buildings and contents. Additional coverage of \$10.0 million is provided for commercial umbrella liability.
- The Iowa Finance Authority is insured for \$15.1 million for buildings and contents.

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

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

#### NOTE 19 – LITIGATION, CONTINGENCIES AND COMMITMENTS

The *Iowa Public Employees' Retirement System* (IPERS) has commitments to fund an additional \$2.5 billion to various private equity/debt partnerships, \$121.5 million to various real estate debt partnerships, \$528.1 million to corporate debt partnerships and \$300.0 million to private real assets at June 30, 2021.

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 28 recoveries in the amount of \$1.3 million that are reflected in the financial statements for the year ended June 30, 2021.

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

The following commitments and obligations remain at June 30, 2021:

- *Iowa Department of Transportation* has contractual obligations for construction and other contracts of \$938.4 million (net of \$684.7 million in anticipated federal funding).
- *University of Iowa* has outstanding construction contract commitments of \$142.2 million.
- *Iowa State University* has outstanding construction contract commitments of \$90.1 million.
- *University of Northern Iowa* has outstanding construction contract commitments of \$12.2 million.
- *Iowa Department of Natural Resources* has outstanding construction contract commitments of \$10.9 million.
- *Iowa Department of Administrative Services* has outstanding construction contract commitments of \$24.1 million.
- *Iowa Workforce Development* has outstanding contractual obligations of \$36.1 million.
- *Iowa Department of Human Rights* has outstanding contractual obligations of \$35.8 million.
- *Iowa Department of Human Services* has outstanding contractual obligations of \$715.2 million.
- *Iowa Office of the Chief Information Officer* has outstanding contractual obligations of \$76.9 million.
- *Iowa Department of Public Defense* has outstanding contractual obligations for construction and other contracts of \$11.6 million.
- *Iowa Department of Homeland Security and Emergency Management* has outstanding contractual obligations of \$39.4 million.
- *Iowa Department of Public Safety* has outstanding construction contract commitments of \$16.2 million.
- *Iowa Finance Authority* has signed loan agreements under the State Revolving Fund for which \$315.6 million had not been disbursed.
- *Iowa Economic Development Authority* has outstanding contractual commitments of \$161.0 million.

The State of Iowa has encumbrances at June 30, 2021 totaling \$43.6 million (\$35.1 million in the General Fund and \$8.5 million in the nonmajor governmental funds).

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

#### NOTE 20 – TAX ABATEMENTS

##### ***High Quality Jobs Program (HQJP)***

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

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

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

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

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

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

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

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

#### **Historic Preservation and Cultural and Entertainment District Tax Credit**

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

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

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

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

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

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

#### **Iowa Industrial New Jobs Training Program**

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

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

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

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

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

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

#### **Redevelopment Tax Credit**

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

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

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

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

#### **Renewable Energy Tax Credit**

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

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

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

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

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

#### **Targeted Jobs Tax Credit from Withholding**

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

## STATE OF IOWA

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

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

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

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.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

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

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

#### **Accelerated Career Education Program**

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

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

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

#### **Beginning Farmer Tax Credit Program**

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

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

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

An eligible applicant for the Beginning Farmer Tax Credit Program is defined as a state resident aged 18 or older with a net worth of less than \$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.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

#### **Workforce Housing Tax Incentive Program**

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

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

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

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

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

The following is a schedule by program of the amount of taxes abated during the year ended June 30, 2021, (expressed in thousands):

|   | Sales &<br>Use Tax | Individual<br>Income<br>Tax | Corporate<br>Income<br>Tax | Franchise<br>Tax | Insurance<br>Premium<br>Tax | Withholding<br>Tax | Total             |
|---|--------------------|-----------------------------|----------------------------|------------------|-----------------------------|--------------------|-------------------|
| High Quality Jobs Program (HQJP)          | \$ 10,419          | \$ 3,892                    | \$ 11,635                  | \$ -             | \$ 1,512                    | \$ -               | \$ 27,458         |
| Historic Preservation Tax Credit          | -                  | 20,564                      | 3,745                      | 6,279            | -                           | -                  | 30,588            |
| Iowa Industrial New Jobs Training Program | -                  | -                           | -                          | -                | -                           | 37,034             | 37,034            |
| Redevelopment Tax Credit                  | -                  | 1,446                       | 1,302                      | 2,150            | 1,309                       | -                  | 6,207             |
| Renewable Energy Tax Credit*              | 116                | 1,822                       | 253                        | 18               | 309                         | -                  | 2,518             |
| Targeted Jobs Tax Credit from Withholding | -                  | -                           | -                          | -                | -                           | 4,460              | 4,460             |
| Enterprise Zone Program                   | -                  | 1,317                       | 1,735                      | 992              | -                           | -                  | 4,044             |
| Accelerated Career Education Program      | -                  | -                           | -                          | -                | -                           | 3,905              | 3,905             |
| Beginning Farmer Tax Credit Program       | -                  | 5,205                       | 175                        | -                | -                           | -                  | 5,380             |
| Workforce Housing Tax Incentive Program   | 2,824              | 2,326                       | 1,408                      | 7,538            | 3,907                       | -                  | 18,003            |
| <b>Total</b>                              | <b>\$ 13,359</b>   | <b>\$ 36,572</b>            | <b>\$ 20,253</b>           | <b>\$ 16,977</b> | <b>\$ 7,037</b>             | <b>\$ 45,399</b>   | <b>\$ 139,597</b> |

\* The table does not include \$27 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 \$43.5 million at June 30, 2021. 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.

General Services Capitals Fund, a Capital Projects Fund, had a deficit fund balance of \$35,000 at June 30, 2021. The deficit resulted from the timing of revenues recognized and the recognition of building project liabilities.

#### NOTE 22 – UTILITY SYSTEM LEASE & CONCESSION AGREEMENT

On December 20, 2019, the University of Iowa entered into a 50-year agreement, a public-private-partnership (P3), to lease the university's utility system to the University of Iowa Energy Collaborative LLC (UIEC) and grant it the exclusive right to operate the utility system and provide utility services to the university campus. On March 10, 2020, the university received an upfront payment of \$1.2 billion. The upfront payment is reported as an Advance from Concessionaire and is being amortized as an increase to operating revenue on a straight-line basis over the term of the agreement. At June 30, 2021, the balance of the Advance from Concessionaire is \$1.1 billion.

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

The University recognized fixed and O&M utility fees totaling \$55.4 million for the year ended June 30, 2021. The carrying amounts of UIEC capital investments and related payable to concessionaire at June 30, 2021 was \$13.8 million.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

#### NOTE 23 – SUBSEQUENT EVENTS

In July 2021, the University of Iowa received approval from the State Board of Regents to issue Hospital Revenue and Refunding Bonds, Series S.U.I. 2021A, in the amount of \$112.3 million and the Hospital Revenue Refunding Bond Anticipation Note, Series S. U. I. 2021B, in the amount of \$148.7 million for the purpose of defeasing and current refunding the Hospital Revenue Bonds, Series S. U. I. 2011 and 2011A, for defeasing and advance refunding the Hospital Revenue Bonds, Series S. U. I. 2012 and for paying a portion of the costs of constructing, equipping, installing and extending certain Hospital and Clinic facilities related to the Hospital system of the State University of Iowa and paying costs of issuance. The 2021A bonds will bear interest at varying rates between 2.00% and 5.00% and will mature in varying amounts from September 1, 2021 through September 1, 2051. The 2021B bonds will bear interest of .20% and will mature October 1, 2022.

The State Health Facilities Council, in August, 2021, approved an extension of the University of Iowa Hospitals & Clinics academic campus with the construction of a new facility. In September, 2021 the State Board of Regents approved plans for the construction of a new hospital and academic and clinic building. The proposed budget for the project is \$395 million, with funding provided by hospital revenue bonds, gifts, and university hospital building usage funds.

In January 2022, the University of Iowa received approval from the State Board of Regents to issue Hospital Revenue Bonds, Series S.U.I. 2022A in the amount of \$181.7 million. The proceeds of the bonds will be used to pay a portion of the costs of constructing, equipping, installing, and expanding certain hospital and clinic facilities related to the Hospital System of the State University of Iowa and pay the costs of issuing the bonds. The bonds will bear interest at varying rates between 2.38% and 5.00% and will mature in varying amounts from 2022 through 2051.

In January 2022, the University of Iowa received approval from the State Board of Regents to issue Hospital Revenue Bonds, Series S.U.I. 2022B in the amount of \$100.2 million. The proceeds of the bonds will be used to pay a portion of the costs of constructing, equipping, installing, and expanding certain hospital and clinic facilities related to the Hospital System of the State University of Iowa and pay the costs of issuing the bonds. The bonds will bear interest at 3.00% and will mature in varying amounts from 2052 through 2061.

In June 2022, the University of Iowa received approval from the State Board of Regents to issue Hospital Revenue Bonds, Series S.U.I. 2022C in the amount of \$130.7 million. The proceeds of the bonds will be used to provide for the current refunding of the outstanding principal of the Hospital Revenue Bonds, Series S.U.I. 2021B and paying the cost of issuing the bonds. The bonds will bear interest at varying rates between 4.00% and 5.00% and will mature in varying amounts from 2023 through 2038.

Subsequent to June 30, 2021, Iowa State University received approval from the State Board of Regents to issue Athletic Facilities Revenue Refunding Bonds, Series I.S.U. 2021 for \$16.4 million to be issued on December 1, 2021. These bonds will bear interest at varying rates and will mature in varying amounts from July 1, 2022 through July 1, 2037. The proceeds of the bonds will be used to provide for the current refunding of the outstanding principal of the July 1, 2022 through July 1, 2037 maturities of the Athletic Facilities Revenue Bonds, Series I.S.U. 2012, and to pay the costs of issuing the bonds. The bonds will be payable solely from the net revenues of the athletic facilities system of the University.

Iowa State University received approval from the State Board of Regents to issue Memorial Union Revenue Bonds, Series I.S.U. 2021 for \$10.0 million to be issued on December 1, 2021. These bonds will bear interest at varying rates and will mature in varying amounts from July 1, 2022 through July 1, 2042. The proceeds of the bonds will be used to finance the cost of improving, remodeling, repairing, and constructing additions to the Memorial Union building and parking structure. The bonds will be payable solely from the net revenues of the Memorial Union.

In February 2022, the State Board of Regents approved a plan to transfer ownership of three university licensee radio stations and certain related assets to Iowa Public Radio, Inc. (IPR), an Iowa Chapter 504 public benefit corporation, for the purchase price of \$1. IPR Board of Directors and the Federal Communications Commission (FCC) must approve the transfer of broadcast licenses before ownership transfer is finalized. IPR has been managing broadcast operations for the universities' radio stations since 2007. The transfer will allow the universities to redirect resources to other major institutional initiatives and support the mission of public radio. The transfer remains in the FCC's approval process.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

In June 2022, the State Board of Regents ended the 2-year phased retirement program that was approved July 1, 2017, effective June 2, 2022. The Board approved a 3-year phased retirement program for the University of Iowa to begin June 3, 2022.

On September 29, 2021, the Iowa Finance Authority (IFA) issued Single Family Mortgage Bonds in the par amount of \$99.6 million. Proceeds will be used to purchase mortgage-backed securities under IFA FirstHome and Homes for Iowans program and finance closing costs and down payment assistance. In conjunction with the issue, IFA entered into an interest rate swap agreement with Royal Bank of Canada.

Iowa Finance Authority (IFA) issued Single Family Mortgage Bonds, 2022 Series C (Taxable) in the amount of \$16.1 million on January 26, 2022, 2022 Series A (Non-AMT) in the amount of \$61.7 million and 2022 Series B (Non-AMT) in the amount of \$20.0 million on February 10, 2022. IFA also issued Single Family Mortgage Bonds, 2022 Series D (Non-AMT) in the amount of \$63.4 million, 2022 Series E in the amount of \$20.0 million and 2022 Series F in the amount of \$15.0 million on May 3, 2022. These will primarily be used to provide financing for new lower-interest mortgage loans to certain purchasers of single family owner-occupied residences located throughout the State of Iowa.

On May 3, 2022, IFA also issued State Revolving Fund Revenue Bonds, Series 2022A, in the amount of \$198.0 million and State Revolving Fund Revenue Bonds Taxable, Series 2022B, in the amount of \$8.2 million. Proceeds will be used for the financing or refinancing of projects that adhere to the federal Clean Water Act and the Safe Drinking Water Act, as determined by the Environmental Protection Agency (the "EPA").

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.

Effective July 1, 2022, the Iowa Department of Human Services and the Iowa Department of Public Health will begin the process of becoming a single department. Currently, expenditures are reported under different functional areas. Once effective, expenditures will be reported under a single functional area.

On April 7, 2022, the Office of the Governor of Iowa announced that the state intends to close Glenwood Resource Center in 2024. Glenwood Resource Center provides residential care and other services for Iowans with intellectual developmental disabilities. Over the next two years, Glenwood Resource Center will continue to provide care for its residents while working with their guardians and families to transition them to community placements or the Woodward Resource Center.

#### **NOTE 24 – COVID-19 PANDEMIC**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate its spread have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries and their political subdivisions.

It is not known how long the adverse conditions associated with COVID-19 will last, and it is uncertain to what extent these conditions and future developments will impact the State's financial operations and position.

#### **NOTE 25 – PROSPECTIVE ACCOUNTING CHANGE**

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. This statement requires recognition of certain lease assets and liabilities not previously reported in the Statements of Net Position.



Victory Arch over Locust Street erected for celebration of the 168th Infantry's homecoming at the Iowa State Capitol grounds.



~ May 15, 1919 ~



"The End of the Rainbow in Iowa...  
From the Rhine to the Mississippi."

REQUIRED  
SUPPLEMENTARY  
INFORMATION

**STATE OF IOWA**

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

For the Year Ended June 30, 2021  
(Expressed in Thousands)

|  | <b>ORIGINAL<br/>BUDGET</b> | <b>FINAL<br/>BUDGET</b> | <b>ACTUAL</b>     | <b>FINAL TO<br/>ACTUAL</b> |
|--|----------------------------|-------------------------|-------------------|----------------------------|
| <b>APPROPRIATED REVENUE</b>                |                            |                         |                   |                            |
| Special taxes:                             |                            |                         |                   |                            |
| Personal income tax                        | \$ 4,866,400               | \$ 5,031,900            | \$ 5,192,140      | \$ 160,240                 |
| Sales/use tax                              | 3,190,300                  | 3,299,300               | 3,574,035         | 274,735                    |
| Corporation income tax                     | 620,300                    | 747,100                 | 877,986           | 130,886                    |
| Inheritance tax                            | 86,800                     | 89,600                  | 102,053           | 12,453                     |
| Insurance premium tax                      | 152,300                    | 140,300                 | 143,901           | 3,601                      |
| Beer & liquor tax                          | 12,900                     | 12,100                  | 18,208            | 6,108                      |
| Franchise tax                              | 69,800                     | 58,800                  | 66,748            | 7,948                      |
| Miscellaneous tax                          | 20,400                     | 23,000                  | 21,588            | (1,412)                    |
| Total special taxes                        | 9,019,200                  | 9,402,100               | 9,996,659         | 594,559                    |
| Reimbursements & fees:                     |                            |                         |                   |                            |
| Institutional reimbursements               | 11,200                     | 10,300                  | 7,548             | (2,752)                    |
| Liquor transfers                           | 130,100                    | 141,700                 | 149,826           | 8,126                      |
| Interest                                   | 15,100                     | 3,000                   | 2,217             | (783)                      |
| Fees                                       | 30,800                     | 26,200                  | 29,788            | 3,588                      |
| Judicial revenue                           | 95,700                     | 63,500                  | 86,907            | 23,407                     |
| Miscellaneous receipts                     | 52,000                     | 57,300                  | 74,918            | 17,618                     |
| Racing and gaming receipts                 | 2,200                      | 2,200                   | 2,250             | 50                         |
| Total receipts                             | 9,356,300                  | 9,706,300               | 10,350,113        | 643,813                    |
| Transfers                                  | 105,000                    | 121,000                 | 125,408           | 4,408                      |
| Economic emergency fund surplus            | 268,800                    | 246,724                 | 246,724           | -                          |
| <b>TOTAL APPROPRIATED REVENUE</b>          | <b>9,730,100</b>           | <b>10,074,024</b>       | <b>10,722,245</b> | <b>648,221</b>             |
| <b>RECEIPTS CREDITED TO APPROPRIATIONS</b> |                            |                         |                   |                            |
| Other taxes                                | 602                        | 1,397                   | 1,397             | -                          |
| Multi suspense                             | 32,661                     | 32,661                  | 26,971            | (5,690)                    |
| Federal support                            | 5,095,276                  | 5,616,998               | 5,328,097         | (288,901)                  |
| Local governments                          | 50,700                     | 29,722                  | 31,165            | 1,443                      |
| Internal service transfers                 | 607,328                    | 607,896                 | 619,620           | 11,724                     |
| Reimbursements from other departments      | 6,052                      | 6,052                   | 5,940             | (112)                      |
| Government fund type transfers:            |                            |                         |                   |                            |
| Attorney General                           | 20,388                     | 20,566                  | 20,502            | (64)                       |
| Auditor of State                           | 4,652                      | 4,652                   | 3,855             | (797)                      |
| Other agencies                             | 41,418                     | 44,326                  | 46,242            | 1,916                      |
| Interest                                   | 286                        | 286                     | 25                | (261)                      |
| Fees, licenses & permits                   | 54,660                     | 55,464                  | 43,380            | (12,084)                   |
| Refunds & reimbursements                   | 634,183                    | 640,165                 | 630,418           | (9,747)                    |
| Sale of equipment & salvage                | 11                         | 11                      | 1                 | (10)                       |
| Rents & leases                             | 2,003                      | 1,695                   | 1,379             | (316)                      |
| Agricultural sales                         | -                          | 2                       | 295               | 293                        |
| Other sales & services                     | 4,841                      | 4,780                   | (406)             | (5,186)                    |
| Unearned receipts                          | 68,539                     | 76,378                  | 76,260            | (118)                      |
| Other                                      | 12,145                     | 13,342                  | 10,534            | (2,808)                    |
| <b>TOTAL APPROPRIATED RECEIPTS</b>         | <b>6,635,745</b>           | <b>7,156,393</b>        | <b>6,845,675</b>  | <b>(310,718)</b>           |
| <b>TOTAL ALL REVENUE</b>                   | <b>16,365,845</b>          | <b>17,230,417</b>       | <b>17,567,920</b> | <b>337,503</b>             |
| SCHOOL INFRASTRUCTURE TRANSFER             | (519,800)                  | (531,500)               | (560,425)         | (28,925)                   |
| REFUNDS OF TAXES COLLECTED                 | (1,104,000)                | (1,232,300)             | (1,114,467)       | 117,833                    |
| <b>TOTAL REVENUES AVAILABLE</b>            | <b>14,742,045</b>          | <b>15,466,617</b>       | <b>15,893,028</b> | <b>426,411</b>             |

(continued on next page)

**STATE OF IOWA**

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

For the Year Ended June 30, 2021

(Expressed in Thousands)

(continued)

|   | <b>ORIGINAL<br/>BUDGET</b> | <b>FINAL<br/>BUDGET</b> | <b>ACTUAL</b>       | <b>FINAL TO<br/>ACTUAL</b> |
|---|----------------------------|-------------------------|---------------------|----------------------------|
| <b>EXPENDITURES</b>   |                            |                         |                     |                            |
| Administration & regulation                                 | 736,976                    | 776,144                 | 750,289             | 25,855                     |
| Agriculture & natural resources                             | 183,064                    | 183,880                 | 179,312             | 4,568                      |
| Economic development  | 55,225                     | 59,116                  | 53,788              | 5,328                      |
| Education   | 4,629,505                  | 4,638,153               | 4,724,749           | (86,596)                   |
| Health & human services                                     | 8,135,979                  | 8,418,345               | 7,957,777           | 460,568                    |
| Justice   | 640,576                    | 659,695                 | 671,085             | (11,390)                   |
| Judicial  | 187,537                    | 187,538                 | 188,026             | (488)                      |
| Legislature   | 36,004                     | 36,004                  | 36,250              | (246)                      |
| <b>TOTAL EXPENDITURES</b>                                   | <b>14,604,866</b>          | <b>14,958,875</b>       | <b>14,561,276</b>   | <b>397,599</b>             |
| <br>  |                            |                         |                     |                            |
| REVENUES AVAILABLE OVER (UNDER)<br>EXPENDITURES & TRANSFERS | <u>137,179</u>             | <u>507,742</u>          | <u>1,331,752</u>    | <u>824,010</u>             |
| <br>  |                            |                         |                     |                            |
| <b>OTHER FINANCING SOURCES (USES)</b>                       |                            |                         |                     |                            |
| Balances credited to appropriations                         | 201,910                    | 264,281                 | 264,281             | -                          |
| Unexpended appropriations                                   | (6,284)                    | (284,726)               | (357,619)           | (72,893)                   |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                 | <u>195,626</u>             | <u>(20,445)</u>         | <u>(93,338)</u>     | <u>(72,893)</u>            |
| <br>  |                            |                         |                     |                            |
| REVENUES AVAILABLE OVER EXPENDITURES<br>& OTHER ITEMS       | 332,805                    | 487,297                 | 1,238,414           | 751,117                    |
| <br>  |                            |                         |                     |                            |
| BEGINNING FUND BALANCE (BUDGETARY)                          | -                          | -                       | -                   | -                          |
| <br>  |                            |                         |                     |                            |
| REMAINING FUND BALANCE (BUDGETARY)                          | <u>\$ 332,805</u>          | <u>\$ 487,297</u>       | <u>\$ 1,238,414</u> | <u>\$ 751,117</u>          |
| <br>  |                            |                         |                     |                            |
| ENDING FUND BALANCE (BUDGETARY)                             | \$ 332,805                 | \$ 487,297              | \$ 1,238,414        |                            |
| AUTHORIZED TRANSFER TO THE:                                 |                            |                         |                     |                            |
| Cash Reserve Fund   | (332,805)                  | (487,297)               | (1,238,414)         |                            |
| <b>REMAINING FUND BALANCE (BUDGETARY)</b>                   | <u>\$ -</u>                | <u>\$ -</u>             | <u>\$ -</u>         |                            |

**STATE OF IOWA**

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

June 30, 2021  
(Expressed in Thousands)

|   |                            |
|---|----------------------------|
| <b>Fund balance - budgetary/legal</b>                   | \$ 1,238,414               |
| Basis of accounting differences:                        |                            |
| Balance sheet accounts:                                 |                            |
| Accounts receivable                                     | 457,448                    |
| Due from other funds                                    | 3,743                      |
| Prepaid expenditures                                    | 36,906                     |
| Accounts payable & accruals                             | (332,585)                  |
| Due to other funds                                      | (76,289)                   |
| Unearned revenue  | (3,861)                    |
| Deferred revenue  | (304,641)                  |
| Budgetary unexpended appropriations                     | 357,619                    |
| Timing differences:                                     |                            |
| Petty cash & inventory expensed in budgetary accounting | 59,264                     |
| Perspective differences                                 | <u>2,316,639</u>           |
| <b>Total fund balance - GAAP basis</b>                  | <u><u>\$ 3,752,657</u></u> |

# STATE OF IOWA

## Required Supplementary Information

### Notes to Required Supplementary Information – Budgetary Reporting

#### **BUDGETARY EXPENDITURES IN EXCESS OF APPROPRIATIONS**

During the year ended June 30, 2021, actual expenditures exceeded budgeted expenditures in the General Fund, in the Education, Justice, Judicial and Legislature functions. For the Education function, the Department of Education received additional federal and state funding for State Foundation School Aid and the School Food Service program over budget and expended those funds for allowable program expenditures. For the Justice function, the Attorney General and the Department of Public Defense received additional federal funding and expended those funds for allowable program expenditures. The Department of Corrections received additional state funding over budget and expended those funds for allowable program expenditures. For the Judicial function, the Judicial Branch received additional federal funds and other State funds over budget and expended those funds for allowable purposes. For the Legislature, the Legislative Branch 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, Consumer Education Fund, Real Estate Education, Medicaid Fraud Fund, Unclaimed Winnings, Sports Wagering Receipts Fund, Technology Reinvestment Fund, Address Confidentiality Program Revolving Fund, Revenue Bonds Capital II Fund, Revenue Bonds Capital Fund, Underground Storage Tank Unassigned Revenue, Tobacco Tax Exempt Bond Proceeds Restricted Capital, Endowment for Iowa's Health Restricted Capitals Fund, Resources Enhancement and Protection Fund, Land Recycling Fund, Conservation Administration Fund, Forestry Management Enhancement Fund, Water Quality Protection, National Pollutant Discharge Elimination System Permit, Workforce Development Withholding, Wine and Beer Promotion Board Fund, Grow Iowa Values Fund, Renewable Fuel Infrastructure Fund, State Housing Trust Fund, Special Contingency Fund, Stafford Loan Program Fund, Pharmaceutical Settlement Fund, Hospital Health Care Access Trust Fund, Quality Assurance Fund, State Aviation Fund, and Court Technology and Modernization Fund. There is a perspective difference between budget and financial reporting due to the difference in fund structures. The budgetary presentation will vary from the financial presentation for funds displayed in the supplementary information due to this difference. The General Fund is displayed in the Required Supplementary Information (RSI) Budgetary Comparison Schedule. The major Special Revenue Funds, Tobacco Settlement Authority and Tobacco Collections Fund, do not have legally adopted budgets and, therefore, are not displayed. The nonmajor Special Revenue Funds are displayed with the combining financial statements and schedules for nonmajor funds in the Supplementary Information section.

The original budget and related estimated revenues and expenditures represent the spending authority enacted into law by the appropriations bills as of July 1, 2020 and includes estimated approved budgetary carry-forwards from the prior fiscal year.

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

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

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

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.

# STATE OF IOWA

## Required Supplementary Information

### Notes to Required Supplementary Information – Budgetary Reporting

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 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.

# STATE OF IOWA

## Required Supplementary Information

### Notes to Required Supplementary Information – Budgetary Reporting

#### RESERVE FUNDS

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

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

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

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

**STATE OF IOWA**

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

**Iowa Public Employees' Retirement System (IPERS)**

Last Seven Fiscal Years as of June 30 \*

(Expressed in Thousands)

|   | <u>2021</u>  | <u>2020</u>  | <u>2019</u>  | <u>2018</u>  | <u>2017</u>  |
|---|--------------|--------------|--------------|--------------|--------------|
| State's proportion of the net pension liability   | 16.563546%   | 16.155224%   | 16.561596%   | 16.960683%   | 17.130052%   |
| State's proportionate share of the net pension liability  | \$ 1,163,545 | \$ 935,567   | \$ 1,048,060 | \$ 1,129,772 | \$ 1,078,059 |
| State's covered payroll   | \$ 1,475,401 | \$ 1,419,476 | \$ 1,414,609 | \$ 1,431,290 | \$ 1,388,017 |
| State's proportionate share of the net pension liability as a percentage of its covered payroll | 78.86%       | 65.90%       | 74.09%       | 78.93%       | 77.67%       |
| Plan fiduciary net position as a percentage of the total pension liability                      | 82.90%       | 85.45%       | 83.62%       | 82.21%       | 81.82%       |
|   | <u>2016</u>  | <u>2015</u>  |              |              |              |
| State's proportion of the net pension liability   | 16.899393%   | 17.009515%   |              |              |              |
| State's proportionate share of the net pension liability  | \$ 834,918   | \$ 674,583   |              |              |              |
| State's covered payroll   | \$ 1,356,263 | \$ 1,342,673 |              |              |              |
| State's proportionate share of the net pension liability as a percentage of its covered payroll | 61.56%       | 50.24%       |              |              |              |
| Plan fiduciary net position as a percentage of the total pension liability                      | 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 Eight Fiscal Years as of June 30 \*

(Expressed in Thousands)

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

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

See accompanying independent auditor's report.

# STATE OF IOWA

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

### Judicial Retirement System (JRS)

Last Eight Fiscal Years as of June 30 \*

(Expressed in Thousands)

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

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

See accompanying independent auditor's report.

**STATE OF IOWA**

**Required Supplementary Information  
Schedule of Contributions**

**Iowa Public Employees' Retirement System (IPERS)**

Last Ten Fiscal Years as of June 30

(Expressed in Thousands)

|  | <u>2021</u>    | <u>2020</u>    | <u>2019</u>    | <u>2018</u>    | <u>2017</u>    |
|--|----------------|----------------|----------------|----------------|----------------|
| Statutorily required contribution                                  | \$ 144,855     | \$ 139,227     | \$ 134,356     | \$ 126,868     | \$ 128,532     |
| Contributions in relation to<br>statutorily required contributions | <u>144,855</u> | <u>139,227</u> | <u>134,356</u> | <u>126,868</u> | <u>128,532</u> |
| Contribution deficiency (excess)                                   | <u>\$ -</u>    |
| State's covered payroll  | \$ 1,541,309   | \$ 1,475,401   | \$ 1,419,476   | \$ 1,414,609   | \$ 1,431,290   |
| Contributions as a percentage of<br>covered payroll                | 9.40%          | 9.44%          | 9.47%          | 8.97%          | 8.98%          |
|  |                |                |                |                |                |
|  | <u>2016</u>    | <u>2015</u>    | <u>2014</u>    | <u>2013</u>    | <u>2012</u>    |
| Statutorily required contribution                                  | \$ 124,718     | \$ 122,279     | \$ 121,161     | \$ 116,630     | \$ 110,123     |
| Contributions in relation to<br>statutorily required contributions | <u>124,718</u> | <u>122,279</u> | <u>121,161</u> | <u>116,630</u> | <u>110,123</u> |
| Contribution deficiency (excess)                                   | <u>\$ -</u>    |
| State's covered payroll  | \$ 1,388,017   | \$ 1,356,263   | \$ 1,342,673   | \$ 1,322,751   | \$ 1,327,065   |
| Contributions as a percentage of<br>covered payroll                | 8.99%          | 9.02%          | 9.02%          | 8.82%          | 8.30%          |

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)

|  | <u>2021</u>       | <u>2020</u>       | <u>2019</u>       | <u>2018</u>       | <u>2017</u>     |
|--|-------------------|-------------------|-------------------|-------------------|-----------------|
| Actuarially determined contribution              | \$ 22,996         | \$ 19,378         | \$ 19,403         | \$ 20,306         | \$ 17,746       |
| Actual employer contribution                     | <u>22,711</u>     | <u>22,364</u>     | <u>21,840</u>     | <u>21,498</u>     | <u>17,274</u>   |
| Contribution deficiency (excess)                 | <u>\$ 285</u>     | <u>\$ (2,986)</u> | <u>\$ (2,437)</u> | <u>\$ (1,192)</u> | <u>\$ 472</u>   |
| Covered payroll                                  | \$ 47,869         | \$ 46,931         | \$ 45,514         | \$ 44,589         | \$ 42,212       |
| Contributions as a percentage of covered payroll | 47.45%            | 47.65%            | 47.99%            | 48.21%            | 40.92%          |
|  |                   |                   |                   |                   |                 |
|  | <u>2016</u>       | <u>2015</u>       | <u>2014</u>       | <u>2013</u>       | <u>2012</u>     |
| Actuarially determined contribution              | \$ 17,081         | \$ 16,957         | \$ 18,187         | \$ 18,665         | \$ 16,623       |
| Actual employer contribution                     | <u>20,519</u>     | <u>18,601</u>     | <u>17,715</u>     | <u>11,778</u>     | <u>10,741</u>   |
| Contribution deficiency (excess)                 | <u>\$ (3,438)</u> | <u>\$ (1,644)</u> | <u>\$ 472</u>     | <u>\$ 6,887</u>   | <u>\$ 5,882</u> |
| Covered payroll                                  | \$ 47,028         | \$ 43,873         | \$ 43,845         | \$ 43,621         | \$ 42,965       |
| Contributions as a percentage of covered payroll | 43.63%            | 42.40%            | 40.40%            | 27.00%            | 25.00%          |

See Notes to Required Supplementary Information - Schedules of Contributions.

See accompanying independent auditor's report.

**STATE OF IOWA**

**Required Supplementary Information  
Schedule of Contributions**

**Judicial Retirement System (JRS)**

Last Ten Fiscal Years as of June 30

(Expressed in Thousands)

|  | <u>2021</u>       | <u>2020</u>       | <u>2019</u>     | <u>2018</u>       | <u>2017</u>       |
|--|-------------------|-------------------|-----------------|-------------------|-------------------|
| Actuarially determined contribution              | \$ 7,691          | \$ 8,567          | \$ 8,674        | \$ 5,688          | \$ 6,201          |
| Actual employer contribution                     | <u>9,200</u>      | <u>9,211</u>      | <u>8,771</u>    | <u>8,503</u>      | <u>8,544</u>      |
| Contribution deficiency (excess)                 | <u>\$ (1,509)</u> | <u>\$ (644)</u>   | <u>\$ (97)</u>  | <u>\$ (2,815)</u> | <u>\$ (2,343)</u> |
| Covered payroll                                  | \$ 30,065         | \$ 30,100         | \$ 28,664       | \$ 27,788         | \$ 27,922         |
| Contributions as a percentage of covered payroll | 30.60%            | 30.60%            | 30.60%          | 30.60%            | 30.60%            |
|  |                   |                   |                 |                   |                   |
|  | <u>2016</u>       | <u>2015</u>       | <u>2014</u>     | <u>2013</u>       | <u>2012</u>       |
| Actuarially determined contribution              | \$ 6,667          | \$ 7,709          | \$ 8,376        | \$ 8,445          | \$ 8,364          |
| Actual employer contribution                     | <u>8,667</u>      | <u>8,724</u>      | <u>8,630</u>    | <u>8,232</u>      | <u>8,216</u>      |
| Contribution deficiency (excess)                 | <u>\$ (2,000)</u> | <u>\$ (1,015)</u> | <u>\$ (254)</u> | <u>\$ 213</u>     | <u>\$ 148</u>     |
| Covered payroll                                  | \$ 28,322         | \$ 28,510         | \$ 28,203       | \$ 26,903         | \$ 26,849         |
| Contributions as a percentage of covered payroll | 30.60%            | 30.60%            | 30.60%          | 30.60%            | 30.60%            |

See Notes to Required Supplementary Information - Schedules of Contributions.

See accompanying independent auditor's report.

# STATE OF IOWA

## Required Supplementary Information

### Notes to Required Supplementary Information – Schedules of Contributions

#### A. Iowa Public Employees' Retirement System (IPERS)

##### *Changes of Benefit and Funding Terms*

There are no significant changes in benefit terms.

##### *Changes in Assumptions*

Valuation date: July 1, 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, 2021

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, 2021 (based on the July 1, 2020 actuarial valuation):

- *Actuarial cost method:* Entry age normal
- *Amortization method:* Level percentage of payroll, closed
- *Amortization period:* 20 years
- *Asset valuation method:* 5-year-smoothed market
- *Inflation:* 2.50%
- *Salary increase:* 4.00% to 8.50%, including inflation
- *Investment rate of return:* 7.00% compounded annually, net of investment expense, including inflation
- *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 ataset Mortality Table with a four-year age set-forward for males and Generational Projection, using MP-2016.

# STATE OF IOWA

## Required Supplementary Information

### Notes to Required Supplementary Information – Schedules of Contributions

#### ***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.

#### ***Changes in Assumptions***

##### *July 1, 2020 valuation:*

- The price inflation assumption was decreased from 2.75% to 2.50%.
- The productivity assumption was increased from 0.75% to 1.00%.
- The payroll growth assumption was decreased from 3.00% to 2.75%.
- The long-term investment return assumption was decreased from 7.50% to 7.00%.

##### *July 1, 2017 valuation:*

- The mortality assumption was changed to the RP-2014 Mortality Table, with a one-year age setback for males. Generational mortality improvements are modeled using the MP-2016 scale.
- Retirement rates were modified for employees with less than 30 years of service.
- Accidental and Ordinary Disability rates were adjusted to better reflect actual experience.
- Termination rates were adjusted to better reflect actual experience.
- 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%.

# STATE OF IOWA

## Required Supplementary Information

### Notes to Required Supplementary Information – Schedules of Contributions

#### *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, 2021

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, 2021 (based on the July 1, 2020 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
- *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.

# STATE OF IOWA

## Required Supplementary Information

### Notes to Required Supplementary Information – Schedules of Contributions

#### ***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 Four Fiscal Years as of June 30 \*  
(Expressed in Thousands)

|   | <u>2021</u>       | <u>2020</u>       | <u>2019</u>       | <u>2018</u>       |
|---|-------------------|-------------------|-------------------|-------------------|
| <b>Total OPEB liability</b>                             |                   |                   |                   |                   |
| Service cost  | \$ 17,256         | \$ 13,491         | \$ 12,374         | \$ 12,964         |
| Interest  | 4,929             | 7,244             | 7,448             | 6,520             |
| Differences between expected & actual experience        | (5,897)           | (6,842)           | -                 | (1,066)           |
| Changes in assumptions                                  | (3,067)           | 10,426            | 4,773             | 2,642             |
| Change in proportion                                    | -                 | -                 | -                 | (23)              |
| Benefit payments - implicit subsidy                     | (12,356)          | (11,338)          | (11,073)          | (9,191)           |
| Net change in total OPEB liability                      | 865               | 12,981            | 13,522            | 11,846            |
| Total OPEB liability - beginning                        | 212,055           | 199,074           | 185,552           | 173,706           |
| Total OPEB liability - ending                           | <u>\$ 212,920</u> | <u>\$ 212,055</u> | <u>\$ 199,074</u> | <u>\$ 185,552</u> |
| <br>  |                   |                   |                   |                   |
| Covered payroll   | \$ 1,407,753      | \$ 1,365,553      | \$ 1,249,303      | \$ 1,254,711      |
| <br>  |                   |                   |                   |                   |
| Total OPEB liability as a percentage of covered payroll | 15.12%            | 15.53%            | 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

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

#### A. State Plan

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

##### ***Changes in Assumptions***

2021:

- Decreased the discount rate from 2.21% to 2.16%.
- Updated medical claims costs based on recent experience.
- Updated annual medical trend rates based on recent experience and future expectations.

2020:

- Decreased the discount rate from 3.50% to 2.21%.
- Updated medical claims costs and premiums based on recent experience.
- Updated annual medical trend rates based on industry observations and the current SOA-Getzen model.
- Updated mortality assumptions and the salary scale to be consistent with the assumptions used in the June 30, 2019 IPERS actuarial valuation.

2019:

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

2018:

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

#### B. University Plans

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

##### ***Changes of Benefit and Funding Terms***

2020:

###### ISU:

- An eligibility cut-off date for life insurance has been implemented such that only employees retiring prior to July 1, 2020, are eligible for life insurance coverage. The impact of this change is a decrease in liabilities.
- An eligibility cut-off date for long-term disability has been implemented such that only employees approved for LTD and participating in the subsidy program prior to July 1, 2020 are eligible for LTD coverage. The impact of this change is a decrease in liabilities.
- A new Retirement Incentive Option Program has been implemented for fiscal year 2020/21, which includes three options that provide retirees with a one-time, up-front payout of pension-related employer contributions, medical/dental coverage, or a combination of both. As part of this change, the retirement rates for FY 2020/21 only have been increased by 133% to reflect expected increased retirements in 2020/21. The impact of these changes is an increase in liabilities.
- The Affordable Care Act Excise Tax was repealed in December 2019, so this valuation no longer reflects any liabilities associated with the Tax. The impact of this change is a slight decrease in liabilities.

2018:

###### U of I:

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

# STATE OF IOWA

## Required Supplementary Information

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

#### **Changes in Assumptions**

2021:

U of I:

- Decreased the discount rate from 3.50% to 2.21%.
- Removed the impact of the excise tax on high cost plans from future medical trend rate assumptions.

ISU:

- Decreased the discount rate from 3.26% to 2.12%.

UNI:

- Decreased the discount rate from 2.66 to 2.19%.

2020:

U of I:

- Decreased the discount rate from 3.58% to 3.50%.
- Changed the mortality assumption for healthy lives from the RP-2014 Aggregate Mortality Table projected using Scale MP-2016 to the Pub-2010 Aggregate Mortality Table projected using Scale MP-2018, and for disabled lives from the CIA 1988-94 LTD Table to the Pub-2010 Disabled Mortality Table projected using Scale MP-2018.
- Updated the healthcare trend rates to a schedule of rates beginning at 6.65% in 2019, grading down to 4.50% in 2028 and beyond for pre-65 participants and 7.61% in 2019 grading down to 4.50% in 2029 and beyond for post-65 participants.
- Changed the marginal cost adjustment factors for pre-65 participants from 60.10% to 62.90% and for post-65 participants from 87.60% to 89.50%.
- Updated the impact of the excise tax on high cost plans based on current claims and medical trend assumptions.

ISU:

- Decreased the discount rate from 4.11% to 3.26%.
- Changed the mortality assumption for actives and healthy retirees from the RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017 to Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019, for surviving spouses from the RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017 to Pub-2010 Contingent Survivor Headcount Weighted Mortality Table fully generational using Scale PM-2019, and for disabled retirees from the RPH-2017 Disabled Retiree Mortality Table fully generational using Scale MP-2017 set forward 10 years to Pub-2010 Non-Safety Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2019 .
- Medical trend rates have been set to an initial rate of 8.00% decreasing by 0.50% annually to an ultimate rate of 4.50%.

UNI:

- Decreased the discount rate from 3.51% to 2.66%.
- Changed the mortality assumption from the RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017 to Pub-2010 General Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2019 for non-faculty employees and retirees, to Pub-2010 Teachers Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2019 for faculty employees and retirees, and to Pub-2010 Contingent Survivor Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2019 for surviving spouses.
- Updated the termination and retirement rates to follow the actuarial assumptions from the IPERS actuarial valuation as of June 30, 2019.
- Medical trend rates have been set to an initial rate of 8.00% decreasing by 0.50% annually to an ultimate rate of 4.50%.

## STATE OF IOWA

### Required Supplementary Information

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

2019:

U of I:

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

ISU:

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

UNI:

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

2018:

U of I:

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

ISU:

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

UNI:

- Increased the discount rate from 3.58% to 3.87%.
- 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, 2021  
(Expressed in Thousands)

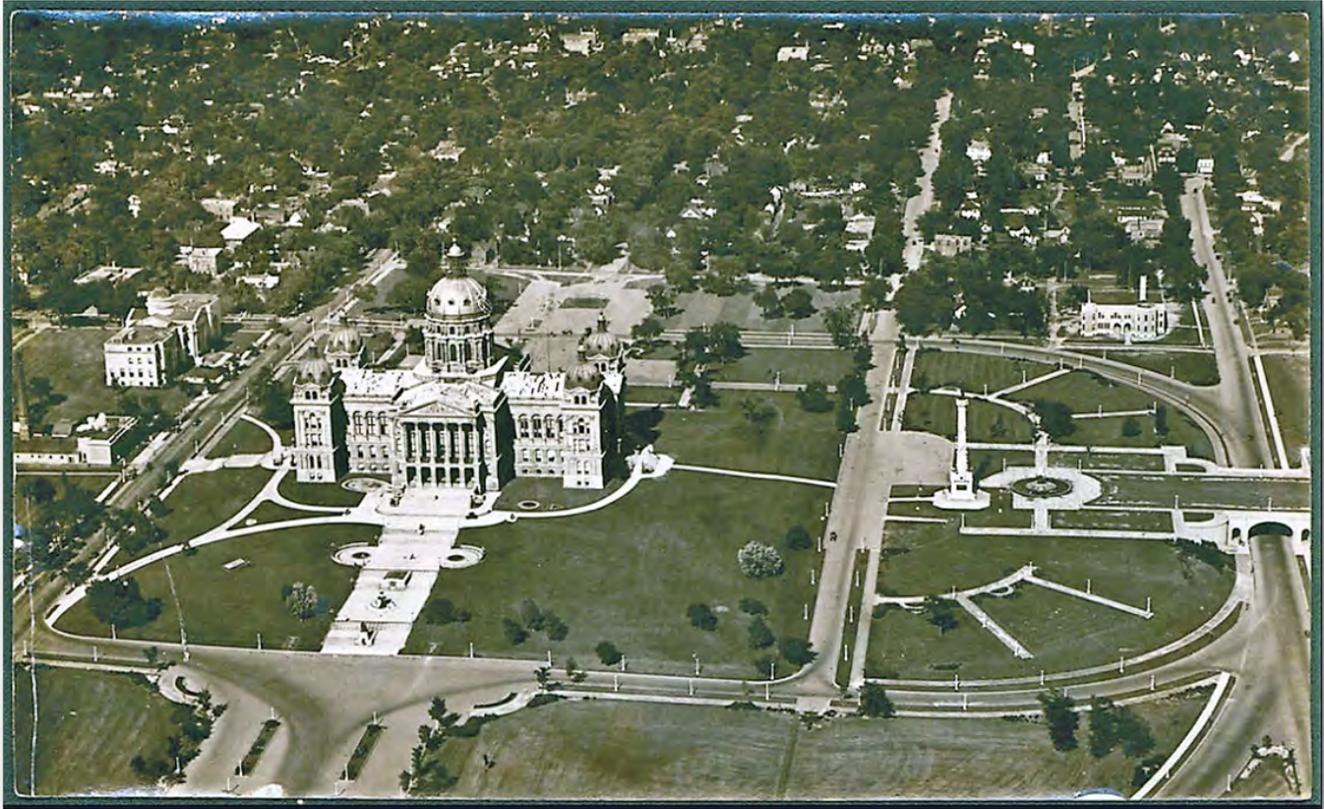
|  | <b>SPECIAL<br/>REVENUE<br/>FUNDS</b> | <b>CAPITAL<br/>PROJECTS<br/>FUNDS</b> | <b>PERMANENT<br/>FUNDS</b> | <b>TOTAL<br/>NONMAJOR<br/>GOVERNMENTAL<br/>FUNDS</b> |
|--|--------------------------------------|---------------------------------------|----------------------------|--|
| <b>ASSETS</b>  |                                      |                                       |                            |  |
| Current assets:  |                                      |                                       |                            |  |
| Cash & investments   | \$ 101,803                           | \$ 22,812                             | \$ 16,180                  | \$ 140,795   |
| Accounts receivable (net)  | 50,360                               | 584                                   | -                          | 50,944   |
| Loans receivable (net)   | 95                                   | -                                     | -                          | 95   |
| Due from other funds   | 910                                  | 1,577                                 | -                          | 2,487  |
| Inventory  | 192                                  | -                                     | -                          | 192  |
| Prepaid expenditures   | 318                                  | -                                     | -                          | 318  |
| Total current assets   | <u>153,678</u>                       | <u>24,973</u>                         | <u>16,180</u>              | <u>194,831</u>                                       |
| Noncurrent assets:   |                                      |                                       |                            |  |
| Accounts receivable (net)  | <u>311</u>                           | <u>-</u>                              | <u>30</u>                  | <u>341</u>   |
| TOTAL ASSETS   | <u>\$ 153,989</u>                    | <u>\$ 24,973</u>                      | <u>\$ 16,210</u>           | <u>\$ 195,172</u>                                    |
| <b>LIABILITIES</b>   |                                      |                                       |                            |  |
| Current liabilities:   |                                      |                                       |                            |  |
| Accounts payable & accruals                                      | \$ 2,887                             | \$ 1,786                              | \$ -                       | \$ 4,673   |
| Due to other funds   | 19,930                               | 17,267                                | -                          | 37,197   |
| Unearned revenue   | 169                                  | 531                                   | -                          | 700  |
| Total current liabilities  | <u>22,986</u>                        | <u>19,584</u>                         | <u>-</u>                   | <u>42,570</u>  |
| Noncurrent liabilities:  |                                      |                                       |                            |  |
| Accounts payable & accruals                                      | <u>1,891</u>                         | <u>-</u>                              | <u>-</u>                   | <u>1,891</u>   |
| TOTAL LIABILITIES  | <u>24,877</u>                        | <u>19,584</u>                         | <u>-</u>                   | <u>44,461</u>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                             |                                      |                                       |                            |  |
| Deferred revenue   | 9,827                                | 491                                   | 30                         | 10,348   |
| Unconditional remainder interest                                 | 146                                  | -                                     | -                          | 146  |
| TOTAL DEFERRED INFLOWS OF RESOURCES                              | <u>9,973</u>                         | <u>491</u>                            | <u>30</u>                  | <u>10,494</u>  |
| <b>FUND BALANCES</b>   |                                      |                                       |                            |  |
| Nonspendable   | 510                                  | -                                     | 16,150                     | 16,660   |
| Spendable:   |                                      |                                       |                            |  |
| Restricted   | 83,387                               | -                                     | 30                         | 83,417   |
| Committed  | 35,257                               | 4,933                                 | -                          | 40,190   |
| Unassigned   | <u>(15)</u>                          | <u>(35)</u>                           | <u>-</u>                   | <u>(50)</u>  |
| TOTAL FUND BALANCES  | <u>119,139</u>                       | <u>4,898</u>                          | <u>16,180</u>              | <u>140,217</u>                                       |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES | <u>\$ 153,989</u>                    | <u>\$ 24,973</u>                      | <u>\$ 16,210</u>           | <u>\$ 195,172</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, 2021  
(Expressed in Thousands)

|  | SPECIAL<br>REVENUE<br>FUNDS | CAPITAL<br>PROJECTS<br>FUNDS | PERMANENT<br>FUNDS | TOTAL<br>NONMAJOR<br>GOVERNMENTAL<br>FUNDS |
|--|-----------------------------|------------------------------|--------------------|--|
| <b>REVENUES</b>  |                             |                              |                    |  |
| Receipts from other entities   | \$ 11,108                   | \$ 2,440                     | \$ -               | \$ 13,548                                  |
| Investment income  | 9,075                       | -                            | -                  | 9,075                                      |
| Fees, licenses & permits   | 124,652                     | -                            | -                  | 124,652                                    |
| Refunds & reimbursements   | 5,781                       | 8                            | -                  | 5,789                                      |
| Sales, rents & services  | 5,644                       | -                            | -                  | 5,644                                      |
| Miscellaneous  | 28,813                      | -                            | 609                | 29,422                                     |
| <b>GROSS REVENUES</b>  | <b>185,073</b>              | <b>2,448</b>                 | <b>609</b>         | <b>188,130</b>                             |
| Less revenue refunds   | 3,825                       | -                            | -                  | 3,825                                      |
| <b>NET REVENUES</b>  | <b>181,248</b>              | <b>2,448</b>                 | <b>609</b>         | <b>184,305</b>                             |
| <b>EXPENDITURES</b>  |                             |                              |                    |  |
| Current:   |                             |                              |                    |  |
| Administration & regulation  | 31,116                      | 9                            | -                  | 31,125                                     |
| Education  | 19,359                      | -                            | -                  | 19,359                                     |
| Health & human rights  | 353                         | -                            | -                  | 353  |
| Human services   | 254                         | -                            | -                  | 254  |
| Justice & public defense   | 1,578                       | -                            | -                  | 1,578                                      |
| Transportation   | 73                          | -                            | -                  | 73   |
| Agriculture & natural resources                                      | 1,579                       | 8,022                        | -                  | 9,601                                      |
| Capital outlay:  |                             |                              |                    |  |
| Administration & regulation  | 3                           | 3,057                        | -                  | 3,060                                      |
| Education  | 33                          | -                            | -                  | 33   |
| Health & human rights  | 6                           | 6,372                        | -                  | 6,378                                      |
| Human services   | -                           | 559                          | -                  | 559  |
| Justice & public defense   | 198                         | 1,162                        | -                  | 1,360                                      |
| Transportation   | 3,935                       | -                            | -                  | 3,935                                      |
| Agriculture & natural resources                                      | -                           | 7,209                        | -                  | 7,209                                      |
| <b>TOTAL EXPENDITURES</b>  | <b>58,487</b>               | <b>26,390</b>                | <b>-</b>           | <b>84,877</b>                              |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <b>122,761</b>              | <b>(23,942)</b>              | <b>609</b>         | <b>99,428</b>                              |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                             |                              |                    |  |
| Transfers in   | 1,116                       | 25,197                       | -                  | 26,313                                     |
| Transfers out  | (92,255)                    | (748)                        | -                  | (93,003)                                   |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                          | <b>(91,139)</b>             | <b>24,449</b>                | <b>-</b>           | <b>(66,690)</b>                            |
| <b>NET CHANGE IN FUND BALANCES</b>                                   | <b>31,622</b>               | <b>507</b>                   | <b>609</b>         | <b>32,738</b>                              |
| <b>FUND BALANCES - JULY 1</b>  | <b>87,517</b>               | <b>4,391</b>                 | <b>15,571</b>      | <b>107,479</b>                             |
| <b>FUND BALANCES - JUNE 30</b>                                       | <b>\$ 119,139</b>           | <b>\$ 4,898</b>              | <b>\$ 16,180</b>   | <b>\$ 140,217</b>                          |



Aerial view of Iowa State Capitol grounds.  
Taken from Barnett Company monoplane  
ca 1930

# COMBINING FINANCIAL STATEMENTS

## **Nonmajor Special Revenue Funds**

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

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

**Hospital Health Care Access Trust Fund** receives hospital health care access assessments imposed by Chapter 249M of the Code of Iowa. These funds are to be used to reimburse participating hospitals the medical assistance program upper payment limit for inpatient and outpatient hospital services. Following payment of such upper payment limit to participating hospitals, any remaining funds on an annual basis may be used for any of the following purposes: (a) to support medical assistance program utilization shortfalls, (b) to maintain the state's capacity to provide access to and delivery of services for vulnerable Iowans, (c) to fund the health care workforce support initiative, (d) to support access to health care services for uninsured Iowans, and (e) to support Iowa hospital programs and services which expand access to health care services for Iowans.

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

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

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

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

June 30, 2021  
(Expressed in Thousands)

|   | <b>GUARANTY<br/>AGENCY<br/>OPERATING</b> | <b>HOSPITAL<br/>HEALTH CARE<br/>ACCESS<br/>FUND</b> | <b>QUALITY<br/>ASSURANCE<br/>TRUST<br/>FUND</b> | <b>IOWA PBS<br/>FOUNDATION</b> | <b>OTHER<br/>FUNDS</b>  | <b>TOTAL</b>             |
|---|--|---|---|--------------------------------|-------------------------|--------------------------|
| <b>ASSETS</b>   |  |   |   |                                |                         |                          |
| Current assets:   |  |   |   |                                |                         |                          |
| Cash & investments  | \$ 25,434                                | \$ 7  | \$ 106  | \$ 19,435                      | \$ 56,821               | \$ 101,803               |
| Accounts receivable (net)   | 1,653                                    | 18,527  | 26,164  | 2,388                          | 1,628                   | 50,360                   |
| Loans receivable (net)  | 95                                       | -   | -   | -                              | -                       | 95                       |
| Due from other funds  | 27                                       | 2   | -   | -                              | 881                     | 910                      |
| Inventory   | -  | -   | -   | 58                             | 134                     | 192                      |
| Prepaid expenditures  | 85                                       | -   | -   | 37                             | 196                     | 318                      |
| Total current assets  | <u>27,294</u>                            | <u>18,536</u>                                       | <u>26,270</u>                                   | <u>21,918</u>                  | <u>59,660</u>           | <u>153,678</u>           |
| Noncurrent assets:  |  |   |   |                                |                         |                          |
| Accounts receivable (net)   | 200                                      | -   | -   | -                              | 111                     | 311                      |
| <b>TOTAL ASSETS</b>   | <u><u>\$ 27,494</u></u>                  | <u><u>\$ 18,536</u></u>                             | <u><u>\$ 26,270</u></u>                         | <u><u>\$ 21,918</u></u>        | <u><u>\$ 59,771</u></u> | <u><u>\$ 153,989</u></u> |
| <b>LIABILITIES</b>  |  |   |   |                                |                         |                          |
| Current liabilities:  |  |   |   |                                |                         |                          |
| Accounts payable & accruals   | \$ 359                                   | \$ -  | \$ -  | \$ 198                         | \$ 2,330                | \$ 2,887                 |
| Due to other funds  | 49                                       | 8,020   | 10,155  | 920                            | 786                     | 19,930                   |
| Unearned revenue  | -  | -   | -   | 1                              | 168                     | 169                      |
| Total current liabilities   | <u>408</u>                               | <u>8,020</u>  | <u>10,155</u>                                   | <u>1,119</u>                   | <u>3,284</u>            | <u>22,986</u>            |
| Noncurrent liabilities:   |  |   |   |                                |                         |                          |
| Accounts payable & accruals   | -  | -   | -   | 238                            | 1,653                   | 1,891                    |
| <b>TOTAL LIABILITIES</b>  | <u>408</u>                               | <u>8,020</u>  | <u>10,155</u>                                   | <u>1,357</u>                   | <u>4,937</u>            | <u>24,877</u>            |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |  |   |   |                                |                         |                          |
| Deferred revenue  | 1,200                                    | 1,196   | 5,816   | 1,420                          | 195                     | 9,827                    |
| Unconditional remainder interest  | -  | -   | -   | 146                            | -                       | 146                      |
| <b>TOTAL DEFERRED INFLOWS OF<br/>RESOURCES</b>                                      | <u>1,200</u>                             | <u>1,196</u>  | <u>5,816</u>                                    | <u>1,566</u>                   | <u>195</u>              | <u>9,973</u>             |
| <b>FUND BALANCES</b>  |  |   |   |                                |                         |                          |
| Nonspendable  | 85                                       | -   | -   | 95                             | 330                     | 510                      |
| Spendable:  |  |   |   |                                |                         |                          |
| Restricted  | 25,801                                   | -   | -   | 18,900                         | 38,686                  | 83,387                   |
| Committed   | -  | 9,320   | 10,299  | -                              | 15,638                  | 35,257                   |
| Unassigned  | -  | -   | -   | -                              | (15)                    | (15)                     |
| <b>TOTAL FUND BALANCES</b>  | <u>25,886</u>                            | <u>9,320</u>  | <u>10,299</u>                                   | <u>18,995</u>                  | <u>54,639</u>           | <u>119,139</u>           |
| <b>TOTAL LIABILITIES, DEFERRED<br/>INFLOWS OF RESOURCES &amp;<br/>FUND BALANCES</b> | <u><u>\$ 27,494</u></u>                  | <u><u>\$ 18,536</u></u>                             | <u><u>\$ 26,270</u></u>                         | <u><u>\$ 21,918</u></u>        | <u><u>\$ 59,771</u></u> | <u><u>\$ 153,989</u></u> |

## STATE OF IOWA

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

For the Year Ended June 30, 2021  
(Expressed in Thousands)

|  | GUARANTY<br>AGENCY<br>OPERATING | HOSPITAL<br>HEALTH CARE<br>ACCESS<br>FUND | QUALITY<br>ASSURANCE<br>TRUST<br>FUND | IOWA PBS<br>FOUNDATION | OTHER<br>FUNDS   | TOTAL             |
|--|---------------------------------|---|---------------------------------------|------------------------|------------------|-------------------|
| <b>REVENUES</b>  |                                 |   |                                       |                        |                  |                   |
| Receipts from other entities   | \$ 4,969                        | \$ -                                      | \$ -                                  | \$ -                   | \$ 6,139         | \$ 11,108         |
| Investment income  | 11                              | 6   | 7                                     | 5,394                  | 3,657            | 9,075             |
| Fees, licenses & permits   | -                               | 42,121                                    | 56,743                                | -                      | 25,788           | 124,652           |
| Refunds & reimbursements   | 1,680                           | -   | -                                     | -                      | 4,101            | 5,781             |
| Sales, rents & services  | -                               | -   | -                                     | -                      | 5,644            | 5,644             |
| Miscellaneous  | -                               | -   | -                                     | 11,133                 | 17,680           | 28,813            |
| <b>GROSS REVENUES</b>  | <b>6,660</b>                    | <b>42,127</b>                             | <b>56,750</b>                         | <b>16,527</b>          | <b>63,009</b>    | <b>185,073</b>    |
| Less revenue refunds   | -                               | -   | -                                     | -                      | 3,825            | 3,825             |
| <b>NET REVENUES</b>  | <b>6,660</b>                    | <b>42,127</b>                             | <b>56,750</b>                         | <b>16,527</b>          | <b>59,184</b>    | <b>181,248</b>    |
| <b>EXPENDITURES</b>  |                                 |   |                                       |                        |                  |                   |
| Current:   |                                 |   |                                       |                        |                  |                   |
| Administration & regulation  | -                               | -   | -                                     | -                      | 31,116           | 31,116            |
| Education  | 8,169                           | -   | -                                     | 4,004                  | 7,186            | 19,359            |
| Health & human rights  | -                               | -   | -                                     | -                      | 353              | 353               |
| Human services   | -                               | -   | -                                     | -                      | 254              | 254               |
| Justice & public defense   | -                               | -   | -                                     | -                      | 1,578            | 1,578             |
| Transportation   | -                               | -   | -                                     | -                      | 73               | 73                |
| Agriculture & natural resources                                      | -                               | -   | -                                     | -                      | 1,579            | 1,579             |
| Capital outlay:  |                                 |   |                                       |                        |                  |                   |
| Administration & regulation  | -                               | -   | -                                     | -                      | 3                | 3                 |
| Education  | 33                              | -   | -                                     | -                      | -                | 33                |
| Health & human rights  | -                               | -   | -                                     | -                      | 6                | 6                 |
| Justice & public defense   | -                               | -   | -                                     | -                      | 198              | 198               |
| Transportation   | -                               | -   | -                                     | -                      | 3,935            | 3,935             |
| <b>TOTAL EXPENDITURES</b>  | <b>8,202</b>                    | <b>-</b>                                  | <b>-</b>                              | <b>4,004</b>           | <b>46,281</b>    | <b>58,487</b>     |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <b>(1,542)</b>                  | <b>42,127</b>                             | <b>56,750</b>                         | <b>12,523</b>          | <b>12,903</b>    | <b>122,761</b>    |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                                 |   |                                       |                        |                  |                   |
| Transfers in   | 73                              | -   | -                                     | -                      | 1,043            | 1,116             |
| Transfers out  | (299)                           | (33,921)                                  | (46,615)                              | (6,037)                | (5,383)          | (92,255)          |
| <b>TOTAL OTHER FINANCING SOURCES<br/>(USES)</b>                      | <b>(226)</b>                    | <b>(33,921)</b>                           | <b>(46,615)</b>                       | <b>(6,037)</b>         | <b>(4,340)</b>   | <b>(91,139)</b>   |
| <b>NET CHANGE IN FUND BALANCES</b>                                   | <b>(1,768)</b>                  | <b>8,206</b>                              | <b>10,135</b>                         | <b>6,486</b>           | <b>8,563</b>     | <b>31,622</b>     |
| FUND BALANCES - JULY 1   | 27,654                          | 1,114                                     | 164                                   | 12,509                 | 46,076           | 87,517            |
| FUND BALANCES - JUNE 30  | <u>\$ 25,886</u>                | <u>\$ 9,320</u>                           | <u>\$ 10,299</u>                      | <u>\$ 18,995</u>       | <u>\$ 54,639</u> | <u>\$ 119,139</u> |



Aerial view of Iowa State Capitol grounds  
from Northwest of State Capitol Building.  
March 1948

**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, 2021  
(Expressed in Thousands)

|   | <b>PRIMARY ROAD FUND</b> |                 |            |                    | <b>FISH AND GAME TRUST FUND</b> |                 |           |                    |
|---|--------------------------|-----------------|------------|--------------------|---------------------------------|-----------------|-----------|--------------------|
|   | ORIGINAL<br>BUDGET       | FINAL<br>BUDGET | ACTUAL     | FINAL TO<br>ACTUAL | ORIGINAL<br>BUDGET              | FINAL<br>BUDGET | ACTUAL    | FINAL TO<br>ACTUAL |
| <b>APPROPRIATED REVENUE:</b>                                |                          |                 |            |                    |                                 |                 |           |                    |
| Transfers   | \$ 372,607               | \$ 631,067      | \$ 774,802 | \$ 143,735         | \$ 203                          | \$ 203          | \$ 686    | \$ 483             |
| <b>RECEIPTS CREDITED TO APPROPRIATIONS:</b>                 |                          |                 |            |                    |                                 |                 |           |                    |
| Beer tax  | -                        | -               | -          | -                  | -                               | -               | -         | -                  |
| Cigarette tax   | -                        | -               | -          | -                  | -                               | -               | -         | -                  |
| Tobacco products tax  | -                        | -               | -          | -                  | -                               | -               | -         | -                  |
| Liquor tax  | -                        | -               | -          | -                  | -                               | -               | -         | -                  |
| Other taxes   | -                        | -               | -          | -                  | -                               | -               | -         | -                  |
| Wagering tax receipts                                       | -                        | -               | -          | -                  | -                               | -               | -         | -                  |
| Individual income tax quarterly                             | -                        | -               | -          | -                  | -                               | -               | -         | -                  |
| Federal support   | 586,000                  | 591,000         | 540,786    | (50,214)           | 15,000                          | 15,000          | 17,161    | 2,161              |
| Local governments   | 10,952                   | 10,952          | 12,926     | 1,974              | -                               | -               | -         | -                  |
| Other states  | 79,705                   | 80,704          | 29,053     | (51,651)           | -                               | -               | -         | -                  |
| Reimbursements from other agencies                          | -                        | -               | -          | -                  | 5                               | 5               | 104       | 99                 |
| Governmental fund type transfers from other agencies        | 150,872                  | 145,872         | 146,309    | 437                | 10                              | 10              | 500       | 490                |
| Interest  | -                        | -               | -          | -                  | 150                             | 150             | 42        | (108)              |
| Bonds & loans   | 12,411                   | 12,411          | 2,720      | (9,691)            | -                               | -               | -         | -                  |
| Fees, licenses & permits                                    | 1,700                    | 5,700           | 5,405      | (295)              | 35,700                          | 35,700          | 36,304    | 604                |
| Refunds & reimbursements                                    | -                        | -               | -          | -                  | 400                             | 400             | 380       | (20)               |
| Sale of real estate   | 2,100                    | 2,335           | 854        | (1,481)            | -                               | -               | 211       | 211                |
| Sale of equipment & salvage                                 | -                        | -               | -          | -                  | 2                               | 2               | 2         | -                  |
| Rents & leases  | 15                       | 15              | -          | (15)               | 500                             | 500             | 443       | (57)               |
| Agricultural sales  | -                        | -               | -          | -                  | 75                              | 75              | 329       | 254                |
| Other sales & services                                      | -                        | -               | -          | -                  | 1,000                           | 1,000           | 576       | (424)              |
| Unearned receipts   | -                        | -               | (1)        | (1)                | 265                             | 265             | 429       | 164                |
| Income tax checkoffs  | -                        | -               | -          | -                  | 150                             | 150             | 182       | 32                 |
| Other   | 68,107                   | 70,807          | (3,126)    | (73,933)           | 1,540                           | 1,540           | 404       | (1,136)            |
| TOTAL APPROPRIATED RECEIPTS                                 | 911,862                  | 919,796         | 734,926    | (184,870)          | 54,797                          | 54,797          | 57,067    | 2,270              |
| TOTAL REVENUES AVAILABLE                                    | 1,284,469                | 1,550,863       | 1,509,728  | (41,135)           | 55,000                          | 55,000          | 57,753    | 2,753              |
| <b>EXPENDITURES:</b>  |                          |                 |            |                    |                                 |                 |           |                    |
| Administration & regulation                                 | -                        | -               | -          | -                  | -                               | -               | -         | -                  |
| Agriculture & natural resources                             | -                        | -               | -          | -                  | -                               | -               | -         | -                  |
| Economic development  | -                        | -               | -          | -                  | -                               | -               | -         | -                  |
| Education   | -                        | -               | -          | -                  | -                               | -               | -         | -                  |
| Health & human services                                     | -                        | -               | -          | -                  | -                               | -               | -         | -                  |
| Transportation  | 799,476                  | 1,266,488       | 1,213,306  | 53,182             | -                               | -               | -         | -                  |
| Judicial  | -                        | -               | -          | -                  | -                               | -               | -         | -                  |
| TOTAL EXPENDITURES  | 799,476                  | 1,266,488       | 1,213,306  | 53,182             | -                               | -               | -         | -                  |
| TRANSFERS   | 484,993                  | 358,266         | 395,300    | (37,034)           | 62,274                          | 62,274          | 55,639    | 6,635              |
| TOTAL EXPENDITURES & TRANSFERS                              | 1,284,469                | 1,624,754       | 1,608,606  | 16,148             | 62,274                          | 62,274          | 55,639    | 6,635              |
| REVENUES AVAILABLE OVER (UNDER)<br>EXPENDITURES & TRANSFERS | -                        | (73,891)        | (98,878)   | (24,987)           | (7,274)                         | (7,274)         | 2,114     | 9,388              |
| FUND BALANCES - JULY 1 (BUDGETARY)                          | -                        | 274,011         | 274,011    | -                  | 11,595                          | 16,647          | 16,647    | -                  |
| FUND BALANCES - JUNE 30 (BUDGETARY)                         | -                        | \$ 200,120      | \$ 175,133 | \$ (24,987)        | \$ 4,321                        | \$ 9,373        | \$ 18,761 | \$ 9,388           |

(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, 2021  
(Expressed in Thousands)  
(continued)

|   | <b>ENVIRONMENT FIRST FUND</b> |                 |                  |                    | <b>HEALTH CARE TRUST FUND</b> |                 |                 |                    |
|---|-------------------------------|-----------------|------------------|--------------------|-------------------------------|-----------------|-----------------|--------------------|
|   | ORIGINAL<br>BUDGET            | FINAL<br>BUDGET | ACTUAL           | FINAL TO<br>ACTUAL | ORIGINAL<br>BUDGET            | FINAL<br>BUDGET | ACTUAL          | FINAL TO<br>ACTUAL |
| <b>APPROPRIATED REVENUE:</b>  |                               |                 |                  |                    |                               |                 |                 |                    |
| Transfers   | \$ 42,000                     | \$ 42,000       | \$ 42,000        | \$ -               | \$ -                          | \$ -            | \$ -            | \$ -               |
| <b>RECEIPTS CREDITED TO APPROPRIATIONS:</b>                             |                               |                 |                  |                    |                               |                 |                 |                    |
| Beer tax  | -                             | -               | -                | -                  | -                             | -               | -               | -                  |
| Cigarette tax   | -                             | -               | -                | -                  | 173,630                       | 173,630         | 172,592         | (1,038)            |
| Tobacco products tax  | -                             | -               | -                | -                  | 32,310                        | 32,310          | 32,023          | (287)              |
| Liquor tax  | -                             | -               | -                | -                  | -                             | -               | -               | -                  |
| Other taxes   | -                             | -               | -                | -                  | -                             | -               | -               | -                  |
| Wagering tax receipts   | -                             | -               | -                | -                  | -                             | -               | -               | -                  |
| Individual income tax quarterly   | -                             | -               | -                | -                  | -                             | -               | -               | -                  |
| Federal support   | -                             | -               | -                | -                  | -                             | -               | -               | -                  |
| Local governments   | -                             | -               | -                | -                  | -                             | -               | -               | -                  |
| Other states  | -                             | -               | -                | -                  | -                             | -               | -               | -                  |
| Reimbursements from other agencies                                      | -                             | -               | -                | -                  | -                             | -               | -               | -                  |
| Governmental fund type transfers from other agencies                    | -                             | -               | -                | -                  | -                             | -               | -               | -                  |
| Interest  | -                             | -               | -                | -                  | 130                           | 130             | 73              | (57)               |
| Bonds & loans   | -                             | -               | -                | -                  | -                             | -               | -               | -                  |
| Fees, licenses & permits  | -                             | -               | -                | -                  | -                             | -               | -               | -                  |
| Refunds & reimbursements  | 109                           | 109             | 655              | 546                | -                             | -               | -               | -                  |
| Sale of real estate   | -                             | -               | -                | -                  | -                             | -               | -               | -                  |
| Sale of equipment & salvage   | -                             | -               | -                | -                  | -                             | -               | -               | -                  |
| Rents & leases  | -                             | -               | -                | -                  | -                             | -               | -               | -                  |
| Agricultural sales  | -                             | -               | -                | -                  | -                             | -               | -               | -                  |
| Other sales & services  | -                             | -               | -                | -                  | -                             | -               | -               | -                  |
| Unearned receipts   | -                             | -               | -                | -                  | -                             | -               | -               | -                  |
| Income tax checkoffs  | -                             | -               | -                | -                  | -                             | -               | -               | -                  |
| Other   | -                             | -               | 2                | 2                  | -                             | -               | -               | -                  |
| <b>TOTAL APPROPRIATED RECEIPTS</b>                                      | <b>109</b>                    | <b>109</b>      | <b>657</b>       | <b>548</b>         | <b>206,070</b>                | <b>206,070</b>  | <b>204,688</b>  | <b>(1,382)</b>     |
| <b>TOTAL REVENUES AVAILABLE</b>   | <b>42,109</b>                 | <b>42,109</b>   | <b>42,657</b>    | <b>548</b>         | <b>206,070</b>                | <b>206,070</b>  | <b>204,688</b>  | <b>(1,382)</b>     |
| <b>EXPENDITURES:</b>  |                               |                 |                  |                    |                               |                 |                 |                    |
| Administration & regulation   | 11,848                        | 12,734          | 13,024           | (290) *            | -                             | -               | -               | -                  |
| Agriculture & natural resources   | -                             | -               | -                | -                  | -                             | -               | -               | -                  |
| Economic development  | -                             | -               | -                | -                  | -                             | -               | -               | -                  |
| Education   | -                             | -               | -                | -                  | -                             | -               | -               | -                  |
| Health & human services   | -                             | -               | -                | -                  | -                             | -               | -               | -                  |
| Transportation  | -                             | -               | -                | -                  | -                             | -               | -               | -                  |
| Judicial  | -                             | -               | -                | -                  | -                             | -               | -               | -                  |
| <b>TOTAL EXPENDITURES</b>   | <b>11,848</b>                 | <b>12,734</b>   | <b>13,024</b>    | <b>(290)</b>       | <b>-</b>                      | <b>-</b>        | <b>-</b>        | <b>-</b>           |
| <b>TRANSFERS</b>  | <b>33,471</b>                 | <b>33,545</b>   | <b>29,901</b>    | <b>3,644</b>       | <b>208,460</b>                | <b>208,460</b>  | <b>204,900</b>  | <b>3,560</b>       |
| <b>TOTAL EXPENDITURES &amp; TRANSFERS</b>                               | <b>45,319</b>                 | <b>46,279</b>   | <b>42,925</b>    | <b>3,354</b>       | <b>208,460</b>                | <b>208,460</b>  | <b>204,900</b>  | <b>3,560</b>       |
| <b>REVENUES AVAILABLE OVER (UNDER)<br/>EXPENDITURES &amp; TRANSFERS</b> | <b>(3,210)</b>                | <b>(4,170)</b>  | <b>(268)</b>     | <b>3,902</b>       | <b>(2,390)</b>                | <b>(2,390)</b>  | <b>(212)</b>    | <b>2,178</b>       |
| <b>FUND BALANCES - JULY 1 (BUDGETARY)</b>                               | <b>4,681</b>                  | <b>13,935</b>   | <b>13,935</b>    | <b>-</b>           | <b>3,255</b>                  | <b>3,596</b>    | <b>3,596</b>    | <b>-</b>           |
| <b>FUND BALANCES - JUNE 30 (BUDGETARY)</b>                              | <b>\$ 1,471</b>               | <b>\$ 9,765</b> | <b>\$ 13,667</b> | <b>\$ 3,902</b>    | <b>\$ 865</b>                 | <b>\$ 1,206</b> | <b>\$ 3,384</b> | <b>\$ 2,178</b>    |

(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, 2021  
(Expressed in Thousands)  
(continued)

|   | OTHER FUNDS        |                   |                   |                    | TOTAL              |                   |                   |                    |
|---|--------------------|-------------------|-------------------|--------------------|--------------------|-------------------|-------------------|--------------------|
|   | ORIGINAL<br>BUDGET | FINAL<br>BUDGET   | ACTUAL            | FINAL TO<br>ACTUAL | ORIGINAL<br>BUDGET | FINAL<br>BUDGET   | ACTUAL            | FINAL TO<br>ACTUAL |
| <b>APPROPRIATED REVENUE:</b>  |                    |                   |                   |                    |                    |                   |                   |                    |
| Transfers   | \$ 50,425          | \$ 67,816         | \$ 69,472         | \$ 1,656           | \$ 465,235         | \$ 741,086        | \$ 886,960        | \$ 145,874         |
| <b>RECEIPTS CREDITED TO APPROPRIATIONS:</b>                             |                    |                   |                   |                    |                    |                   |                   |                    |
| Beer tax  | 110                | 110               | 219               | 109                | 110                | 110               | 219               | 109                |
| Cigarette tax   | -                  | -                 | -                 | -                  | 173,630            | 173,630           | 172,592           | (1,038)            |
| Tobacco products tax  | -                  | -                 | -                 | -                  | 32,310             | 32,310            | 32,023            | (287)              |
| Liquor tax  | 175                | 225               | 293               | 68                 | 175                | 225               | 293               | 68                 |
| Other taxes   | 9,222              | 9,223             | 2,587             | (6,636)            | 9,222              | 9,223             | 2,587             | (6,636)            |
| Wagering tax receipts   | -                  | -                 | 6,092             | 6,092              | -                  | -                 | 6,092             | 6,092              |
| Individual income tax quarterly   | 6,000              | 6,000             | 6,000             | -                  | 6,000              | 6,000             | 6,000             | -                  |
| Federal support   | 4,324              | 4,824             | 4,803             | (21)               | 605,324            | 610,824           | 562,750           | (48,074)           |
| Local governments   | 7,145              | 6,095             | 7,013             | 918                | 18,097             | 17,047            | 19,939            | 2,892              |
| Other states  | -                  | -                 | -                 | -                  | 79,705             | 80,704            | 29,053            | (51,651)           |
| Reimbursements from other agencies                                      | 3,115              | 3,115             | 4,317             | 1,202              | 3,120              | 3,120             | 4,421             | 1,301              |
| Governmental fund type transfers from other agencies                    | 3,247              | 3,257             | 15,659            | 12,402             | 154,129            | 149,139           | 162,468           | 13,329             |
| Interest  | 1,583              | 1,583             | 378               | (1,205)            | 1,863              | 1,863             | 493               | (1,370)            |
| Bonds & loans   | 1,164              | 1,164             | 1,560             | 396                | 13,575             | 13,575            | 4,280             | (9,295)            |
| Fees, licenses & permits  | 104,956            | 105,166           | 92,819            | (12,347)           | 142,356            | 146,566           | 134,528           | (12,038)           |
| Refunds & reimbursements  | 6,792              | 6,827             | 7,949             | 1,122              | 7,301              | 7,336             | 8,984             | 1,648              |
| Sale of real estate   | -                  | -                 | 1                 | 1                  | 2,100              | 2,335             | 1,066             | (1,269)            |
| Sale of equipment & salvage   | 50                 | 60                | 30                | (30)               | 52                 | 62                | 32                | (30)               |
| Rents & leases  | -                  | -                 | -                 | -                  | 515                | 515               | 443               | (72)               |
| Agricultural sales  | -                  | -                 | -                 | -                  | 75                 | 75                | 329               | 254                |
| Other sales & services  | 408                | 408               | 432               | 24                 | 1,408              | 1,408             | 1,008             | (400)              |
| Unearned receipts   | 101                | 101               | 133               | 32                 | 366                | 366               | 561               | 195                |
| Income tax checkoffs  | -                  | -                 | -                 | -                  | 150                | 150               | 182               | 32                 |
| Other   | 226                | 226               | 223               | (3)                | 69,873             | 72,573            | (2,497)           | (75,070)           |
| <b>TOTAL APPROPRIATED RECEIPTS</b>                                      | <b>148,618</b>     | <b>148,384</b>    | <b>150,508</b>    | <b>2,124</b>       | <b>1,321,456</b>   | <b>1,329,156</b>  | <b>1,147,846</b>  | <b>(181,310)</b>   |
| <b>TOTAL REVENUES AVAILABLE</b>   | <b>199,043</b>     | <b>216,200</b>    | <b>219,980</b>    | <b>3,780</b>       | <b>1,786,691</b>   | <b>2,070,242</b>  | <b>2,034,806</b>  | <b>(35,436)</b>    |
| <b>EXPENDITURES:</b>  |                    |                   |                   |                    |                    |                   |                   |                    |
| Administration & regulation   | 24,766             | 27,676            | 24,274            | 3,402              | 36,614             | 40,410            | 37,298            | 3,112              |
| Agriculture & natural resources   | 18,059             | 18,059            | 14,268            | 3,791              | 18,059             | 18,059            | 14,268            | 3,791              |
| Economic development  | 31,375             | 36,077            | 42,304            | (6,227) *          | 31,375             | 36,077            | 42,304            | (6,227)            |
| Education   | 8,618              | 8,618             | 8,373             | 245                | 8,618              | 8,618             | 8,373             | 245                |
| Health & human services   | 25                 | 25                | -                 | 25                 | 25                 | 25                | -                 | 25                 |
| Transportation  | 2,003              | 4,202             | 5,002             | (800) *            | 801,479            | 1,270,690         | 1,218,308         | 52,382             |
| Judicial  | 11,185             | 9,708             | 9,982             | (274) *            | 11,185             | 9,708             | 9,982             | (274)              |
| <b>TOTAL EXPENDITURES</b>   | <b>96,031</b>      | <b>104,365</b>    | <b>104,203</b>    | <b>162</b>         | <b>907,355</b>     | <b>1,383,587</b>  | <b>1,330,533</b>  | <b>53,054</b>      |
| <b>TRANSFERS</b>  | <b>127,328</b>     | <b>130,204</b>    | <b>99,193</b>     | <b>31,011</b>      | <b>916,526</b>     | <b>792,749</b>    | <b>784,933</b>    | <b>7,816</b>       |
| <b>TOTAL EXPENDITURES &amp; TRANSFERS</b>                               | <b>223,359</b>     | <b>234,569</b>    | <b>203,396</b>    | <b>31,173</b>      | <b>1,823,881</b>   | <b>2,176,336</b>  | <b>2,115,466</b>  | <b>60,870</b>      |
| <b>REVENUES AVAILABLE OVER (UNDER)<br/>EXPENDITURES &amp; TRANSFERS</b> | <b>(24,316)</b>    | <b>(18,369)</b>   | <b>16,584</b>     | <b>34,953</b>      | <b>(37,190)</b>    | <b>(106,094)</b>  | <b>(80,660)</b>   | <b>25,434</b>      |
| <b>FUND BALANCES - JULY 1 (BUDGETARY)</b>                               | <b>105,025</b>     | <b>120,645</b>    | <b>122,706</b>    | <b>2,061</b>       | <b>124,556</b>     | <b>428,834</b>    | <b>430,895</b>    | <b>2,061</b>       |
| <b>FUND BALANCES - JUNE 30 (BUDGETARY)</b>                              | <b>\$ 80,709</b>   | <b>\$ 102,276</b> | <b>\$ 139,290</b> | <b>\$ 37,014</b>   | <b>\$ 87,366</b>   | <b>\$ 322,740</b> | <b>\$ 350,235</b> | <b>\$ 27,495</b>   |

\* 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 Environment First Fund in the Administration & Regulation function; the Grow Iowa Value Fund, Renewable Fuel Infrastructure Fund, state Housing Trust Fund, and Special Contingency Fund in the Economic Development function; State Aviation fund in the Transportation function; and the Court Technology & Modernization Fund in the Judicial function.

DEPARTMENT OF COMMERCE  
UNITED STATES PATENT OFFICE

To all persons to whom these presents shall come, Greeting:

THIS IS TO CERTIFY that the annexed is a true copy from the records of this  
office of the

Design Letters Patent of

Dixie Cornell Gebhardt, assignor to  
The State of Iowa,

Number 57,223,

Granted March 8, 1921,

for

Design for a Flag.



IN TESTIMONY WHEREOF I have hereunto set my  
hand and caused the seal of the Patent Office to be  
affixed at the City of Washington, this eighth  
day of July, in the year of our Lord  
one thousand nine hundred and forty-seven  
and of the Independence of the United States of  
America the one hundred and seventy-second.

ATTEST:

*[Signature]*  
Chief of Division.

*Casper W. Ooms*  
Commissioner of Patents.

# 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, 2021  
(Expressed in Thousands)

|   | <b>GENERAL<br/>SERVICES<br/>CAPITALS<br/>FUND</b> | <b>ENDOWMENT FOR<br/>IOWA'S HEALTH<br/>RESTRICTED<br/>CAPITALS FUND</b> | <b>MARINE<br/>FUEL TAX<br/>CAPITALS<br/>FUND</b> | <b>FISH &amp;<br/>GAME<br/>CAPITALS<br/>FUND</b> | <b>TOTAL</b>     |
|---|---|---|--|--|------------------|
| <b>ASSETS</b>   |   |   |  |  |                  |
| Current assets:   |   |   |  |  |                  |
| Cash & investments  | \$ 18,408   | \$ 16   | \$ 4,270   | \$ 118   | \$ 22,812        |
| Accounts receivable   | 487   | -   | 75   | 22   | 584              |
| Due from other funds  | 446   | -   | 381  | 750  | 1,577            |
| <b>TOTAL ASSETS</b>   | <u>\$ 19,341</u>                                  | <u>\$ 16</u>  | <u>\$ 4,726</u>                                  | <u>\$ 890</u>                                    | <u>\$ 24,973</u> |
| <b>LIABILITIES</b>  |   |   |  |  |                  |
| Current liabilities:  |   |   |  |  |                  |
| Accounts payable & accruals   | \$ 1,163  | \$ -  | \$ 206   | \$ 417   | \$ 1,786         |
| Due to other funds  | 17,191  | 16  | 60   | -  | 17,267           |
| Unearned revenue  | 531   | -   | -  | -  | 531              |
| <b>TOTAL LIABILITIES</b>  | <u>18,885</u>                                     | <u>16</u>   | <u>266</u>                                       | <u>417</u>                                       | <u>19,584</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |   |   |  |  |                  |
| Deferred revenue  | 491   | -   | -  | -  | 491              |
| <b>FUND BALANCES</b>  |   |   |  |  |                  |
| Spendable:  |   |   |  |  |                  |
| Committed   | -   | -   | 4,460  | 473  | 4,933            |
| Unassigned  | (35)  | -   | -  | -  | (35)             |
| <b>TOTAL FUND BALANCES</b>  | <u>(35)</u>                                       | <u>-</u>  | <u>4,460</u>                                     | <u>473</u>                                       | <u>4,898</u>     |
| <b>TOTAL LIABILITIES, DEFERRED<br/>INFLOWS OF RESOURCES &amp;<br/>FUND BALANCES</b> | <u>\$ 19,341</u>                                  | <u>\$ 16</u>  | <u>\$ 4,726</u>                                  | <u>\$ 890</u>                                    | <u>\$ 24,973</u> |

**STATE OF IOWA**

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

For the Year Ended June 30, 2021  
(Expressed in Thousands)

|  | <b>GENERAL<br/>SERVICES<br/>CAPITALS<br/>FUND</b> | <b>ENDOWMENT FOR<br/>IOWA'S HEALTH<br/>RESTRICTED<br/>CAPITALS FUND</b> | <b>MARINE<br/>FUEL TAX<br/>CAPITALS<br/>FUND</b> | <b>FISH &amp;<br/>GAME<br/>CAPITALS<br/>FUND</b> | <b>TOTAL</b>    |
|--|---|---|--|--|-----------------|
| <b>REVENUES</b>  |   |   |  |  |                 |
| Receipts from other entities                                 | \$ 2,308  | \$ -  | \$ 132   | \$ -   | \$ 2,440        |
| Refunds & reimbursements                                     | 8   | -   | -  | -  | 8               |
| NET REVENUES   | <u>2,316</u>                                      | <u>-</u>  | <u>132</u>                                       | <u>-</u>   | <u>2,448</u>    |
| <b>EXPENDITURES</b>  |   |   |  |  |                 |
| Current:   |   |   |  |  |                 |
| Administration & regulation                                  | 9   | -   | -  | -  | 9               |
| Agriculture & natural resources                              | -   | -   | 1,146  | 6,876  | 8,022           |
| Capital outlay:  |   |   |  |  |                 |
| Administration & regulation                                  | 3,057   | -   | -  | -  | 3,057           |
| Health & human rights  | 6,372   | -   | -  | -  | 6,372           |
| Human services   | 559   | -   | -  | -  | 559             |
| Justice & public defense                                     | 1,146   | 16  | -  | -  | 1,162           |
| Agriculture & natural resources                              | -   | -   | 2,029  | 5,180  | 7,209           |
| TOTAL EXPENDITURES   | <u>11,143</u>                                     | <u>16</u>   | <u>3,175</u>                                     | <u>12,056</u>                                    | <u>26,390</u>   |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER (UNDER) EXPENDITURES | <u>(8,827)</u>                                    | <u>(16)</u>   | <u>(3,043)</u>                                   | <u>(12,056)</u>                                  | <u>(23,942)</u> |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |   |   |  |  |                 |
| Transfers in   | 8,798   | -   | 4,074  | 12,325   | 25,197          |
| Transfers out  | (6)   | -   | (736)  | (6)  | (748)           |
| TOTAL OTHER FINANCING SOURCES<br>(USES)                      | <u>8,792</u>                                      | <u>-</u>  | <u>3,338</u>                                     | <u>12,319</u>                                    | <u>24,449</u>   |
| NET CHANGE IN FUND BALANCES                                  | (35)  | (16)  | 295  | 263  | 507             |
| FUND BALANCES - JULY 1                                       | -   | 16  | 4,165  | 210  | 4,391           |
| FUND BALANCES - JUNE 30                                      | <u>\$ (35)</u>                                    | <u>\$ -</u>   | <u>\$ 4,460</u>                                  | <u>\$ 473</u>                                    | <u>\$ 4,898</u> |

# Supplement

## MRS. GEBHARDT



# FLAG DESIGN A WINNER

KNOXVILLE, IOWA, THURSDAY, JUNE 27, 1946

### IOWA STATE FLAG DESIGN FOR NEW CENTENNIAL STAMP

Dixie C. Gebhardt Honored By Use of Her Flag on Iowa Stamp.

An announcement released Monday at Washington, D. C., by Postmaster Robert E. Haugen advised Iowa congressmen that he had approved the design for the Iowa Centennial stamp.

The three-cent stamp will be placed on sale August 3, at the Iowa City post office and will go on sale in post offices generally throughout the state, August 4.

Knoxville is especially proud that one of our citizens designed the Iowa State Flag, which will be used as the predominating design of the centennial stamp. Mrs. Dixie Cornell Gebhardt, who was called "Iowa's Betsy Ross", by the late Governor Harding designed the flag when it was decided that Iowa should have her own emblem. Therefore, Knoxville residents feel that this state emblem makes a fitting and descriptive foundation for the design of the Centennial stamp which commemorates the 100th anniversary of Iowa's admission to the union.

Blue in color, the stamp will consist of the Iowa state flag superimposed on an outline map of the state. Along each side of the stamp will be replicas of corn stalks.

At the top of the stamp will be the inscription, "1846-Iowa Statehood Centennial 1946."

Representative Karl M. LeCombe, of Corridor, who left Tuesday to witness the atomic bomb tests at the Bikini atoll, was active in obtaining post office department approval for the special stamp. Three designs were submitted.

Representative Thomas E. Martin was instrumental in obtaining the first sale of the stamp for Iowa City in recognition of its having been the first state capital.



### Stamp to Honor Iowa Centennial



Reproduction of 3 cent postage stamp to be placed on first day sale at Iowa City, Ia., on Aug. 3 to commemorate the 100th anniversary of the admission of Iowa to statehood. (Amm Photo)



### CENTENNIAL SEAL HONORS IOWA FLAG

Iowa is celebrating the Centennial with an Iowa seal, red, white and blue in color. It is a dignified seal, worthy of the Centennial of a great state and it honors the state's flag.

Agriculture is represented on one side, balanced by industry on the other. In the center is an outline map of Iowa with the Centennial theme "One Hundred Years of Progress". Above is the dome of the Iowa capital. Below is the pioneer breaking soil, the ox-drawn wagon in which he arrived, and the log cabin he built as his first home. At either end of the state map are the stalks of corn for which Iowa is famous.

And over all the Iowa state flag proudly flies. Knoxville people should feel that Knoxville has a great part in this, since Mrs. Dixie Gebhardt, designer of the Iowa flag, lives here in their midst. This year is also the 25th anniversary of the flag.

### Iowa Stamp Designed By Aunt of Local Philatelist

Tom C. Whitmore, Atlantic attorney and former judge of the 15th district, has made stamp collecting his hobby for a number of years, but it is now something more than that, for Mrs. Dixie Cornell Gebhardt of Knoxville, designer of the Iowa centennial stamp, is an aunt of the local attorney. The family boasts not only a stamp designer and a philatelist, but another nephew of Mrs. Gebhardt is also a district judge. He is Judge Norman R. Hays, of the Fifth Iowa district.

Mrs. Gebhardt designed the Iowa official flag which was adopted by the general assembly March 19, 1921, and her suggestion that the state flag be used on the new stamp was adopted by the post office department. Mrs. Gebhardt has been invited by the Iowa centennial committee to be the guest of honor at the centennial stamp issue ceremonies at Iowa City Aug. 3.



### LEAHY, BLUE IN CEREMONY AT IOWA CITY

Important Occasion for Collectors.

By Don Allen. (Reading Staff Writer.)

IOWA CITY, IA.—Word of Iowa's one hundredth year as a state started from here Saturday for the four corners of the world on a blue postage stamp.

Departure of the centennial message was heralded in a 27-minute ceremony on the steps of the classic Old Capitol.

Highlights were a congratulatory message brought from President Truman by his chief-of-staff, Admiral William D. Leahy, and the "sale" of a sheet of 100 stamps to Gov. Robert D. Blue by Joseph J. Lawler, third assistant postmaster general.

This was the "official" opening of the centennial stamp sale in the state.

But four hours earlier they had gone on sale to the general public at the main post office and three sub-stations here. By the end of the business day, Postmaster Walter J. Barrow estimated that more than a million of the three million stamps on hand had been sold. Statewide, sale of the stamps opens Monday.

Printing Increased.

Lawler disclosed that interest in the Iowa centennial stamp has been so great that the original printing of 125 million has been increased by 50 million.

The stamp carries a state map, flanked by corn stalks. Centered on the map is Iowa's "tri-colored" state flag. At the top are the figures and words—1846—Iowa Statehood Centennial—1946. Blue is the color chosen for state commemorative stamps.

Mrs. D. C. Gebhardt, Knoxville, who designed the state flag that appears on the stamp, was to have been introduced at the ceremony, but illness prevented her from attending. Robert L. Gage, secretary of the Iowa City Chamber of Commerce, said.

# COMBINING FINANCIAL STATEMENTS

## **Nonmajor Permanent Funds**

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

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

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

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

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

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

**STATE OF IOWA**

**Combining Balance Sheet  
Nonmajor Permanent Funds**

June 30, 2021

(Expressed in Thousands)

|  | <b>PERMANENT<br/>SCHOOL<br/>PRINCIPAL<br/>FUND</b> | <b>IOWA<br/>CULTURAL<br/>TRUST<br/>FUND</b> | <b>IOWA PBS<br/>FOUNDATION<br/>ENDOWMENT</b> | <b>PILOT<br/>GROVE<br/>TRUST<br/>FUND</b> | <b>HENRY<br/>ALBERT<br/>TRUST<br/>FUND</b> | <b>TOTAL</b>     |
|--|--|---|--|---|--|------------------|
| <b>ASSETS</b>  |  |   |  |   |  |                  |
| Current assets:  |  |   |  |   |  |                  |
| Cash & investments   | \$ 8,038   | \$ 1  | \$ 8,130                                     | \$ 10                                     | \$ 1                                       | \$ 16,180        |
| Noncurrent assets:   |  |   |  |   |  |                  |
| Accounts receivable  | -  | -   | 30   | -   | -  | 30               |
| <b>TOTAL ASSETS</b>  | <u>\$ 8,038</u>                                    | <u>\$ 1</u>                                 | <u>\$ 8,160</u>                              | <u>\$ 10</u>                              | <u>\$ 1</u>                                | <u>\$ 16,210</u> |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                               |  |   |  |   |  |                  |
| Deferred revenue   | \$ -   | \$ -  | \$ 30  | \$ -                                      | \$ -                                       | \$ 30            |
| <b>FUND BALANCES</b>   |  |   |  |   |  |                  |
| Nonspendable   | 8,038  | 1   | 8,100  | 10  | 1  | 16,150           |
| Spendable:   |  |   |  |   |  |                  |
| Restricted   | -  | -   | 30   | -   | -  | 30               |
| <b>TOTAL FUND BALANCES</b>   | <u>8,038</u>                                       | <u>1</u>                                    | <u>8,130</u>                                 | <u>10</u>                                 | <u>1</u>                                   | <u>16,180</u>    |
| <b>TOTAL DEFERRED INFLOWS OF<br/>RESOURCES &amp; FUND BALANCES</b> | <u>\$ 8,038</u>                                    | <u>\$ 1</u>                                 | <u>\$ 8,160</u>                              | <u>\$ 10</u>                              | <u>\$ 1</u>                                | <u>\$ 16,210</u> |

**STATE OF IOWA**

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

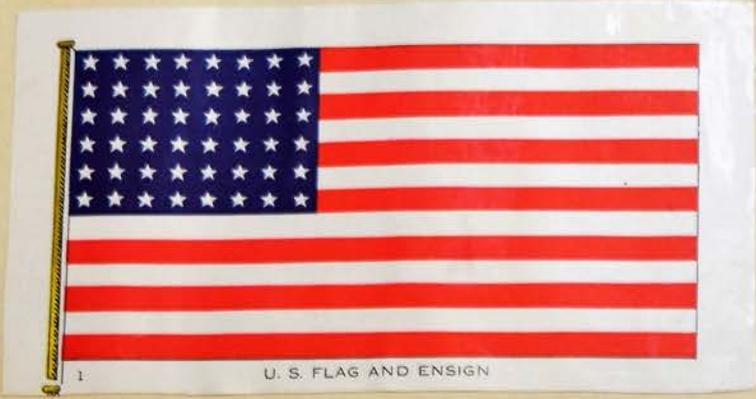
For the Year Ended June 30, 2021  
(Expressed in Thousands)

|                             | <b>PERMANENT<br/>SCHOOL<br/>PRINCIPAL<br/>FUND</b> | <b>IOWA<br/>CULTURAL<br/>TRUST<br/>FUND</b> | <b>IOWA PBS<br/>FOUNDATION<br/>ENDOWMENT</b> | <b>PILOT<br/>GROVE<br/>TRUST<br/>FUND</b> | <b>HENRY<br/>ALBERT<br/>TRUST<br/>FUND</b> | <b>TOTAL</b>     |
|-----------------------------|--|---|--|---|--|------------------|
| <b>REVENUES</b>             |  |   |  |   |  |                  |
| Miscellaneous               | \$ -   | \$ -  | \$ 609                                       | \$ -                                      | \$ -                                       | \$ 609           |
| NET CHANGE IN FUND BALANCES | -  | -   | 609  | -   | -  | 609              |
| FUND BALANCES - JULY 1      | <u>8,038</u>                                       | <u>1</u>                                    | <u>7,521</u>                                 | <u>10</u>                                 | <u>1</u>                                   | <u>15,571</u>    |
| FUND BALANCES - JUNE 30     | <u>\$ 8,038</u>                                    | <u>\$ 1</u>                                 | <u>\$ 8,130</u>                              | <u>\$ 10</u>                              | <u>\$ 1</u>                                | <u>\$ 16,180</u> |



Ancestry of the Iowa Flag

433. NAPOLEON'S FLAG, LOUISIANA, 1803.— Among the many changes of flag that helped to make romantic the early history of Louisiana, this of Napoleon stands out as memorable because it was hauled down to give place for "Old Glory" on the 20th of December, 1803. Each of the colors of this flag is woven into the tissue of French history by myriad threads. The blue banner of St. Martin was first used by the kings of France in the fourth century, and for 600 years was carried into battle as a sure omen of victory. Next came the well-loved Auvergnonne, the gold-bordered banner of St. Denis. This in turn gave place to the "cornette blanche"—a plain white flag emblematic of the Virgin Mary, carried by Joan of Arc, and later adopted by the Bourbons. So it was not purely an accident that the choice of the populace storming the Bastille, in 1789, should have been the tricolor; and it is easy to see how the historic associations, as well as the beauty and simplicity of the banner itself, made it the permanent emblem of France. It was fourteen years after this tricolor had become the national flag of France that the remarkable and startling chain of events, occurring a quarter of the way around the world from our Father of Waters, made it possible for us to purchase the wonderful Louisiana country.



"The largest real-estate transaction in history was the Louisiana Purchase, in 1803, when the United States bought from France the middle third of this country—a piece of land five times larger than France itself and at a price of only four cents an acre!"

# 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, 2021

(Expressed in Thousands)

|  | IOWA<br>COMMUNICATIONS<br>NETWORK | IOWA STATE<br>PRISON<br>INDUSTRIES | LIQUOR<br>CONTROL<br>ACT FUND | ELEVATOR<br>SAFETY<br>FUND | OTHER<br>FUNDS  | TOTAL            |
|--|-----------------------------------|------------------------------------|-------------------------------|----------------------------|-----------------|------------------|
| <b>ASSETS</b>                                |                                   |                                    |                               |                            |                 |                  |
| Current assets:                              |                                   |                                    |                               |                            |                 |                  |
| Cash & investments                           | \$ 8,424                          | \$ 8,920                           | \$ 27,076                     | \$ 2,838                   | \$ 6,362        | \$ 53,620        |
| Accounts receivable (net)                    | 3,770                             | 4,175                              | 7,958                         | 143                        | 172             | 16,218           |
| Due from other funds                         | -                                 | 3                                  | 616                           | 109                        | 59              | 787              |
| Inventory                                    | 1,060                             | 3,950                              | 90                            | -                          | 1,503           | 6,603            |
| Prepaid expenses                             | 914                               | 154                                | 281                           | 180                        | 269             | 1,798            |
| Total current assets                         | <u>14,168</u>                     | <u>17,202</u>                      | <u>36,021</u>                 | <u>3,270</u>               | <u>8,365</u>    | <u>79,026</u>    |
| Noncurrent assets:                           |                                   |                                    |                               |                            |                 |                  |
| Capital assets - nondepreciable              | -                                 | 222                                | 2,729                         | -                          | 420             | 3,371            |
| Capital assets - depreciable (net)           | 8,999                             | 7,814                              | 10,965                        | 129                        | 828             | 28,735           |
| Total noncurrent assets                      | <u>8,999</u>                      | <u>8,036</u>                       | <u>13,694</u>                 | <u>129</u>                 | <u>1,248</u>    | <u>32,106</u>    |
| TOTAL ASSETS                                 | <u>23,167</u>                     | <u>25,238</u>                      | <u>49,715</u>                 | <u>3,399</u>               | <u>9,613</u>    | <u>111,132</u>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>        |                                   |                                    |                               |                            |                 |                  |
| Related to other postemployment benefits     |                                   |                                    |                               |                            |                 |                  |
|  | 128                               | 46                                 | 66                            | 29                         | 56              | 325              |
| Related to pensions                          | 1,371                             | 1,755                              | 244                           | 333                        | 203             | 3,906            |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES         | <u>1,499</u>                      | <u>1,801</u>                       | <u>310</u>                    | <u>362</u>                 | <u>259</u>      | <u>4,231</u>     |
| <b>LIABILITIES</b>                           |                                   |                                    |                               |                            |                 |                  |
| Current liabilities:                         |                                   |                                    |                               |                            |                 |                  |
| Accounts payable & accruals                  | 2,643                             | 1,263                              | 16,436                        | 28                         | 61              | 20,431           |
| Due to other funds/advances from other funds | -                                 | -                                  | 16,994                        | 10                         | 252             | 17,256           |
| Unearned revenue                             | 1,532                             | -                                  | -                             | -                          | -               | 1,532            |
| Compensated absences                         | 1,159                             | 584                                | 133                           | 104                        | 120             | 2,100            |
| Other postemployment benefits liability      | 45                                | 42                                 | 15                            | 9                          | 12              | 123              |
| Total current liabilities                    | <u>5,379</u>                      | <u>1,889</u>                       | <u>33,578</u>                 | <u>151</u>                 | <u>445</u>      | <u>41,442</u>    |
| Noncurrent liabilities:                      |                                   |                                    |                               |                            |                 |                  |
| Accounts payable & accruals                  | -                                 | 193                                | -                             | -                          | -               | 193              |
| Compensated absences                         | 818                               | 643                                | 80                            | 84                         | 138             | 1,763            |
| Net pension liability                        | 6,182                             | 1,987                              | 956                           | 951                        | 680             | 10,756           |
| Other postemployment benefits liability      | 831                               | 696                                | 249                           | 147                        | 212             | 2,135            |
| Total noncurrent liabilities                 | <u>7,831</u>                      | <u>3,519</u>                       | <u>1,285</u>                  | <u>1,182</u>               | <u>1,030</u>    | <u>14,847</u>    |
| TOTAL LIABILITIES                            | <u>13,210</u>                     | <u>5,408</u>                       | <u>34,863</u>                 | <u>1,333</u>               | <u>1,475</u>    | <u>56,289</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>         |                                   |                                    |                               |                            |                 |                  |
| Related to other postemployment benefits     |                                   |                                    |                               |                            |                 |                  |
|  | 160                               | 86                                 | 269                           | -                          | 6               | 521              |
| Related to pensions                          | 622                               | 950                                | 1,239                         | 27                         | 70              | 2,908            |
| TOTAL DEFERRED INFLOWS OF RESOURCES          | <u>782</u>                        | <u>1,036</u>                       | <u>1,508</u>                  | <u>27</u>                  | <u>76</u>       | <u>3,429</u>     |
| <b>NET POSITION</b>                          |                                   |                                    |                               |                            |                 |                  |
| Net investment in capital assets             | 8,999                             | 8,036                              | 13,694                        | 129                        | 1,248           | 32,106           |
| Unrestricted                                 | 1,675                             | 12,559                             | (40)                          | 2,272                      | 7,073           | 23,539           |
| TOTAL NET POSITION                           | <u>\$ 10,674</u>                  | <u>\$ 20,595</u>                   | <u>\$ 13,654</u>              | <u>\$ 2,401</u>            | <u>\$ 8,321</u> | <u>\$ 55,645</u> |

## STATE OF IOWA

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

For the Year Ended June 30, 2021  
(Expressed in Thousands)

|   | IOWA<br>COMMUNICATIONS<br>NETWORK | IOWA STATE<br>PRISON<br>INDUSTRIES | LIQUOR<br>CONTROL<br>ACT FUND | ELEVATOR<br>SAFETY<br>FUND | OTHER<br>FUNDS  | TOTAL            |
|---|-----------------------------------|------------------------------------|-------------------------------|----------------------------|-----------------|------------------|
| <b>OPERATING REVENUES</b>                       |                                   |                                    |                               |                            |                 |                  |
| Receipts from other entities                    | \$ -                              | \$ -                               | \$ 15                         | \$ -                       | \$ 3            | \$ 18            |
| Fees, licenses & permits                        | -                                 | -                                  | 19,395                        | 1,877                      | 1,987           | 23,259           |
| Refunds & reimbursements                        | -                                 | -                                  | 704                           | -                          | 554             | 1,258            |
| Sales, rents & services                         | 32,094                            | 31,950                             | 415,973                       | (10)                       | 1,234           | 481,241          |
| Miscellaneous                                   | -                                 | 1,159                              | 4,364                         | -                          | 459             | 5,982            |
| <b>TOTAL OPERATING REVENUES</b>                 | <b>32,094</b>                     | <b>33,109</b>                      | <b>440,451</b>                | <b>1,867</b>               | <b>4,237</b>    | <b>511,758</b>   |
| <b>OPERATING EXPENSES</b>                       |                                   |                                    |                               |                            |                 |                  |
| General & administrative                        | 10,602                            | -                                  | -                             | -                          | -               | 10,602           |
| Depreciation                                    | 2,848                             | 726                                | 1,252                         | 52                         | 216             | 5,094            |
| Direct & other                                  | 13,988                            | 27,859                             | -                             | -                          | 531             | 42,378           |
| Personal services                               | -                                 | 1,803                              | 1,912                         | 1,617                      | 1,704           | 7,036            |
| Travel & subsistence                            | -                                 | 7                                  | 245                           | 7                          | (5)             | 254              |
| Supplies & materials                            | -                                 | 19                                 | 175                           | 37                         | 104             | 335              |
| Contractual services                            | -                                 | 1,875                              | 9,590                         | 570                        | 856             | 12,891           |
| Equipment & repairs                             | -                                 | 8                                  | 5,273                         | 21                         | 363             | 5,665            |
| Claims & miscellaneous                          | 8,203                             | 1,131                              | 275,280                       | 6                          | 147             | 284,767          |
| Licenses, permits & refunds                     | -                                 | -                                  | 1,198                         | 6                          | 20              | 1,224            |
| State aid & credits                             | -                                 | -                                  | 2,638                         | -                          | -               | 2,638            |
| <b>TOTAL OPERATING EXPENSES</b>                 | <b>35,641</b>                     | <b>33,428</b>                      | <b>297,563</b>                | <b>2,316</b>               | <b>3,936</b>    | <b>372,884</b>   |
| <b>OPERATING INCOME (LOSS)</b>                  | <b>(3,547)</b>                    | <b>(319)</b>                       | <b>142,888</b>                | <b>(449)</b>               | <b>301</b>      | <b>138,874</b>   |
| <b>NONOPERATING REVENUES<br/>(EXPENSES)</b>     |                                   |                                    |                               |                            |                 |                  |
| Taxes   | -                                 | -                                  | 11,008                        | -                          | -               | 11,008           |
| Investment income                               | 18                                | 8                                  | -                             | 1                          | 2               | 29               |
| Gain on sale of capital assets                  | -                                 | 2                                  | -                             | 11                         | 16              | 29               |
| Loss on sale of capital assets                  | -                                 | (376)                              | -                             | -                          | -               | (376)            |
| <b>NET NONOPERATING REVENUES<br/>(EXPENSES)</b> | <b>18</b>                         | <b>(366)</b>                       | <b>11,008</b>                 | <b>12</b>                  | <b>18</b>       | <b>10,690</b>    |
| <b>INCOME (LOSS) BEFORE TRANSFERS</b>           | <b>(3,529)</b>                    | <b>(685)</b>                       | <b>153,896</b>                | <b>(437)</b>               | <b>319</b>      | <b>149,564</b>   |
| Transfers in                                    | 2,072                             | -                                  | -                             | -                          | (1)             | 2,071            |
| Transfers out                                   | -                                 | -                                  | (151,937)                     | -                          | -               | (151,937)        |
| <b>CHANGE IN NET POSITION</b>                   | <b>(1,457)</b>                    | <b>(685)</b>                       | <b>1,959</b>                  | <b>(437)</b>               | <b>318</b>      | <b>(302)</b>     |
| <b>TOTAL NET POSITION - JULY 1</b>              | <b>12,131</b>                     | <b>21,280</b>                      | <b>11,695</b>                 | <b>2,838</b>               | <b>8,003</b>    | <b>55,947</b>    |
| <b>TOTAL NET POSITION - JUNE 30</b>             | <b>\$ 10,674</b>                  | <b>\$ 20,595</b>                   | <b>\$ 13,654</b>              | <b>\$ 2,401</b>            | <b>\$ 8,321</b> | <b>\$ 55,645</b> |

**STATE OF IOWA**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
For the Year Ended June 30, 2021  
(Expressed in Thousands)

|   | <b>IOWA<br/>COMMUNICATIONS<br/>NETWORK</b> | <b>IOWA STATE<br/>PRISON<br/>INDUSTRIES</b> | <b>LIQUOR<br/>CONTROL<br/>ACT FUND</b> | <b>ELEVATOR<br/>SAFETY<br/>FUND</b> | <b>OTHER<br/>FUNDS</b> | <b>TOTAL</b>      |
|---|--|---|--|-------------------------------------|------------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |  |   |  |                                     |                        |                   |
| Cash received from customers  | \$ 31,982                                  | \$ 31,212                                   | \$ 436,807                             | \$ 1,924                            | \$ 3,764               | \$ 505,689        |
| Cash received from miscellaneous  | -  | 1,159                                       | 4,379                                  | -                                   | 462                    | 6,000             |
| Cash payments to suppliers for goods & services   | (23,582)                                   | (28,489)                                    | (291,502)                              | (659)                               | (1,850)                | (346,082)         |
| Cash payments to employees for services   | (9,279)                                    | (1,721)                                     | (2,230)                                | (1,542)                             | (1,651)                | (16,423)          |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES  | <u>(879)</u>                               | <u>2,161</u>                                | <u>147,454</u>                         | <u>(277)</u>                        | <u>725</u>             | <u>149,184</u>    |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |  |   |  |                                     |                        |                   |
| Transfers in from other funds   | 2,072                                      | -   | -                                      | -                                   | (1)                    | 2,071             |
| Transfers out to other funds  | -  | -   | (148,271)                              | -                                   | -                      | (148,271)         |
| Tax receipts  | -  | -   | 11,008                                 | -                                   | -                      | 11,008            |
| NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES   | <u>2,072</u>                               | <u>-</u>                                    | <u>(137,263)</u>                       | <u>-</u>                            | <u>(1)</u>             | <u>(135,192)</u>  |
| <b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>                                     |  |   |  |                                     |                        |                   |
| Acquisition & construction of capital assets  | (219)                                      | (933)                                       | (4,062)                                | (62)                                | (68)                   | (5,344)           |
| Proceeds from sale of capital assets  | -  | 2   | -                                      | 11                                  | 16                     | 29                |
| NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES                                    | <u>(219)</u>                               | <u>(931)</u>                                | <u>(4,062)</u>                         | <u>(51)</u>                         | <u>(52)</u>            | <u>(5,315)</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |  |   |  |                                     |                        |                   |
| Interest & dividends on investments   | 18   | 8   | -                                      | 1                                   | 2                      | 29                |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES  | <u>18</u>                                  | <u>8</u>                                    | <u>-</u>                               | <u>1</u>                            | <u>2</u>               | <u>29</u>         |
| NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS  | 992  | 1,238                                       | 6,129                                  | (327)                               | 674                    | 8,706             |
| CASH & CASH EQUIVALENTS - JULY 1  | <u>7,432</u>                               | <u>7,682</u>                                | <u>20,947</u>                          | <u>3,165</u>                        | <u>5,688</u>           | <u>44,914</u>     |
| CASH & CASH EQUIVALENTS - JUNE 30   | <u>\$ 8,424</u>                            | <u>\$ 8,920</u>                             | <u>\$ 27,076</u>                       | <u>\$ 2,838</u>                     | <u>\$ 6,362</u>        | <u>\$ 53,620</u>  |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>  |  |   |  |                                     |                        |                   |
| Operating income (loss)   | \$ (3,547)                                 | \$ (319)                                    | \$ 142,888                             | \$ (449)                            | \$ 301                 | \$ 138,874        |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: |  |   |  |                                     |                        |                   |
| Depreciation  | 2,848                                      | 726   | 1,252                                  | 52                                  | 216                    | 5,094             |
| (Increase) decrease in accounts receivable  | 122  | (738)                                       | 1,111                                  | 107                                 | 7                      | 609               |
| (Increase) decrease in due from   | -  | 1   | (376)                                  | (50)                                | (18)                   | (443)             |
| (Increase) decrease in inventory  | 299  | 2,386                                       | 50                                     | -                                   | 1                      | 2,736             |
| (Increase) decrease in prepaid expenses   | (208)                                      | (84)  | (115)                                  | (18)                                | (22)                   | (447)             |
| (Increase) decrease in deferred outflows of resources   | 2  | (917)                                       | 81                                     | (26)                                | (50)                   | (910)             |
| Increase (decrease) in accounts payable   | (698)                                      | 108   | 2,962                                  | 5                                   | (6)                    | 2,371             |
| Increase (decrease) in due to   | -  | -   | -                                      | 1                                   | 193                    | 194               |
| Increase (decrease) in unearned revenue   | (234)                                      | (1)   | -                                      | -                                   | -                      | (235)             |
| Increase (decrease) in compensated absences   | 264  | (60)  | 58                                     | (10)                                | 10                     | 262               |
| Increase (decrease) in net pension liability  | 750  | 774   | (940)                                  | 201                                 | 168                    | 953               |
| Increase (decrease) in other postemployment benefits liability  | 9  | (35)  | 51                                     | 14                                  | 45                     | 84                |
| Increase (decrease) in deferred inflows of resources  | (486)                                      | 320   | 432                                    | (104)                               | (120)                  | 42                |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES  | <u>\$ (879)</u>                            | <u>\$ 2,161</u>                             | <u>\$ 147,454</u>                      | <u>\$ (277)</u>                     | <u>\$ 725</u>          | <u>\$ 149,184</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, 2021

(Expressed in Thousands)

|   | <b>WORKERS'<br/>COMPENSATION<br/>FUND</b> | <b>MATERIALS<br/>&amp; EQUIPMENT<br/>REVOLVING<br/>FUND</b> | <b>DEPRECIATION<br/>REVOLVING<br/>FUND</b> | <b>OFFICE OF CHIEF<br/>INFORMATION<br/>OFFICER<br/>FUND</b> | <b>OTHER<br/>FUNDS</b> | <b>TOTAL</b>      |
|---|---|---|--|---|------------------------|-------------------|
| <b>ASSETS</b>                                   |   |   |  |   |                        |                   |
| Current assets:                                 |   |   |  |   |                        |                   |
| Cash & investments                              | \$ 6,735                                  | \$ 16,121   | \$ 36,036                                  | \$ 18,227   | \$ 18,307              | \$ 95,426         |
| Accounts receivable (net)                       | 17  | 3   | 91   | 475   | 2,727                  | 3,313             |
| Due from other funds/advances to<br>other funds | 65,567                                    | 17  | 3,879                                      | 12,487  | 18,698                 | 100,648           |
| Inventory                                       | -   | 7,035   | -  | 44  | 1,692                  | 8,771             |
| Prepaid expenses                                | 1   | -   | -  | 8,709   | 2,974                  | 11,684            |
| Total current assets                            | <u>72,320</u>                             | <u>23,176</u>   | <u>40,006</u>                              | <u>39,942</u>   | <u>44,398</u>          | <u>219,842</u>    |
| Noncurrent assets:                              |   |   |  |   |                        |                   |
| Capital assets - nondepreciable                 | -   | 852   | -  | 26,251  | -                      | 27,103            |
| Capital assets - depreciable (net)              | -   | 153,391   | -  | 776   | 2,070                  | 156,237           |
| Total noncurrent assets                         | <u>-</u>                                  | <u>154,243</u>  | <u>-</u>                                   | <u>27,027</u>   | <u>2,070</u>           | <u>183,340</u>    |
| <b>TOTAL ASSETS</b>                             | <u>72,320</u>                             | <u>177,419</u>  | <u>40,006</u>                              | <u>66,969</u>   | <u>46,468</u>          | <u>403,182</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>           |   |   |  |   |                        |                   |
| Related to other postemployment<br>benefits     | 1   | 87  | -  | 21  | 135                    | 244               |
| Related to pensions                             | 50  | 808   | -  | 2,325   | 2,198                  | 5,381             |
| <b>TOTAL DEFERRED OUTFLOWS OF<br/>RESOURCES</b> | <u>51</u>                                 | <u>895</u>  | <u>-</u>                                   | <u>2,346</u>  | <u>2,333</u>           | <u>5,625</u>      |
| <b>LIABILITIES</b>                              |   |   |  |   |                        |                   |
| Current liabilities:                            |   |   |  |   |                        |                   |
| Accounts payable & accruals                     | 28,860                                    | 5,074   | -  | 5,921   | 4,525                  | 44,380            |
| Due to other funds/advances from<br>other funds | 113                                       | -   | -  | 2,204   | 14,300                 | 16,617            |
| Unearned revenue                                | -   | -   | 36,128                                     | 15,972  | 1,106                  | 53,206            |
| Compensated absences                            | 15  | 434   | -  | 1,456   | 1,060                  | 2,965             |
| Other postemployment benefits<br>liability      | 1   | 48  | -  | 70  | 96                     | 215               |
| Total current liabilities                       | <u>28,989</u>                             | <u>5,556</u>  | <u>36,128</u>                              | <u>25,623</u>   | <u>21,087</u>          | <u>117,383</u>    |
| Noncurrent liabilities:                         |   |   |  |   |                        |                   |
| Accounts payable & accruals                     | 43,187                                    | 84  | -  | 80  | 18                     | 43,369            |
| Compensated absences                            | 4   | 795   | -  | 1,855   | 891                    | 3,545             |
| Net pension liability                           | 174                                       | 3,368   | -  | 9,377   | 8,177                  | 21,096            |
| Other postemployment benefits<br>liability      | 11  | 790   | -  | 1,151   | 1,593                  | 3,545             |
| Total noncurrent liabilities                    | <u>43,376</u>                             | <u>5,037</u>  | <u>-</u>                                   | <u>12,463</u>   | <u>10,679</u>          | <u>71,555</u>     |
| <b>TOTAL LIABILITIES</b>                        | <u>72,365</u>                             | <u>10,593</u>   | <u>36,128</u>                              | <u>38,086</u>   | <u>31,766</u>          | <u>188,938</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>            |   |   |  |   |                        |                   |
| Related to other postemployment<br>benefits     | 1   | 28  | -  | 117   | 65                     | 211               |
| Related to pensions                             | 5   | 247   | -  | 1,238   | 664                    | 2,154             |
| <b>TOTAL DEFERRED INFLOWS OF<br/>RESOURCES</b>  | <u>6</u>                                  | <u>275</u>  | <u>-</u>                                   | <u>1,355</u>  | <u>729</u>             | <u>2,365</u>      |
| <b>NET POSITION</b>                             |   |   |  |   |                        |                   |
| Net investment in capital assets                | -   | 154,243   | -  | 27,028  | 2,069                  | 183,340           |
| Unrestricted                                    | -   | 13,203  | 3,878                                      | 2,846   | 14,237                 | 34,164            |
| <b>TOTAL NET POSITION</b>                       | <u>\$ -</u>                               | <u>\$ 167,446</u>   | <u>\$ 3,878</u>                            | <u>\$ 29,874</u>  | <u>\$ 16,306</u>       | <u>\$ 217,504</u> |

## STATE OF IOWA

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

For the Year Ended June 30, 2021  
(Expressed in Thousands)

|   | WORKERS'<br>COMPENSATION<br>FUND | MATERIALS<br>& EQUIPMENT<br>REVOLVING<br>FUND | DEPRECIATION<br>REVOLVING<br>FUND | OFFICE OF CHIEF<br>INFORMATION<br>OFFICER<br>FUND | OTHER<br>FUNDS   | TOTAL             |
|---|----------------------------------|---|-----------------------------------|---|------------------|-------------------|
| <b>OPERATING REVENUES</b>                       |                                  |   |                                   |   |                  |                   |
| Receipts from other entities                    | \$ 29,878                        | \$ 10,825                                     | \$ 7,090                          | \$ 113,300  | \$ 53,256        | \$ 214,349        |
| Refunds & reimbursements                        | 235                              | 51,008  | 402                               | 1,044   | 3,804            | 56,493            |
| Sales, rents & services                         | -                                | -   | 1,550                             | -   | 204              | 1,754             |
| Miscellaneous                                   | -                                | 17,125  | -                                 | -   | 22               | 17,147            |
| <b>TOTAL OPERATING REVENUES</b>                 | <b>30,113</b>                    | <b>78,958</b>                                 | <b>9,042</b>                      | <b>114,344</b>                                    | <b>57,286</b>    | <b>289,743</b>    |
| <b>OPERATING EXPENSES</b>                       |                                  |   |                                   |   |                  |                   |
| Depreciation                                    | -                                | 17,925  | -                                 | 966   | 446              | 19,337            |
| Personal services                               | 304                              | 6,330   | -                                 | 15,795  | 15,126           | 37,555            |
| Travel & subsistence                            | -                                | 8,420   | -                                 | 5   | 9,937            | 18,362            |
| Supplies & materials                            | 1                                | 30,955  | -                                 | 720   | 14,867           | 46,543            |
| Contractual services                            | 2,318                            | 2,226   | -                                 | 50,833  | 15,977           | 71,354            |
| Equipment & repairs                             | -                                | 7,603   | 7,462                             | 19,997  | 1,671            | 36,733            |
| Claims & miscellaneous                          | 27,490                           | 2   | -                                 | 323   | 1,713            | 29,528            |
| Licenses, permits & refunds                     | -                                | 15  | -                                 | -   | 1                | 16                |
| <b>TOTAL OPERATING EXPENSES</b>                 | <b>30,113</b>                    | <b>73,476</b>                                 | <b>7,462</b>                      | <b>88,639</b>                                     | <b>59,738</b>    | <b>259,428</b>    |
| <b>OPERATING INCOME (LOSS)</b>                  | <b>-</b>                         | <b>5,482</b>                                  | <b>1,580</b>                      | <b>25,705</b>                                     | <b>(2,452)</b>   | <b>30,315</b>     |
| <b>NONOPERATING REVENUES<br/>(EXPENSES)</b>     |                                  |   |                                   |   |                  |                   |
| Investment income                               | -                                | -   | -                                 | 48  | 244              | 292               |
| Gain on sale of capital assets                  | -                                | 48  | -                                 | -   | 2                | 50                |
| <b>NET NONOPERATING REVENUES<br/>(EXPENSES)</b> | <b>-</b>                         | <b>48</b>                                     | <b>-</b>                          | <b>48</b>   | <b>246</b>       | <b>342</b>        |
| <b>CHANGE IN NET POSITION</b>                   | <b>-</b>                         | <b>5,530</b>                                  | <b>1,580</b>                      | <b>25,753</b>                                     | <b>(2,206)</b>   | <b>30,657</b>     |
| <b>TOTAL NET POSITION - JULY 1</b>              | <b>-</b>                         | <b>161,916</b>                                | <b>2,298</b>                      | <b>4,121</b>                                      | <b>18,512</b>    | <b>186,847</b>    |
| <b>TOTAL NET POSITION - JUNE 30</b>             | <b>\$ -</b>                      | <b>\$ 167,446</b>                             | <b>\$ 3,878</b>                   | <b>\$ 29,874</b>                                  | <b>\$ 16,306</b> | <b>\$ 217,504</b> |

**STATE OF IOWA**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**

For the Year Ended June 30, 2021  
(Expressed in Thousands)

|   | WORKERS'<br>COMPENSATION<br>FUND | MATERIALS<br>& EQUIPMENT<br>REVOLVING<br>FUND | DEPRECIATION<br>REVOLVING<br>FUND | OFFICE OF CHIEF<br>INFORMATION<br>OFFICER<br>FUND | OTHER<br>FUNDS   | TOTAL            |
|---|----------------------------------|---|-----------------------------------|---|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                                  |   |                                   |   |                  |                  |
| Cash received from other entities   | \$ 235                           | \$ 28,501                                     | \$ 1,459                          | \$ 931  | \$ 1,970         | \$ 33,096        |
| Cash received from reciprocal interfund activity  | 30,451                           | 52,305  | 8,997                             | 124,689   | 51,795           | 268,237          |
| Cash payments to suppliers for goods & services   | (27,551)                         | (47,246)                                      | (7,540)                           | (76,763)  | (38,822)         | (197,922)        |
| Cash payments to employees for services   | (268)                            | (6,158)                                       | -                                 | (15,097)  | (14,886)         | (36,409)         |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES  | <u>2,867</u>                     | <u>27,402</u>                                 | <u>2,916</u>                      | <u>33,760</u>                                     | <u>57</u>        | <u>67,002</u>    |
| <b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>                                     |                                  |   |                                   |   |                  |                  |
| Acquisition & construction of capital assets  | -                                | (27,525)                                      | -                                 | (19,586)  | (377)            | (47,488)         |
| NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES                                    | <u>-</u>                         | <u>(27,525)</u>                               | <u>-</u>                          | <u>(19,586)</u>                                   | <u>(377)</u>     | <u>(47,488)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                                  |   |                                   |   |                  |                  |
| Interest & dividends on investments   | -                                | -   | -                                 | 48  | 244              | 292              |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES  | <u>-</u>                         | <u>-</u>                                      | <u>-</u>                          | <u>48</u>   | <u>244</u>       | <u>292</u>       |
| NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS  | 2,867                            | (123)   | 2,916                             | 14,222  | (76)             | 19,806           |
| CASH & CASH EQUIVALENTS - JULY 1  | 3,868                            | 16,244  | 33,120                            | 4,005   | 18,383           | 75,620           |
| CASH & CASH EQUIVALENTS - JUNE 30   | <u>\$ 6,735</u>                  | <u>\$ 16,121</u>                              | <u>\$ 36,036</u>                  | <u>\$ 18,227</u>                                  | <u>\$ 18,307</u> | <u>\$ 95,426</u> |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>  |                                  |   |                                   |   |                  |                  |
| Operating income (loss)   | \$ -                             | \$ 5,482                                      | \$ 1,580                          | \$ 25,705   | \$ (2,452)       | \$ 30,315        |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: |                                  |   |                                   |   |                  |                  |
| Depreciation  | -                                | 17,925  | -                                 | 966   | 446              | 19,337           |
| (Increase) decrease in accounts receivable  | (8)                              | 551   | (91)                              | (113)   | (2,060)          | (1,721)          |
| (Increase) decrease in due from other funds/advances to other funds                                   | 553                              | 1,297   | (1,346)                           | (2,487)   | (2,522)          | (4,505)          |
| (Increase) decrease in inventory  | -                                | (223)   | -                                 | (3)   | 445              | 219              |
| (Increase) decrease in prepaid expenses   | (1)                              | -   | -                                 | (4,306)   | 2,063            | (2,244)          |
| (Increase) decrease in deferred outflows of resources   | 21                               | (114)   | -                                 | 124   | (317)            | (286)            |
| Increase (decrease) in accounts payable   | 2,258                            | 2,198   | (78)                              | (576)   | 2,836            | 6,638            |
| Increase (decrease) in due to other funds/advances from other funds                                   | 28                               | -   | -                                 | (902)   | 905              | 31               |
| Increase (decrease) in unearned revenue   | -                                | -   | 2,851                             | 14,778  | 156              | 17,785           |
| Increase (decrease) in compensated absences   | 4                                | 32  | -                                 | 309   | 72               | 417              |
| Increase (decrease) in net pension liability  | 28                               | 624   | -                                 | 1,267   | 1,526            | 3,445            |
| Increase (decrease) in other postemployment benefits liability  | -                                | 32  | -                                 | 37  | 41               | 110              |
| Increase (decrease) in deferred inflows of resources  | (17)                             | (402)   | -                                 | (1,039)   | (1,082)          | (2,540)          |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES  | <u>\$ 2,866</u>                  | <u>\$ 27,402</u>                              | <u>\$ 2,916</u>                   | <u>\$ 33,760</u>                                  | <u>\$ 57</u>     | <u>\$ 67,001</u> |

## COMBINING FINANCIAL STATEMENTS

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

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

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

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

## STATE OF IOWA

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

June 30, 2021

(Expressed in Thousands)

|  | IOWA PUBLIC<br>EMPLOYEES'<br>RETIREMENT<br>SYSTEM | PEACE<br>OFFICERS'<br>RETIREMENT<br>SYSTEM | JUDICIAL<br>RETIREMENT<br>SYSTEM | INSURANCE<br>FUND | SPOC<br>INSURANCE<br>FUND | TOTAL                |
|--|---|--|----------------------------------|-------------------|---------------------------|----------------------|
| <b>ASSETS</b>  |   |  |                                  |                   |                           |                      |
| Cash & cash equivalents                              | \$ 510,184  | \$ 3,041                                   | \$ 4,771                         | \$ 1,656          | \$ 2,424                  | \$ 522,076           |
| Receivables:   |   |  |                                  |                   |                           |                      |
| Contributions  | 70,353  | 1,247                                      | 652                              | 3,100             | -                         | 75,352               |
| Investments sold                                     | 743,009   | 22   | 108                              | -                 | -                         | 743,139              |
| Foreign exchange contracts                           | 317,903   | -  | -                                | -                 | -                         | 317,903              |
| Interest & dividends                                 | 82,517  | 1,010                                      | -                                | 1                 | -                         | 83,528               |
| Miscellaneous  | 7   | -  | -                                | -                 | -                         | 7                    |
| Total receivables                                    | <u>1,213,789</u>                                  | <u>2,279</u>                               | <u>760</u>                       | <u>3,101</u>      | <u>-</u>                  | <u>1,219,929</u>     |
| Investments, at fair value:                          |   |  |                                  |                   |                           |                      |
| Fixed income securities                              | 12,676,858  | 125,052                                    | 47,493                           | -                 | -                         | 12,849,403           |
| Equity investments                                   | 18,900,697  | 608,716                                    | 257,684                          | -                 | -                         | 19,767,097           |
| Real estate partnerships                             | -   | 69,906                                     | -                                | -                 | -                         | 69,906               |
| Investment in private equity/debt                    | 8,652,675   | -  | -                                | -                 | -                         | 8,652,675            |
| Real assets  | 2,360,617   | -  | -                                | -                 | -                         | 2,360,617            |
| Securities lending collateral pool                   | 560,618   | 18,483                                     | 1,673                            | -                 | -                         | 580,774              |
| Total investments                                    | <u>43,151,465</u>                                 | <u>822,157</u>                             | <u>306,850</u>                   | <u>-</u>          | <u>-</u>                  | <u>44,280,472</u>    |
| Capital assets:                                      |   |  |                                  |                   |                           |                      |
| Land   | 500   | -  | -                                | -                 | -                         | 500                  |
| Other - depreciable (net)                            | 12,627  | -  | -                                | -                 | -                         | 12,627               |
| Total capital assets                                 | <u>13,127</u>                                     | <u>-</u>                                   | <u>-</u>                         | <u>-</u>          | <u>-</u>                  | <u>13,127</u>        |
| Other assets   | 628   | -  | -                                | -                 | -                         | 628                  |
| <b>TOTAL ASSETS</b>                                  | <u>44,889,193</u>                                 | <u>827,477</u>                             | <u>312,381</u>                   | <u>4,757</u>      | <u>2,424</u>              | <u>46,036,232</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                |   |  |                                  |                   |                           |                      |
| Related to other postemployment benefits             | 99  | -  | -                                | -                 | -                         | 99                   |
| <b>LIABILITIES</b>                                   |   |  |                                  |                   |                           |                      |
| Accounts payable & accruals                          | 60,119  | 482  | 312                              | -                 | -                         | 60,913               |
| Foreign exchange contracts payable                   | 317,154   | -  | -                                | -                 | -                         | 317,154              |
| Payable for investments purchased                    | 1,061,545   | 919  | 232                              | -                 | -                         | 1,062,696            |
| Payable to brokers for rebate & collateral           | 560,520   | 18,482                                     | 1,673                            | -                 | -                         | 580,675              |
| <b>TOTAL LIABILITIES</b>                             | <u>1,999,338</u>                                  | <u>19,883</u>                              | <u>2,217</u>                     | <u>-</u>          | <u>-</u>                  | <u>2,021,438</u>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                 |   |  |                                  |                   |                           |                      |
| Related to other postemployment benefits             | 78  | -  | -                                | -                 | -                         | 78                   |
| <b>NET POSITION</b>                                  |   |  |                                  |                   |                           |                      |
| Restricted for pension/other postemployment benefits | <u>\$ 42,889,876</u>                              | <u>\$ 807,594</u>                          | <u>\$ 310,164</u>                | <u>\$ 4,757</u>   | <u>\$ 2,424</u>           | <u>\$ 44,014,815</u> |

**STATE OF IOWA**

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

For the Year Ended June 30, 2021  
(Expressed in Thousands)

|  | <b>IOWA PUBLIC<br/>EMPLOYEES'<br/>RETIREMENT<br/>SYSTEM</b> | <b>PEACE<br/>OFFICERS'<br/>RETIREMENT<br/>SYSTEM</b> | <b>JUDICIAL<br/>RETIREMENT<br/>SYSTEM</b> | <b>INSURANCE<br/>FUND</b> | <b>SPOC<br/>INSURANCE<br/>FUND</b> | <b>TOTAL</b>         |
|--|---|--|---|---------------------------|------------------------------------|----------------------|
| <b>ADDITIONS</b>                                     |   |  |   |                           |                                    |                      |
| Contributions:                                       |   |  |   |                           |                                    |                      |
| Member contributions                                 | \$ 549,091  | \$ 5,458   | \$ 2,811                                  | \$ 3,381                  | \$ 345                             | \$ 561,086           |
| Employer contributions                               | 817,561   | 22,711   | 9,200                                     | -                         | -                                  | 849,472              |
| Buy-back/buy-in contributions                        | 5,220   | -  | -   | -                         | -                                  | 5,220                |
| Total contributions                                  | <u>1,371,872</u>  | <u>28,169</u>  | <u>12,011</u>                             | <u>3,381</u>              | <u>345</u>                         | <u>1,415,778</u>     |
| Investment income:                                   |   |  |   |                           |                                    |                      |
| Net increase in fair value of investments            | 9,389,337   | 205,106  | 79,162                                    | -                         | -                                  | 9,673,605            |
| Interest   | 388,896   | 4,919  | 989                                       | 2                         | -                                  | 394,806              |
| Dividends  | 118,249   | 3,684  | 2,214                                     | -                         | -                                  | 124,147              |
| Other  | 66,999  | 28   | 8   | -                         | -                                  | 67,035               |
| Total investment income                              | <u>9,963,481</u>  | <u>213,737</u>                                       | <u>82,373</u>                             | <u>2</u>                  | <u>-</u>                           | <u>10,259,593</u>    |
| Less investment expense                              | 68,106  | 3,515  | 452                                       | -                         | -                                  | 72,073               |
| Net investment income                                | <u>9,895,375</u>  | <u>210,222</u>                                       | <u>81,921</u>                             | <u>2</u>                  | <u>-</u>                           | <u>10,187,520</u>    |
| TOTAL ADDITIONS                                      | <u>11,267,247</u>   | <u>238,391</u>                                       | <u>93,932</u>                             | <u>3,383</u>              | <u>345</u>                         | <u>11,603,298</u>    |
| <b>DEDUCTIONS</b>                                    |   |  |   |                           |                                    |                      |
| Pension & annuity benefits                           | 2,365,175   | 35,086   | 15,233                                    | -                         | -                                  | 2,415,494            |
| Payments in accordance with agreements               | -   | -  | -   | 1,528                     | 512                                | 2,040                |
| Administrative expense                               | 13,852  | 284  | 20  | -                         | -                                  | 14,156               |
| Refunds  | 53,636  | -  | -   | -                         | -                                  | 53,636               |
| TOTAL DEDUCTIONS                                     | <u>2,432,663</u>  | <u>35,370</u>  | <u>15,253</u>                             | <u>1,528</u>              | <u>512</u>                         | <u>2,485,326</u>     |
| Extraordinary item -settlement -payment <sup>1</sup> | 7,600   | -  | -   | -                         | -                                  | 7,600                |
| CHANGE IN NET POSITION                               | 8,842,184   | 203,021  | 78,679                                    | 1,855                     | (167)                              | 9,125,572            |
| NET POSITION - JULY 1                                | <u>34,047,692</u>   | <u>604,573</u>                                       | <u>231,485</u>                            | <u>2,902</u>              | <u>2,591</u>                       | <u>34,889,243</u>    |
| NET POSITION - JUNE 30                               | <u>\$ 42,889,876</u>  | <u>\$ 807,594</u>                                    | <u>\$ 310,164</u>                         | <u>\$ 4,757</u>           | <u>\$ 2,424</u>                    | <u>\$ 44,014,815</u> |

<sup>1</sup>Iowa Public Employees' Retirement System (IPERS) received the final settlement payment from the Westridge Capital fraud case, CFTC V. Walsh/SEC v. WG. The payment resulted in an extraordinary item.

NEW IOWA REGIMENTAL FLAG



MRS. DIXIE GEBHARDT, STATE REGENT ... D.A.R.

The Iowa flag, of which the above is a reproduction, was designed by Mrs. Dixie Cornell Gebhardt, of Knoxville, state regent of the D. A. R. The idea of having the flag was originated by Mrs. Gebhardt and her flag committee, of which Mrs. Lue Prentiss

Iowa City is state chairman. The flag was presented for approval to Governor Harding and the state council of defense on May 11, 1917, and a committee was authorized to prepare flags to present to each outgoing regiment of Iowa, of the object being to identify our own

boys among other states of the union.

The D. A. R.'s of Iowa provided money for eight of these flags, one of them now being with the old Third Iowa, somewhere in France. Seven were presented by Governor Harding to the Iowa units at Camp Cody.

The flag design consists of three vertical stripes in blue, white and red, French colors, Iowa having been first French territory, part of the Louisiana purchase. Upon the central white stripe is a spread-

ing eagle from the seal of Iowa, bearing in its beak blue streamers, on which is inscribed the state motto "Our Liberty We Prize and Our Rights We Will Maintain." Beneath in red is the word "Iowa." Mothers feel that "Iowa" in the color of blood is a symbol of the sacrifice our boys may make for us.

The flags are now being manufactured by Annin and Company of 99 Fulton street, New York City. Ten per cent of every sale is donated to the American Red Cross for war relief purposes.

Samples of material from which original flags were made.



45

Louisiana Purchase

THE Post Office Department at Washington, searching the titles to post-office sites in Louisiana, was dissatisfied with one because it went back no farther than 1803. To the Department's request for earlier information, the attorney for the owners replied as follows:

Please be advised that the Government of the United States acquired the Territory of Louisiana, including the tract to which your inquiry applies, by purchase from the Government of France, in the year 1803.

The Government of France acquired title by conquest from the Government of Spain.

The Government of Spain acquired title by discovery of Christopher Columbus, explorer, a resident of Genoa, Italy, who, by agreement concerning the acquisition of title to any land he discovered, traveled under the sponsorship and patronage of Her Majesty, the Queen of Spain.

The Queen of Spain had received sanction of her title by consent of the Pope, a resident of Rome, Italy, and ex-officio representative and viceregent of Jesus Christ.

Jesus Christ was the son and heir apparent of God. God made Louisiana.

I trust this complies with your request.—Contributed by Walter F. Dillingham

## COMBINING FINANCIAL STATEMENTS

### **Private Purpose Trust Funds**

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

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

**Iowa ABLE Savings Plan Trust** receives contributions to be invested for the future payment of disability-related costs of an individual.

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

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

# STATE OF IOWA

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

For the Year Ended June 30, 2021  
(Expressed in Thousands)

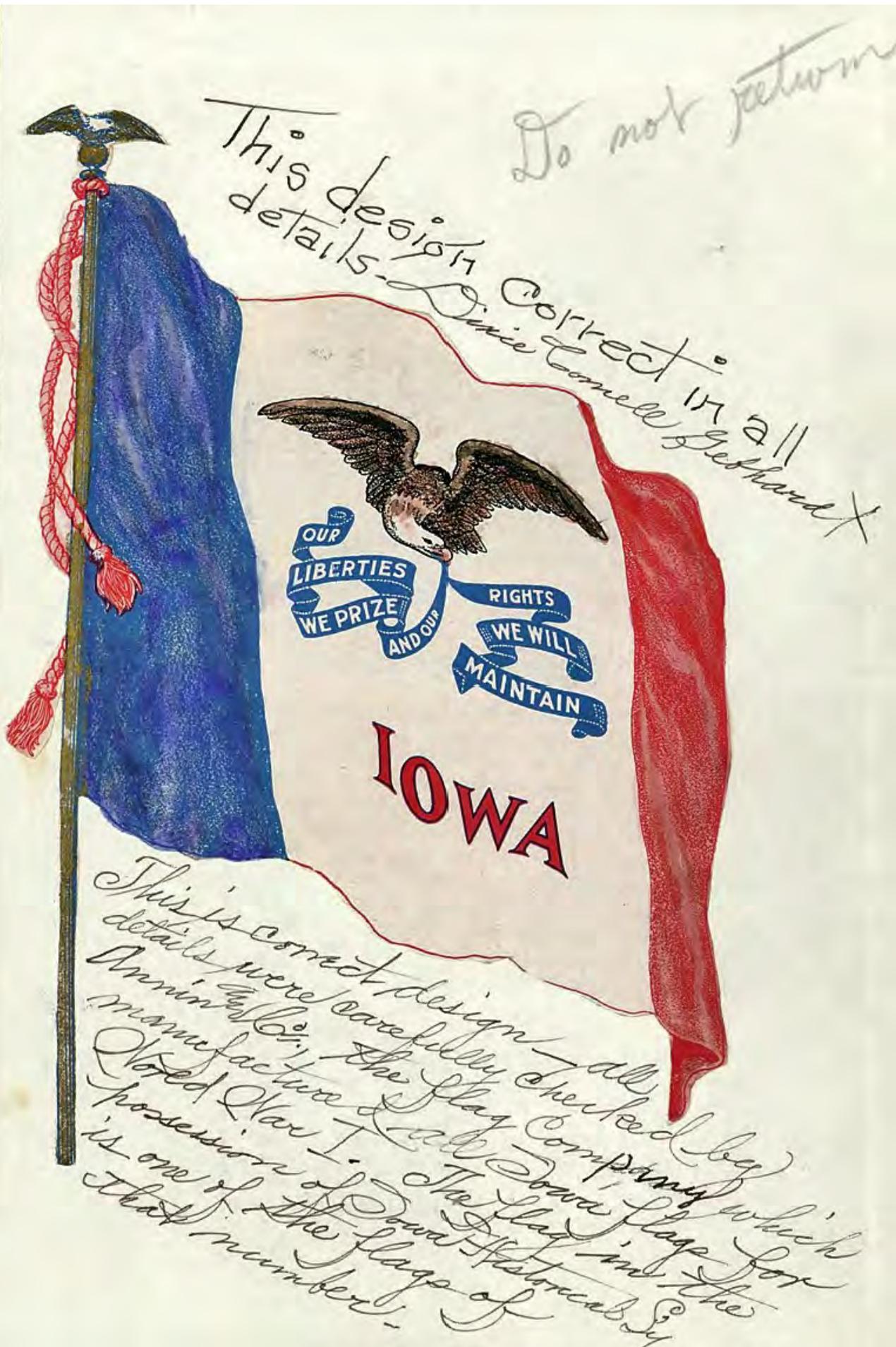
|   | <b>IOWA<br/>EDUCATIONAL<br/>SAVINGS<br/>PLAN TRUST</b> | <b>IOWA<br/>ABLE<br/>SAVINGS<br/>PLAN TRUST</b> | <b>IOWA<br/>BRAILE &amp;<br/>SIGHT SAVING<br/>SCHOOL TRUST</b> | <b>WAGNER<br/>AWARD<br/>TRUST</b> | <b>TOTAL</b>        |
|---|--|---|--|-----------------------------------|---------------------|
| <b>ASSETS</b>   |  |   |  |                                   |                     |
| Cash  | \$ 3,334   | \$ 5,275  | \$ -   | \$ 14                             | \$ 8,623            |
| Investments   | 6,949,443  | 6,385   | 742  | -                                 | 6,956,570           |
| <b>TOTAL ASSETS</b>   | <b>6,952,777</b>                                       | <b>11,660</b>                                   | <b>742</b>   | <b>14</b>                         | <b>6,965,193</b>    |
| <b>LIABILITIES</b>  |  |   |  |                                   |                     |
| Accounts payable & accruals                                   | 227  | 16  | -  | -                                 | 243                 |
| <b>NET POSITION</b>   |  |   |  |                                   |                     |
| Restricted for individuals, organizations<br>& other entities | <b>\$ 6,952,550</b>                                    | <b>\$ 11,644</b>                                | <b>\$ 742</b>  | <b>\$ 14</b>                      | <b>\$ 6,964,950</b> |

**STATE OF IOWA**

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

For the Year Ended June 30, 2021  
(Expressed in Thousands)

|   | <b>IOWA<br/>EDUCATIONAL<br/>SAVINGS<br/>PLAN TRUST</b> | <b>IOWA<br/>ABLE<br/>SAVINGS<br/>PLAN TRUST</b> | <b>IOWA<br/>BRAILE &amp;<br/>SIGHT SAVING<br/>SCHOOL TRUST</b> | <b>WAGNER<br/>AWARD<br/>TRUST</b> | <b>TOTAL</b>        |
|---|--|---|--|-----------------------------------|---------------------|
| <b>ADDITIONS</b>  |  |   |  |                                   |                     |
| Contributions:  |  |   |  |                                   |                     |
| Participant contributions                               | \$ 479,885   | \$ 5,230  | \$ -   | \$ -                              | \$ 485,115          |
| Other contributions                                     | 1,310  | 204   | -  | -                                 | 1,514               |
| Total contributions                                     | <u>481,195</u>   | <u>5,434</u>                                    | <u>-</u>   | <u>-</u>                          | <u>486,629</u>      |
| Investment income:                                      |  |   |  |                                   |                     |
| Net increase (decrease) in fair value of<br>investments | 1,251,436  | -   | 153  | -                                 | 1,251,589           |
| Interest  | 1  | 1,014   | 20   | -                                 | 1,035               |
| Total investment income                                 | <u>1,251,437</u>                                       | <u>1,014</u>                                    | <u>173</u>   | <u>-</u>                          | <u>1,252,624</u>    |
| <b>TOTAL ADDITIONS</b>                                  | <u>1,732,632</u>                                       | <u>6,448</u>                                    | <u>173</u>   | <u>-</u>                          | <u>1,739,253</u>    |
| <b>DEDUCTIONS</b>                                       |  |   |  |                                   |                     |
| Distributions to participants                           | 540,121  | 1,103   | 38   | -                                 | 541,262             |
| Other   | 1,098  | 91  | -  | -                                 | 1,189               |
| <b>TOTAL DEDUCTIONS</b>                                 | <u>541,219</u>   | <u>1,194</u>                                    | <u>38</u>  | <u>-</u>                          | <u>542,451</u>      |
| <b>CHANGE IN NET POSITION</b>                           | 1,191,413  | 5,254   | 135  | -                                 | 1,196,802           |
| <b>NET POSITION - JULY 1</b>                            | <u>5,761,137</u>                                       | <u>6,390</u>                                    | <u>607</u>   | <u>14</u>                         | <u>5,768,148</u>    |
| <b>NET POSITION - JUNE 30</b>                           | <u>\$ 6,952,550</u>                                    | <u>\$ 11,644</u>                                | <u>\$ 742</u>  | <u>\$ 14</u>                      | <u>\$ 6,964,950</u> |



# COMBINING FINANCIAL STATEMENTS

## **Custodial Funds**

Custodial Funds account for the receipt and distribution of various taxes, deposits, and property collected for individuals, organizations or other governments, which are not required to be reported in other fiduciary fund types.

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

**Child Support Collection & Refund Fund** receives child support collections from employers, obligors, federal and state tax offsets, debtors offsets, and others. The child support collections are distributed to families in accordance with federal distribution laws.

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

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

**Other Custodial Funds** are aggregated for reporting purposes and represent amounts held at the Universities, offender and resident deposits held at the State institutions, and other deposits and taxes collected for others.

**STATE OF IOWA**

**Combining Statement of Fiduciary Net Position  
Custodial Funds**

June 30, 2021

(Expressed in Thousands)

|   | <b>LOCAL<br/>SALES &amp;<br/>SERVICES<br/>TAX FUND</b> | <b>CHILD<br/>SUPPORT<br/>COLLECTION<br/>&amp; REFUND<br/>FUND</b> | <b>JUDICIAL -<br/>CLERKS OF<br/>DISTRICT<br/>COURT</b> | <b>SCHOOL<br/>DISTRICT<br/>SURTAX<br/>FUND</b> | <b>OTHER<br/>FUNDS</b> | <b>TOTAL</b>     |
|---|--|---|--|--|------------------------|------------------|
| <b>ASSETS</b>   |  |   |  |  |                        |                  |
| Cash  | \$ 34,389  | \$ 13,944   | \$ 40,693  | \$ 86,337                                      | \$ 41,638              | \$ 217,001       |
| Receivables:  |  |   |  |  |                        |                  |
| Accounts  | -  | 2,187   | -  | -  | 7,000                  | 9,187            |
| Taxes for other governments                                   | 292,680  | -   | -  | 8,453  | 495                    | 301,628          |
| Interest  | -  | -   | -  | -  | 1                      | 1                |
| Total receivables   | <u>292,680</u>   | <u>2,187</u>  | <u>-</u>   | <u>8,453</u>                                   | <u>7,496</u>           | <u>310,816</u>   |
| Investments   | -  | -   | -  | -  | 19,769                 | 19,769           |
| Capital assets - depreciable (net)                            | -  | -   | -  | -  | 125                    | 125              |
| Prepaid expenses  | -  | -   | -  | -  | 499                    | 499              |
| Inventory   | -  | -   | -  | -  | 9                      | 9                |
| <b>TOTAL ASSETS</b>   | <u>327,069</u>   | <u>16,131</u>   | <u>40,693</u>  | <u>94,790</u>                                  | <u>69,536</u>          | <u>548,219</u>   |
| <b>LIABILITIES</b>  |  |   |  |  |                        |                  |
| Accounts payable & accruals                                   | -  | 12,502  | 40,693   | -  | 2,434                  | 55,629           |
| Accounts payable to other governments                         | <u>327,069</u>   | <u>-</u>  | <u>-</u>   | <u>94,790</u>                                  | <u>1,056</u>           | <u>422,915</u>   |
| <b>TOTAL LIABILITIES</b>                                      | <u>327,069</u>   | <u>12,502</u>   | <u>40,693</u>  | <u>94,790</u>                                  | <u>3,490</u>           | <u>478,544</u>   |
| <b>NET POSITION</b>   |  |   |  |  |                        |                  |
| Restricted for individuals, organizations<br>& other entities | <u>\$ -</u>  | <u>\$ 3,629</u>   | <u>\$ -</u>  | <u>\$ -</u>                                    | <u>\$ 66,046</u>       | <u>\$ 69,675</u> |

**STATE OF IOWA**

**Combining Statement of Changes in Fiduciary Net Position  
Custodial Funds**

For the Year Ended June 30, 2021  
(Expressed in Thousands)

|  | <b>LOCAL<br/>SALES &amp;<br/>SERVICES<br/>TAX FUND</b> | <b>CHILD<br/>SUPPORT<br/>COLLECTION<br/>&amp; REFUND<br/>FUND</b> | <b>JUDICIAL -<br/>CLERKS OF<br/>DISTRICT<br/>COURT</b> | <b>SCHOOL<br/>DISTRICT<br/>SURTAX<br/>FUND</b> | <b>OTHER<br/>FUNDS</b> | <b>TOTAL</b>     |
|--|--|---|--|--|------------------------|------------------|
| <b>ADDITIONS</b>                                 |  |   |  |  |                        |                  |
| Contributions:                                   |  |   |  |  |                        |                  |
| Participant contributions                        | \$ -   | \$ 374,208  | \$ -   | \$ -   | \$ 83,556              | \$ 457,764       |
| Other contributions                              | -  | -   | -  | -  | 73,118                 | 73,118           |
| Gifts, bequests & endowments                     | -  | -   | -  | -  | 3,638                  | 3,638            |
| Total contributions                              | -  | 374,208   | -  | -  | 160,312                | 534,520          |
| Investment income:                               |  |   |  |  |                        |                  |
| Net increase in fair value of<br>investments     | -  | -   | -  | -  | 5,266                  | 5,266            |
| Total investment income                          | -  | -   | -  | -  | 5,266                  | 5,266            |
| Tax collections for other governments            | 1,044,961  | -   | -  | 101,589  | 112,821                | 1,259,371        |
| Court revenue collections for others             | -  | -   | 292,362  | -  | -                      | 292,362          |
| Court settlements                                | -  | -   | -  | -  | 903                    | 903              |
| Miscellaneous                                    | -  | -   | -  | -  | 47,299                 | 47,299           |
| <b>TOTAL ADDITIONS</b>                           | <b>1,044,961</b>                                       | <b>374,208</b>  | <b>292,362</b>   | <b>101,589</b>                                 | <b>326,601</b>         | <b>2,139,721</b> |
| <b>DEDUCTIONS</b>                                |  |   |  |  |                        |                  |
| Distributions to participants                    | -  | 376,492   | -  | -  | 32,927                 | 409,419          |
| Payments in accordance with agreements           | -  | -   | -  | -  | 101,425                | 101,425          |
| Administrative expense                           | -  | -   | -  | -  | 30,017                 | 30,017           |
| Payments of tax collections to other<br>entities | 1,044,961  | -   | -  | 101,589  | 113,090                | 1,259,640        |
| Payment of court collections to others           | -  | -   | 292,362  | -  | -                      | 292,362          |
| Other  | -  | -   | -  | -  | 35,537                 | 35,537           |
| <b>TOTAL DEDUCTIONS</b>                          | <b>1,044,961</b>                                       | <b>376,492</b>  | <b>292,362</b>   | <b>101,589</b>                                 | <b>312,996</b>         | <b>2,128,400</b> |
| <b>CHANGE IN NET POSITION</b>                    | <b>-</b>   | <b>(2,284)</b>  | <b>-</b>   | <b>-</b>                                       | <b>13,605</b>          | <b>11,321</b>    |
| <b>NET POSITION - JULY 1</b>                     | <b>-</b>   | <b>5,913</b>  | <b>-</b>   | <b>-</b>                                       | <b>52,441</b>          | <b>58,354</b>    |
| <b>NET POSITION - JUNE 30</b>                    | <b>\$ -</b>  | <b>\$ 3,629</b>   | <b>\$ -</b>  | <b>\$ -</b>                                    | <b>\$ 66,046</b>       | <b>\$ 69,675</b> |



Contributed by "Anonymous"--1921.

A distinctive, an identifying flag for Iowa. A distinguishing banner for the headquarters of Iowa forces at home or abroad.

Some have never admitted that an individual state flag could be safely approved, and have otherwise expressed the fear that the beloved state flags might wreck the country.

One speaker of the Iowa General Assembly who opposed the adoption of an Iowa flag, in a patriotic outburst or oratory, claimed: "All southern states had individual state flags and which had been instrumental in promoting the War between the States." --(Civil War, 1861-1866).

Iowa's flag suggests unity rather than a division. It reflects the colors, the teachings of Old Glory.

While there was keen interest in its design, the Iowa State Legislature eventually adopted what the great majority was ready to accept.

Iowa had the unquestioned right to claim a flag for the commonwealth, a flag of her own--and her lovely banner, her state flag, is an emblem, adopted by Iowans as "Their Own," identifying the state so dear to Iowa people.