FINANCIAL SECTION

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

To the Governor and Members of the General Assembly:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Iowa as of and for the year ended June 30, 2011, which collectively comprise the State's basic financial statements listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Tobacco Settlement Authority, a major governmental fund, and certain discretely presented and blended component units, which statements reflect 97% of assets and 58% of revenues of the discretely presented component units and 25% of assets and 7% of revenues of the nonmajor special revenue funds, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the major fund and these discretely presented and blended component units, are based on the reports of the other auditors.

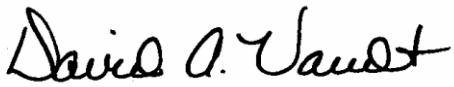
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Iowa as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

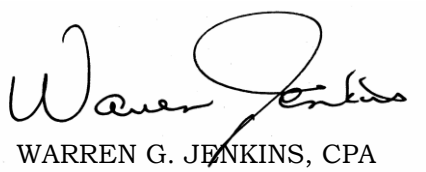
Management's Discussion and Analysis, Budgetary Comparison Information and Schedules of Funding Progress on pages 18 through 29 and 118 through 124 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 15, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the State of Iowa's Comprehensive Annual Financial Report (CAFR) presents a discussion and analysis of the State's financial performance during the fiscal year that ended on June 30, 2011. Readers are encouraged to consider this information in conjunction with the letter of transmittal located at the front of the CAFR and the State's financial statements, which follow this section of the CAFR.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government-wide Highlights

- The assets of the State of Iowa exceeded its liabilities at the close of fiscal year 2011 by $13,326.1 million (net assets). Of this amount, $1,572.7 million (unrestricted net assets) is available to be used to meet the State's ongoing obligations to citizens and creditors.
- Total net assets increased $734.9 million in the fiscal year ended June 30, 2011. Net assets of governmental activities increased $255.9 million, or 3.2%, while net assets of business-type activities increased $479.0 million, or 10.4%.
- In the State's governmental activities, revenues increased 2.2% to $14,553.8 million while expenses increased 4.1% to $13,790.0 million.
- For business-type activities, revenues increased 5.7% to $4,585.6 million while expenses decreased 4.1% to $4,616.0 million.

Fund Highlights

- The State's governmental funds reported a combined ending fund balance of $3,032.2 million, a $350.1 million increase from the prior year. Of this amount, $47.1 million represents nonspendable fund balances, $2,036.6 million represents spendable restricted fund balances, $1,712.1 million represents spendable committed fund balances and a negative $763.6 million represents unassigned fund balances.
- The General Fund total fund balance increased $264.6 million to $2,699.9 million.
- The proprietary funds reported net assets at year-end of $5,221.2 million, an increase of $485.0 million.

Long-term Debt

- The State's total long-term debt increased $360.4 million, or 11.7%, to $3,444.4 million during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

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

Government-wide Financial Statements

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

- The *Statement of Net Assets* presents all of the State's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases or decreases in the State's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

- The *Statement of Activities* presents information about the change in the State's net assets. This statement is formatted to report direct expenses, program revenues and the net revenues or expenses for each of the State's governmental functions and business-type activities. This format identifies the extent to which each function is self-financed or is supported by the general revenues of the State.

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

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

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

Fund Financial Statements

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

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

  The University Funds and the Unemployment Benefits Fund are the State's major proprietary funds. Nonmajor proprietary funds are reported by fund type in the Combining Financial Statements – Nonmajor Funds.
- *Fiduciary funds* – These funds are used to show assets held by the State as trustee or agent for others outside the State, such as the Iowa Public Employees' Retirement System and the Iowa Educational Savings Plan Trust. Similar to proprietary funds, these funds use the accrual basis of accounting. Because the State cannot use these assets to finance its operations, fiduciary funds are not included in the government-wide financial statements discussed above.

Table 1

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

Notes to the Financial Statements

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

Required Supplementary Information

In addition to this Management's Discussion and Analysis, Required Supplementary Information (RSI) includes the Budgetary Comparison Schedule. This schedule presents both the original and final appropriated budget for major funds. The Budgetary Comparison Schedule is accompanied by a Budget to GAAP Reconciliation and by Notes to RSI. Schedules of funding progress for the Judicial Retirement System, the Peace Officers' Retirement, Accident and Disability System and Other Postemployment Benefits are also presented.

Supplementary Information

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

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Assets

The State's combined net assets (governmental and business-type activities) totaled $13,326.1 million at June 30, 2011, compared to $12,591.2 million at June 30, 2010 (restated), as indicated in Table 2.

Table 2

Net Assets
(In Millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2011	Restated 2010	2011	Restated 2010	2011	Restated 2010	2010-2011
Current and other assets	$4,964.5	$4,784.7	$3,969.0	$3,510.3	$ 8,933.5	$ 8,295.0	7.7%
Capital assets	7,185.7	6,936.0	3,722.7	3,531.4	10,908.4	10,467.4	4.2%
Total assets	12,150.2	11,720.7	7,691.7	7,041.7	19,841.9	18,762.4	5.8%
Long-term liabilities	2,271.8	2,004.9	1,694.9	1,627.7	3,966.7	3,632.6	9.2%
Other liabilities	1,638.3	1,731.6	910.8	807.0	2,549.1	2,538.6	0.4%
Total liabilities	3,910.1	3,736.5	2,605.7	2,434.7	6,515.8	6,171.2	5.6%
Net assets:							
Invested in capital assets, net of related debt	7,042.4	6,880.4	2,364.8	2,268.1	9,407.2	9,148.5	2.8%
Restricted	1,218.6	1,190.5	1,127.6	991.1	2,346.2	2,181.6	7.5%
Unrestricted	(20.9)	(86.7)	1,593.6	1,347.8	1,572.7	1,261.1	24.7%
Total net assets	$8,240.1	$7,984.2	$5,086.0	$4,607.0	$13,326.1	$12,591.2	5.8%

Net assets of the State's governmental activities increased 3.2% to $8,240.1 million. The largest component (85.5%) of the State's net assets is invested in capital assets (e.g. land, buildings, equipment, infrastructure and others), net of related outstanding debt that was used to acquire or construct the assets. Restricted net assets is the next largest component (14.8%). These represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets is the remaining portion (-0.3%) and may be used at the State's discretion, but often have limitations on use based on State statutes. The negative unrestricted net asset balance is primarily attributed to the State's long-term liabilities for which any related offsetting assets are not the State's.

The net assets of business-type activities increased 10.4% to $5,086.0 million. The State generally can only use these net assets to finance the continuing operations of the universities, unemployment insurance and other business-type activities.

Long-term liabilities increased 9.2% to $3,966.7 million due primarily to an increase in bonds payable. The overall net increase in long-term bonds payable of $321.0 million, is the result of new bond issuances of $188.0 million for IJOBS bonds, $135.0 million for Prison Infrastructure Building bonds and $106.6 million for facility construction bonds at the universities.

Other liabilities increased 0.4% to $2,549.1 million. The minor increase was due to the net effect of modest increases in bonds payable of $33.9 million, funds held in custody of $33.0 million, and other financing arrangements payable of $15.2 million, which were largely offset by a decrease in unearned revenues. Unearned revenues decreased $89.8 million, primarily due to the timing of the draw of federal funds to cover Medicaid provider payments.

Changes in Net Assets

The State's total net assets increased by $734.9 million during the year, as indicated in Table 3.

Table 3
Changes in Net Assets
(In Millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2011	Restated 2010	2011	Restated 2010	2011	Restated 2010	2010-2011
Program revenues							
Charges for services	$ 2,037.0	$ 1,812.3	$ 3,140.7	$ 2,824.2	$ 5,177.7	$ 4,636.5	11.7%
Operating grants & contributions	5,171.4	5,309.4	1,200.1	1,333.0	6,371.5	6,642.4	-4.1%
Capital grants & contributions	420.0	590.9	36.2	8.8	456.2	599.7	-23.9%
General revenues							
Personal income tax	2,860.5	2,637.8	-	-	2,860.5	2,637.8	8.4%
Corporate income tax	254.8	196.7	-	-	254.8	196.7	29.5%
Sales & use tax	2,336.3	2,232.7	-	-	2,336.3	2,232.7	4.6%
Other tax	685.8	710.9	6.8	6.5	692.6	717.4	-3.5%
Motor fuel tax restricted for transportation purposes	445.6	436.6	-	-	445.6	436.6	2.1%
Road use tax restricted for transportation purposes	282.0	254.0	-	-	282.0	254.0	11.0%
Unrestricted investment earnings	31.5	25.7	154.2	115.2	185.7	140.9	31.8%
Other	28.9	32.5	47.6	50.7	76.5	83.2	-8.1%
Total revenues	**14,553.8**	**14,239.5**	**4,585.6**	**4,338.4**	**19,139.4**	**18,577.9**	3.0%
Expenses							
Administration & regulation	1,410.7	1,289.7	-	-	1,410.7	1,289.7	9.4%
Education	3,601.9	3,447.9	-	-	3,601.9	3,447.9	4.5%
Health & human rights	458.5	485.8	-	-	458.5	485.8	-5.6%
Human services	5,182.5	4,953.9	-	-	5,182.5	4,953.9	4.6%
Justice & public defense	1,098.0	1,178.1	-	-	1,098.0	1,178.1	-6.8%
Economic development	579.4	351.6	-	-	579.4	351.6	64.8%
Transportation	1,139.3	1,239.7	-	-	1,139.3	1,239.7	-8.1%
Agriculture & natural resources	217.8	212.6	-	-	217.8	212.6	2.4%
Interest expense	101.9	91.4	-	-	101.9	91.4	11.5%
University Funds	-	-	3,465.4	3,341.9	3,465.4	3,341.9	3.7%
Unemployment Benefits Fund	-	-	928.4	1,258.0	928.4	1,258.0	-26.2%
Other	-	-	222.2	213.2	222.2	213.2	4.2%
Total expenses	**13,790.0**	**13,250.7**	**4,616.0**	**4,813.1**	**18,406.0**	**18,063.8**	1.9%
Increase (decrease) in net assets before contributions, extraordinary items and transfers	763.8	988.8	(30.4)	(474.7)	733.4	514.1	42.7%
Contribution to: University Endowments	-	-	-	(0.2)	-	(0.2)	100.0%
Extraordinary items - impairment of assets and other	(4.4)	-	5.9	(15.8)	1.5	(15.8)	109.5%
Transfers	(503.5)	(612.6)	503.5	612.6	-	-	0.0%
Increase in net assets	**255.9**	**376.2**	**479.0**	**121.9**	**734.9**	**498.1**	47.5%
Net assets - July 1, restated	**7,984.2**	**7,608.0**	**4,607.0**	**4,485.1**	**12,591.2**	**12,093.1**	4.1%
Net assets - June 30	**$ 8,240.1**	**$7,984.2**	**$5,086.0**	**$4,607.0**	**$13,326.1**	**$12,591.2**	5.8%

The State of Iowa received $911.6 million and spent $915.4 million in federal funds as a result of the American Recovery and Reinvestment Act of 2009 (ARRA), a decrease of 43.9% and 46.6%, respectively, from FY2010. Additionally, $11.0 million more benefits were issued by the Department of Human Services to clients for the Supplemental Nutrition Assistance Program (SNAP) as a result of ARRA, an increase of 15.9% from FY2010.

Governmental Activities

The largest fluctuations in program revenues were in charges for services and in capital grants and contributions with an increase of $224.7 million and a decrease of $170.9 million, respectively.

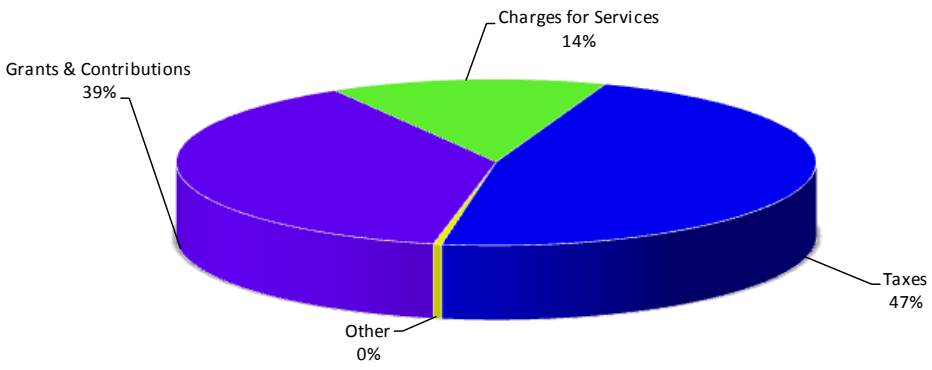
Human services increases in charges for services of a combined $86.0 million are attributable to collections from local governments due to the decreasing ARRA rate, as well as increases in enrollment for Medicaid services, the full year of the collection of fees from nursing facilities used in Medicaid, initiating in FY2011 collecting fees from non-participating hospitals, and an increase in drug rebate collections due to the passage of the Affordable Care Act.

The decrease in capital grants and contributions revenue is attributable to a decrease in ARRA funding for transportation construction projects.

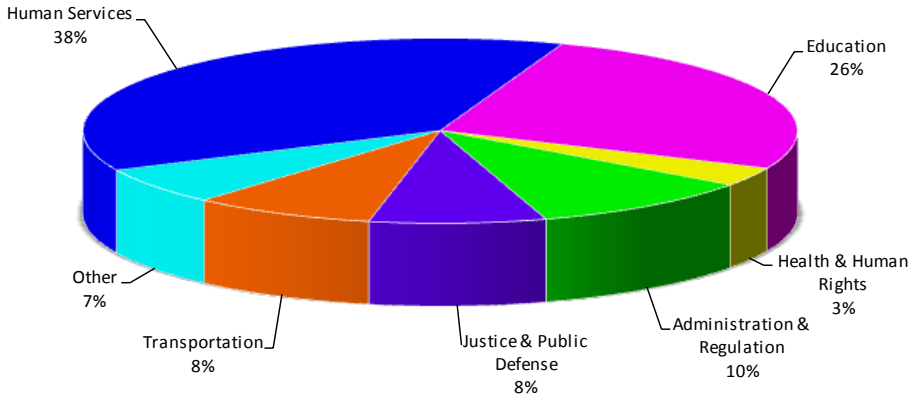
The largest increase in general revenues was in personal income tax, $222.7 million or 8.4%, and the largest percentage increase was in corporate income taxes, $58.1 million or 29.5%. The increase in tax revenues was a result of the improving state economy. Unrestricted investment earnings increased 22.6% due to higher returns on investments attributed to an easing of the impact of the global financial crisis.

Overall, expenses for governmental activities increased 4.1%. Expenses increased most significantly in administration and regulation, 9.4%, and in economic development, 64.8%. The increase in economic development expenses reflects an increase of $128.7 million in state aid expense for flood disaster relief payments and for recognition of $86.7 million in state aid expense for loans receivable associated with the federal HOME loan program, which was transferred from the Department of Economic Development to the Iowa Finance Authority.

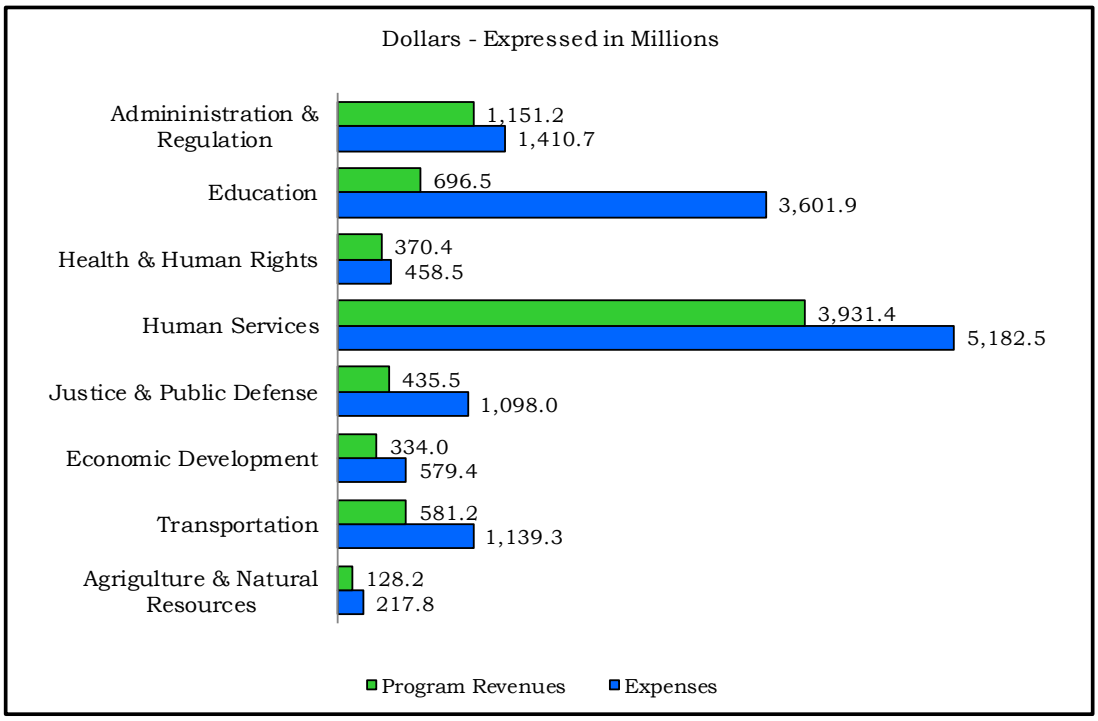
Revenues by Source



Expenses by Function



Program Revenues and Expenses



The cost of all governmental activities this fiscal year was $13,790.0 million. However, the amount that taxpayers paid for these activities through State taxes was $6,865.0 million. Part of the cost was paid by:

- Those who directly benefited from the programs ($2,037.0 million) or
- Other governments and organizations that subsidized certain programs with operating and capital grants and contributions ($5,591.4 million).

Business-type Activities

- University Funds had $3,465.4 million in expenses and $3,040.6 million in program revenues for net expenses of $424.8 million. The most significant change in revenues and expenses occurred in nonoperating revenues where investment income increased $43.1 million due to modest returns and a reversal of market losses, and in operating transfers which decreased $98.4 million due to a reduction in state aid to the universities. Assets increased $504.3 million to $6,835.1 million. This was due to an increase in capital assets of $192.7 million related to construction and an increase in cash and investments of $323.2 million. Liabilities increased $141.0 million, or 5.9%, over the previous year mainly due to the three Universities issuing $106.6 million in new bonds for construction and equipment for facilities, and to a $17.7 million increase in the accrual for OPEB liability.
- The Unemployment Benefits Fund had $928.4 million in expenses and $1,038.7 million in program revenues for an overall net increase in operating income of $110.3 million. Although the State's unemployment rate remained relatively constant, the number of claims related to new layoffs decreased which contributed to a $329.7 million or 26.2% decrease in unemployment benefits paid. Revenue from the federal government decreased by $152.0 million as benefits were exhausted and federal stimulus programs ended. Employer contributions increased by $145.0 or 30.6%, as a result of higher contribution rates triggered by a combined $397.4 decline in fund balance in the prior two fiscal years.

In total, business-type activities had net expenses of $239.0 million with $214.5 million in net general revenues and $503.5 million in transfers, for a net increase of $479.0 million, to end with net assets of $5,086.0 million.

Other business-type activities expenses increased $9.1 million and revenues increased $12.1 million. The Liquor Control Fund which accounts for the revenues and expenses related to the sale of alcoholic beverages experienced an $11.8 million increase in sales revenue and a $9.0 million increase in expenses.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

The governmental funds reported total fund balances of $3,032.2 million, an increase of 13.1% from the previous year. Net revenues totaled $14,611.6 million with expenditures of $14,100.4 million.

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

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

Spendable fund balance includes resources that are in spendable form (e.g. cash) and are available for spending. Spendable fund balance is further classified as restricted, committed, assigned or unassigned. The following describes the different levels of constraint, if any, on spendable fund balance classifications, the fiscal year 2011 balances of each classification, for the total governmental funds, and to facilitate comparison in the transition, pro-forma balances for fiscal year 2010 are included:

- *Restricted* - $2,036.6 million for FY2011 and $1,998.4 million for FY2010, includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers (e.g. creditors, grantors and contributors) or enabling legislation.
- *Committed* - $1,712.1 million for FY2011 and $1,411.2 million for FY2010, 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 $763.6 million for FY2011 and negative $774.3 million for FY2010, includes the residual amount of the General Fund not included in the categories above, which is available for any purpose, and any negative fund balances in the other governmental fund types.

  The State's modified accrual revenue recognition policy for governmental fund level statements recognizes revenues if received within sixty days of year end and deferred if received past sixty days. This creates a negative impact when the payables/expenditures related to the deferred revenues are recognized in the statements. A portion of the negative unassigned fund balance is due to deferral of federal receivables/revenues while associated payables/expenditures have been recognized. The largest portion of the negative unassigned fund balance relates to the Tobacco Collections Fund deficit. (See NOTE 22 - DEFICIT FUND BALANCE)

General Fund

The General Fund is the chief operating fund of the State. Total fund balance increased from $2,435.3 million for fiscal year 2010 to $2,699.9 million for fiscal year 2011. The fiscal year 2011 General Fund consists of the following fund balances: $31.4 million nonspendable, $1,232.7 million restricted, $1,686.4 committed and negative $250.6 million unassigned. For fiscal year 2010, the unreserved fund balance included $442.0 million in reserve (rainy day) funds. For fiscal year 2011, the committed fund balance includes $443.6 million in reserve (rainy day) funds, an increase of 0.4%.

Gross revenues of the General Fund increased $643.6 million in fiscal year 2011, due to a $398.6 million increase in taxes, $96.8 million increase in fees, licenses & permits and an $81.5 million increase in refunds & reimbursements. In addition to the increases in personal and corporate income taxes discussed for governmental activities, sales & use taxes increased $103.6 million and road use tax increased $28.0 million. A significant portion of the increase in fees, licenses & permits from fiscal year 2010 to 2011 is due to additional fees collected by the Department of Human Services (DHS). DHS began collecting fees from nursing facilities to be used in Medicaid in fiscal year 2010 resulting in a $20 million increase in FY2011

collections; additionally, DHS began collecting fees from non-participating hospitals in FY2011, resulting in a $35 million increase. The increase to refunds & reimbursements is largely due to additional revenues collected by DHS; specifically, an $18.5 million increase in drug rebates primarily due to passage of the Affordable Care Act, a $5 million increase in Medicaid recoveries, a $4.6 million increase for case management and $4 million received from counties as refunds of mental health risk pool awards which will be redistributed in subsequent years.

Total expenditures of the General Fund increased $561.5 million in fiscal year 2011. Expenditures increased $200.6 million for the Medicaid program, $50 million for food assistance due to increased eligibility and $19 million for increased eligibility in the Healthy and Well Kids in Iowa program. In addition, there was a $128.7 million increase in state aid provided for CDBG flood activity by the Department of Economic Development.

Tobacco Settlement Authority

The Tobacco Settlement Authority (Authority), a blended component unit of the State of Iowa classified as a Special Revenue Fund, receives money from the Tobacco Collections Fund to pay operating expenditures and for repayment of debt. The Authority's ending fund balance decreased $50.8 million to $596.9 million. The decrease was due to receipt of funds from the Tobacco Collections Fund which reduced the interfund advance (receivable). These funds were primarily used to pay principal and interest on bonds totaling $8.7 million and $43.5 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 $50.2 million to a deficit balance of $513.0 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 assets of the University Funds increased $363.3 million to $4,297.4 million while unrestricted net assets increased $249.0 million to $1,589.2 million.

The total net assets of the Unemployment Benefits Fund, which are entirely restricted for unemployment benefits, increased $120.2 million to end fiscal year 2011 at $708.8 million.

Operating results for the Iowa Communications Network remained relatively constant with a 0.6% decrease in operating revenues and a 2.6% increase in operating expenses.

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

General Fund Budgetary Highlights

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

- Supplemental appropriations - $71,169,345
- Legislatively approved reductions in appropriations - $1,691,801
- Adjustments to standing appropriations - $3,479,482

The originally enacted General Fund budget for fiscal year 2011 of $5,278.9 million was predicated on 0.0 percent growth in General Fund revenues, as projected by the State's Revenue Estimating Conference (REC) on December 11, 2009. The December estimate reflected the expectation that revenues would be approximately the same as the fiscal year 2010 estimate given the slow economic outlook. Included in the originally enacted fiscal year 2011 budget was $83.8 million of reductions to departments and establishments, not including the Board of Regents, from operational appropriations. The reductions were to be realized through the implementation of 2010 Iowa Acts, Chapters 1005 and 1031; Executive Order 20 issued December 16, 2009 by Governor Culver, and any other efficiency measures. These reductions were implemented January 3, 2011.

At the March 11, 2010 meeting, the REC revised its fiscal year 2011 General Fund revenue estimate upward to $5,436.3 million or an estimated growth of 0.6 percent again reflecting slow economic growth. At the October 11, 2010 meeting, the REC revised its fiscal year 2011 General Fund revenue estimate upward to $5,757.5 million or 2.2 percent growth. This was based upon the revised base of fiscal year 2010 of negative 5.1 percent growth compared to the estimated negative 9.0 percent growth, and a concern about the slow national economy and its impact on state revenues. On December 6, 2010, the REC again increased the revenue estimate to $5,791.6 million. The increase from the October 2010 meeting reflected that year-to-date revenues were growing faster than expected. An additional revision was made at the March 25, 2011 meeting to increase the General Fund revenue estimate slightly to $5,855.6 million, again acknowledging that year-to-date revenues were growing faster than expected.

During the 2011 legislative session, the General Assembly approved a reduction in appropriations of $1.7 million. The General Assembly also approved supplemental appropriations of $71.2 million. The largest supplemental appropriation was to the Department of Human Services for $20 million to help mental health programs. The next largest supplemental appropriation was for $16 million to the Indigent Defense program in the State Public Defender's Office in the Department of Inspections and Appeals. Most of the other supplemental appropriations were to help in general operations of various departments.

The State of Iowa has various statutory standing appropriations where a fixed amount is not appropriated. These are either formula-driven (in the case of the largest General Fund appropriation, for school foundation aid to local school districts), or for items such as paying claims against the State through the State Appeal Board. These are either increases or decreases to the estimates made at the beginning of the year. For fiscal year 2011, these standing appropriations exceeded the original estimates by $3.5 million. The largest variance was for claims with the State Appeal Board which were $2.9 million over the original estimate and Legislative Branch by a net $3.5 million over the original estimate, with the Executive Council performance of duty appropriation $2.1 million under the original estimate. A variety of other appropriations made up the balance of the changes to standing appropriations.

During April, May and June of 2011, and throughout the accrual period, actual General Fund revenue collections continued to come in above the official REC projections. At the close of the fiscal year, revenue collections totaled $5,889.0 million which is a 4.7 percent growth over fiscal year 2010. As a result, the General Fund budgetary ending balance for fiscal year 2011, statutorily required to be transferred to the Cash Reserve Fund in fiscal year 2012, totaled $554.7 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the State had $10,908.4 million invested in capital assets, net of accumulated depreciation of $8,706.5 million. Depreciation charges totaled $694.7 million in 2011. 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 Aseets, Net of Depreciation
(In Millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2011	2010	2011	Restated 2010	2011	Restated 2010	2010-2011
Land	$ 704.6	$ 681.9	$ 58.7	$ 43.9	$ 763.3	$ 725.8	5.2%
Buildings & improvements	756.5	701.6	2,218.4	1,989.8	2,974.9	2,691.4	10.5%
Equipment	172.7	185.1	325.2	327.2	497.9	512.3	-2.8%
Land improvements	25.7	26.1	32.2	27.5	57.9	53.6	8.0%
Works of art & collections	1.2	1.3	338.0	322.2	339.2	323.5	4.9%
Computer software	13.3	5.6	44.9	45.4	58.2	51.0	14.1%
Infrastructure	5,330.7	5,196.4	333.2	287.8	5,663.9	5,484.2	3.3%
Trademarks	-	-	0.3	-	0.3	-	100.0%
Construction in progress	170.4	125.1	352.9	470.6	523.3	595.7	-12.2%
Computer software in progress	10.6	12.9	16.6	17.0	27.2	29.9	-9.0%
Other intangibles in progress	-	-	2.3	-	2.3	-	100.0%
Total	$7,185.7	$6,936.0	$3,722.7	$3,531.4	$10,908.4	$10,467.4	4.2%

Outstanding commitments for future capital expenditures as of June 30, 2011 include $430.3 million for highway and bridge construction, $238.4 million for various projects at the three State universities, $16.5 million for State facilities and buildings and $11.4 million for State parks, recreational areas, fisheries and wetland projects.

Long-term Debt

At year-end, the State had $3,444.4 million in bonds and leases and other financing arrangements outstanding as shown in Table 5. More detailed information about the State's long-term liabilities is presented in NOTE 7 to the financial statements.

Table 5

State of Iowa's Outstanding Debt
(In Millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2011	2010	2011	Restated 2010	2011	Restated 2010	2010-2011
Revenue bonds	$1,930.6	$1,631.9	$1,336.8	$1,280.6	$ 3,267.4	$ 2,912.5	12.2%
Certificates of participation	-	0.2	-	-	-	0.2	-100.0%
Leases and other financing arrangements	5.8	7.9	171.2	163.4	177.0	171.3	3.3%
Total	$1,936.4	$1,640.0	$1,508.0	$1,444.0	$ 3,444.4	$ 3,084.0	11.7%

Revenue bonds issued by the State and its various authorities totaled $5,029.1 million outstanding at fiscal year-end. This amount consisted of $1,761.7 million of component unit (proprietary) revenue bonds (Iowa Finance Authority, Iowa Lottery Authority and Iowa State University Foundation), $1,336.8 million in revenue bonds issued by the three State universities (for equipment and facilities), $754.6 million in revenue bonds issued by the Tobacco Settlement Authority, $33.2 million in revenue bonds issued by the Honey Creek Authority, $31.2 million in revenue bonds issued by the Iowa Finance Authority for the Department of Corrections, $12.4 million in revenue bonds issued by the State of Iowa for the Iowa Utilities Board, $800.9 million in revenue bonds issued by the State of Iowa for the IJOBS program, $145.7 million in revenue bonds issued by the State of Iowa for Prison Infrastructure and $152.6 million in revenue bonds issued by the State of Iowa for the Vision Iowa Program and the School Infrastructure Loan Program. These bonds are backed by the revenues of the issuing program or authority.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Iowa enjoyed improved fiscal health in fiscal year 2011 with the second half of the fiscal year showing a strong rebound in revenue collections. Iowa's 4.7 percent growth in General Fund revenues reversed a two year decline in General Fund revenue growth, with fiscal year 2010 the largest decline in recent history. This has been the trend nationally as well, with revenue collections for all States increasing 10.8 percent in the second quarter of calendar year 2011, the sixth consecutive quarter that states reported growth in collections on a year-over-year basis according to the Nelson A. Rockefeller Institute of Government.

The Governor and General Assembly finished their work on June 30, 2011, on the 172nd day of the originally anticipated 110 day first session of the 84th General Assembly, fashioning the General Fund budget for fiscal year 2012 and part of fiscal year 2013. Amounts available for appropriation in fiscal year 2012 based on the 99 percent budget limitation after Governor's vetoes; in the General Fund budget were $6,177.3 million. General Fund appropriations totaled $5,999.9 million.

At the REC meeting in October 2011, the fiscal year 2012 revenue estimate was slightly decreased from a revised $5,992.4 million to $5,974.9 million, largely as a reflection of actual revenue collections in fiscal year 2011 and current year to date revenue growth and the anticipated continued slow growth of tax revenues that is reflective of the slight rebound in the national and state economies. The revised estimate reflects projected revenue growth of 1.3 percent compared to actual revenues for the previous fiscal year.

Recent revenue performance has been slow, which is reflective of the sluggish growth of the national and state economies. Iowa's unemployment rate was at 6.0 percent in October 2011, the same as the revised rate for September 2011, but lower than the national rate of 9.0 percent, showing Iowa has been able to withstand the

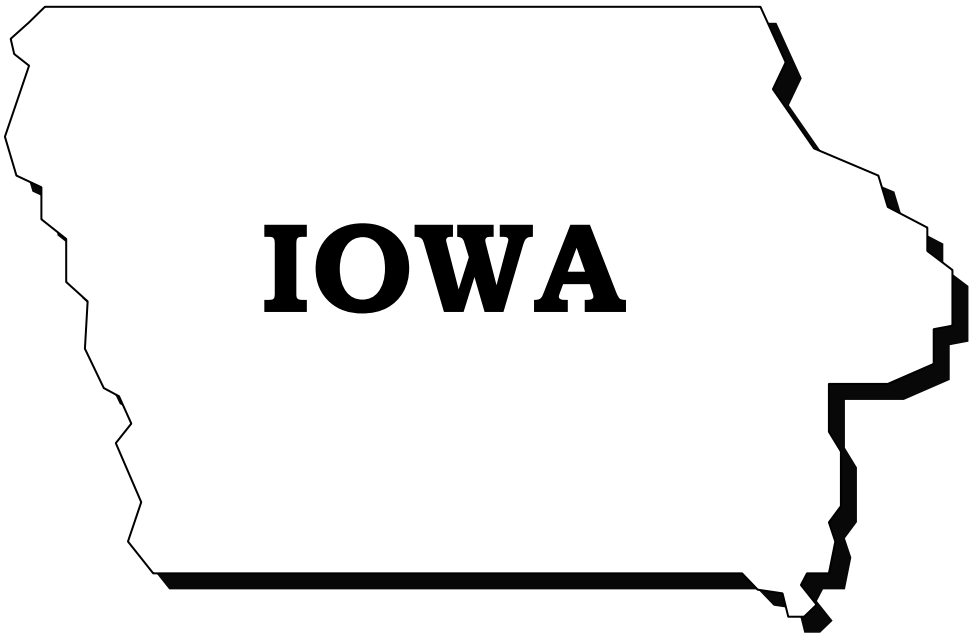
national trends, with Iowa's labor market holding its own in spite of the turmoil nationally in the financial market and the housing slowdown.

The National Bureau of Economic Research issued a report on September 20, 2010, stating that the recession that started in December 2007 ended in June 2009. However, the transition to a self-sustaining expansion has been and will continue to be less than easy. The expectation is that the jobless rate will not change much over the next year with job creation to take longer to develop than has happened in past recessions. Real gross domestic product is estimated to have grown 2.0 percent in the third quarter of calendar year 2011, with much of the growth driven by consumer spending and fiscal stimulus due to the 2 percent payroll tax holiday offset by negative contributions from private inventory investment and state and local government spending. Moody's Economy.com does not expect to see gross domestic product growth above 3.0 percent until the second half of calendar year 2012.

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


IOWA

BASIC FINANCIAL STATEMENTS

STATE OF IOWA

Statement of Net Assets

June 30, 2011
(Expressed in Thousands)

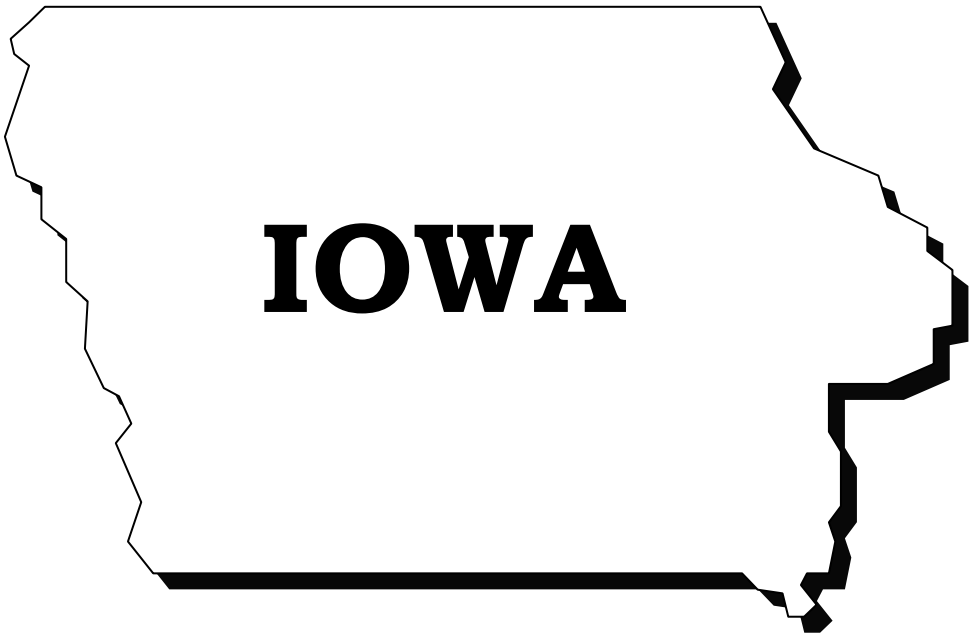
	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Current assets:				
Cash & investments	$ 2,971,130	$ 2,344,770	$ 5,315,900	$ 1,330,960
Cash & investments - restricted	-	82,401	82,401	205,625
Deposits with trustees	10,462	28,444	38,906	-
Accounts receivable (net)	1,673,065	740,196	2,413,261	76,482
Interest receivable	-	2,371	2,371	8,449
Loans receivable (net)	18,316	7,252	25,568	76,588
Internal balances	30,660	(30,660)	-	-
Inventory	19,612	65,129	84,741	1,830
Prepaid expenses	22,387	30,945	53,332	646
Deferred charges	561	-	561	-
Other assets	-	93	93	6,432
Total current assets	4,746,193	3,270,941	8,017,134	1,707,012
Noncurrent assets:				
Cash & investments	-	594,747	594,747	476,046
Cash & investments - restricted	79,378	-	79,378	1,425,931
Accounts receivable (net)	72,887	10,809	83,696	151,557
Interest receivable	-	446	446	-
Loans receivable (net)	56,571	61,630	118,201	1,132,084
Capital assets - nondepreciable	885,524	726,398	1,611,922	23,516
Capital assets - depreciable (net)	6,300,166	2,996,340	9,296,506	78,775
Prepaid expenses	-	491	491	-
Deferred charges	9,519	-	9,519	-
Other assets	-	29,842	29,842	51,622
Total noncurrent assets	7,404,045	4,420,703	11,824,748	3,339,531
TOTAL ASSETS	**12,150,238**	**7,691,644**	**19,841,882**	**5,046,543**

The notes are an integral part of the financial statements.

(continued on next page)

(Continued)

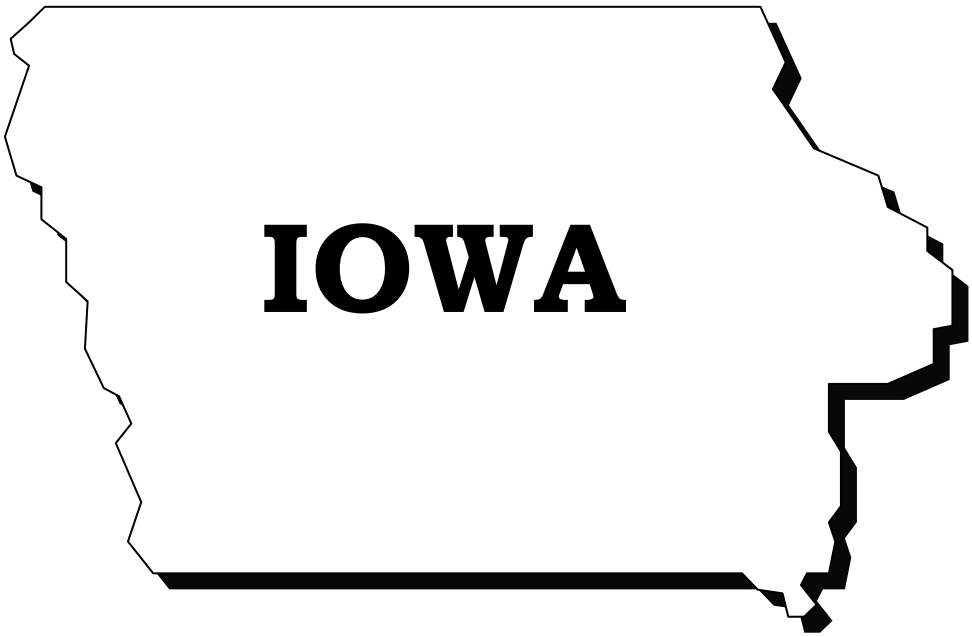
	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
LIABILITIES				
Current liabilities:				
Accounts payable & accruals	1,326,490	372,110	1,698,600	151,913
Interest payable	10,204	25,973	36,177	31,579
Unearned revenue	46,545	113,990	160,535	331
Compensated absences	140,254	67,747	208,001	2,346
Capital leases	817	9,228	10,045	610
Bonds payable	113,789	57,964	171,753	245,983
Other financing arrangements payable	204	- 16,238	16,442	-
Funds held in custody	-	247,579	247,579	83,181
Total current liabilities	1,638,303	910,829	2,549,132	515,943
Noncurrent liabilities:				
Accounts payable & accruals	274,169	103,930	378,099	108,920
Unearned revenue	2,570	7,557	10,127	-
Compensated absences	173,487	109,123	282,610	1,835
Capital leases	2,847	133,883	136,730	5,075
Bonds payable	1,816,837	1,278,860	3,095,697	1,515,725
Other financing arrangements payable	1,941	11,881	13,822	-
Funds held in custody	-	49,607	49,607	5,801
Total noncurrent liabilities	2,271,851	1,694,841	3,966,692	1,637,356
TOTAL LIABILITIES	**3,910,154**	**2,605,670**	**6,515,824**	**2,153,299**
NET ASSETS				
Invested in capital assets, net of related debt	7,042,428	2,364,752	9,407,180	89,518
Restricted for:				
Education	85,400	-	85,400	-
Justice & public defense	146,627	-	146,627	-
Economic development	94,378	-	94,378	-
Transportation	697,459	-	697,459	-
Agriculture & natural resources	57,536	-	57,536	-
Capital projects	10,169	-	10,169	-
University Funds - expendable	-	315,414	315,414	-
University Funds - nonexpendable	-	103,364	103,364	-
Permanent Funds - nonexpendable	15,527	-	15,527	-
Unemployment Benefits Fund	-	708,828	708,828	-
Other	111,451	-	111,451	2,743,854
Unrestricted	(20,891)	1,593,616	1,572,725	59,872
TOTAL NET ASSETS	**$ 8,240,084**	**$ 5,085,974**	**$ 13,326,058**	**$ 2,893,244**


IOWA

STATE OF IOWA
Statement of Activities
For the Year Ended June 30, 2011
(Expressed in Thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS & CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS & CONTRIBUTIONS	NET (EXPENSES) REVENUES & CHANGES IN NET ASSETS – PRIMARY GOVERNMENT: GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT: BUSINESS-TYPE ACTIVITIES	PRIMARY GOVERNMENT: TOTAL	COMPONENT UNITS
PRIMARY GOVERNMENT:								
Governmental activities:								
Administration & regulation	$ 1,410,674	$ 1,063,125	$ 88,093	$ -	$ (259,456)	$	$ (259,456)	
Education	3,601,899	61,257	635,074	153	(2,905,415)		(2,905,415)	
Health & human rights	458,517	70,702	289,979	9,707	(88,129)		(88,129)	
Human services	5,182,496	575,377	3,355,968	-	(1,251,151)		(1,251,151)	
Justice & public defense	1,098,041	110,215	319,112	6,174	(662,540)		(662,540)	
Economic development	579,442	5,587	328,450	-	(245,405)		(245,405)	
Transportation	1,139,321	76,404	109,030	395,784	(558,103)		(558,103)	
Agriculture & natural resources	217,783	74,295	45,676	8,188	(89,624)		(89,624)	
Interest expense	101,867	-	-	-	(101,867)		(101,867)	
Total governmental activities	**13,790,040**	**2,036,962**	**5,171,382**	**420,006**	**(6,161,690)**		**(6,161,690)**	
Business-type activities:								
University Funds	3,465,390	2,223,527	780,867	36,197		(424,799)	(424,799)	
Unemployment Benefits Fund	928,379	619,455	419,251	-		110,327	110,327	
Other	222,239	297,750	-	-		75,511	75,511	
Total business-type activities	**4,616,008**	**3,140,732**	**1,200,118**	**36,197**		**(238,961)**	**(238,961)**	
TOTAL PRIMARY GOVERNMENT	**$ 18,406,048**	**$ 5,177,694**	**$ 6,371,500**	**$ 456,203**	**(6,161,690)**	**(238,961)**	**(6,400,651)**	
COMPONENT UNITS:								
Iowa Finance Authority	$ 229,845	$ 18,694	$ 234,659	$ -				$ 23,508
Iowa Agricultural Development Authority	562	524	23	-				(15)
Iowa State Fair Authority	19,522	18,516	1,797	650				1,441
Iowa Lottery Authority	271,698	271,535	-	-				(163)
University of Iowa Foundation	89,757	-	61,254	-				(28,503)
Iowa State University Foundation	63,698	-	68,246	-				4,548
University of Northern Iowa Foundation	10,638	-	20,684	-				10,046
TOTAL COMPONENT UNITS	**$ 685,720**	**$ 309,269**	**$ 386,663**	**$ 650**				**10,862**
GENERAL REVENUES:								
Personal income tax					2,860,474	-	2,860,474	-
Corporate income tax					254,761	-	254,761	-
Sales & use tax					2,336,298	-	2,336,298	-
Other tax					685,811	6,803	692,614	-
Motor fuel tax restricted for transportation purposes					445,580	-	445,580	-
Road use tax restricted for transportation purposes					281,998	-	281,998	-
Unrestricted investment earnings					31,531	154,176	185,707	352,376
Other					28,973	47,610	76,583	32,381
Gain on sale of assets					51	16	67	-
Extraordinary items - impairment of assets and other					(4,394)	5,900	1,506	-
Transfers					(503,494)	503,494	-	-
TOTAL GENERAL REVENUES, EXTRAORDINARY ITEMS & TRANSFERS					**6,417,589**	**717,999**	**7,135,588**	**384,757**
CHANGE IN NET ASSETS					**255,899**	**479,038**	**734,937**	**395,619**
NET ASSETS - JULY 1, RESTATED					**7,984,185**	**4,606,936**	**12,591,121**	**2,497,625**
NET ASSETS - JUNE 30					**$ 8,240,084**	**$ 5,085,974**	**$ 13,326,058**	**$ 2,893,244**

The notes are an integral part of the financial statements.


IOWA

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Major Funds

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

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

Tobacco Collections Fund - The Tobacco Collections Fund accounts for tobacco settlement monies received pursuant to a Master Settlement Agreement between the State of Iowa and the five largest tobacco manufacturers. The funds are then distributed to the Tobacco Settlement Authority and the Endowment for Iowa's Health Fund pursuant to the terms of a Sales Agreement (dated October 1, 2001, and amended November 1, 2005) between the State and the Tobacco Settlement Authority.

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

STATE OF IOWA

Balance Sheet
Governmental Funds

June 30, 2011
(Expressed in Thousands)

	GENERAL FUND	TOBACCO SETTLEMENT AUTHORITY	TOBACCO COLLECTIONS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Current assets:					
Cash & investments	$ 2,685,395	$ 83,917	$ -	$ 233,984	$ 3,003,296
Deposits with trustees	7,985	-	-	2,478	10,463
Accounts receivable (net)	1,622,421	212	32,197	16,826	1,671,656
Loans receivable (net)	17,698	-	-	618	18,316
Due from other funds	22,966	50,724	-	5,255	78,945
Inventory	11,724	-	-	97	11,821
Prepaid expenditures	19,640	-	-	68	19,708
Total current assets	4,387,829	134,853	32,197	259,326	4,814,205
Noncurrent assets:					
Accounts receivable (net)	72,725	-	-	162	72,887
Loans receivable (net)	54,645	-	-	1,926	56,571
Due from other funds/ advances to other funds	-	462,279	-	27,630	489,909
Total noncurrent assets	127,370	462,279	-	29,718	619,367
TOTAL ASSETS	**$ 4,515,199**	**$ 597,132**	**$ 32,197**	**$ 289,044**	**$ 5,433,572**
LIABILITIES					
Current liabilities:					
Accounts payable & accruals	$ 1,224,881	$ 121	$ -	$ 17,637	$ 1,242,639
Due to other funds/ advances from other funds	65,590	118	50,718	22,132	138,558
Deferred revenue	446,585	-	32,197	923	479,705
Total current liabilities	1,737,056	239	82,915	40,692	1,860,902
Noncurrent liabilities:					
Accounts payable & accruals	6	-	-	-	6
Due to other funds/ advances from other funds	2,895	-	462,279	-	465,174
Deferred revenue	75,294	-	-	-	75,294
Total noncurrent liabilities	78,195	-	462,279	-	540,474
TOTAL LIABILITIES	**1,815,251**	**239**	**545,194**	**40,692**	**2,401,376**
FUND BALANCES					
Nonspendable	31,364	-	-	15,692	47,056
Spendable:					
Restricted	1,232,738	596,893	-	206,970	2,036,601
Committed	1,686,435	-	-	25,703	1,712,138
Unassigned	(250,589)	-	(512,997)	(13)	(763,599)
TOTAL FUND BALANCES	**2,699,948**	**596,893**	**(512,997)**	**248,352**	**3,032,196**
TOTAL LIABILITIES & FUND BALANCES	**$ 4,515,199**	**$ 597,132**	**$ 32,197**	**$ 289,044**	**$ 5,433,572**

The notes are an integral part of the financial statements.

STATE OF IOWA

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

June 30, 2011
(Expressed in Thousands)

Total fund balances - governmental funds		**$ 3,032,196**
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets, excluding internal service funds, is $12,560,376 and the accumulated depreciation is $(5,465,610).		7,094,766
Internal service funds are used by management to charge the costs of certain activities to individual funds. A portion of the assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		135,222
Certain revenues are earned but not available and, therefore, are deferred in governmental funds.		516,958
Deferred issue costs are reported as current expenditures in governmental funds. However, deferred issue costs are amortized over the life of the bonds and are included as deferred charges in the governmental activities in the Statement of Net Assets.		10,080
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:		
Bonds payable	$ (1,930,626)	
Accrued interest payable	(10,202)	
Compensated absences	(307,949)	
Capital leases	(3,664)	
Other financing arrangements payable	(2,145)	
Pollution remediation	(42,236)	
Early retirement/termination benefits	(123,342)	
Risk management	(20,000)	
Net pension liability	(49,120)	
Other postemployment benefits	(58,438)	
Other long-term liabilities	(1,416)	
Total long-term liabilities		(2,549,138)
Net assets of governmental activities		**$ 8,240,084**

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, 2011
(Expressed in Thousands)

	GENERAL FUND	TOBACCO SETTLEMENT AUTHORITY	TOBACCO COLLECTIONS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	$ 7,488,602	$ -	$ -	$ -	$ 7,488,602
Receipts from other entities	6,042,458	-	-	53,299	6,095,757
Investment income	23,488	2,635	-	4,643	30,766
Fees, licenses & permits	1,156,930	-	-	38,362	1,195,292
Refunds & reimbursements	432,486	-	64,399	42,440	539,325
Sales, rents & services	27,370	-	-	4,031	31,401
Miscellaneous	132,712	-	-	16,112	148,824
GROSS REVENUES	**15,304,046**	**2,635**	**64,399**	**158,887**	**15,529,967**
Less revenue refunds	913,816	-	-	4,518	918,334
NET REVENUES	**14,390,230**	**2,635**	**64,399**	**154,369**	**14,611,633**
EXPENDITURES					
Current:					
Administration & regulation	1,383,762	1,172	-	12,858	1,397,792
Education	3,506,955	-	-	86,358	3,593,313
Health & human rights	450,345	-	-	864	451,209
Human services	5,171,920	-	-	133	5,172,053
Justice & public defense	1,063,509	-	-	1,559	1,065,068
Economic development	575,013	-	-	1,039	576,052
Transportation	541,526	-	-	964	542,490
Agriculture & natural resources	191,168	-	-	7,708	198,876
Capital outlay	903,925	-	-	58,975	962,900
Debt service:					
Principal	24,970	8,720	-	6,805	40,495
Interest & fiscal charges	53,118	43,537	-	3,467	100,122
TOTAL EXPENDITURES	**13,866,211**	**53,429**	**-**	**180,730**	**14,100,370**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**524,019**	**(50,794)**	**64,399**	**(26,361)**	**511,263**
OTHER FINANCING SOURCES (USES)					
Transfers in	149,194	-	-	49,288	198,482
Transfers out	(615,973)	-	(14,168)	(67,633)	(697,774)
Leases, installment purchases & other	93	-	-	-	93
Revenue bonds issued	181,226	-	-	130,719	311,945
Premium on revenue bonds	26,043	-	-	-	26,043
TOTAL OTHER FINANCING SOURCES (USES)	**(259,417)**	**-**	**(14,168)**	**112,374**	**(161,211)**
NET CHANGE IN FUND BALANCES	**264,602**	**(50,794)**	**50,231**	**86,013**	**350,052**
FUND BALANCES - JULY 1, RESTATED	**2,435,346**	**647,687**	**(563,228)**	**162,339**	**2,682,144**
FUND BALANCES - JUNE 30	**$ 2,699,948**	**$ 596,893**	**$ (512,997)**	**$ 248,352**	**$ 3,032,196**

The notes are an integral part of the financial statements.

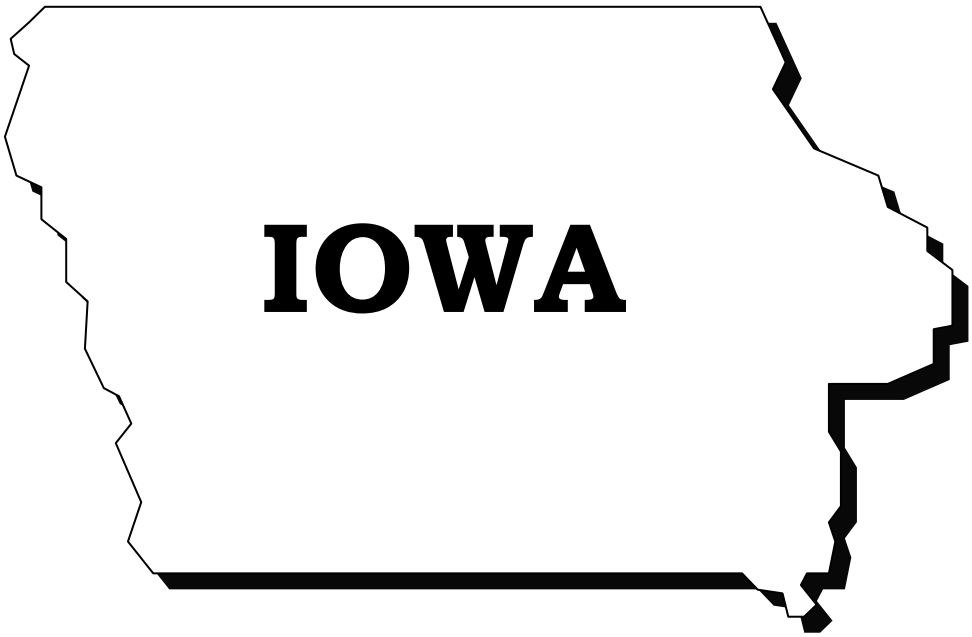
STATE OF IOWA

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, 2011
(Expressed in Thousands)

Net change in fund balances – total governmental funds		**$ 350,052**
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 703,116	
Depreciation expense	(436,519)	
Excess of capital outlay over depreciation expense		266,597
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.		(12,711)
Some capital additions were financed through capital leases, other financing arrangements and installment purchases. In governmental funds, these financing arrangements are considered a source of funding, but in the Statement of Net Assets, the obligations are reported as liabilities. In the current year, these amounts consist of:		
Revenue bonds	(337,988)	
Capital leases	(93)	
Total		(338,081)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year, these amounts consist of:		
Bond principal retirement	40,495	
Capital lease payments	1,963	
Other financing arrangements payments	394	
Total long-term debt repayments		42,852
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 services funds is reported with governmental activities.		5,990
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.		(55,399)
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	(19,216)	
Early retirement/termination benefits	35,468	
Pension liability	(5,808)	
Other postemployment benefits	(16,351)	
Other	2,506	
Total additional expenditures		(3,401)
Change in net assets of governmental activities		**$ 255,899**

The notes are an integral part of the financial statements.


IOWA

PROPRIETARY FUND FINANCIAL STATEMENTS

Major Funds

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

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

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

STATE OF IOWA

Statement of Net Assets
Proprietary Funds

June 30, 2011
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS	TOTAL	
ASSETS					
Current assets:					
Cash & investments	$ 1,826,245	$ 500,093	$ 15,959	$ 2,342,297	$ 49,684
Cash & investments - restricted	82,401	-	-	82,401	-
Deposits with trustees	28,444	-	-	28,444	-
Accounts receivable (net)	459,213	246,355	34,601	740,169	1,436
Interest receivable	2,366	-	5	2,371	-
Loans receivable (net)	7,252	-	-	7,252	-
Due from other funds/advances to other funds	-	627	17	644	71,618
Inventory	53,570	-	11,559	65,129	7,791
Prepaid expenses	30,637	-	297	30,934	2,687
Other assets	93	-	-	93	-
Total current assets	2,490,221	747,075	62,438	3,299,734	133,216
Noncurrent assets:					
Cash & investments	594,747	-	-	594,747	-
Accounts receivable	10,809	-	-	10,809	-
Interest receivable	446	-	-	446	-
Loans receivable (net)	61,630	-	-	61,630	-
Due from other funds/advances to other funds	-	2,895	-	2,895	-
Capital assets - nondepreciable	725,322	-	1,076	726,398	-
Capital assets - depreciable (net)	2,922,011	-	74,329	2,996,340	90,924
Prepaid expenses	91	-	400	491	-
Other assets	29,842	-	-	29,842	-
Total noncurrent assets	4,344,898	2,895	75,805	4,423,598	90,924
TOTAL ASSETS	**6,835,119**	**749,970**	**138,243**	**7,723,332**	**224,140**
LIABILITIES					
Current liabilities:					
Accounts payable & accruals	337,217	16,511	16,604	370,332	36,675
Due to other funds/advances from other funds	-	9	853	862	11,787
Interest payable	25,973	-	-	25,973	-
Unearned revenue	88,569	24,622	799	113,990	11,073
Compensated absences	66,182	-	1,565	67,747	2,868
Capital leases	9,228	-	-	9,228	-
Bonds payable	57,964	-	-	57,964	-
Other financing arrangements payable	16,238	-	-	16,238	-
Funds held in custody	247,579	-	-	247,579	-
Total current liabilities	848,950	41,142	19,821	909,913	62,403
Noncurrent liabilities:					
Accounts payable & accruals	102,513	-	1,417	103,930	28,565
Due to other funds/advances from other funds	-	-	27,630	27,630	-
Unearned revenue	4,937	-	2,620	7,557	-
Compensated absences	107,123	-	2,000	109,123	2,924
Capital leases	133,883	-	-	133,883	-
Bonds payable	1,278,860	-	-	1,278,860	-
Other financing arrangements payable	11,881	-	-	11,881	-
Funds held in custody	49,607	-	-	49,607	-
Total noncurrent liabilities	1,688,804	-	33,667	1,722,471	31,489
TOTAL LIABILITIES	**2,537,754**	**41,142**	**53,488**	**2,632,384**	**93,892**
NET ASSETS					
Invested in capital assets, net of related debt	2,289,347	-	75,405	2,364,752	90,924
Restricted for:					
Expendable	315,414	-	-	315,414	-
Nonexpendable	103,364	-	-	103,364	-
Unemployment benefits	-	708,828	-	708,828	-
Unrestricted	1,589,240	-	9,350	1,598,590	39,324
TOTAL NET ASSETS	**$ 4,297,365**	**$ 708,828**	**$ 84,755**	5,090,948	**$ 130,248**
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(4,974)	
NET ASSETS OF BUSINESS-TYPE ACTIVITIES				**$ 5,085,974**	

The notes are an integral part of the financial statements.

STATE OF IOWA

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

For the Year Ended June 30, 2011
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS	TOTAL	
OPERATING REVENUES					
Employer contributions	$ -	$ 619,455	$ -	$ 619,455	$ -
Receipts from other entities	120	419,251	-	419,371	121,569
Fees, licenses & permits	1,659,910	-	16,498	1,676,408	205
Refunds & reimbursements	-	-	323	323	63,073
Sales, rents & services	302,441	-	278,970	581,411	569
Grants & contracts	651,578	-	-	651,578	-
Independent/auxiliary operations	261,176	-	-	261,176	-
Miscellaneous	47,489	-	1,959	49,448	5,938
TOTAL OPERATING REVENUES	**2,922,714**	**1,038,706**	**297,750**	**4,259,170**	**191,354**
OPERATING EXPENSES					
General & administrative	-	-	11,612	11,612	-
Scholarship & fellowship	38,172	-	-	38,172	-
Depreciation	237,600	-	6,551	244,151	14,074
Direct & other	-	-	25,694	25,694	-
Personal services	2,041,357	-	7,343	2,048,700	30,196
Travel & subsistence	33,288	-	659	33,947	23,355
Supplies & materials	450,809	-	431	451,240	49,620
Contractual services	91,076	-	8,617	99,693	26,640
Equipment & repairs	480,338	-	186	480,524	14,880
Claims & miscellaneous	22,623	-	156,923	179,546	27,698
Licenses, permits & refunds	3,787	-	708	4,495	31
State aid & credits	-	928,379	3,528	931,907	-
TOTAL OPERATING EXPENSES	**3,399,050**	**928,379**	**222,252**	**4,549,681**	**186,494**
OPERATING INCOME (LOSS)	**(476,336)**	**110,327**	**75,498**	**(290,511)**	**4,860**
NONOPERATING REVENUES (EXPENSES)					
Gifts	129,290	-	-	129,290	-
Taxes	-	-	6,803	6,803	-
Investment income	140,608	13,493	75	154,176	109
Interest expense	(47,096)	-	-	(47,096)	-
Miscellaneous expenses	(1,095)	-	-	(1,095)	-
Gain (loss) on sale of capital assets	(16,783)	-	16	(16,767)	(328)
NET NONOPERATING REVENUES (EXPENSES)	**204,924**	**13,493**	**6,894**	**225,311**	**(219)**
INCOME (LOSS) BEFORE CONTRIBUTIONS, EXTRAORDINARY ITEM & TRANSFERS	**(271,412)**	**123,820**	**82,392**	**(65,200)**	**4,641**
Capital contributions & grants	36,197	-	4,201	40,398	-
Extraordinary item - impairment of assets & other	5,900	-	-	5,900	-
Transfers in	592,578	-	2,245	594,823	-
Transfers out	-	(3,643)	(91,888)	(95,531)	-
CHANGE IN NET ASSETS	**363,263**	**120,177**	**(3,050)**	**480,390**	**4,641**
TOTAL NET ASSETS - JULY 1, RESTATED	**3,934,102**	**588,651**	**87,805**		**125,607**
TOTAL NET ASSETS - JUNE 30	**$ 4,297,365**	**$ 708,828**	**$ 84,755**		**$ 130,248**
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(1,352)	
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES				**$ 479,038**	

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, 2011
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS	TOTAL	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers/students	$ 2,213,431	$ -	$ 283,466	$ 2,496,897	$ -
Cash received from miscellaneous	72,115	-	2,179	74,294	-
Cash received from employers	-	603,679	-	603,679	-
Cash received from other entities	641,171	419,251	-	1,060,422	10,634
Cash received from reciprocal interfund activity	-	909	-	909	181,115
Cash payments to suppliers for goods & services	(1,153,275)	-	(198,352)	(1,351,627)	(136,828)
Cash payments to employees/students for services	(1,984,008)	-	(15,522)	(1,999,530)	(29,392)
Cash payments for unemployment claims	-	(939,857)	-	(939,857)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**(210,566)**	**83,982**	**71,771**	**(54,813)**	**25,529**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in from other funds	563,935	-	2,245	566,180	-
Transfers out to other funds	-	(5,481)	(91,658)	(97,139)	-
Receipts from related agencies	1,033,399	-	-	1,033,399	-
Payments to related agencies	(988,627)	-	-	(988,627)	-
Other receipts	2,282	-	-	2,282	-
Other payments	(2,454)	-	-	(2,454)	-
Proceeds from noncapital gifts	127,894	-	-	127,894	-
Tax receipts	-	-	6,803	6,803	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	**736,429**	**(5,481)**	**(82,610)**	**648,338**	**-**
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES					
Acquisition & construction of capital assets	(427,013)	-	(1,039)	(428,052)	(10,219)
Interest payments	(52,716)	-	-	(52,716)	-
Debt payments	(98,531)	-	-	(98,531)	-
Capital grants & contributions	30,216	-	-	30,216	-
Debt proceeds	146,353	-	-	146,353	-
Proceeds from sale of capital assets	1,618	-	16	1,634	-
Other capital & related financing activities	60,444	-	-	60,444	-
NET CASH USED BY CAPITAL & RELATED FINANCING ACTIVITIES	**(339,629)**	**-**	**(1,023)**	**(340,652)**	**(10,219)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest & dividends on investments	47,978	13,493	103	61,574	109
Proceeds from sale & maturities of investments	1,360,745	-	-	1,360,745	-
Purchase of investments	(1,530,033)	-	-	(1,530,033)	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	**(121,310)**	**13,493**	**103**	**(107,714)**	**109**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	**64,924**	**91,994**	**(11,759)**	**145,159**	**15,419**
CASH & CASH EQUIVALENTS - JULY 1, RESTATED	**789,611**	**408,099**	**27,718**	**1,225,428**	**34,265**
CASH & CASH EQUIVALENTS - JUNE 30	**854,535**	**500,093**	**15,959**	**1,370,587**	**49,684**
INVESTMENTS	**1,648,858**	**-**	**-**	**1,648,858**	**-**
CASH & INVESTMENTS PER STATEMENT OF NET ASSETS	**$ 2,503,393**	**$ 500,093**	**$ 15,959**	**$ 3,019,445**	**$ 49,684**

(continued on next page)

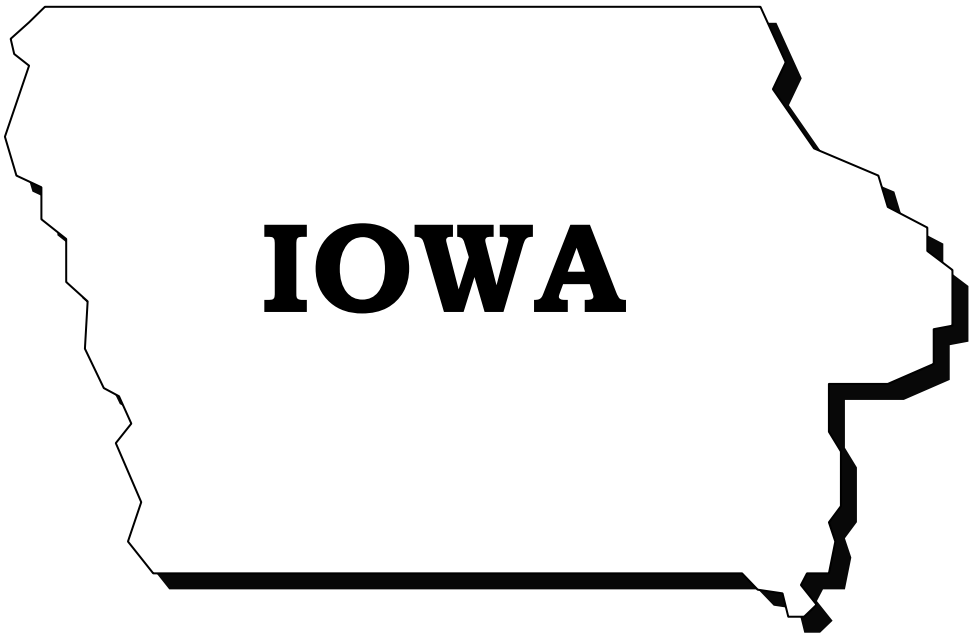
STATE OF IOWA

Statement of Cash Flows
Proprietary Funds

For the Year Ended June 30, 2011
(Expressed in Thousands)
(continued)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS	TOTAL	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	$ (476,336)	$ 110,327	$ 75,498	$ (290,511)	$ 4,860
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	237,600	-	6,551	244,151	14,074
(Increase) decrease in accounts receivable	(4,196)	(36,675)	(14,706)	(55,577)	(510)
(Increase) decrease in due from	-	909	4	913	(4,170)
(Increase) decrease in inventory	(1,431)	-	(395)	(1,826)	828
(Increase) decrease in prepaid expenses	(112)	-	(97)	(209)	(634)
(Increase) decrease in loans receivable	1,358	-	-	1,358	-
(Increase) decrease in other assets	(3,128)	-	-	(3,128)	-
Increase (decrease) in accounts payable	36,506	(11,478)	2,089	27,117	5,202
Increase (decrease) in due to	-	-	(98)	(98)	1,025
Increase (decrease) in unearned revenue	(6,938)	20,899	2,597	16,558	4,050
Increase (decrease) in compensated absences	5,987	-	328	6,315	804
Increase (decrease) in other liability	124	-	-	124	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (210,566)**	**$ 83,982**	**$ 71,771**	**$ (54,813)**	**$ 25,529**
NONCASH INVESTING, CAPITAL & RELATED FINANCING ACTIVITIES					
Capital assets acquired through capital leases	$ 11,272	$ -	$ -	$ 11,272	$ -
Capital assets contributed	737	-	3,841	4,578	-
TOTAL NONCASH INVESTING, CAPITAL & RELATED FINANCING ACTIVITIES	**$ 12,009**	**$ -**	**$ 3,841**	**$ 15,850**	**$ -**

The notes are an integral part of the financial statements.


IOWA

FIDUCIARY FUND FINANCIAL STATEMENTS

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

STATE OF IOWA

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2011
(Expressed in Thousands)

	PENSION & OTHER EMPLOYEE BENEFIT FUNDS	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
ASSETS			
Cash & cash equivalents	$ 218,146	$ 16,866	$ 210,475
Receivables:			
Accounts (net)	-	1,424	182,844
Contributions	52,728	-	-
Investments sold	947,394	-	-
Foreign exchange contracts	1,446,550	-	-
Interest & dividends	63,885	-	-
Total receivables	2,510,557	1,424	182,844
Investments, at fair value:			
Fixed income securities	8,229,157	-	-
Equity investments	9,917,876	2,850,378	-
Real estate partnerships	1,790,682	-	-
Investment in private equity/debt	2,852,708	-	-
Real assets	969,812		
Securities lending collateral pool	712,478	-	-
Securities on loan with brokers	26,544	-	-
Total investments	24,499,257	2,850,378	-
Capital assets:			
Land	500	-	-
Other - depreciable (net)	21,139	86	-
Total capital assets	21,639	86	-
Other assets	2,666	20	-
TOTAL ASSETS	**27,252,265**	**2,868,774**	**393,319**
LIABILITIES			
Accounts payable & accruals	1,473,087	60	393,319
Payable for investments purchased	1,541,774	-	-
Payable to brokers for rebate & collateral	731,367	-	-
TOTAL LIABILITIES	**3,746,228**	**60**	**393,319**
NET ASSETS			
Held in trust for:			
Pension/other postemployment benefits	23,506,037	-	-
Other purposes	-	2,868,714	-
TOTAL NET ASSETS	**$ 23,506,037**	**$ 2,868,714**	**$ -**

The notes are an integral part of the financial statements.

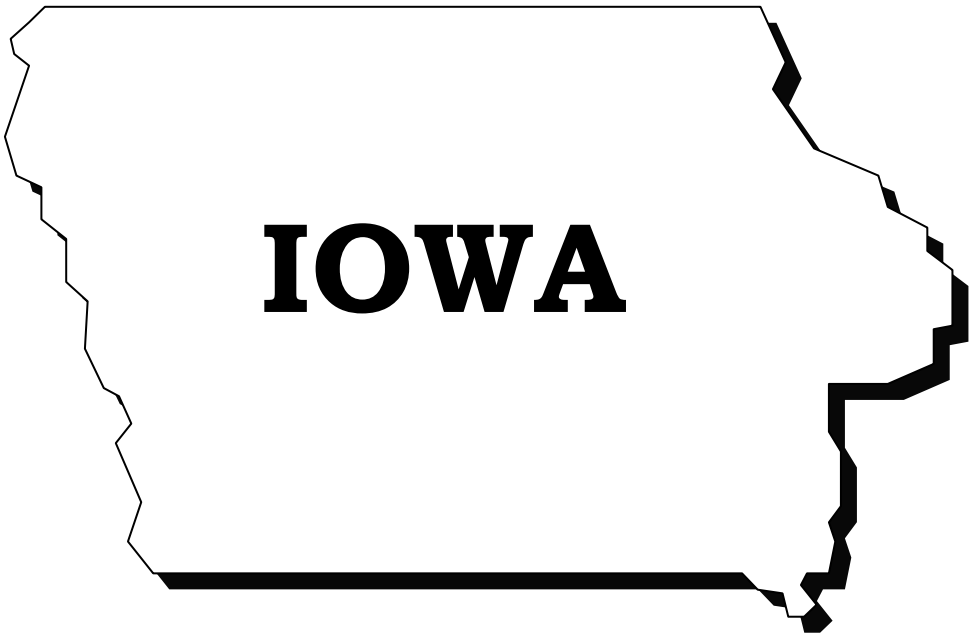
STATE OF IOWA

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

For the Year Ended June 30, 2011
(Expressed in Thousands)

	PENSION & OTHER EMPLOYEE BENEFIT FUNDS	PRIVATE PURPOSE TRUST FUNDS
ADDITIONS		
Contributions:		
Member/participant contributions	$ 314,009	$ 798,689
Employer contributions	485,691	-
Buy-back/buy-in contributions	14,847	-
Other contributions	-	4,242
Gifts, bequests & endowments	-	3,266
Total contributions	814,547	806,197
Investment income:		
Net increase in fair value of investments	3,553,672	229
Interest	269,258	143
Dividends	104,188	-
Other	118,215	-
Total investment income	4,045,333	372
Less investment expense	43,689	-
Net investment income	4,001,644	372
TOTAL ADDITIONS	**4,816,191**	**806,569**
DEDUCTIONS		
Pension & annuity benefits	1,487,940	-
Distributions to participants	-	172,486
Payments in accordance with agreements	1,284	-
Administrative expense	9,781	-
Refunds	41,215	-
Other	-	1,589
TOTAL DEDUCTIONS	**1,540,220**	**174,075**
CHANGE IN NET ASSETS	**3,275,971**	**632,494**
NET ASSETS - JULY 1, RESTATED	**20,230,066**	**2,236,220**
NET ASSETS - JUNE 30	**$ 23,506,037**	**$ 2,868,714**

The notes are an integral part of the financial statements.


IOWA

COMPONENT UNIT FINANCIAL STATEMENTS

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

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

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

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

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

STATE OF IOWA
Statement of Net Assets
Component Units
June 30, 2011
(Expressed in Thousands)

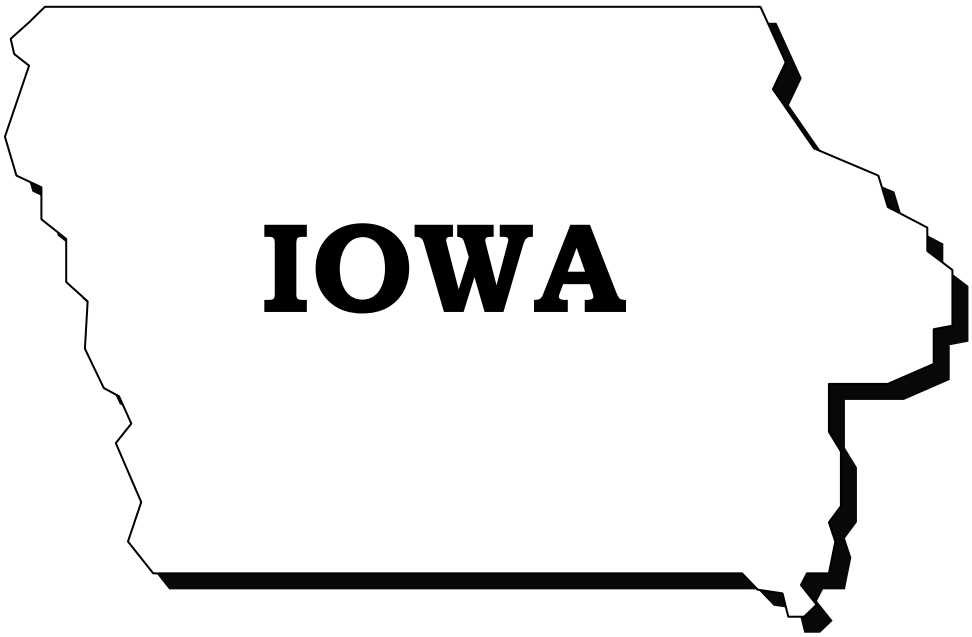
	IOWA FINANCE AUTHORITY	IOWA AGRICULTURAL DEVELOPMENT AUTHORITY	IOWA STATE FAIR AUTHORITY	IOWA LOTTERY AUTHORITY	UNIVERSITY OF IOWA FOUNDATION	IOWA STATE UNIVERSITY FOUNDATION	UNIVERSITY OF NORTHERN IOWA FOUNDATION	TOTAL COMPONENT UNITS
ASSETS								
Current assets:								
Cash & investments	$ 641,056	$ 747	$ 10,536	$ 19,425	$ 494,676	$ 149,637	$ 14,883	$ 1,330,960
Cash & investments - restricted	205,323	-	-	302	-	-	-	205,625
Accounts receivable	-	-	4,086	4,294	44,588	20,885	2,629	76,482
Interest receivable	8,383	58	1	7	-	-	-	8,449
Loans receivable (net)	76,310	278	-	-	-	-	-	76,588
Inventory	-	-	306	1,524	-	-	-	1,830
Prepaid expenses	-	-	-	198	372	-	76	646
Other	5,002	-	-	1,430	-	-	-	6,432
Total current assets	936,074	1,083	14,929	27,180	539,636	170,522	17,588	1,707,012
Noncurrent assets:								
Cash & investments	-	-	-	-	-	476,046	-	476,046
Cash & investments - restricted	850,911	2,542	-	-	497,561	-	74,917	1,425,931
Accounts receivable	-	-	1,130	-	63,501	81,560	5,366	151,557
Loans receivable (net)	1,128,131	2,457	-	-	-	1,496	-	1,132,084
Capital assets - nondepreciable	716	-	21,345	392	103	960	-	23,516
Capital assets - depreciable (net)	2,275	16	49,224	3,180	21,005	2,103	972	78,775
Other	32,160	-	-	12,291	-	5,745	1,426	51,622
Total noncurrent assets	2,014,193	5,015	71,699	15,863	582,170	567,910	82,681	3,339,531
TOTAL ASSETS	**2,950,267**	**6,098**	**86,628**	**43,043**	**1,121,806**	**738,432**	**100,269**	**5,046,543**
LIABILITIES								
Current liabilities:								
Accounts payable & accruals	124,785	40	1,220	22,377	1,275	481	1,735	151,913
Interest payable	31,576	-	-	3	-	-	-	31,579
Unearned revenue	-	-	-	331	-	-	-	331
Compensated absences	-	11	316	723	809	487	-	2,346
Capital leases	-	-	-	-	610	-	-	610
Bonds payable	245,789	-	-	100	-	94	-	245,983
Funds held in custody	-	-	-	-	80,916	2,265	-	83,181
Total current liabilities	402,150	51	1,536	23,534	83,610	3,327	1,735	515,943
Noncurrent liabilities:								
Accounts payable & accruals	43,773	32	11	13,223	25,748	22,887	3,246	108,920
Compensated absences	-	25	809	1,001	-	-	-	1,835
Capital leases	-	-	-	-	5,075	-	-	5,075
Bonds payable	1,511,946	-	-	1,100	-	2,679	-	1,515,725
Funds held in custody	-	-	-	-	-	5,801	-	5,801
Total noncurrent liabilities	1,555,719	57	820	15,324	30,823	31,367	3,246	1,637,356
TOTAL LIABILITIES	**1,957,869**	**108**	**2,356**	**38,858**	**114,433**	**34,694**	**4,981**	**2,153,299**
NET ASSETS								
Invested in capital assets, net of related debt	848	16	70,569	2,372	15,423	290	-	89,518
Restricted for specific purposes	978,981	5,313	4,397	-	982,580	683,518	89,065	2,743,854
Unrestricted	12,569	661	9,306	1,813	9,370	19,930	6,223	59,872
TOTAL NET ASSETS	**$ 992,398**	**$ 5,990**	**$ 84,272**	**$ 4,185**	**$ 1,007,373**	**$ 703,738**	**$ 95,288**	**$ 2,893,244**

The notes are an integral part of the financial statements.

STATE OF IOWA
Statement of Activities
Component Units
For the Year Ended June 30, 2011
(Expressed in Thousands)

	IOWA FINANCE AUTHORITY	IOWA AGRICULTURAL DEVELOPMENT AUTHORITY	IOWA STATE FAIR AUTHORITY	IOWA LOTTERY AUTHORITY	UNIVERSITY OF IOWA FOUNDATION	IOWA STATE UNIVERSITY FOUNDATION	UNIVERSITY OF NORTHERN IOWA FOUNDATION	TOTAL COMPONENT UNITS
Expenses	$ 229,845	$ 562	$ 19,522	$ 271,698	$ 89,757	$ 63,698	$ 10,638	$ 685,720
Program revenues:								
Charges for services	18,694	524	18,516	271,535	-	-	-	309,269
Operating grants & contributions	234,659	23	1,797	-	61,254	68,246	20,684	386,663
Capital grants & contributions	-	-	650	-	-	-	-	650
Total program revenues	253,353	547	20,963	271,535	61,254	68,246	20,684	696,582
Net program (expenses) revenues	23,508	(15)	1,441	(163)	(28,503)	4,548	10,046	10,862
General revenues:								
Investment income (loss)	83,130	23	34	146	166,724	89,770	12,549	352,376
Other	632	-	2,500	-	24,191	4,997	61	32,381
Total general revenues	83,762	23	2,534	146	190,915	94,767	12,610	384,757
Change in net assets	107,270	8	3,975	(17)	162,412	99,315	22,656	395,619
NETS ASSETS - JULY 1, RESTATED	**885,128**	**5,982**	**80,297**	**4,202**	**844,961**	**604,423**	**72,632**	**2,497,625**
NET ASSETS - JUNE 30	**$ 992,398**	**$ 5,990**	**$ 84,272**	**$ 4,185**	**$ 1,007,373**	**$ 703,738**	**$ 95,288**	**$ 2,893,244**

The notes are an integral part of the financial statements.


IOWA

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Financial Reporting Entity

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

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

Blended Component Units

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

- Iowa Public Television Foundation (Special Revenue and Permanent Funds) serves as a funding medium for Iowa Public Television. It solicits and manages gifts of money or property for the exclusive purpose of granting gifts of money or property to Iowa Public Television. Iowa Public Television has sole discretion as to the use of the money or property. The State appoints a voting majority of the Foundation's board and has the ability to impose its will on the organization, as it can make personnel decisions regarding the management of the Foundation.
- Tobacco Settlement Authority (Special Revenue Fund) was created to issue bonds to securitize payments due to the State pursuant to the Master Settlement Agreement between the State and the five largest tobacco manufacturers. The Authority's board consists of the Treasurer of State, Auditor of State and the Director of the Department of Management. The State has the ability to impose its will on the Authority and its sole purpose is to provide a secure and stable source of revenue from the tobacco settlement for the State.
- Honey Creek Premier Destination Park Authority (Special Revenue Fund), herein referred to as Honey Creek Authority, was created to issue bonds to provide financing for the development of the Honey Creek Park (Enterprise Fund). The Authority's board consists of the Treasurer of State, Auditor of State and the Director of the Department of Management. The State has the ability to impose its will on the Authority and its purpose is to provide for and secure the issuance and repayment of its bonds.

Discrete Component Units

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

- Iowa Finance Authority (Proprietary) issues bonds to assist in attainment of adequate housing for special needs individuals such as low to moderate income and the disabled, and to provide limited types of financing to small businesses. The nine members of the board of directors are appointed by the Governor and confirmed by the Senate.
- Iowa Agricultural Development Authority (Proprietary) undertakes programs which assist beginning farmers in purchasing land, improvements and property for agricultural purposes and provides financing for agricultural and soil conservation development and other various agricultural development programs. The State appoints a voting majority of the organization and is able to impose its will on the Authority.

- Iowa State Fair Authority (Proprietary) conducts the annual State Fair and Exposition and other interim events on the Iowa State Fairgrounds. The State must approve any bonds issued by the Authority (October 31 year end).
- Iowa Lottery Authority (Proprietary) was created to operate the State Lottery. The five members of the board of directors are appointed by the Governor and confirmed by the Senate. The State has the ability to impose its will on the Authority and its purpose is to produce the maximum amount of net revenues for the State in a dignified manner that maintains the general welfare of the people.
- The University of Iowa Foundation, Iowa State University Foundation and University of Northern Iowa Foundation (Foundations) are legally separate, tax exempt entities. They act primarily as fund-raising organizations to supplement the resources available to the State Universities (Universities) in support of their programs. Although the State does not control the timing or amount of receipts from the Foundations, the majority of resources they hold and invest, or income thereon, is restricted to the activities of the Universities by the donors. Because the majority of these restricted resources can only be used by, or for the benefit of the Universities, they are considered a component unit of the State and are discretely presented in the financial statements.

  During the year ended June 30, 2011, the Foundations distributed $124.4 million to the Universities for academic and institutional support.

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

Related Organizations

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

- Iowa Student Loan Liquidity Corporation
- Iowa Comprehensive Health Association
- Turkey Marketing Council

C. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

Governmental Fund Balance Reporting

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

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

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

Restricted – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource provides (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 resources are available for use, generally it is the State's policy to use restricted resources first. Also, when committed or unassigned resources are available to be spent for the same purpose, the State's policy is, in general, to spend committed resources first followed by unassigned resources.

D. Financial Statement Presentation

The State reports the following major governmental funds:

General Fund

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

Special Revenue Funds

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

Tobacco Collections Fund – The Tobacco Collections Fund accounts for tobacco settlement monies received pursuant to a Master Settlement Agreement between the State of Iowa and the five largest tobacco manufacturers. The funds are then distributed to the Tobacco Settlement Authority and the Endowment

for Iowa's Health Fund pursuant to the terms of a Sales Agreement (dated October 1, 2001, and amended November 1, 2005) between the State and the Tobacco Settlement Authority.

The State reports the following major proprietary funds:

Enterprise Funds

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

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

In addition, the State reports the following fund types:

Governmental Funds

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

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

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

Proprietary Funds

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

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

Fiduciary Funds

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

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

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

E. Measurement Focus and Basis of Accounting

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

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

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

considered by the State to be available if collected within 60 days of the end of the fiscal year. Investment earnings are recorded as earned since they are measurable and available.

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

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

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

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

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

In fiscal year 2011, the State of Iowa implemented the following GASB standards:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* – This Statement provides more clearly defined categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. It also clarifies the existing governmental fund type definitions to improve the comparability of governmental fund financial statements and help financial statement users to better understand the purposes for which governments have chosen to use particular funds for financial reporting.
- GASB Statement No. 59, *Financial Instruments Omnibus* – This Statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice.

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 $4,413,065 associated with certain funds has been assigned to other funds for fiscal year 2011.

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

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

Investments are valued at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Fair value is calculated at market price at the

close of business on June 30 by independent pricing services utilized by the Treasurer's custodian bank. However, certain cash equivalent investments, such as commercial paper, bankers' acceptances, certificates of deposit, guaranteed investment contracts and discount notes issued by government agencies, are valued using purchase price. IPERS has derivatives that are reported on the Statement of Fiduciary Net Assets 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 Iowa Code Chapter 28E. IPAIT is managed by Investors Management Group and is registered with the Securities and Exchange Commission. IPAIT follows established money market mutual fund parameters designed to maintain a $1 per unit net asset value.

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

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

A borrower is required to initially deliver collateral in an amount equal to 102% of the fair value of any U.S. securities lent and 105% of the fair value of any non-U.S. securities lent. Borrowers are required to provide additional collateral any time the value of the collateral drops below 100% of the value of the security lent plus accrued interest income. Securities received as collateral cannot be sold or pledged unless the borrower defaults.

At year-end, IPERS had $34,866 credit risk exposure to borrowers because the amounts of collateral held on each loan exceeded 100% of the borrowed securities market value. Additional collateral was provided the next business day, eliminating this exposure. At year-end, PORS and JRS had no credit risk exposure to borrowers because the amounts the borrowers owed PORS and JRS did not exceed the amount owed them. The contracts with the custodian bank requires it to indemnify the Systems if a borrower fails to return the securities or fails to return all of the income attributable to securities on loan. The securities lending contracts do not allow the Systems to pledge or sell collateral securities received unless the borrower defaults. As of June 30, 2011, the Systems had securities on loan, including accrued interest income, with a total value of $711.7 million against collateral with a total value of $731.4 million.

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

The effective duration of the cash collateral pool at June 30, 2011, for IPERS was 12 days. Years to Maturity and Credit Quality statistics for the cash collateral pool at June 30, 2011, for IPERS are as follows (expressed in thousands):

Securities Lending Collateral Pool
Years to Maturity

		Investment Maturities (years)		
Investment Type	Fair Value	Less Than 1	1 to 5	Greater than 15
Corporate asset backed	$ 41,178	$ 3,288	$ 2,946	$ 34,944
Mutual funds	639,934	639,934	-	-
Overnight repurchase agreements	4,122	4,122	-	-
Total	$ 685,234	$ 647,344	$ 2,946	$ 34,944

Securities Lending Collateral Pool
Credit Risk - S & P Quality Ratings

Investment Type	Total	AAA	AA	A	BB	B	CCC	Not Rated
Corporate asset backed	$ 41,178	$ 615	$ 55	$ 8,457	$ 8,022	$ 12,015	$ 12,014	$ -
Mutual funds	639,934	-	-	-	-	-	-	639,934
Overnight repurchase agreements	4,122	-	-	-	-	-	-	4,122
Total	$ 685,234	$ 615	$ 55	$ 8,457	$ 8,022	$ 12,015	$ 12,014	$ 644,056

G. Accounts Receivable

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

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

H. Inventories

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

I. Prepaid Items

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

J. Capital Assets

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

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

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

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

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

K. Compensated Absences

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

L. Long-term Liabilities

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

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

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

M. Interfund Activity and Balances

Interfund Activity

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

Interfund Balances

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

N. Encumbrances

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

actual liability, or the encumbrance is cancelled against that fiscal year. If the encumbrances are still valid after June 30, they become expenditures/expenses of the next fiscal year.

O. Stabilization Arrangements (Reserve Funds)

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

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

The maximum balance of the Cash Reserve Fund is equal to 7.5 percent of the adjusted revenue estimate for the General Fund of the state for the current fiscal year. Moneys in this fund may be used for cash flow purposes provided that any moneys so allocated are returned to the fund by the end of each fiscal year. The moneys in this fund may only be appropriated by the General Assembly for payment of nonrecurring, emergency expenditures and shall not be appropriated for payment of any collective bargaining agreement or arbitrator's decision negotiated or awarded. An appropriation shall not be made from this fund if the appropriation would cause the fund's balance to be less than 3.75 percent of the adjusted revenue estimate for the year for which the appropriation is made unless the bill or joint resolution is approved by vote of at least three-fifths of the members of both chambers of the General Assembly and is signed by the Governor. Also, the appropriation must be contained in a bill or joint resolution in which the appropriation is the only subject matter of the bill or joint resolution, and the bill or joint resolution states the reasons the appropriation is necessary.

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

P. Minimum Fund Balance Requirements

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

Q. Budgeting and Budgetary Control

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

NOTE 2 – CASH, INVESTMENTS AND SECURITIES LENDING

A. Primary Government and Fiduciary Funds

Investments of the primary government and fiduciary funds at June 30, 2011, are scheduled as follows (expressed in thousands):

Primary Government

Investment Type	Fair Value
Fixed:	
U.S. government treasuries, notes & bonds	$ 217,139
U.S. government agency	1,344,150
Government asset and mortgage-backed	781,371
Corporate bonds	278,036
Corporate asset backed	6,767
Private placements	10,658
Guaranteed investment contracts	64,147
Fixed income mutual funds	564,417
Other fixed income	783
Certificate of deposit	557
Total fixed	3,268,025
Equity:	
U.S. equity	195,071
Private equity	15,674
Real estate	8,315
Non U.S. equity	115,890
Money market funds	31,007
Pooled & mutual funds	800,382
Investment pools	8,860
Other	50,707
Total equity	1,225,906
Total invested assets	$ 4,493,931

Fiduciary Funds

Investment Type	Fair Value
Fixed:	
U.S. government treasuries, notes & bonds	$ 1,055,514
U.S. government agency	259,207
Government asset and mortgage-backed	1,559,314
Corporate bonds	1,925,283
Corporate asset backed	214,530
Private placements	930,733
Commingled bond funds	2,722,891
Convertible investments	4,977
Other fixed income	126,717
Total fixed	8,799,166
Equity:	
U.S. equity	4,261,379
Private equity	2,852,708
Real estate	1,817,044
Commingled & mutual funds	9,158,987
Other	20,978
Total equity	18,111,096
Total invested assets	$ 26,910,262

Credit Risk

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

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

The State Board of Regents establishes policy and sets objectives for the Universities' investments. Credit quality limitations for investments of operating funds are: the weighted average credit quality of each University's operating portfolio shall be AA or Aa as rated by Standard & Poor's or Moody's, respectively; up to 20% of each University's operating portfolio may be invested in bonds rated A and BBB in order to enhance portfolio yield; commercial paper or other short-term corporate debt maturing within 270 days rated within the two highest classifications, as established by at least one of the standard rating services, provided that at the time of purchase no more than 5% of all amounts invested in commercial paper and other short-term corporate debt shall be

invested in paper and debt rated in the second highest classification; obligations of the Iowa Finance Authority (Authority) provided at the time of purchase the Authority has an issuer credit rating within the two highest classifications or the obligations to be purchased are rated within the two highest classifications, as established by at least one of the standard rating services; corporate debt with a maturity of greater than 270 days that is rated investment grade by Standard & Poor's or Moody's (at least BBB- or Baa3, respectively), or by another Nationally Recognized Statistical Rating Organization (NRSRO), including Rule 144A Securities deemed to be of investment grade credit quality by the external or internal investment manager, at the time of purchase.

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

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

The State's exposure to credit risk for the fixed income investments of the primary government and fiduciary funds at June 30, 2011, is summarized by credit quality ratings, as follows (expressed in thousands):

Credit Risk - S & P Quality Ratings

Primary Government

Investment Type	TSY	AGY	AAA	AA	A	BBB	BB	B	NR
U.S. government treasuries, notes & bonds	$ 200,737	$ -	$ -	$ 16,402	$ -	$ -	$ -	$ -	$ -
U.S. government agency	-	42,043	303,696	983,845	-	-	-	-	14,566
Government asset and mortgage-backed	-	-	16	781,355	-	-	-	-	-
Corporate bonds	-	-	8,119	11,402	189,248	5,126	1	-	64,140
Corporate asset backed	-	-	128	5	1,058	-	-	-	5,576
Private placements	-	-	3,010	7,617	1	30	-	-	-
Guaranteed investment contracts	-	-	-	4,948	-	-	-	-	59,199
Fixed income mutual funds	-	-	118,589	313,482	20,941	6,229	72,183	847	32,146
Other fixed income	-	-	770	-	-	-	-	-	13
Certificate of deposit	-	-	-	-	-	-	-	-	557
Total	$ 200,737	$ 42,043	$ 434,328	$2,119,056	$211,248	$ 11,385	$ 72,184	$ 847	$176,197

Fiduciary Funds

Investment Type	TSY	AGY	AAA	AA	A	BBB	BB	B	CC & Below	NR
U.S. government treasuries, notes & bonds	$1,043,019	$ 331	$ 7,189	$ 573	$ 2,951	$ 929	$ -	$ -	$ 153	$ 369
U.S. government agency	-	191,636	5,151	810	-	-	-	-	-	61,610
Government asset and mortgage-backed	-	713,562	61,988	30,706	91,191	27,416	19,285	25,247	64,260	525,659
Corporate bonds	-	-	39,798	61,589	404,773	396,133	384,826	394,880	46,817	196,467
Corporate asset backed	-	-	124,032	15,806	11,908	14,719	6,099	7,801	5,919	28,246
Private placements	-	-	146,552	70,537	49,407	66,132	183,482	260,107	31,416	123,100
Commingled bond funds	1,241,191	-	1,132,315	72,751	148,763	127,871	-	-	-	-
Convertible investments	-	-	-	-	2,030	551	531	549	5	1,311
Other fixed income	-	1,715	13,242	132	19,043	34,392	18,752	3,881	52	35,508
Total	$2,284,210	$907,244	$1,530,267	$ 252,904	$730,066	$668,143	$612,975	$692,465	$148,622	$ 972,270

Interest Rate Risk

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

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

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

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

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

The Universities' policies for the operating portfolio prohibit investment in securities that at the time of purchase have effective maturities exceeding 63 months and that the maximum duration of each portfolio shall not exceed the duration of the Merrill 1-3 Government/Corporate Index by more than 20%. There is no explicit limit on the average maturity of fixed income securities in the endowment portfolio.

IPERS manages interest rate risk within the portfolio using the effective duration or option-adjusted methodology. It is widely used in the management of fixed income portfolios in that it quantifies to a much greater degree the risk of interest rate changes. The methodology takes into account optionality on bonds and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve. All of IPERS' fixed income portfolios are managed in accordance with investment contracts that require the effective duration of the portfolio shall always remain between 80% and 120% of the effective duration measure of the Index.

The State's exposure to interest rate risk for the fixed income investments of the primary government and the fiduciary funds at June 30, 2011, is summarized using the effective duration method, as follows (expressed in thousands):

Primary Government

Investment Type	Fair Value	Effective Duration (Years)
U.S. government treasuries, notes & bonds	$ 217,139	2.57
U.S. government agency	1,344,150	2.25
Government asset and mortgage-backed	781,371	0.33
Corporate bonds	278,036	1.06
Corporate asset backed	6,767	0.28
Private placements	10,658	0.42
Guaranteed investment contracts	64,147	5.19
Fixed income mutual funds	564,417	5.47
Other fixed income	783	4.10
Certificate of deposit	557	0.69
Total	$ 3,268,025	2.31

Fiduciary Funds

Investment Type	Fair Value	Effective Duration (Years)
U.S. government treasuries, notes & bonds	$ 1,055,514	5.94
U.S. government agency	259,207	3.33
Government asset and mortgage-backed	1,559,314	2.83
Corporate bonds	1,925,283	5.05
Corporate asset backed	214,530	0.52
Private placements	930,733	4.36
Commingled bond funds	2,722,891	5.61
Convertible investments	4,977	19.33
Other fixed income	126,717	7.37
Total	$ 8,799,166	4.74

Foreign Currency Risk

Foreign currency risk is the risk changes in exchange rates will adversely impact the fair value of an investment. From time to time, IPERS' and PORS' external managers may or may not hedge the portfolios' foreign currency

exposures with currency forward contracts depending upon their views on a specific foreign currency relative to the U.S. dollar. IPERS will not manage currency as a separate asset class or enter into speculative currency positions (i.e., currency positions greater than 100% or less than 0% of the underlying asset exposure) in its portfolio, except as it relates to specific cross-hedging activity, which may be permitted in certain investment guidelines, and for global macro investment strategies. IPERS' foreign currency exposure of the global macro managers was less than 1% of IPERS' total foreign currency exposure on June 30, 2011. Foreign currency risk by investment type for the pension system fiduciary funds, at June 30, 2011, follows (expressed in thousands):

	Total	Fixed Income	Equity	Derivatives	Cash
Argentine peso	$ 1	$ -	$ -	$ -	$ 1
Australian dollar	102,317	1,009	154,847	42	(53,581)
Brazilian real	44,800	1,753	42,717	-	330
British pound	162,197	5,592	158,703	1,066	(3,164)
Canadian dollar	(10,997)	4,106	2,119	(89)	(17,133)
Chilean peso	1,863	-	3,488	-	(1,625)
Chinese yuan renminbi	27	-	27	-	-
Colombian peso	1,593	-	1,589	-	4
Czech koruna	5,262	-	5,262	-	-
Danish krone	16,274	-	16,384	-	(110)
Euro	883,964	7,802	877,920	1,039	(2,797)
Hong Kong dollar	172,653	-	172,450	(562)	765
Hungarian forint	6,030	-	6,030	-	-
Iceland krona	44	-	-	-	44
Indian rupee	13,370	919	12,451	-	-
Indonesian rupiah	11,655	951	10,523	-	181
Japanese yen	347,847	-	349,063	156	(1,372)
Malaysian ringgit	23,800	369	22,637	-	794
Mexican peso	14,875	1,571	13,004	-	300
New Taiwan dollar	70,482	-	69,329	-	1,153
New Zealand dollar	39,561	1,312	-	-	38,249
Norwegian krone	23,531	-	25,580	-	(2,049)
Philippine peso	2,783	-	2,783	-	-
Polish zloty	7,130	-	6,836	-	294
Russian ruble	24,660	-	24,660	-	-
Singapore dollar	32,549	1,329	30,338	-	882
South African rand	29,957	-	29,831	-	126
South Korean won	111,162	804	110,744	-	(386)
Swedish krona	44,007	-	12,346	-	31,661
Swiss franc	(38,657)	-	62,101	-	(100,758)
Thai baht	16,399	-	16,399	-	-
Turkish new lira	8,633	-	8,489	-	144
Total	$ 2,169,772	$ 27,517	$ 2,248,650	$ 1,652	$ (108,047)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issue. Policies of the Treasurer, Universities and Systems limit investment in any single issuer or corporate entity to no more than 5% of the market value of the portfolio or account. The policy does not apply to investments in U.S. Treasuries, government agencies or instrumentalities.

Custodial Credit Risk

Deposits: Custodial credit risk for deposits is the risk the State's deposits may not be returned to it in the event of a bank failure. Protection from custodial credit risk exists for the State's deposits in excess of FDIC insurance coverage. Banks in Iowa which accept public fund deposits are required to pledge collateral in an amount equal to, or in excess of, the total amount by which the public funds deposits in the bank exceeds the total capital of the

bank. If a bank fails, the Treasurer would liquidate any collateral the bank had pledged and use the proceeds to repay public units. If the proceeds from the sale of the collateral were not sufficient to reimburse the public units, the Treasurer would use money from the sinking fund to make the public units whole. If there is not enough money in the sinking fund to cover the uninsured public deposits, the Treasurer would assess a proportional share of the loss against all remaining banks whose public funds deposits exceeded FDIC insurance to satisfy the remaining loss. The Universities and the Systems have no formal policy for custodial credit risk. The $2,075,366,564 total combined bank deposits of the primary government and fiduciary funds at June 30, 2011, was exposed to custodial credit risk for $102,803,880 of uninsured and uncollateralized bank deposits.

Investments: Custodial credit risk for investments is the risk the State will not be able to recover the value of its investment or collateral securities in the possession of an outside party in the event of a failure of the counterparty. The Treasurer's investment policy requires that all pooled investments be held by a third party custodian while the Universities and Systems have no formal policy for investment custodial credit risk. Of the $31,404,193,031 total combined investments of the primary government and fiduciary funds at June 30, 2011, $1,473,801 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.

B. Component Units

Investments of the component units at June 30, 2011, are scheduled as follows (expressed in thousands):

Investment Type	Fair Value
Fixed:	
U.S. government treasuries, notes & bonds	$ 9,517
U.S. government TIPS	7,861
U.S. government agency	202,207
Government asset and mortgage-backed	840,401
Corporate bonds	2,001
Guaranteed investment contracts	121,145
Total fixed	1,183,132
Equity:	
Money market funds - commingled	301,796
Municipal	2,732
Total equity	304,528
Total invested assets	$ 1,487,660

The Universities Foundations' cash and investments of $1,707,720,000 are not subject to GASB disclosure requirements.

Credit Risk

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations to the component units. The component units have no formal policy to manage credit risk. The exposure to credit risk for the component units fixed income investments at June 30, 2011, is summarized by credit quality ratings, as follows (expressed in thousands):

Credit Risk - S & P Quality Ratings

Investment Type	TSY	AGY	AAA	AA	A	NR
U.S. government treasuries, notes & bonds	$ 9,517	$ -	$ -	$ -	$ -	$ -
U.S. government TIPS	7,861	-	-	-	-	-
U.S. government agency	-	198,025	-	4,182	-	-
Government asset and mortgage-backed	-	-	840,401	-	-	-
Corporate bonds	-	-	-	2,001	-	-
Guaranteed investment contracts	-	-	-	31,417	83,459	6,269
Total	$ 17,378	$ 198,025	$ 840,401	$ 37,600	$ 83,459	$ 6,269

Interest Rate Risk

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment. The component units do not have formal policies that limit investment maturities as a means of managing exposure to credit risk.

The component units' exposure to interest rate risk for the fixed income investments at June 30, 2011, is summarized using the weighted average maturity method, as follows (expressed in thousands):

Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. government treasuries, notes & bonds	$ 9,517	4.98
U.S. government TIPS	7,861	4.10
U.S. government agency	202,207	2.11
Government asset and mortgage-backed	840,401	25.11
Corporate bonds	2,001	1.10
Guaranteed investment contracts	121,145	0.50
Total	$ 1,183,132	18.32

C. University Endowments

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

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

- The University of Iowa's spending rule adjusts dollar payouts by the trailing calendar year Consumer Price Index (inflation rate). Total payout is banded at no less than 4% and no greater than 6% of calendar year end market values.
- Iowa State University's spending rule is 5.5% of market value, based on a three-year moving market average, will be calculated and distributed per the requirements of the endowment.
- The University of Northern Iowa's spending rule is 5.0% of market value of the endowment, based on a three-year moving market average, will be calculated and distributed.

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

	Amount	Net Asset Classification
University of Iowa	$ 11,430,703	Restricted nonexpendable net assets
Iowa State University	7,902,515	Restricted expendable net assets
University of Northern Iowa	615,159	Restricted expendable net assets

D. Derivatives

Fiduciary Funds

GASB Statement No. 53 requires the fair value of financial arrangements called "derivatives" or "derivative instruments" be reported in the financial statements of state and local governments. The statement further requires that derivatives be categorized as either a hedging derivative or an investment derivative. All of IPERS' derivative exposures at June 30, 2011, are categorized as investment derivatives and, therefore, the hedge accounting provisions of GASB Statement No. 53 are not applicable.

Some of the IPERS' external investment managers may be permitted through their individual investment contracts to use derivative instruments, subject to the IPERS' derivative policy. Derivatives are contracts or securities whose returns are derived from the returns of other securities, indices, or derivatives. While this definition includes the most common type of derivative, collateralized mortgage obligations (which typically make up a portion of IPERS' fixed income portfolio), it is also intended to include (but not be limited to) futures, forwards, options, options on futures, swaps, and swaptions. IPERS' managers are not permitted to utilize derivatives for speculative purposes, but may use them to efficiently access desired markets and to control and manage portfolio risk. Examples of

appropriate applications of derivative strategies include hedging interest rate and currency risk, maintaining exposure to a desired asset class while effecting asset allocation changes, managing duration risk, augmenting index fund performance through index arbitrage, and portable alpha strategies.

The various derivatives utilized by IPERS' investment managers are described below. The notional values associated with these derivative instruments are not recorded in the financial statements; however, the fair value amounts of exposure (unrealized gains/losses) are reported in the Statement of Plan Net Assets. IPERS holds investments in limited partnerships and commingled investment funds, which may utilize derivatives from time to time for hedging purposes, and any derivative held by these types of investment vehicles, are not included in the information describing IPERS' derivatives.

IPERS could be exposed to risk if the counterparties to derivatives contracts are unable to meet the terms of the contracts. IPERS' investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. IPERS anticipates that the counterparties will be able to satisfy their obligations under the contracts. Limited partnerships and commingled investment vehicles in which IPERS invests may also have exposure to counterparty risk from the use of derivatives for hedging purposes.

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

Futures and options can potentially offer lower-cost and more efficient alternatives to buying the underlying securities or currency. Futures and options can also serve to minimize certain unwanted risks within the portfolio. The market, currency, and credit risk of the futures were the same as if IPERS had owned the underlying securities or currency. A schedule of futures and options contracts outstanding at June 30, 2011, follows (expressed in thousands):

Futures Exposure Summary

	Expiration Date	Long/Short	Notional Value	Fair Value
Amsterdam Index	July 2011	Long	$ 22,844	$ 307
CAC 40 Euro Index	July 2011	Long	6,250	270
Hang Seng Index	July 2011	Short	(28,404)	(563)
IBEX 35 Index	July 2011	Long	5,164	198
10-year Australian bonds	September 2011	Short	(751,364)	64
10-year Canadian bonds	September 2011	Short	(149,590)	304
10-year Japan bonds	September 2011	Long	10,467	12
10-year Japan minibonds	September 2011	Short	(299)	(1)
10-year U.S. Treasury notes	September 2011	Long	138,318	1,777
2-year U.S. Treasury notes	September 2011	Long	67,520	(182)
3-month EURIBOR	September 2011	Long	102,098	129
3-year Australian bonds	September 2011	Short	(41,916)	(44)
5-year U.S. Treasury notes	September 2011	Short	(44,914)	(262)
DAX Index	September 2011	Short	(14,050)	(418)
E-mini (S&P 500)	September 2011	Long	139,868	3,442
Euro Bunds	September 2011	Long	65,104	209
FTSE 100 Index	September 2011	Long	55,328	1,623
FTSE/MIB Index	September 2011	Long	12,041	268
NIKKEI 225 Index	September 2011	Long	4,271	185
S&P Canada 60	September 2011	Short	(20,930)	(393)
SPI 200 Index	September 2011	Short	(2,115)	22
TOPIX Index	September 2011	Long	2,379	145
U.K. Long Gilt	September 2011	Short	(118,651)	(558)
U.S. Treasury bonds	September 2011	Long	14,165	(140)
U.S. Ultra Bonds	September 2011	Long	43,668	(490)
3-month EURIBOR	March 2012	Long	16,268	77
Total			$ (466,480)	$ 5,981

Options Exposure Summary

	Expiration Date	Long/Short	Type	Strike Price	Fair Value
Eurodollar 1-year mid-curve	July 2011	Long	Put	$ 98.88	$ 42
Eurodollar 1-year mid-curve	July 2011	Long	Put	99.13	5
Eurodollar 1-year mid-curve	July 2011	Short	Put	99.00	(34)
Eurodollar 2-year mid-curve	August 2011	Long	Put	98.13	38
Eurodollar 2-year mid-curve	August 2011	Long	Put	97.50	16
Eurodollar 2-year mid-curve	August 2011	Long	Put	98.00	65
Eurodollar 2-year mid-curve	August 2011	Short	Put	97.75	(67)
5-year U.S. Treasury notes	September 2011	Long	Put	117.00	66
5-year U.S. Treasury notes	September 2011	Long	Put	116.00	16
10-year U.S. Treasury notes	September 2011	Long	Put	118.50	149
10-year U.S. Treasury notes	September 2011	Long	Put	117.50	189
10-year U.S. Treasury notes	September 2011	Long	Call	129.00	9
10-year U.S. Treasury notes	September 2011	Long	Put	115.00	24
Eurodollar 1-year mid-curve	September 2011	Long	Put	98.25	19
Eurodollar 1-year mid-curve	September 2011	Long	Put	98.50	8
Eurodollar 1-year mid-curve	September 2011	Short	Put	97.75	(6)
Eurodollar 1-year mid-curve	September 2011	Short	Put	98.00	(1)
Swiss Market Index	September 2011	Short	Call	6,262.00	(124)
Swiss Market Index	September 2011	Long	Put	6,262.00	207
U.S. Treasury bonds	September 2011	Long	Put	110.00	24
U.S. Treasury bonds	September 2011	Long	Put	104.00	3
U.S. Treasury bonds	September 2011	Short	Put	106.00	(9)
Total					$ 639

Credit Default Swaps: IPERS had investments in credit default swaps during the year. The credit default swaps held by IPERS are derivative instruments used to hedge or to replicate investments in debt obligations of corporate bond issuers. The risk of the credit default swap is comparable to the credit risk of the reference security. At June 30, 2011, the notional value of the credit default swaps held in IPERS' fixed income portfolio was $101.3 million. The credit default swaps are reported at a fair value of $(1.4) million in the Statement of Plan Net Assets.

Interest Rate Swaps: Interest rate swaps are transactions between two parties in which interest payments from different indexes are swapped. Interest rate swaps are often used to alter the portfolios' exposure to interest rate fluctuations by swapping fixed-rate obligations for floating-rate obligations or swapping floating-rate obligations for fixed-rate obligations. By utilizing interest rate swaps, IPERS' investment managers are able to synthetically alter their interest rate exposure and bring it in line with their strategic objectives for interest rate risk. At June 30, 2011, the notional value of the interest rate swaps held in IPERS' fixed income portfolio was $47.4 million. All interest rate swaps held by IPERS' are reported at a fair value of $(3.6) million in the Statement of Plan Net Assets.

Total Return Swaps: A total return swap is a contract in which two parties swap payments based on the total return of a reference asset. The reference asset may be any asset, index, or basket of assets. At June 30, 2011, the notional value of the total return swaps held in IPERS' fixed income portfolio was $119.5 million. The total return swaps held by IPERS are reported at a fair value of $(0.3) million in the Statement of Plan Net Assets.

Mortgage-Backed Securities: IPERS invests in mortgage-backed securities, which are reported in the Statement of Plan Net Assets at fair value based on estimated future cash flows from the interest and principal payments of the underlying mortgages. As a result, mortgage-backed securities prices are sensitive to prepayments by mortgagees, which are 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), a discrete component unit of the State, has derivative instruments to manage and reduce exposure to adverse fluctuations in interest rates and to lower the overall cost of financing. The

derivatives consist of swap, cap and corridor agreements entered into in connection with its issuance of variable rate mortgage revenue bonds.

The Authority reports hedging derivative instruments as either deferred inflows or outflows and investing derivative instruments as investments. The change in the fair value of the investing derivative instruments is reported in the statement of activities.

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

The terms of the swap hedging derivative instruments outstanding at June 30, 2011, follows (expressed in thousands):

Bond Series	2011 Notional Amount	Effective Date	Termination Date	Term		Counterparty Rating
				Pay	Receive	
SF 2002 I	$ 5,545	10/30/2002	7/1/2032	3.365%	SIFMA Swap Index + 0.10%	Aa3
SF 2003 F	14,540	6/25/2003	1/3/2033	3.615%	.65*LIBOR + 0.23%	Aa3
SF 2004 B	14,115	12/2/2004	7/1/2034	4.086%	enhanced LIBOR	Aa3
SF 2004 D	11,520	2/3/2005	7/1/2020	4.007%	SIFMA Swap Index + 0.10% or various LIBOR + spread	Aa3
SF 2004 G	15,605	6/1/2005	7/1/2034	3.867%	enhanced LIBOR	Aa3
SF 2005 C	21,465	11/1/2005	1/1/2036	4.140%	SIFMA + 0.10% or various LIBOR + spread	Aa3
SF 2005 E	17,400	1/1/2011	1/1/2036	3.817%	enhanced LIBOR	Aa3
SF 2005 H	19,565	1/1/2011	7/1/2036	3.843%	SIFMA + 0.10% or various LIBOR + spread	Aa3
SF 2006 C	12,000	9/1/2006	1/1/2036	3.760%	enhanced LIBOR	Aa3
SF 2006 F	12,000	11/1/2006	7/1/2036	4.632%	SIFMA Swap Index + 0.10%	Aa3
SF 2007 C	25,070	3/8/2007	7/1/2025	5.289%	USD - LIBOR	Aa3
SF 2007 G	23,290	7/12/2007	1/1/2019	5.493%	USD - LIBOR	Aa3
SF 2007 M	19,855	12/12/2007	7/1/2021	4.373%	USD - LIBOR	Aa3
SF 2007 N	14,550	12/12/2007	1/1/2039	4.364%	SIFMA Swap Index + 0.06%	Aa3
MF 2008 A	3,750	4/17/2008	6/1/2024	3.971%	SIFMA Swap Index + 0.08%	Aa3
SF 2008 C	23,415	4/16/2008	1/1/2026	3.880%	USD - LIBOR	Aa3
SF 2008 F	17,330	10/1/2008	1/1/2039	4.529%	SIFMA Swap Index + 0.08%	Aa3
SF 2008 G	19,050	10/1/2008	7/1/2018	4.173%	USD - LIBOR	Aa3
SF 2008 B	21,565	1/1/2011	1/1/2039	4.470%	SIFMA Swap Index + 0.06%	Aa3

Interest rate cap derivatives, where payments are received at the end of each period based on a notional amount when the interest rate exceeds the agreed upon strike rate. A corridor agreement is an interest rate cap with an upper limit, or ceiling, where the cap ceases to pay above the ceiling rate. Terms of the cap and corridor instruments outstanding at June 30, 2011, follows (expressed in thousands):

Bond Series	2011 Notional Amount	Effective Date	Termination Date	Strike Rate	Ceiling Rate
SF 2003 B	$ 1,855	3/19/2003	7/2/2012	6% 3 mo LIBOR	11% 3 mo LIBOR
SF 2003 G	3,275	6/25/2003	7/1/2013	5% 3 mo LIBOR	10% 3 mo LIBOR
MF 2007 A	12,700	6/14/2007	7/1/2012	4.5% SIFMA	n/a
MF 2007 B	9,300	6/14/2007	1/1/2024	4.5% SIFMA until 7/14/2014 5% SIFMA until 7/1/2019 5.5% SIFMA thereafter	n/a

The fair value balances of derivative instruments outstanding at June 30, 2011, classified by type, and change in the fair value of such derivative instruments as reported in the financial statements are as follows (expressed in thousands):

Bond Series	Type	Fair Value, June 30 2011	Fair Value, June 30 2010	Change in Fair Value
Hedging Derivatives:				
SF 2002 I	Swap	$ (212)	$ (297)	$ 85
SF 2003 G	Cap	-	6	(6)
SF 2003 F	Swap	(471)	(865)	394
SF 2004 B	Swap	(523)	(677)	154
SF 2004 D	Swap	(783)	(997)	214
SF 2004 G	Swap	(571)	(788)	217
SF 2005 C	Swap	(2,283)	(3,158)	875
SF 2005 E	Swap	(512)	(776)	264
SF 2005 H	Swap	(1,724)	(2,448)	724
SF 2006 C	Swap	(897)	(1,159)	262
SF 2006 F	Swap	(1,543)	(1,653)	110
MF 2007 A	Cap	-	3	(3)
MF 2007 B	Cap	787	841	(54)
SF 2007 C	Swap	(3,064)	(3,798)	734
SF 2007 G	Swap	(2,728)	(3,405)	677
SF 2007 M	Swap	(1,644)	(2,011)	367
SF 2007 N	Swap	(912)	(1,046)	134
MF 2008 A	Swap	(388)	(416)	28
SF 2008 C	Swap	(1,373)	(1,725)	352
SF 2008 F	Swap	(985)	(1,087)	102
SF 2008 G	Swap	(1,352)	(1,672)	320
SF 2008 B	Swap	(849)	(1,112)	263
Investment derivatives:				
SF 2003 G	Corr	(1)	(2)	1
SF 2007 C	Swap	(298)	(608)	310
SF 2007 G	Swap	(93)	(294)	201
Forward MBS sale		-	(1,500)	1,500
Total		$ (22,419)	$ (30,644)	$ 8,225

The fair value of the interest rate swaps (including the corridor agreement) were estimated based on an independent pricing service to get the fair values. The valuations provided were derived from proprietary models based upon well-recognized principles and estimates about relevant future market conditions. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the interest rate swap, assuming the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the interest rate swaps. Fair values of options are based on option pricing models such as the Black-Scholes-Merton model, or any of the short-rate models of interest rate, or other market standard models consistent with accepted practices in the market for interest rate products. The models would consider probabilities, volatilities, time, settlement prices, and other variables pertinent to the transactions. The fair values of the interest rate cap and the forward contract were estimated based on the present value of their estimated future cash flows.

Risks Associated and Derivative Transactions:

Credit risk. The Authority is exposed to credit risk on hedging derivatives instruments that are in asset positions. The aggregate fair value of hedging derivative instruments in asset positions at June 30, 2011, was $0.8 million. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted.

UBS AG and Goldman Sachs Bank USA are currently counterparties under the derivatives agreements with the Authority. UBS AG and Goldman Sachs Bank USA are currently rated Aa3 Moody's.

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

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

Basis risk. Basis risk refers to a mismatch between the interest rate received from the derivative counterparty and the interest rate actually owed on the Authority's bonds. Specifically, the Authority's basis risk is that the variable interest payment received from the counterparty will be less than the actual variable interest payments owed on the Authority's variable rate bonds. The mismatch between the Authority's actual bond rate and the derivative rate is the Authority's basis risk. As of June 30, 2011, the weighted average interest rate of the Authority's hedged variable rate debt is 4.38%, while the SIFMA swap index rate is 0.09%. LIBOR is 0.19% at June 30, 2011.

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

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

NOTE 3 – TRANSFERS

Interfund transfers for the year ended June 30, 2011, consisted of the following (expressed in thousands):

	Transferred In				
Transferred Out	General Fund	Nonmajor Governmental Funds	University Funds	Nonmajor Enterprise Funds	Total
General Fund	$ -	$ 27,029	$ 586,699	$ 2,245	$ 615,973
Tobacco Collections Fund	14,168	-	-	-	14,168
Nonmajor Governmental Funds	40,927	20,827	5,879	-	67,633
Unemployment Benefits Fund	3,643	-	-	-	3,643
Nonmajor Enterprise Funds	90,456	1,432	-	-	91,888
Total	$ 149,194	$ 49,288	$ 592,578	$ 2,245	$ 793,305

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 Fund as required by law.

Not included in the table above are transfers totaling $4,201 thousand for capital asset contributions from governmental activities to the business-type activities. These were appropriately recorded as expenditures and capital contributions in the governmental and business-type fund financial statements, respectively, and reclassified as transfers in the government-wide statement of activities.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2011, consisted of the following (expressed in thousands):

		Proprietary Funds		
	Governmental Funds	Business-type Activities Enterprise Funds	Governmental Activities Internal Service Funds	Component Units
Accounts receivable:				
Taxes	$ 468,735	$ -	$ -	$ -
Pledges	1,149	-	-	222,706
Benefit overpayments	-	48,957	-	-
Employer contributions	-	238,460	-	-
Grants & contracts	1,063,323	626,894	-	-
Other	681,465	172,520	1,436	32,183
Less allowance for doubtful accounts	470,129	335,853	-	4,957
Less discount to present value	-	-	-	21,893
Accounts receivable (net)	$ 1,744,543	$ 750,978	$ 1,436	$ 228,039
Current	$ 1,671,656	$ 740,169	$ 1,436	$ 76,482
Noncurrent	72,887	10,809	-	151,557
Total	$ 1,744,543	$ 750,978	$ 1,436	$ 228,039
Loans receivable:				
Loans receivable	$ 154,174	$ 72,139	$ -	$ 1,226,086
Less allowance for doubtful accounts	79,287	3,257	-	17,414
Loans receivable (net)	$ 74,887	$ 68,882	$ -	$ 1,208,672
Current	$ 18,316	$ 7,252	$ -	$ 76,588
Noncurrent	56,571	61,630	-	1,132,084
Total	$ 74,887	$ 68,882	$ -	$ 1,208,672

NOTE 5 – INTERFUND BALANCES

Interfund balances for the year ended June 30, 2011, consisted of the following (expressed in thousands):

	Due From Other Funds/Advances To Other Funds						
Due To Other Funds/ Advances From Other Funds	General Fund	Tobacco Settlement Authority	Nonmajor Governmental Funds	Unemployment Benefits Fund	Nonmajor Enterprise Funds	Internal Service Funds	Total
General Fund	$ -	$ 6	$ 4,544	$ 627	$ 15	$ 60,398	$ 65,590
Tobacco Settlement Authority	118	-	-	-	-	-	118
Tobacco Collections Fund	-	50,718	-	-	-	-	50,718
Nonmajor Governmental Funds	21,345	-	626	-	-	161	22,132
Unemployment Benefits Fund	9	-	-	-	-	-	9
Nonmajor Enterprise Funds	617	-	-	-	-	236	853
Internal Service Funds	877	-	85	-	2	10,823	11,787
Total	$ 22,966	$ 50,724	$ 5,255	$ 627	$ 17	$ 71,618	$ 151,207

$46.8 million is due from the General Fund to the Workers' Compensation Fund (an Internal Service Fund) to fund the cost of claims incurred. Remaining interfund balances result mainly from the time lag between the dates (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

Not included in the table above are the following interfund advances, which are not expected to be repaid within one year: $2.9 million due from the General Fund to the Unemployment Benefits Fund (an Enterprise Fund) for amounts loaned for various projects per the Reed Act distribution under Section 903 of the Social Security Act.

Also not included in the table above, and not expected to be repaid within one year, are interfund advances of $462.3 million due from the Tobacco Collections Fund (a Special Revenue Fund) to the Tobacco Settlement Authority (a blended component unit classified as a Special Revenue Fund) for repayment of bonds issued by the Authority, the proceeds of which were provided to the State, and $27.6 million due from the Honey Creek Park (an Enterprise Fund) to the Honey Creek Authority (a blended component unit classified as a Special Revenue Fund) for repayment of funds provided for development of the destination park. The interfund advances will be reduced by pledged tobacco settlement moneys received and the principal amount paid each year, respectively.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows (expressed in thousands):

	Beginning Balance	Beginning Balance Adjustment	Beginning Balance, Restated	Reclass-ifications	Increases	Decreases	Ending Balance
Governmental activities							
Capital assets not being depreciated:							
Land	$ 681,922	$ -	$ 681,922	$ (198)	$ 26,127	$ 3,285	$ 704,566
Construction in progress	125,065	-	125,065	(54,737)	101,231	1,162	170,397
Computer software in progress	12,874	-	12,874	(8,533)	6,220	-	10,561
Total capital assets not being depreciated	819,861	-	819,861	(63,468)	133,578	4,447	885,524
Capital assets being depreciated:							
Infrastructure	9,542,317	-	9,542,317	71	525,801	27,597	10,040,592
Works of art and historical treasures	1,415	-	1,415	-	-	-	1,415
Land improvements	41,116	-	41,116	957	23	-	42,096
Buildings and improvements	1,233,735	-	1,233,735	53,801	29,714	294	1,316,956
Machinery, equipment and vehicles	467,405	-	467,405	106	24,190	18,840	472,861
Computer software	11,626	-	11,626	8,533	1,362	-	21,521
Total capital assets being depreciated	11,297,614	-	11,297,614	63,468	581,090	46,731	11,895,441
Less accumulated depreciation for:							
Infrastructure	4,345,882	-	4,345,882	-	383,995	20,033	4,709,844
Works of art and historical treasures	144	-	144	-	14	-	158
Land improvements	15,034	-	15,034	-	1,402	-	16,436
Buildings and improvements	532,128	-	532,128	-	28,480	111	560,497
Machinery, equipment and vehicles	282,275	-	282,275	-	34,519	16,662	300,132
Computer software	6,025	-	6,025	-	2,183	-	8,208
Total accumulated depreciation	5,181,488	-	5,181,488	-	450,593	36,806	5,595,275
Total capital assets being depreciated (net)	6,116,126	-	6,116,126	63,468	130,497	9,925	6,300,166
Governmental activities capital assets (net)	$6,935,987	$ -	$6,935,987	$ -	$264,075	$ 14,372	$7,185,690

	Beginning Balance	Beginning Balance Adjustment *	Beginning Balance, Restated	Reclass-ifications	Increases	Decreases	Ending Balance
Business-type activities							
Capital assets not being depreciated:							
Land	$ 44,286	$ (392)	$ 43,894	$ -	$ 14,884	$ 76	$ 58,702
Land improvements	5,733	-	5,733	-	-	-	5,733
Construction in progress	470,604	-	470,604	(427,706)	313,296	3,251	352,943
Computer software in progress	16,992	-	16,992	(2,805)	6,679	4,279	16,587
Other intangibles in progress	-	-	-	-	2,302	-	2,302
Works of art	32,780	-	32,780	-	429	-	33,209
Library collections	242,863	-	242,863	-	15,818	1,759	256,922
Total capital assets not being depreciated	813,258	(392)	812,866	(430,511)	353,408	9,365	726,398
Capital assets being depreciated:							
Infrastructure	722,675	-	722,675	69,938	1,344	-	793,957
Library collections	224,096	-	224,096	-	11,712	960	234,848
Land improvements	53,870	-	53,870	6,531	559	-	60,960
Buildings and improvements	3,649,052	(1,986)	3,647,066	350,452	6,982	9,565	3,994,935
Machinery, equipment and vehicles	928,412	(8,263)	920,149	785	80,720	53,196	948,458
Trademarks	-	-	-	-	285	-	285
Computer software	71,354	-	71,354	2,805	3,014	3,015	74,158
Total capital assets being depreciated	5,649,459	(10,249)	5,639,210	430,511	104,616	66,736	6,107,601
Less accumulated depreciation for:							
Infrastructure	434,856	-	434,856	-	25,907	-	460,763
Library collections	177,587	-	177,587	-	10,377	960	187,004
Land improvements	32,143	-	32,143	-	2,302	-	34,445
Buildings and improvements	1,657,566	(260)	1,657,306	-	124,009	4,779	1,776,536
Machinery, equipment and vehicles	599,864	(6,946)	592,918	-	75,531	45,166	623,283
Trademarks	-	-	-	-	8	-	8
Computer software	25,909	-	25,909	-	6,017	2,704	29,222
Total accumulated depreciation	2,927,925	(7,206)	2,920,719	-	244,151	53,609	3,111,261
Total capital assets being depreciated (net)	2,721,534	(3,043)	2,718,491	430,511	(139,535)	13,127	2,996,340
Business-type activities capital assets (net)	$3,534,792	$ (3,435)	$3,531,357	$ -	$213,873	$ 22,492	$3,722,738

* - To reclassify the Iowa Lottery Authority from a blended component unit to a discrete component unit.

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

Governmental activities:	
Administration & regulation	$ 8,617
Education	6,064
Heath & human rights	3,016
Human services	5,234
Justice & public defense	22,287
Economic development	345
Transportation	385,637
Agriculture & natural resources	5,319
Subtotal	436,519
Depreciation on capital assets held by the State's internal service funds is allocated to the various functions based on their use of the assets	14,074
Total	$ 450,593
Business-type activities:	
Enterprise	$ 244,151

Discretely Presented Component Units (expressed in thousands)

Capital assets not being depreciated:	
Land	$ 7,698
Construction in progress	15,818
Total capital assets not being depreciated	23,516
Capital assets being depreciated:	
Infrastructure	9,786
Buildings and improvements	103,013
Land improvements	45
Machinery, equipment and vehicles	19,379
Computer software	6,096
Total capital assets being depreciated	138,319
Less accumulated depreciation	59,544
Total capital assets being depreciated (net)	78,775
Discretely presented component units capital assets (net)	$ 102,291

Impairment of Capital Assets

The Department of Transportation and Iowa State University experienced impairments to roads and buildings as a result of flooding during fiscal year 2011. See NOTE 23 – EXTRAORDINARY ITEMS for additional information.

Department of Transportation

An impairment loss associated with Iowa Highway 2 and Interstate 680 has been calculated as required by GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* (expressed in thousands).

Historical cost	$ 8,243
Accumulated depreciation	3,849
Carrying value	$ 4,394
Restoration cost	$ 20,584
Replacement cost	$ 20,584
Restoration cost ratio	100%
Impairment loss	$ 4,394

The impairment loss is calculated using the restoration cost approach by applying a ratio of the estimated restoration costs to replacement costs, multiplied by the carrying value of each impaired road. The expected cost to restore the impaired roads is $20.6 million. The restoration cost ratio is calculated separately for the two impaired roads; the ratio is 100% for both roads. The resulting impairment loss, based on each road's carrying value, is $4.4 million.

The Department of Transportation had idle assets at June 30, 2011, with a carrying value of $4.4 million.

The May 2011 flood is treated as an extraordinary event as it meets the criteria for being both unusual in nature and infrequent in occurrence. The impairment loss is recorded as an extraordinary item in the financial statements. The future costs, which will be expended to restore the impaired roads, will be recorded as separate transactions as restoration occurs.

Iowa State University

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

Historical cost	$ 24,247
Accumulated depreciation	11,550
Carrying value	$ 12,697
Restoration cost	$ 8,811
Deflation factor, compounded	0.81
Deflated restoration costs	$ 7,123
Restoration cost ratio	26.5%
Impairment loss	$ (3,366)
Insurance recovery	8,604
Net building impairment gain	$ 5,238

The impairment loss is measured using the restoration cost approach. The expected cost to restore the impaired buildings (excluding building contents) is $8.8 million. Restoration costs were deflated using a 3% cost index compounded over the life of each building. The deflation factor was calculated separately for each building and ranged from 0.53 to 0.89, with the weighted average being 0.81. The deflated restoration cost of the impaired buildings is $7.1 million. The amount of the impairment is calculated using a ratio of deflated restoration costs over historical cost, multiplied by the carrying value of each impaired asset. As a result, assets fully depreciated prior to the flood would have an impairment loss of zero, regardless of damage. The restoration cost ratio was calculated separately for each impaired building; the ratios range from 0.38% to 100%, with the weighted average being 26.5%. The resulting total gross impairment loss, based on each asset's carrying value, is $3.4 million. GASB 42 requires that impairment loss be reported net of insurance recoveries. We have estimated the realizable insurance recovery associated with building impairment to be $8.6 million, resulting in a net building impairment gain of $5.2 million.

None of the impaired buildings remain idle as of June 30, 2011.

The August 2010 flood is treated as an extraordinary event as it meets the criteria for being both unusual in nature and infrequent in occurrence. The net impairment gain is recorded as an extraordinary item in the financial statements.

NOTE 7 – CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2011, are summarized as follows (expressed in thousands):

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts due within one year
Governmental activities					
Compensated absences	$ 288,733	$ 157,936	$ 138,720	$ 307,949	$ 137,386
Capital leases	5,534	93	1,963	3,664	817
Other financing arrangements	2,539	-	394	2,145	204
Revenue bonds	1,631,945	337,989	39,308	1,930,626	113,789
Early retirement/termination benefits	158,810	3,640	39,108	123,342	33,139
Other postemployment benefits	42,087	16,351	-	58,438	-
Pension	43,312	6,113	305	49,120	-
Risk management	18,000	8,508	6,508	20,000	6,951
Pollution remediation	46,859	-	4,623	42,236	8,796
Other liabilities	1,448	71	103	1,416	189
Total *	2,239,267	530,701	231,032	2,538,936	301,271
Allocation of Internal Service Funds liability:					
Compensated absences	5,371	2,815	2,394	5,792	2,868
Early retirement/termination benefits	3,981	116	1,020	3,077	803
Total	9,352	2,931	3,414	8,869	3,671
Total primary government - governmental activities	$ 2,248,619	$ 533,632	$ 234,446	$ 2,547,805	$ 304,942
Business-type activities					
Compensated absences	$ 170,566	$ 74,456	$ 68,152	$ 176,870	$ 67,747
Capital leases	139,407	12,916	9,212	143,111	9,228
Other financing arrangements	24,002	5,000	883	28,119	16,238
Revenue bonds	1,280,588	155,370	99,134	1,336,824	57,964
Early retirement/termination benefits	35,440	2,993	6,643	31,790	8,906
Other postemployment benefits	48,126	18,076	-	66,202	-
Total primary government - business-type activities	$ 1,698,129	$ 268,811	$ 184,024	$ 1,782,916	$ 160,083

* The General Fund has typically been used to liquidate most long-term liabilities, except for $754.6 million and $33.2 million of revenue bonds to be liquidated by the Tobacco Settlement Authority and the Honey Creek Authority, respectively, both Special Revenue Funds.

NOTE 8 – CAPITAL LEASES

The State has entered into agreements to lease various equipment and property. The agreements have interest rates ranging from 0.00% to 20.73% and expire before June 30, 2031.

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

A. Primary Government

Governmental Activities

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

Year Ending June 30,	Principal	Interest
2012	$ 817	$ 165
2013	800	118
2014	619	85
2015	535	58
2016	516	34
Thereafter	377	36
Total	$ 3,664	$ 496

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

Buildings & improvements	$ 2,513
Equipment	1,069
Total	3,582
Accumulated depreciation	(1,022)
Net	$ 2,560

Business-type Activities

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

Year Ending June 30,	Principal	Interest
2012	$ 9,228	$ 6,362
2013	9,427	6,018
2014	9,382	5,665
2015	9,644	5,304
2016	13,285	4,836
2017-2021	46,620	17,854
2022-2026	28,300	9,343
Thereafter	17,225	2,296
Total	$ 143,111	$ 57,678

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):

Land	$ 2,638
Construction in progress	13,784
Buildings & improvements	207,217
Equipment	3,633
Total	227,272
Accumulated depreciation	(48,582)
Net	$ 178,690

B. Component Units

The University of Iowa Foundation has entered into a lease agreement with the University of Iowa for a leasehold interest in a building. The following is a schedule by year of the future minimum payments required (expressed in thousands):

Year Ending June 30,	Principal
2012	$ 610
2013	645
2014	670
2015	690
2016	725
Thereafter	2,345
Total	$ 5,685

NOTE 9 – OTHER FINANCING ARRANGEMENTS PAYABLE

Loans and Contracts Payable – Primary Government

Governmental Activities

The Iowa Department of Natural Resources has entered into agreements for facilities and land for a total of $3,918,000 with interest rates of 3.00%. The following is a schedule by year of the future minimum payments required (expressed in thousands):

Year Ending June 30,	Principal	Interest
2012	$ 204	$ 64
2013	212	58
2014	219	52
2015	230	45
2016	238	39
2017-2021	928	88
Thereafter	114	3
Total	$ 2,145	$ 349

Business-type Activities

Iowa State University, the University of Northern Iowa and the University of Iowa have entered into agreements for buildings and equipment for a total of $45,119,538. The agreements are for periods of 7 to 23 years with interest rates ranging from 0.00% to 6.50%. The following is a schedule by year of future minimum payments required (expressed in thousands):

Year Ending June 30,	Principal	Interest
2012	$ 16,238	$ 675
2013	673	431
2014	644	397
2015	595	364
2016	704	331
2017-2021	3,905	1,066
2022-2026	1,130	303
Thereafter	4,230	107
Total	$ 28,119	$ 3,674

NOTE 10 – BONDS PAYABLE

Revenue bonds payable at June 30, 2011, are as follows (expressed in thousands):

	ISSUE DATES	ORIGINAL ISSUANCE	INTEREST RATES	MATURITY DATE RANGE	OUTSTANDING PRINCIPAL
PRIMARY GOVERNMENT					
Governmental activities					
Revenue bonds					
Term bonds					
Tobacco Settlement Authority	2006	$ 635,635	5.38-6.50	2007-2041	$ 569,855
Honey Creek Authority	2007	15,215	4.50	2029-2036	15,215
IJOBS - 2010	2011	63,635	4.00-5.25	2034-2038	63,635
Total					648,705
Serial bonds					
Vision Iowa	2002	$ 196,375	2.25-5.50	2002-2020	121,100
School Infrastructure	2002	48,585	3.50-5.50	2002-2021	26,730
Department of Corrections (1)	2002	54,240	4.00-5.38	2007-2016	30,105
Honey Creek Authority	2007	18,155	3.95-5.00	2011-2028	17,785
Iowa Utilities Board	2010	12,640	5.04	2011-2029	12,390
IJOBS - 2009	2010	601,070	3.00-6.75	2011-2034	587,320
Prison Infrastructure	2011	135,050	2.00-5.00	2012-2027	135,050
IJOBS - 2010	2011	113,260	0.92-5.00	2012-2030	113,260
Total					1,043,740
Capital appreciation bonds					
Tobacco Settlement Authority	2006	$ 729,800	5.60-7.13	2007-2046	729,800
Total revenue bonds					2,422,245
Unamortized premium					54,581
Unamortized discount					(546,200)
Total governmental activities					$ 1,930,626

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(continued)

	ISSUE DATES	ORIGINAL ISSUANCE	INTEREST RATES	MATURITY DATE RANGE	OUTSTANDING PRINCIPAL
PRIMARY GOVERNMENT					
Business-type activities					
Revenue bonds					
University of Iowa	1968-2011	$ 916,755	2.00-8.38	1994-2037	$ 780,302
Iowa State University	1988-2011	518,225	2.00-6.10	1997-2038	422,955
University of Northern Iowa	1994-2011	181,611	1.80-8.25	1995-2035	135,547
Total revenue bonds					1,338,804
Unamortized premium					1,153
Unamortized discount					(2,873)
Unamortized net refunding loss					(260)
Total business-type activities					$ 1,336,824
COMPONENT UNITS					
Revenue bonds					
Iowa Finance Authority	1977-2011	$ 2,786,629	variable (2)	2002-2040	$ 1,736,279
Iowa Lottery Authority	2004	8,800	3.28	2005-2019	1,200
Iowa State University Foundation	2002	3,850	4.75	2003-2020	2,773
Total revenue bonds					1,740,252
Unamortized premium					21,456
Total component units					$ 1,761,708

(1) The Iowa Finance Authority (Finance Authority) has characterized the bonds as conduit debt obligations and omitted them from the Finance Authority's financial statements. Although these bonds have characteristics of conduit debt, GASB has stated such debt is not conduit debt when the issuer (Finance Authority) and the beneficiary (the State of Iowa) are within the same financial reporting entity. Since the bonds are not conduit debt, the Finance Authority should have included the liability for the bonds and the due from the State of Iowa in its financial statements and the State of Iowa's financial statements should have reported a due to Finance Authority rather than a liability for bonds payable. Because there is no significant effect on the net assets of the Finance Authority or the State of Iowa as a result of the Finance Authority's omission, the CAFR has been prepared to reflect the reporting method used by the Finance Authority in its annual financial statements for the year ended June 30, 2011.

(2) Variable rates are as of June 30, 2011.

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 90% of total deposits into the Vision Iowa Fund. As of June 30, 2011, total principal and interest remaining to be paid on the debt is $159,491,082. Principal and interest paid for the current year and total deposits into the Vision Iowa Fund were $15,891,804 and $15,608,458, respectively.

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

School Infrastructure

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

The State has pledged a portion of the future revenues to be deposited into the School Infrastructure Fund to repay $48.6 million of bonds issued in November 2001. These revenues include a standing appropriation of $5 million annually from gaming revenues, certain earnings on the School Infrastructure Fund and Bond Reserve Fund (including any amounts appropriated to replenish the Bond Reserve Fund to its required balance) and, to the extent of any shortfall in gaming revenues, Lottery revenues. The bonds are payable solely and only from certain revenues deposited into the School Infrastructure Fund and the Bond Reserve Fund and are payable through fiscal year 2021. Annual principal and interest payments on the bonds are expected to require less than 68% of total deposits into the School Infrastructure Fund. As of June 30, 2011, total principal and interest remaining to be paid on the debt is $34,660,550. Principal and interest paid for the current year and total deposits into the School Infrastructure Fund were $3,466,925 and $5,267,241, respectively.

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

Iowa Department of Corrections

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

Pursuant to an Indenture of Trust among the Finance Authority, the Iowa Department of Corrections and U.S. Bank National Association (the "Trustee"), the State has pledged, as security for the bonds issued by the Finance Authority, amounts sufficient to cover the principal and interest requirements on the Finance Authority's debt consisting of all funds deposited into the Prison Infrastructure Fund (not reverting to the State General Fund at year end), investment earnings on moneys in the Prison Infrastructure Fund and certain other moneys held by the Trustee under the Indenture. Current State law requires the first $9,500,000 of moneys remitted to the Treasurer of State each fiscal year from certain fees and fines collected from the clerks of district court in criminal cases be deposited in the Prison Infrastructure Fund. The bonds, issued by the Finance Authority in fiscal year 2002 for $54.2 million, are payable through fiscal year 2016. The Finance Authority has pledged, as sole security for the bonds, all funds deposited in the Prison Infrastructure Fund (not reverting to the State General Fund at year end), investment earnings on moneys in the Prison Infrastructure Fund and certain other moneys held by the Trustee under the Indenture. Annual principal and interest payments on the bonds are expected to require less than 56% of total deposits into the Prison Infrastructure Fund. As of June 30, 2011, total principal and interest remaining to be paid on the debt is $34,468,157. Principal and interest paid for the current year and total deposits into the Prison Infrastructure Fund were $8,390,981 and $15,042,445, respectively.

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

Tobacco Settlement Authority

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

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

The bonds, issued by the Authority in fiscal year 2006 in the par amount of $1.4 billion are payable through fiscal year 2046. The Authority has pledged, as the sole security for the bonds, 78% of the future TSRs payable under the terms of the Sales Agreement, investment earnings on certain accounts pledged under the bond indenture and amounts held in accounts established under the bond indenture (i.e. collection, debt service reserve, turbo redemption, etc.). As of June 30, 2011, total principal and interest remaining on the debt is $2,267,176,824 with annual requirements ranging from $121.3 million in 2012 to $734.9 million in the final year. TSRs received by

the State have averaged $58,076,336 per year over the last 13 years. For the current year, principal and interest paid by the Authority and the total TSRs recognized by the State were $52,257,004 and $64,398,999, 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.

In prior years, the Authority defeased certain revenue bonds by placing the proceeds of new bonds along with other resources in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Tobacco Settlement Asset-Backed Bonds, Series 2001 A and 2001 B. Accordingly, trust account assets and the liability for the defeased bonds are not included in the State's financial statements. In the current year the balance of the defeased bonds was repaid. As of June 30, 2011, there were no bonds outstanding considered defeased.

Honey Creek Authority

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

Pursuant to an Indenture of Trust among the Authority, the Iowa Department of Natural Resources, the Treasurer of the State of Iowa and Bankers Trust Company, N.A. (the "Trustee"), the State has pledged, as security for the bonds issued by the Authority, amounts sufficient to cover the principal and interest requirements on the Authority's debt consisting of net revenues from Honey Creek Park, if any, and the Debt Service Reserve Account (including any amounts appropriated by the State for the replenishment of the Debt Service Reserve Account to its required balance). The bonds, issued by the Authority in fiscal year 2007 for $33.4 million, are payable through fiscal year 2036. The Authority has pledged, as the sole security for the bonds, net revenues to be received under the Indenture, if any, and amounts in the Honey Creek Park fund and the Debt Service Reserve Account and all other moneys and securities pledged or assigned to the Trustee under the Indenture. During the year ended June 30, 2011, the Department of Natural Resources provided $1,802,684, on behalf of Honey Creek Park, to the Authority for payment of bond principal and interest. As of June 30, 2011, total principal and interest remaining on the debt is $56,650,780 with annual requirements ranging from $2.0 million in 2012 to $2.3 million in the final year. Principal and interest paid by the Authority in the current year totaled $1,877,485.

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

IJOBS – 2009

The State of Iowa has issued IJOBS Program Special Obligation Bonds to finance certain infrastructure projects of the State and certain grant and loan programs of the State. The State has pledged a portion of future revenues to repay $601.1 million ($380.1 million in State of Iowa IJOBS Program Special Obligation Bonds Series 2009A and $221 million in State of Iowa IJOBS Program Special Obligation Bonds Taxable Series 2009B) of bonds issued in July 2009. These revenues include amounts to be deposited in the Revenue Bonds Debt Service Fund including a standing appropriation of $55 million annually from gaming revenues and, to the extent of any shortfall in gaming revenues, beer and liquor revenues. The State has designated the Series 2009B Bonds as Build America Bonds under the American Recovery and Reinvestment Act of 2009, and as such, elected to receive from the federal government a subsidy equal to 35% of the amount of each interest payment on the taxable bonds. The bonds are payable from the Bond Reserve Fund including any amounts appropriated to replenish such fund and are payable through fiscal year 2034. Annual principal and interest payments on the bonds are expected to require less than 78% of total deposits into the Revenue Bonds Debt Service Fund. As of June 30, 2011, total principal and interest remaining to be paid on the debt is $1,081,521,537. Principal and interest paid for the current year and total deposits into the Revenue Bonds Debt Service Fund were $47,023,294 and $60,366,464, respectively.

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

Iowa Utilities Board and Consumer Advocate State Building

The State of Iowa has issued Iowa Utilities Board and Consumer Advocate State Building Special Obligation Bonds, totaling $12.6 million, to finance the costs of construction of a new building. All amounts collected by the Iowa Utilities Board shall be deposited in accordance with Iowa Code Sections 476.10 and 476.10B as Chargeable

Expenses in each fiscal year until the amount of deposit is equal to the amount of principal and interest on the bonds due in that fiscal year. The bonds are payable from the IUB/OCA Bond Fund and are payable through fiscal year 2029. Annual principal and interest payments on the bonds are expected to require 100% of total deposits into the IUB/OCA Bond Fund. As of June 30, 2011, total principal and interest remaining to be paid on the debt is $19,135,788. Principal and interest paid for the current year and total deposits into the IUB/OCA Bond Fund were $887,056 and $887,114, respectively.

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

Prison Infrastructure

The State of Iowa has issued Special Obligation Bonds (Prison Infrastructure Fund) to finance the costs of the construction of a new Iowa State Penitentiary at Fort Madison, Iowa and to redeem the outstanding Iowa Prison Infrastructure Fund Revenue Bond Anticipation Notes, Series 2009. The State has pledged all funds deposited in the Prison Infrastructure Fund from fines, fees, costs, and forfeited bail collected by the clerks of the district court in criminal cases, including those collected for both scheduled and nonscheduled violations, but excluding fines and fees attributable to commercial vehicle violation citations issued after July 1, 1998, not reverting to the State's General Fund at the end of each fiscal year, plus interest earnings on moneys in the Prison Infrastructure Fund to repay $135.0 million in bonds issued in July 2010. The bonds are payable from the Debt Service Reserve Fund and are payable through fiscal year 2027. Annual principal and interest payments on the bonds are expected to require less than 38% of total deposits into the Prison Infrastructure Fund. As of June 30, 2011, total principal and interest remaining to be paid on the debt is $204,222,877. Interest paid in the current year and total deposits into the Prison Infrastructure Fund were $5,697,783 and $15,042,445, respectively. The first principal payment on the bonds is due June 15, 2012.

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

IJOBS – 2010

The State of Iowa has issued IJOBS Program Special Obligation Bonds to finance certain infrastructure projects of the State and certain grant and loan programs of the State. The State has pledged a portion of future revenues to repay $176.9 million ($151.3 million in State of Iowa IJOBS Program Special Obligation Bonds Series 2010A and $25.6 million in State of Iowa IJOBS Program Special Obligation Bonds Taxable Series 2010B) in bonds issued in October 2010. These revenues include amounts to be deposited in the Revenue Bonds Debt Service Fund including a standing appropriation of $55 million annually from gaming revenues and, to the extent of any shortfall in gaming revenues, beer and liquor revenues. The bonds are payable from the Bond Reserve Fund including any amounts appropriated to replenish such fund and are payable through fiscal year 2038. As of June 30, 2011, total principal and interest remaining to be paid on the debt is $303,870,673. Interest paid in the current year totaled $5,120,960. The first principal payment on the bonds is due June 1, 2012.

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.

Underground Storage Tank

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

In a prior year, the Finance Authority defeased certain revenue bonds by placing proceeds from existing resources in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Iowa Underground Storage Tank Fund Revenue Refunding Bonds, 2004 Series A. Accordingly, trust account assets and the liability for the defeased bonds are not included in the State's financial statements. As of June 30, 2011, bonds totaling $8,675,000 are considered defeased.

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

Year Ending June 30,	Principal	Interest
2012	$ 120,030	$ 97,897
2013	73,695	94,223
2014	78,635	90,213
2015	49,665	85,799
2016	46,490	83,280
2017-2021	268,115	381,191
2022-2026	233,105	319,292
2027-2031	219,490	259,908
2032-2036	352,000	172,305
2037-2041	119,980	98,438
Thereafter	861,040	56,406
Total	$2,422,245	$1,738,952

B. Primary Government – Business-type Activities

Universities

During the current year, the *University of Iowa* issued $30,000,000 of Hospital Revenue Bonds, Series S.U.I. 2010, with an interest rate range of 3.00-4.50% to defray the costs of constructing additions to the general hospital on the campus of the University.

During the current year, the *University of Iowa* issued $19,775,000 of Athletic Facilities Revenue Bonds, Series S.U.I. 2010 with an interest rate range of 2.00-4.00% to defray the costs of improving, constructing and equipping certain athletic and recreational buildings and facilities at the University. The revenues pledged to these bonds are student fees, tickets sold to athletic events and concessions at athletic events.

During the current year, the *University of Iowa* issued $11,830,000 of Telecommunications Facilities Revenue Bonds, Series S.U.I 2011 with an interest rate range of 2.00-4.50% to defray the costs of constructing, equipping, and furnishing the telecommunications facilities of the University. The revenues pledged to these bonds are charges assessed to the users of the telecommunications facilities.

During the current year, the *University of Iowa* issued $5,120,000 of Dormitory Revenue Refunding Bonds, Series S.U.I. 2011, with an average interest rate of 3.51% and accrued interest of $9,000 to advance refund $5,680,000 of outstanding Dormitory Revenue Bonds, Series S.U.I 1999 with interest rates ranging between 4.30 and 4.75%.

Net bond proceeds of $5,386,000 were placed in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully service all remaining principal and interest due on the bonds. The Dormitory Revenue Bonds, Series S.U.I 1999 were called on May 1, 2011.

The advance refunding permitted the University of Iowa to realize an economic gain (difference between present values of the old and new debt service payments) of $592,000 and reduced the aggregate debt service payments by $630,000 over the next nine 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, 2011, bonds totaling $26,915,000 for the University of Iowa were considered defeased.

During the current year, *Iowa State University* issued Academic Building Revenue Bonds, Series I.S.U. 2010 for $28,225,000 with an interest rate range of 3.00-4.12%. The proceeds of these bonds will be used to pay a portion of the costs of constructing, furnishing and equipping academic facilities. These bonds will be payable solely out of gross student fees and charges and institutional income received by Iowa State University.

During the current year, *Iowa State University* issued $17,295,000 of Dormitory Revenue Refunding Bonds, Series I.S.U. 2011, the proceeds of which were placed in an irrevocable trust to refund $17,420,000 of Dormitory Revenue Bonds Refunding, Series I.S.U. 2001A. 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 $1,983,695 and will reduce future aggregate debt service payments over the next 17 years by $2,735,138.

During the current year, *Iowa State University* issued $12,565,000 of Dormitory Revenue Refunding Bonds, Series I.S.U. 2011A, with an interest rate range of 2.00-4.00%, the proceeds of which were placed in an irrevocable trust to refund $12,035,000 of Dormitory Revenue Bonds, Series I.S.U. 2002. The advance 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 $859,470 and will reduce future aggregate debt service payments over the next 17 years by $1,149,783.

During the current year, the *University of Northern Iowa* issued $16,790,000 of Dormitory System Revenue Bonds, Series U.N.I. 2010 with an interest rate range of 3.25-5.00% to defray the cost of constructing and equipping dormitories and related facilities.

During the current year, the *University of Northern Iowa* issued $10,160,000 of Dormitory Revenue Refunding Bonds, Series U.N.I. 2010B with an average interest rate of 3.31%. The bond proceeds refunded $10,545,000 of Dormitory Revenue Bonds, Series U.N.I. 2000.

Net bond proceeds of $9,858,832 and $963,690 in University funds were placed in an irrevocable escrow account with Wells Fargo Bank, National Association as trustee. The escrow account is sufficient to fully pay the remaining principal and interest due on the outstanding bonds. The Dormitory Revenue Bonds, Series U.N.I. 2000 will be called on July 1, 2011.

The advance 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 $733,328 and will reduce aggregate debt service payments over the next ten years by $1,007,471.

During the current fiscal year, the U*niversity of Northern Iowa* issued $3,610,000 of Field House Revenue Refunding Bonds, Series U.N.I. 2011, the proceeds of which were placed in an irrevocable trust to refund $3,360,000 of Field House Revenue Bonds, Series U.N.I. 2001. 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 $350,651 and will reduce future aggregate debt service payments over the next 11 years by $393,851.

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

Year Ending June 30,	Principal	Interest
2012	$ 57,964	$ 55,749
2013	86,688	52,550
2014	62,849	49,209
2015	60,261	47,325
2016	60,692	45,643
2017-2021	321,970	185,258
2022-2026	316,105	118,094
2027-2031	241,480	53,884
2032-2036	119,265	15,069
Thereafter	11,530	415
Total	$ 1,338,804	$ 623,196

C. Component Units

Iowa Finance Authority

The Iowa Finance Authority (Finance Authority) is authorized and has issued bonds to provide affordable mortgage financing and to meet the 20% State match required for federal capitalization grants which are used to provide loans for construction of wastewater and drinking water facilities. The bonds are payable principally from

repayments of such loans. The obligations do not constitute a debt of the State of Iowa and the State is not liable for any repayments.

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

The Single Family Mortgage Bond Resolutions, the Single Family Housing Bond Resolutions and the Multifamily Bond Indenture contain covenants which require the Finance Authority to make payments of principal and interest from amounts available in the Finance Authority's General Fund should deficiencies occur in the funds established for such payments by the respective bond resolutions. The Draw Down Bond Indenture under the Single Family Bond Program and the bond resolutions for the Clean Water Program Funds and Drinking Water Program Funds do not contain these covenants.

During the current fiscal year, the Finance Authority issued one new single family bond series totaling $20.8 million and converted $31.2 million of new issue bond program escrow bonds to program bonds to purchase Mortgage-backed Securities under the FirstHome Program and issued one municipalities and water system (SRF) bond series totaling $292.9 million to originate SRF loans. The Finance Authority also arranged financing of $23.1 million to fund multifamily construction projects. The Finance Authority made bond payments of $428.8 million during the fiscal year.

In prior years, the Finance Authority defeased certain bonds by depositing funds or securities into an irrevocable trust with an escrow agent to provide for future interest and principal payments. Accordingly, the trust account assets and liabilities for these defeased bonds are not included in the Finance Authority's financial statements. As of June 30, 2011, bonds totaling $56,030,000 are considered defeased.

Iowa Lottery Authority

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

Universities Foundations

Iowa State University Foundation in prior years issued $3,850,000 of bonds to purchase and remodel the Foundation Advancement Center building. The bonds are collateralized with a mortgage on the building and other real estate owned by the Foundation. In March, 2010, the bonds were refinanced under an amended agreement. The refinanced bonds have varying maturities through 2020 and have an interest rate of 4.75%. The Foundation has no taxing authority and bonds issued do not constitute a debt, liability or obligation of the State of Iowa or any political subdivision thereof.

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

Year Ending June 30,	Principal	Interest
2012	$ 245,983	$ 58,511
2013	51,796	54,381
2014	55,072	52,167
2015	57,110	49,852
2016	53,969	47,613
2017-2021	302,219	204,651
2022-2026	334,281	139,347
2027-2031	314,065	71,899
2032-2036	220,410	28,884
2037-2041	104,730	4,226
Thereafter	617	10
Total	$ 1,740,252	$ 711,541

NOTE 11 – ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals at June 30, 2011, consisted of the following (expressed in thousands):

	Current	Noncurrent
PRIMARY GOVERNMENT		
Governmental activities		
Salaries & fringes	$ 29,605	$ -
Early retirement/termination benefits	33,942	92,477
Other postemployment benefits	-	58,438
Pension	-	49,120
Risk management	6,951	13,049
Pollution remediation	8,796	33,440
State aid	650,301	-
Trade & other payables	596,895	27,645
Total governmental activities	$ 1,326,490	$ 274,169
Business-type activities		
Salaries & fringes	$ 138,580	$ -
Early retirement/termination benefits	8,906	22,884
Other postemployment benefits	-	66,202
General claims	31,514	-
Unemployment benefits	16,511	-
Trade & other payables	176,599	14,844
Total business-type activities	$ 372,110	$ 103,930
COMPONENT UNITS		
Annuity & life income obligations	$ 389	$ 49,390
Lotto prizes & annuity prizes payable	3,541	7,437
Pledges due to University	587	282
Pledges due to State	16,795	-
Other	130,601	51,811
Total component units	$ 151,913	$ 108,920

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, 2011, pollution remediation obligations totaling $42,236,173 were recorded for the removal of leaking underground storage tanks.

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

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

NOTE 12 – NET ASSETS/GOVERNMENTAL FUND BALANCES

A. Net Assets Restricted By Enabling Legislation

The Governmental Activities Statement of Net Assets reports $1,218,546,207 of Restricted Net Assets, of which $14,685,325 is restricted by enabling legislation.

B. Governmental Fund Balances

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

The nonspendable and spendable fund balances for governmental funds at June 30, 2011, are as follows (expressed in thousands):

	GENERAL FUND	TOBACCO SETTLEMENT AUTHORITY	TOBACCO COLLECTIONS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
NONSPENDABLE					
Inventory & prepaid	$ 31,364	$ -	$ -	$ 165	$ 31,529
Permanent fund principal	-	-	-	15,527	15,527
SPENDABLE					
Restricted:					
Administration & regulation	364,889	596,893	-	2,983	964,765
Education	23,927	-	-	60,632	84,559
Health & human rights	28,106	-	-	3,935	32,041
Human services	28,170	-	-	21	28,191
Justice & public defense	52,150	-	-	94,451	146,601
Economic development	75,963	-	-	14,714	90,677
Transportation	641,540	-	-	-	641,540
Agriculture & natural resources	17,993	-	-	30,234	48,227
Committed:					
Administration & regulation	819,812	-	-	5,879	825,691
Education	16,290	-	-	602	16,892
Health & human rights	7,328	-	-	55	7,383
Human services	76,217	-	-	279	76,496
Justice & public defense	43,454	-	-	566	44,020
Economic development	163,366	-	-	91	163,457
Transportation	32,669	-	-	1,959	34,628
Agriculture & natural resources	83,666	-	-	16,272	99,938
Reserve funds:					
Cash reserve	344,502	-	-	-	344,502
Iowa economic emergency	99,131	-	-	-	99,131
Unassigned	(250,589)	-	(512,997)	(13)	(763,599)
TOTAL FUND BALANCES	$ 2,699,948	$ 596,893	$ (512,997)	$ 248,352	$ 3,032,196

Stabilization Arrangements (Reserve Funds)

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

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

The **Iowa Economic Emergency Fund** is separate from the General Fund of the State and the balance in the fund is not to be considered part of the balance of the General Fund of the State. The moneys in the fund do not revert to the General Fund, unless and to the extent the fund exceeds the maximum balance. The maximum balance of the fund is equal to 2.5% of the adjusted revenue estimate for the fiscal year. If the amount of moneys in the Iowa Economic Emergency Fund is equal to the maximum balance, moneys in excess of this amount shall be transferred to the General Fund. The moneys in this fund may be appropriated by the General Assembly only in the fiscal year for which the appropriation is made. The moneys shall only be appropriated by the General Assembly for emergency expenditures. However, except as provided in Iowa Code section 8.58, the balance in the Iowa Economic Emergency Fund may be used in determining the cash position of the General Fund of the State for payment of state obligations. Interest or earnings on moneys deposited in the Iowa Economic Emergency Fund are credited to the Rebuild Iowa Infrastructure Fund.

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

Minimum Fund Balance Requirements

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

NOTE 13 – OPERATING LEASES

The State has leased office space and equipment. These leases have been classified as operating leases and expire before June 30, 2042. In most cases, management expects the leases will be renewed or replaced by other leases.

A. Primary Government

Governmental Activities

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

Year Ending June 30,	
2012	$ 12,860
2013	10,760
2014	9,038
2015	6,791
2016	4,204
2017-2021	3,351
2022-2026	419
2027-2031	317
2032-2036	333
2037-2041	346
Thereafter	14
Total	$ 48,433

All leases contain nonappropriation clauses indicating continuation of the lease is subject to funding by the Legislature. Minimum payments have not been reduced by minimum sublease rentals of $1,733,714.

Rental expense for the year ended June 30, 2011 for all operating leases, except those with terms of a month or less that were not renewed, totaled $16,103,948. Rental expense has not been adjusted for sublease rentals totaling $530,827 for the year ended June 30, 2011.

Business-type Activities

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

Year Ending June 30,	
2012	$ 8,127
2013	5,935
2014	3,343
2015	1,569
2016	842
2017-2021	2,911
2022-2026	1,000
2027-2031	227
Thereafter	2
Total	$ 23,956

Minimum payments have not been reduced by minimum sublease rentals of $94,455.

Rental expense for the year ended June 30, 2011 for all operating leases, except those with terms of a month or less that were not renewed, totaled $11,098,114. Rental expense has not been adjusted for sublease rentals totaling $41,980 for the year ended June 30, 2011.

B. Component Units

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

Year Ending June 30,	
2012	$ 214
2013	237
2014	238
2015	212
2016	149
Thereafter	21
Total	$ 1,071

Rental expense for the year ended June 30, 2011 for all operating leases, except those with terms of a month or less that were not renewed, totaled $224,508.

NOTE 14 – LESSOR OPERATING LEASES

The Iowa Department of Natural Resources leases tracts of land for agricultural purposes valued at $8,566,006. Glenwood Resource Center leases building space valued at $3,027,947. Iowa Public Television leases antenna and building space, the Department of Administrative Services and the Iowa Department of Workforce Development leases building space, and Iowa Communications Network leases fiber optic cables, for which no value has been assigned to the leased portions. The Iowa Department of Transportation leases land valued at $1,535,294. Iowa State University leases building space valued at $892,320 (net of accumulated depreciation of $162,989), tower space valued at $94,628 (net of accumulated depreciation of $64,066), equipment with an original value of $1,007,242 and tracts of land for agricultural purposes valued at $82,552. The University of Northern Iowa leases buildings valued at $1,038,194 (net of accumulated depreciation of $292,038), tower space and tracts of land for agricultural purposes valued at $523,155. The Iowa Braille & Sight Saving School leases buildings valued at $2,367,069 (net of accumulated depreciation of $1,321,811).

The following is a schedule by year of minimum future rentals on operating leases as of June 30, 2011 (expressed in thousands):

Year Ending June 30,	
2012	$ 3,996
2013	2,618
2014	1,928
2015	1,180
2016	974
2017-2021	2,604
2022-2026	1,048
Thereafter	152
Total	$ 14,500

NOTE 15 – PENSION PLANS

A. Summary of Significant Accounting Policies

Basis of Accounting

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

Method Used to Value Investments

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

The System has no investment in any specific stock or bond issues of any commercial or industrial organization, other than the U.S. government and its instrumentalities, whose fair value exceeds 5% of the plan net assets available for benefits.

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

PORS' and JRS' investments in governmental bonds and treasury notes constitute approximately 9.69% and 8.51%, respectively, of net assets held in trust for pension benefits. PORS and JRS are not permitted to invest more than 4.90% and 5.00%, respectively, of its System account in any one corporate issuer without written direction and approval of the Treasurer of State of Iowa.

B. Plan Descriptions, Contribution Information and Funding Policy

Membership of each plan consisted of the following at June 30, 2011:

	IPERS	PORS	JRS
Retirees and beneficiaries receiving benefits	98,540	547	180
Terminated members with deferred benefits	-	35	8
Active vested	127,980	552	150
Active nonvested	36,487	92	47
Inactive vested	32,452	-	-
Inactive nonvested	33,516	-	-
	328,975	1,226	385
Number of participating employers	2,177	1	1

Iowa Public Employees' Retirement System (IPERS)

Plan Description. IPERS, a public employee retirement system, was created in 1953 by the Iowa Legislature. IPERS benefits are established under Chapter 97B of the Iowa Code.

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

	June 30, 2011
Employer members:	
City	1,127
County	395
School	387
State	22
Other	246
Total	2,177

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

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

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

Contributions and Funding Policy. Member and employer contribution rates are established by statute for the regular membership. The contributions are remitted by participating employers. Certain members and employers engaged in law enforcement, fire safety and protection occupations contribute actuarially determined rates, as shown in the following table. Wages are covered up to the federal limit of $245,000 for calendar year 2011.

	Contribution Rates as of June 30, 2011		
	Employee	Employer	Total
Regular	4.50%	6.95%	11.45%
Special services group # 1 *	8.94%	8.94%	17.88%
Special services group # 2 **	6.64%	9.95%	16.59%

* - Includes sheriffs and deputies.

** - Includes all other protection occupation members.

A valuation of the liabilities and reserves of the IPERS Trust Fund is performed annually by IPERS' actuary in accordance with Iowa Code Section 97B.4(4)(d) in order to determine the amount of contributions required. The Iowa statutes provide that most IPERS members shall contribute 4.50% of pay and employers shall contribute 6.95% for a total rate of 11.45% for fiscal year 2011. The annual actuarial valuation is performed to determine whether the statutory rate will be sufficient to fund the future benefits expected to be paid by the System within the guidelines established in IPERS' funding policy (maximum amortization period of 30 years). The statutory rate is first applied to fund the normal cost. The remaining contribution rate is used to amortize the unfunded actuarial liability as a level percentage of payroll which in turn determines the amortization period. As a result, the remaining amortization period varies with each actuarial valuation. Based on the current year's actuarial valuation, the amortization period continued to exceed the 30 year maximum.

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

In 2010, legislation was passed that increased the contribution rate for regular members to 13.45% on July 1, 2011. In addition, in 2010 the Iowa Legislature passed a law that will allow IPERS to set rates for regular members based on the actuarially required rate starting in FY2013 (July 1, 2012). However, the rate cannot vary by more than 1 percentage point each year.

The amount of the actuarially determined employer contribution requirement was $568,397,561. The total amount of employer contributions made during the fiscal year ended June 30, 2011, was $468,035,175 resulting in an 82.3% funding ratio. The difference between the actuarially required employer contributions and actual employer contributions made is due entirely to statutory contribution requirements that differ from the actuarially required contribution rate.

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

Year Ended June 30,	Actuarially Required Contributions	Percentage Contributed
2009	$ 473,054,363	87.8%
2010	501,893,236	89.5%
2011	568,397,561	82.3%

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

Plan Description. PORS was created under Chapter 97A of the Code of Iowa to provide retirement and other benefits for the peace officers of the Iowa Department of Public Safety. The Peace Officers' Retirement, Accident and Disability System is the administrator of the single-employer defined benefit public employee retirement system.

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

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

PORS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Iowa Department of Public Safety Peace Officers' Retirement System, Public Safety Building, Des Moines, IA 50319.

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

Member contribution rates are established by statute at 9.35% of covered payroll. However, the System shall increase the member's contribution rate as necessary to cover any increase in cost to the System resulting from statutory changes which are enacted by any session of the General Assembly meeting after January 1, 1995 if the increase cannot be absorbed within the contribution rates established, but subject to a maximum employee contribution rate of 11.30%. After the employee contribution reaches 11.30%, 60% of the additional cost of such statutory changes shall be paid by the employer and 40% of the additional cost shall be paid by employees. This is deducted from the member's salary and remitted by the employer.

The employer is obligated by statute to contribute 23% of covered payroll. Contribution provisions are established by State law and may be amended only by the State Legislature. The State has historically followed a contribution policy of appropriating funds based upon a percentage of the current salaries for which funds are appropriated.

The member contribution required and contributed was $3,844,044, representing 9.35% of the current year covered payroll. The State contribution required by statute and the amount actually contributed was $9,554,014. Costs of administering the plan are financed through employer contributions and investment income.

Judicial Retirement System (JRS)

Plan Description. The JRS is the administrator of a single-employer defined benefit public employee retirement system.

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

Pursuant to Chapter 602 of the Code of Iowa, a member who has a total of at least four years of service as a judge of one or more of the above courts and is at least 65 years of age or who has served 20 years of consecutive service as a judge of one or more of the above courts and has attained the age of 50 years shall qualify for an annuity. The annual annuity of a judge under this System is an amount equal to 3.25% of the judge's average annual basic salary for the judge's highest three years as a judge multiplied by the judge's years of service or, for a member who meets the definition of a senior judge under Chapter 602.9202 of the Code of Iowa, 3.25% of the basic senior judge salary multiplied by the judge's years of service, limited to a specified percentage of the highest basic annual salary or basic senior judge salary, as applicable, which the judge is receiving or had received as of the time the judge or senior judge became separated from service. The specified percentage is as follows: (1) 50% for judges who retired prior to July 1, 1998; (2) 52% for judges who retired and received an annuity on or after July 1, 1998 but before July 1, 2000; (3) 56% for judges who retired and received an annuity on or after July 1, 2000 but before July 1, 2001; (4) 60% for judges who retire and receive an annuity on or after July 1, 2001 but before July 1, 2006; and (5) 65% for judges who retire and received an annuity on or after July 1, 2006. Any member who has served as a judge for a total of four years or more and is deemed permanently incapacitated, mentally or physically, to perform his/her duties shall be entitled to an annuity that would be the same as computed under a retirement annuity.

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

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

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

The member contribution required and contributed was $2,475,578, representing 9.35% of the current year covered payroll. The State contribution required by statute and the amount contributed was $8,101,876. The State share is to be based on 30.6% of the statutory salaries at the time of the appropriation request. Costs of administering the plan are financed through State appropriation, member contributions and investment income.

C. Annual Pension Cost and Net Pension Obligation

The State's annual pension cost and net pension obligation to PORS and JRS for the current year were as follows:

	PORS	JRS
Annual required contribution	$ 15,116,242	$ 7,994,811
Interest on net pension obligation	2,096,254	1,260,348
Adjustment to annual required contribution	(1,545,902)	(1,457,522)
Annual pension cost	15,666,594	7,797,637
Contributions made	9,554,014	8,101,876
Increase (decrease) in net pension obligation	6,112,580	(304,239)
Net pension obligation beginning of year	26,203,172	17,108,873
Net pension obligation end of year	$ 32,315,752	$ 16,804,634

Three-year trend information:

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Peace Officers' Retirement, Accident and Disability System			
2009	$ 13,443,384	58.75%	$ 19,541,754
2010	15,159,941	56.06%	26,203,172
2011	15,666,594	60.98%	32,315,752
Judicial Retirement System			
2009	$ 8,635,894	89.40%	$ 16,851,785
2010	8,063,486	96.81%	17,108,873
2011	7,797,637	103.90%	16,804,634

D. Funded Status and Funding Progress

The funded status of each plan as of June 30, 2011, is as follows (expressed in thousands):

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)*	Unfunded AAL (UAAL) (a) - (b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Iowa Public Employees' Retirement System	$ 22,575,309	$ 28,257,080	$ 5,681,771	79.89%	$ 6,574,873	86.42%
Peace Officers' Retirement, Accident and Disability System	288,851	461,595	172,744	62.58%	43,494	397.17%
Judicial Retirement System	109,512	164,511	54,999	66.57%	26,403	208.31%

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

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

The Schedules of Funding Progress, presented as Required Supplementary Information (RSI) following the Notes to the Financial Statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E. Actuarial Methods and Assumptions

Additional information as of the latest actuarial valuation follows:

	IPERS	PORS	JRS
Actuarial valuation date	June 30, 2011	July 1, 2011	July 1, 2011
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Method used to determine actuarial value of assets	Smoothing method - expected value at the valuation date plus 25% of the difference between the market value and expected value. The actuarial value must fall within a corridor of 80% - 120% of market value.	Smoothing method - spreads the difference between the actual return and expected return over four years.	Smoothing method - expected value plus 25% of the difference between the actual and expected value.
Amortization method	Open period, level percent of pay	Closed period, level percent of pay	Level dollar, closed basis
Amortization period	30 years* (open method)	30 years (closed)	25 years (closed)
Rate of investment return	7.50%	8.00%	7.50%
Projected salary increases	4.00% - 17.00% depending upon years of service	6.75% for the first five years, 6.50% for year six, 6.00% for year seven, 5.25% for years eight through 24 and 4.75% thereafter	4.50%
Inflation rate	3.25% for prices, 4.00% for wages	4.00% payroll growth	3.25%

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

F. Teachers Insurance and Annuity Association Retirement Program

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

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

The Board of Regents approved a temporary reduction of the university required contributions from November 2009 through June 2011 for the University of Iowa and the University of Northern Iowa. During fiscal year 2011, the employers' contributions amounted to $119,449,188. Employees' contributions amounted to $69,386,329.

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

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS

A. State Plan

Plan Description

The State of Iowa provides access to postretirement medical benefits to all retirees as required by Chapter 509A.13 of the Code of Iowa. Although the retirees generally must pay 100% of the premium rate, GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45), requires that employers recognize the Implicit Rate Subsidy that exists in postretirement medical plans provided by governmental employers.

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

The State operates a single-employer retiree benefit plan which provides medical insurance benefits for retirees. There are 25,842 active and 3,998 retired participants in the plan. The State currently offers five self-insured plans which are available to participants through Wellmark Blue Cross Blue Shield: Program 3 Plus, Deductible 3 Plus, Iowa Select, Blue Access and Blue Advantage.

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

The State's annual OPEB cost is calculated based on the annual required contribution (ARC) of the State, an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the State's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the State's net OPEB obligation:

Annual required contribution	$	40,880,000
Interest on net OPEB obligation		2,506,000
Adjustment to annual required contribution		(3,419,000)
Annual OPEB cost		39,967,000
Contributions made		(17,254,000)
Increase in net OPEB obligation		22,713,000
Net OPEB obligation beginning of year		55,698,000
Net OPEB obligation end of year	$	78,411,000

The State's plan includes AFSCME employees of the universities. The portion of the fiscal year 2011 net OPEB obligation related to those employees is $17.5 million.

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2007. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plan's actual contributions for the year ended June 30, 2011.

For fiscal year 2011, the State contributed $17,254,000 to the medical plan. The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2011 and the two preceding fiscal years are summarized as follows:

Year Ended June 30,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2009	$ 29,369,000	29.56%	$ 36,901,000
2010	30,009,000	37.36%	55,698,000
2011	39,967,000	43.17%	78,411,000

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was $377.9 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $377.9 million. The covered payroll (annual payroll of active employees covered by the plan) was $1,656.1 million and the ratio of the UAAL to the covered payroll was 22.82%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions

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

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

As of the July 1, 2010, actuarial valuation date, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.50% discount rate based on the estimated long-term investment yield on the general assets of the State. Medical trend rates were developed using a combination of a trend survey and the SOA-Getzen trend rate model. Initial trend rates start at 8.7% (managed care plans) or 9.3% (non-managed care plans) in 2011 and grade down to an ultimate rate of 5% beginning in the year 2024. For the years 2010 through 2015, the rates are based on survey data and client market expectations. The SOA-Getzen model was then used to determine the trend rates between the years 2016 through 2024, based on reasonable macro-economic assumptions for the growth of health care expenditures during this period relative to the general economy.

Mortality rates are from the RP-2000 Healthy Combined Mortality Table with generational improvements using projection scale AA for pre-retirement males set back 3 years, pre-retirement females set back 8 years, post-retirement males not set back, and pre-retirement females set forward 1 year with a 70% decrease below age 75 and a 10% decrease above age 75. The majority of State of Iowa employees are participants in the Iowa Public Employees' Retirement System. For this reason, the mortality rates, withdrawal, retirement and age of spouse assumptions are based on the assumptions used for the Iowa Public Employees' Retirement System Actuarial Valuation Report as of June 30, 2010. The plan participation assumption is based upon the recent experience of the State of Iowa Postretirement Medical Plan.

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

B. University Funds

Plan Description

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

Funding Policy

The contribution requirements of the plan participants are established and may be amended by the Universities. The Universities currently finance the retiree benefit plans on a pay-as-you-go basis. For fiscal year 2011, the universities contributed $15.3 million to the plan and members receiving benefits contributed $10.1 million of the premium cost.

Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the Universities' annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plans and changes in the Universities' net OPEB obligation:

Annual required contribution	$ 27,552,000
Interest on net OPEB obligation	1,960,000
Adjustment to annual required contribution	(1,964,000)
Annual OPEB cost	27,548,000
Contributions made	(15,341,000)
Increase in net OPEB obligation	12,207,000
Net OPEB obligation beginning of year	35,366,000
Net OPEB obligation end of year	$ 47,573,000

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2007. The end of year net OPEB obligation was calculated by the actuaries as the cumulative difference between the actuarially determined funding requirements and the plans' actual contributions for the year ended June 30, 2011.

The Universities' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2011 and the preceding two fiscal years are summarized as follows:

Year Ended June 30,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2009	$ 20,462,000	42.78%	$ 21,874,000
2010	26,202,000	48.51%	35,366,000
2011	27,548,000	55.69%	47,573,000

Funded Status and Funding Progress

As of the most recent actuarial valuation for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was $254.3 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $254.3 million. The covered payroll (annual payroll of active employees covered by the plan) was $1,251.6 million and the ratio of the UAAL to the covered payroll was 20.32%. As of June 30, 2011, there were no trust fund assets.

Information from the Universities' latest actuarial valuations follows:

	University of Iowa	Iowa State University	University of Northern Iowa
Actuarial valuation date	July 1, 2011	July 1, 2010	July 1, 2010
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level percentage of projected payroll	Level dollar	Level percentage of projected payroll
Amortization period	Open basis over 30 years	Open basis over 30 years	Open basis over 30 years
Rate of investment return	6.95%	4.00%	4.50%
Medical trend rate	8.00%	8.00%	10.50%
Ultimate medical trend rate	Reduced 0.50% each year until reaching 5.00%	Reduced 0.50% each year until reaching 5.00%	Reduced 0.50% each year until reaching 5.00%
Payroll growth rate	3.50%	n/a	3.50%

NOTE 17 – OTHER TERMINATION BENEFITS

A. State Employee Retirement Incentive Program

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

Participants in the SERIP will receive the following incentives:

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

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

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

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

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

SERIP is financed on a pay-as-you-go basis by the department from which the employee retired. Amounts due for the program have been recorded as liabilities in the government-wide financial statements. The liability for the expected future health insurance benefits at June 30, 2011 is $65,474,000. This was calculated by increasing the insurance premiums in effect at June 30, 2011 for the annual medical trend rates for fiscal years 2012 thru 2020. The annual medical trend rates range from 7.80% in 2012 to 6.60% in 2020. The liability for the years of service incentive installment payments at June 30, 2011 is $51,380,858.

For the year ended June 30, 2011, SERIP costs for 2,067 participants totaled $30,717,074.

B. Board of Regents Retirement Incentive Options

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

Upon retirement, the participant will be provided health and dental coverage for a period of up to five years with the Universities providing both the employee and employer share of contributions not to exceed the employee and

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

The Board of Regents Institutions' contributions for the fiscal year ended June 30, 2011, totaled $7,663,179 for 969 participants.

C. State Police Officers Council

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

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

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

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

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

For the year ended June 30, 2011, 226 SPOC retirees received benefits totaling $1,295,193.

D. Other Voluntary Termination Benefit Programs

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

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

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

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

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

If a retired employee who has utilized this benefit returns to permanent state employment, all remaining balances in the sick leave insurance program will be forfeited.

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

For the year ended June 30, 2011, 785 employees from the Executive and Legislative branches have retired and received benefits totaling $4,926,267 under SLIP. In addition, 167 employees from the Judicial branch and Community Based Corrections have retired and received benefits totaling $1,192,470 under the SLIP program.

NOTE 18 – RISK MANAGEMENT

A. Insurance/Transfer of Risk

State employee benefits for health, dental, long-term disability and life insurance coverage are fully insured through commercial insurers. The State also insures with outside parties for certain liabilities. The State assumes liability for any deductibles and claims in excess of coverage limitations. Iowa State University and the University of Iowa assume responsibility for aircraft liability in excess of $10.0 million and $5.0 million, respectively.

The University of Northern Iowa carries a blanket policy where it assumes liability in excess of $550.0 million for the Residence System Buildings, Maucker Union, General Fund Buildings, Early Childhood Center, McLeod Center, UNI-Dome, rental properties and in excess of $100.0 million for boiler and machinery. Individual limits for buildings and contents are in excess of: $252.9 million for Residence Halls, $63.7 million for Residence Apartments, $31.7 million for Maucker Union, $787.7 million for General Fund Buildings, $34.9 million for the McLeod Center, $60.0 million for UNI-Dome and $3.3 million for Early Childhood Center. Individual limits for loss of business income are in excess of $29.7 million for Residence Halls, $4.1 million for Residence Apartments, $2.3 million for the McLeod Center and $3.4 million for UNI-Dome. The University assumes liability in excess of $3.4 million for broadcasting towers and equipment.

The University of Iowa assumes liability for damage to buildings and contents for the first $2.0 million and in excess of $1.0 billion, pharmacy products liability for the first $10,000 and in excess of $7.0 million, student interns professional liability in excess of $3.0 million, dental student professional liability in excess of $3.0 million, nursing students professional liability in excess of $5.0 million, pharmacy students professional liability in excess of $3.0 million, losses at the Museum of Art in excess of $400.0 million, criminal fidelity liability for the first $250,000 and in excess of $10.0 million.

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

Iowa State University assumes liability for damage to buildings and contents in excess of $2.0 billion for general fund properties, $315.4 million for residence systems – dormitories, $361.5 million for power plant property, $117.9 million for residence system – other housing, $100.0 million for boiler/machinery/power plant, $95.6 million for Memorial Union, $77.5 million for Hilton Coliseum, $44.6 million for CY Stephens Auditorium, $43.0 million for Scheman Continuing Education Building, $48.4 million for Jacobson and miscellaneous properties, and $35.5 million for Jack Trice Stadium. Iowa State University also assumes liability for damage to additional buildings and properties ranging from the first $250 and in excess of $28.1 million. Iowa State University assumes liability for business interruption in excess of ranges from $100,000 to $16.9 million.

The Iowa Braille and Sight Saving School assumes liability for the first $1.0 million and in excess of $43.6 million for catastrophic losses.

The First, Second, Third, Fourth, Fifth, Sixth, Seventh and Eighth Judicial Districts assume liability for physical damage to buildings and contents in excess of $26.2 million, $11.7 million, $5.9 million, $3.6 million, $16.5 million, $14.5 million, $12.8 million and $2.8 million, respectively. The First Judicial District assumes liability in excess of $6.0 million for boilers.

The Iowa Lottery Authority assumes liability for damage to buildings and contents in excess of $9.7 million.

The Iowa Veterans Home assumes liability in excess of $33.7 million for builder's risk, including boiler and machinery.

Iowa Workforce Development assumes liability for damages in excess of $11.2 million for buildings and contents and in excess of $3.9 million for computer equipment.

Iowa Public Television assumes liability in excess of $3.1 million for broadcasting trucks and contents.

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

There were no settlements in excess of coverage for the past three fiscal years, except for the University of Iowa which incurred extensive flood damage in 2008. For those risks that the University had purchased commercial insurance, only property insurance had claims in excess of commercial coverage due to the flood.

B. Self-Insurance/Retention of Risk

It is the policy of the State not to purchase commercial insurance, except as detailed above, for the risks of losses to which it is exposed. Instead, State management believes 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 2010 and 2011 were (expressed in thousands):

	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
FY 10	$ 49,039	19,872	21,282	$ 47,629
FY 11	47,629	26,105	22,280	51,454

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 2010 and 2011 were (expressed in thousands):

	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
FY 10	$ 431	(8)	407	$ 16
FY 11	16	331	56	291

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 2010 and 2011 were (expressed in thousands):

	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
FY 10	$ 677	894	385	$ 1,186
FY 11	1,186	975	385	1,776

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 2010 and 2011 were (expressed in thousands):

	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
FY 10	$ 18,000	8,714	8,714	$ 18,000
FY 11	18,000	8,508	6,508	20,000

The Universities retain risk liability for medical faculty malpractice; medical, dental, unemployment and workers' compensation coverage for some employees; and various property damage not covered as described above. The estimates of claim liabilities for faculty medical malpractice and employee medical, dental, unemployment and workers' compensation are based on actuarial analysis. The estimates of the claim liability for various property damage are based on historical analysis. Changes in the balances for estimated claims liabilities for fiscal years 2010 and 2011 were (expressed in thousands):

	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
FY 10	$ 31,940	187,352	184,237	$ 35,055
FY 11	35,055	187,697	191,238	31,514

NOTE 19 – LITIGATION, CONTINGENCIES AND COMMITMENTS

The *Iowa Department of Revenue* has pending litigation regarding income tax cases. The cases could possibly result in refunds estimated at $3.1 million.

The *Iowa Public Employees' Retirement System* (IPERS) monitors, evaluates, and takes the necessary actions related to federal securities class-action litigation. IPERS is serving in an active role, as the lead or co-lead plaintiff, in the following federal cases: *In re Mills Corporation*, *In re Bridgestone/Firestone*, *In re MF Global*, and *In re Countrywide*. IPERS has filed motions to intervene, or will file the motion, in several class-action cases involving mortgage-backed securities. These cases are: *In re Bear Stearns MBS Litigation*, *In re Harborview Mortgage-Backed Securities Litigation*, *In re RALI Mortgage-Backed Securities Litigation*, *In re Lehman Mortgage-Backed Securities Litigation*, and *In re IndyMac Mortgage-Backed Securities Litigation*. Management of IPERS believes that these cases will have no material impact on the financial statements ending June 30, 2011.

In the fraud action against Westridge Capital Management and its affiliates, IPERS is aggressively pursuing its financial interests in the U.S. District Court for the Southern District of New York. It has appointed a receiver to take custody of all assets of Westridge Capital Management, including IPERS' assets. The last reported value by Westridge Capital Management of IPERS' assets was $291.1 million. On March 21, 2011, the Court ordered the receiver to make an initial distribution, and on April 21, 2011, IPERS received its share of that initial distribution in the amount of $215.2 million. The receiver has not distributed all assets under its control. Management of the System and the Iowa Attorney General believe IPERS will receive additional distributions from the receiver as illiquid assets are liquidated and "clawback" claims on behalf of injured investors are resolved. Certain plaintiffs in the Westridge Capital Management case have appealed the Court's initial distribution ruling, but management of IPERS and the Attorney General do not believe the outcome of that appeal will have a material adverse impact on IPERS' recovery.

IPERS is also aggressively defending a case filed in Polk County District Court, Iowa. The case is captioned *Robert J. Brunkhorst v. Iowa Public Employees' Retirement System*, CV No. 104520. Mr. Brunkhorst filed a claim under the Iowa Tort Claims Act alleging IPERS failed to implement the actuarial cost method for service purchase buy-backs in a timely fashion, causing a loss to the IPERS Trust Fund. IPERS denies the allegation. Management of IPERS believes that it will have no material effect on the financial statements through June 30, 2011.

The *Iowa Public Employees' Retirement System* (IPERS) has commitments to fund an additional $1.498 billion to various private equity/debt partnerships and real estate investment managers at June 30, 2011.

The *Iowa Department of Transportation* has contractual obligations for construction and other contracts of $430.3 million at June 30, 2011.

The *University of Iowa* has outstanding construction contract commitments of $197.5 million at June 30, 2011.

Iowa State University has outstanding construction contract commitments of $29.4 million at June 30, 2011.

The *University of Northern Iowa* has outstanding construction contract commitments of $11.5 million at June 30, 2011.

The *Iowa Department of Natural Resources* has outstanding construction contract commitments of $11.4 million at June 30, 2011.

The *Iowa Department of Administrative Services* has outstanding construction contract commitments of $16.5 million at June 30, 2011.

The *Iowa Finance Authority* has committed to purchase $30.0 million in mortgage-backed securities, approved loan agreements under various housing assistance programs for $9.8 million and signed loan agreements under the State Revolving Fund totaling $291.4 million at June 30, 2011.

The *Iowa Department of Economic Development* has commitments of $814.8 million at June 30, 2011 which includes $88.0 million of commitments for the *Office of Energy Independence*.

The *Iowa College Student Aid Commission* has commitments of $2.2 million at June 30, 2011.

NOTE 20 – BOND ANTICIPATION NOTES

The State of Iowa is building a new Iowa State Penitentiary. In order to fund the design costs in fiscal years 2009 and 2010, the State issued $6,760,000 of Iowa Prison Infrastructure Fund Revenue Bond Anticipation Notes, Series 2009 (BANS). The BANS were issued in advance of issuing Special Obligation Bonds.

The BANS were issued April, 2009 with an interest rate of 2.75% and are due by June, 2011. The proceeds were deposited into a capital projects fund. The BANS were payable from the obligation of the State to issue permanent bonds prior to the maturity of the BANS in the amount sufficient to provide proceeds to pay the principal of the BANS. The BANS were treated as a current liability.

The following is a schedule of BANS activity for the year ended June 30, 2011 (expressed in thousands):

Beginning Balance	Issued	Redeemed	Ending Balance
$ 6,760	$ -	$ 6,760	$ -

NOTE 21 – BEGINNING BALANCE ADJUSTMENTS

Primary Government

During fiscal year 2011, the State of Iowa implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As a result, several funds were reclassified to a different fund type. The Statement of Activities – Governmental Activities beginning net assets decreased $10.7 million and the Statement of Changes in Fiduciary Net Assets beginning net assets increased $10.7 million. These reclassifications increased the General Fund $4,090,300, decreased Special Revenue Funds $4,090,300, decreased the Permanent Funds $10,743,172 and increased the Private Purpose Trust Funds $10,743,172.

Also, for fiscal year 2011, the *Iowa Lottery Authority* was reclassified from a blended component unit to a discrete component unit to comply with new guidance provided in the GASB 2011-2012 Comprehensive Guide issued in October 2011 with an immediate effective date. The Statement of Activities – Business-type Activities beginning net assets decreased $4.2 million and the Component Units beginning net assets increased $4.2 million. In addition, the *Iowa Higher Education Loan Authority* is no longer presented and the Component Units beginning net assets decreased $1.3 million.

NOTE 22 – DEFICIT FUND BALANCE

The Tobacco Collections Fund, a major Special Revenue Fund, had a deficit fund balance of $513.0 million at June 30, 2011. Due to the implementation of GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, in fiscal year 2008, an interfund advance was recorded in the Tobacco Collections Fund, causing a deficit fund balance. As future tobacco collections are received in the Tobacco Collections Fund and remitted to the Tobacco Settlement Authority for repayment of debt, the interfund advance will be reduced and the deficit eliminated.

NOTE 23 – EXTRAORDINARY ITEMS

The Department of Transportation sustained significant damage to property and impairment to capital assets as the result of flooding in May 2011. The activity related to this event is reported as an extraordinary item as it is both unusual in nature and infrequent in occurrence. An impairment loss associated with Iowa Highway 2 and Interstate 680 has been calculated as required by GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.* The resulting impairment loss, based on each road's carrying value, is $4,394 thousand (see NOTE 6).

Iowa State University sustained significant damage to property and impairment to capital assets as a result of the August 2010 flooding. The activity related to this event is reported as an extraordinary item as it is both unusual in nature and infrequent in occurrence. The resulting total gross impairment loss, based on each asset's carrying value, is $3.37 million. GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* requires that impairment loss be reported net of insurance recoveries. Iowa State University has estimated that realizable insurance recovery associated with building impairment to be $8.6 million, resulting in a net building impairment gain of $5.2 million. The following details the components of the extraordinary gain at June 30, 2011, (expressed in thousands):

Net building impairment gain (see NOTE 6)	$	5,238
Flood related expenses		(14,196)
Other insurance recoveries		14,858
Net extraordinary item	$	5,900

NOTE 24 – SUBSEQUENT EVENTS

In August 2011, the *University of Iowa* received approval from the State Board of Regents to issue Utility System Revenue Refunding Bonds, Series 2011 in the amount of $10,195,000 in August 2011 for the purpose of advance refunding the outstanding principal of the November 1, 2012 through November 1, 2022 maturities of the Board's Utility System Revenue Bonds, Series S.U.I. 2002, dated March 1, 2002, and to pay the costs of issuing the

bonds. These bonds will bear interest at varying rates between 2.0% and 3.0% and will mature in varying amounts from November 1, 2012 through November 1, 2022.

In August 2011, the *University of Iowa* received approval from the State Board of Regents to issue University of Iowa Facilities Corporation Revenue Bonds, (John and Mary Pappajohn Biomedical Discovery Building Project) Series 2011 in the amount of $28,000,000 for the purpose of funding the costs of constructing and equipping the John and Mary Pappajohn Biomedical Discovery Building, to fund a debt service reserve fund, and to pay the costs of issuing the bonds. These bonds will bear interest at varying rates between 2.0% and 4.375% and will mature in varying amounts from June 1, 2013 through June 1, 2037. The University of Iowa Facilities Corporation was incorporated in 1967 as a not-for-profit supporting organization of the University of Iowa Foundation to assist in maintaining, developing, increasing, and extending the facilities and services of the University of Iowa. Although the bonds would be issued by the Facilities Corporation, they are deemed by Internal Revenue Service rulings to be issued "on behalf" of the Board of Regents and the State of Iowa. The Board must, therefore, approve the sale and terms of the bonds. The Corporation's interest in the facility will be leased to the Board during the term of the bonds. Upon retirement of the bonds, the portion of the facility financed by the Facilities Corporation will be conveyed to the University, subject to approval of the Board of Regents.

In September 2011, the *University of Iowa* received approval from the State Board of Regents to issue Hospital Revenue Bonds, Series S.U.I. 2011 in the amount of $26,800,000 in September 2011 for the purpose of constructing, improving, remodeling, repairing, furnishing, and equipping inpatient and outpatient care facilities, including construction of a new medical office building (the "Medical Office Building") and related space, including finish materials, fixtures, furnishings, equipment, and appliances (the "Related Expenditures," and together with the Medical Office Building, the "Project"), funding a debt service reserve fund, and paying the costs of issuing said bonds. These bonds will bear interest at varying rates between 2.0% and 4.0% and will mature in varying amounts from September 1, 2013 through September 1, 2032.

In September 2011, the *University of Iowa* received approval from the State Board of Regents to issue University of Iowa Facilities Corporation Revenue Refunding Bonds, Series 2011 (Medical Education and Biomedical Research Facility Project) in the amount of $5,555,000. The proceeds of the bonds will be used to refund, as an advance refunding, the outstanding principal of the June 1, 2012 through June 1, 2023 maturities of the Corporation's $7,810,000 Revenue Bonds, Series 2002 and pay the costs of issuing the bonds. This refunding transaction is being undertaken to achieve debt service savings. These bonds will bear interest at varying rates between 2.0% and 3.0% and will mature in varying amounts from June 1, 2012 through June 1, 2023. The University of Iowa Facilities Corporation was incorporated in 1967 as a not-for-profit supporting organization of the University of Iowa Foundation to assist in maintaining, developing, increasing, and extending the facilities and services of the University of Iowa. Although the bonds would be issued by the Facilities Corporation, they are deemed by Internal Revenue Service rulings to be issued "on behalf" of the Board of Regents and the State of Iowa. The Board must, therefore, approve the sale and terms of the bonds. The Corporation issues the debt and leases the facility to the Board for use by the University during the term of the bonds. Upon retirement of the bonds, the facility is conveyed to the University, subject to approval of the Board of Regents.

On September 22, 2011, the *Treasurer of the State University of Iowa* became the Successor Trustee, Registrar and Paying Agent for Utility System Revenue Bonds. Pursuant to the Trust Indenture (and Supplemental Indentures) upon payment in full, defeasance or otherwise discharge of the Prior Outstanding Utility Revenue Bonds, the Trustee shall be removed upon direction of the Issuer. Wells Fargo Bank, National Association was removed as Trustee, Registrar and Paying Agent with respect to the Series 2004 Bonds, Series 2006 Bonds, Series 2006A Bonds, Series 2007 Bonds, Series 2007A Bonds, Series 2009 Bonds, Series 2010 Bonds, the Series 2011 Bonds and any additional bonds.

In October 2011, the *University of Iowa* received approval from the State Board of Regents to issue Hospital Revenue Refunding Bonds, Series S.U.I. 2011A in the amount of $20,355,000. The proceeds of the bonds will be used to refund, as an advance refunding, the outstanding principal and accrued interest of the September 1, 2012 through September 1, 2028 maturities of the Board's $25,000,000 Hospital Revenue Bonds, Series 2002 and to pay the costs of issuing the bonds. These bonds will bear interest at varying rates between 2.0% and 4.125% and will mature in varying amounts from September 1, 2012 through September 1, 2028. This refunding transaction is being undertaken to achieve debt service savings.

In August 2011, the *University of Northern Iowa* received approval from the State Board of Regents to issue Student Union Revenue Refunding Bonds, Series U.N.I. 2011 in the amount of $8,425,000. The proceeds of the sale of the bonds will be used to refund, as an advance refunding, the outstanding principal of the July 1, 2012 through July 1, 2022 maturities of the Board's Student Union Revenue Bonds, Series U.N.I. 2002, dated April 1, 2002, funding a

deposit to the Reserve Fund, and paying the costs of issuance. The refunding bonds were sold to take advantage of lower interest rates.

In July 2011, the *Treasurer of the State of Iowa* and the Bank of New York Mellon (BNYM) signed an agreement which settled a dispute involving unrealized losses in the securities lending program. As a result, two securities in the Treasurer of State's collateral pool were sold resulting in a realized loss of $7,821,459. The Treasurer of State and BNYM will equally share this loss over the remaining three years of the securities lending contract.

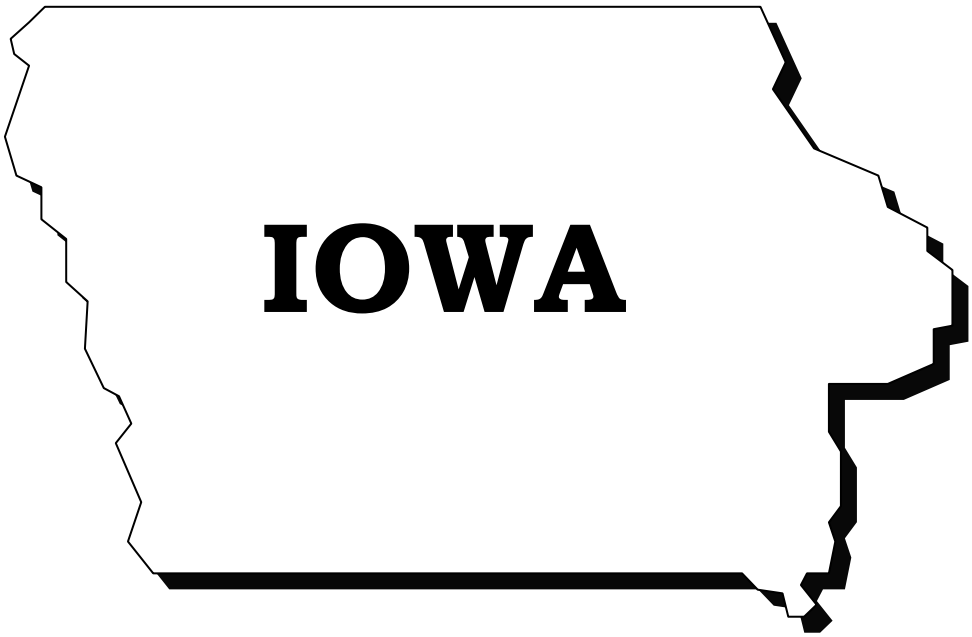
On July 18, 2011, the *Iowa Finance Authority* issued $24.0 million of Single Family Revenue Bonds Series 1 and converted $36.0 million of new bond program escrow bonds to program bonds to purchase mortgage-backed securities under the Iowa Finance Authority's FirstHome program.

In July 2011, *Iowa Public Employees' Retirement System* sold certain securities within the securities lending collateral pool. The net effect of the sale plus payments by the securities lending agent over the next three years results in a gain of $6.4 million over the position held at June 30, 2011.

On July 11, 2011 straight-line winds severely damaged the roof on two buildings and damaged, to some degree, all of the buildings on the campus of the *Iowa Braille and Sight Saving School*. Repairing all of the buildings has been estimated between $4.5 and $6.5 million.

On July 18, 2011 House File 590 was signed into law by Governor Branstad. This legislation dissolved the *Iowa Department of Economic Development* (public) and established the *Iowa Economic Development Authority* and a new nonprofit known as the *Iowa Innovation Corporation* (private). Executive Order 75 created the *Iowa Partnership for Economic Progress* (IPEP) board that will serve as the umbrella organization for the public-private partnership created in HF 590. The Iowa Economic Development Authority took over the functions of the dissolved Iowa Department of Economic Development and functions of the *Office of Energy Independence*. The new authority will be run by a board of private sector individuals appointed by the Governor. The Iowa Innovation Corporation will be a private nonprofit agency designed to foster innovation and economic growth. The corporation will rely on public and private funding sources and can also contract with the State's Economic Development Authority.

On August 5, 2011, Standard and Poor's Ratings Services, an independent provider of credit ratings, lowered its long-term sovereign credit rating on the *United States of America* from AAA to AA+. On August 8, 2011, Standard and Poor's lowered its long-term issue credit ratings on select government-related entities (GREs) from AAA to AA+. The outlooks for all 12 FHLBs, and the issue level ratings for Fannie Mae, Freddie Mac, the FHLB System, and the Farm Credit System are negative.


IOWA

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF IOWA

Required Supplementary Information
Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2011
(Expressed in Thousands)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE				
Special taxes:				
Personal income tax	$ 3,217,900	$ 3,417,400	$ 3,471,589	$ 54,189
Sales/use tax	2,273,600	2,400,400	2,386,228	(14,172)
Corporation income tax	369,200	387,300	397,138	9,838
Inheritance tax	71,600	62,700	65,535	2,835
Insurance premium tax	90,200	93,000	97,098	4,098
Cigarette tax	199,900	202,400	200,085	(2,315)
Tobacco tax	24,800	27,700	26,607	(1,093)
Beer & liquor tax	14,400	14,300	14,272	(28)
Franchise tax	32,400	37,200	39,423	2,223
Miscellaneous tax	1,300	1,000	1,037	37
Total special taxes	6,295,300	6,643,400	6,699,012	55,612
Reimbursements & fees:				
Institutional reimbursements	14,700	14,900	10,939	(3,961)
Liquor transfers	87,600	83,900	89,476	5,576
Interest	3,000	2,700	2,957	257
Fees	25,300	30,200	29,922	(278)
Judicial revenue	119,600	101,100	100,352	(748)
Miscellaneous receipts	48,900	27,900	34,879	6,979
Racing & gaming receipts	66,000	66,000	66,000	-
Total receipts	6,660,400	6,970,100	7,033,537	63,437
Transfers	78,500	88,400	85,614	(2,786)
TOTAL APPROPRIATED REVENUE	**6,738,900**	**7,058,500**	**7,119,151**	**60,651**
RECEIPTS CREDITED TO APPROPRIATIONS				
Sales tax quarterly	2	3	-	(3)
Multi suspense	4,830	4,830	4,905	75
Federal support	3,054,246	3,051,190	2,933,278	(117,912)
Local governments	181,636	181,763	183,824	2,061
Other states	1	1	224	223
Internal service transfers	694,650	715,015	771,325	56,310
Reimbursements from other departments	27,042	29,923	26,905	(3,018)
Government fund type transfers-other agencies	-	34	-	(34)
Interest	134	51	105	54
Fees, licenses & permits	50,802	52,424	42,976	(9,448)
Refunds & reimbursements	396,079	401,166	442,645	41,479
Sale of equipment & salvage	4	4	8	4
Rents & leases	2,810	2,809	2,842	33
Other sales & services	4,057	4,089	3,287	(802)
Unearned receipts	107	118	6,296	6,178
Other	9,691	9,678	10,293	615
TOTAL APPROPRIATED RECEIPTS	**4,426,091**	**4,453,098**	**4,428,913**	**(24,185)**
TOTAL ALL REVENUE	**11,164,991**	**11,511,598**	**11,548,064**	**36,466**
SCHOOL INFRASTRUCTURE TRANSFER	**(367,100)**	**(398,100)**	**(394,093)**	**4,007**
REFUNDS OF TAXES COLLECTED	**(912,000)**	**(826,000)**	**(825,992)**	**8**
TOTAL REVENUES AVAILABLE	**9,885,891**	**10,287,498**	**10,327,979**	**40,481**

(continued on next page)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
EXPENDITURES				
Administration & regulation	370,690	386,273	388,363	(2,090)
Agriculture & natural resources	152,145	153,416	145,247	8,169
Economic development	76,141	77,897	72,089	5,808
Education	3,485,241	3,497,846	3,525,784	(27,938)
Health & human services	5,019,228	5,013,912	4,913,185	100,727
Justice	545,480	541,769	540,971	798
Transportation	-	940	205	735
Judicial	160,487	160,492	160,812	(320)
Legislature	30,064	35,884	33,636	2,248
Legislative reduction*	(83,761)	-	-	-
TOTAL EXPENDITURES	**9,755,715**	**9,868,429**	**9,780,292**	**88,137**
REVENUES AVAILABLE OVER EXPENDITURES AND TRANSFERS	**130,176**	**419,069**	**547,687**	**128,618**
OTHER FINANCING SOURCES (USES)				
Balances credited to appropriations	65,576	88,709	88,709	-
Unexpended appropriations	(12,850)	(25,443)	(81,733)	(56,290)
TOTAL OTHER FINANCING SOURCES (USES)	**52,726**	**63,266**	**6,976**	**(56,290)**
REVENUES AVAILABLE OVER EXPENDITURES AND OTHER ITEMS	**182,902**	**482,335**	**554,663**	**72,328**
BEGINNING FUND BALANCE (BUDGETARY)	**-**	**-**	**-**	**-**
REMAINING FUND BALANCE (BUDGETARY)	**$ 182,902**	**$ 482,335**	**$ 554,663**	**$ 72,328**
ENDING FUND BALANCE (BUDGETARY)	**$ 182,902**	**$ 482,335**	**$ 554,663**	
AUTHORIZED TRANSFER TO THE:				
Cash Reserve Fund	(182,902)	(482,335)	(554,663)	
REMAINING FUND BALANCE (BUDGETARY)	**$ -**	**$ -**	**$ -**	

*2010 Iowa Acts, Chapter 1193, section 27 required $83,760,500 of reductions to departments and establishments, not included in the Board of Regents, from operational appropriations. The reductions were to be realized through the implementation of 2010 Iowa Acts, Chapter 1005, 2010 Iowa Acts, Chapter 1031, Executive Order 20 issued December 16, 2009 by Governor Culver, and any other efficiency measures. These reductions were implemented January 3, 2011.

The notes are an integral part of the financial statements.

STATE OF IOWA

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

June 30, 2011
(Expressed in Thousands)

Fund balance- budgetary/legal	**$ 554,663**
Basis of accounting differences:	
Balance sheet accounts:	
Accounts receivable	224,005
Loans receivable	274
Due from other funds	4,102
Prepaid expenditures	18,087
Accounts payable & accruals	(111,582)
Due to other funds	(61,324)
Deferred revenue	(142,283)
Budgetary unexpended appropriations	81,733
Timing differences:	
Petty cash & inventory expensed in budgetary accounting	15,799
Perspective differences	2,116,474
Total fund balance - GAAP basis	**$ 2,699,948**

BUDGETARY EXPENDITURES IN EXCESS OF APPROPRIATIONS

During the year ended June 30, 2011, actual expenditures exceeded budgeted expenditures in the General Fund in the Administration and Regulation, Education, and Judicial functions.

For the Administration and Regulation function, the *Governor's Office of Drug Control Policy* received additional federal funds in the Public Safety Partnership & Community Policing program and expended those funds for allowable program expenditures. The *Department of Management* received additional state funds through the State Appeal Board and expended those funds on allowable expenditures. The *Treasurer of State* received additional funds over budgeted amounts and expended those funds on allowable expenditures.

For the Education function, The *Department for the Blind* received additional federal funds for various programs over budget and expended those funds for allowable program expenditures. The *Department of Education* received additional state funds over budget for the State Foundation School Aid and expended those funds on allowable program expenditures. The Board of Regents received additional funds from the Grow Iowa Values Fund and expended those funds for allowable program expenditures.

For the Judicial function, the *Iowa Courts* received additional revenues over budgeted amounts and expended those funds on allowable program expenditures.

BUDGETARY PRESENTATION

The budget encompasses the General Fund of the State and some Special Revenue Funds, (Real Estate Education, Unclaimed Winnings, Vertical Infrastructure Fund, Federal Economic Stimulus and Jobs Holding Fund, Environment First Fund, Property Tax Credit Fund, Technology Reinvestment Fund, Federal Recovery and Reinvestment Fund, Revenue Bonds Capital 11 Fund, Healthy Iowan's Tobacco Trust, Revenue Bonds Capital Fund, Health Care Trust, Underground Storage Tank Unassigned Revenue, Tobacco Tax Exempt Bond Proceeds Restricted Capital, Endowment for Iowa's Health Account, Endowment for Iowa's Health Restricted Capitals Fund, Agrichemical Remediation Fund, Resources Enhancement and Protection Fund, Land Recycling Fund, Fish and Game Trust Fund, Conservation Administration Fund, Forestry Management Enhancement Fund, Water Quality Protection, National Pollutant Discharge Elimination System Permit, Workforce Development Withholding, Local Housing Assistance, Grow Iowa Values Fund, Renewable Fuel Infrastructure Fund, State Housing Trust Fund, Special Contingency Fund, School Infrastructure Fund, Stafford Loan Program, Nonparticipating Provider Reimbursement Fund, Department of Human Services Reinvestment Fund, Pharmaceutical Settlement Fund, Health Care Transformation Fund, Iowacare Fund, Health Care Trust, Quality Assurance Fund, Primary Road Fund, State Aviation Fund, Hospital Health Care Access Trust Fund and Court Technology and Modernization Fund and Merchant Marine Bonus 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. The nonmajor Special Revenue Funds are reported in the supplementary information section.

The beginning budgetary fund balance for the nonmajor Special Revenue Funds was restated to include the Merchant Marine Bonus Fund. This fund was established in the prior year; however, fiscal year 2010 is the first year moneys were appropriated (budgeted) from the fund. This fund is classified as a Special Revenue Fund for budgetary purposes. The following summarizes the change to the beginning budgetary fund balance for nonmajor Special Revenue Funds (expressed in thousands):

	Actual
July 1, 2010 budgetary fund balances	$ 955,243
Adjustment for:	
Merchant Marine Bonus Fund	135
Budgetary fund balances restated	$ 955,378

Notes to Required Supplementary Information – Budgetary Reporting

The original budget and related estimated revenues and expenditures represent the spending authority enacted into law by the appropriations bills as of July 1, 2010 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. Appropriations are allotted for expenditure on a quarterly basis.

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

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

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

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

GENERAL FUND EXPENDITURE LIMITATION

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

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

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

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

RESERVE FUNDS

The **Iowa Economic Emergency Fund** was created in Iowa Code section 8.55. The fund is separate from the General Fund of the State and the balance in the fund is not to be considered part of the balance of the General Fund of the State. The moneys in the fund do not revert to the General Fund, unless and to the extent the fund exceeds the maximum balance. The maximum balance of the fund is the amount equal to 2.5% of the adjusted revenue estimate for the fiscal year. If the amount of moneys in the Iowa Economic Emergency Fund is equal to the maximum balance, moneys in excess of this amount shall be transferred to the General Fund. The moneys in this fund may be appropriated by the General Assembly only in the fiscal year for which the appropriation is made. The moneys shall only be appropriated by the General Assembly for emergency expenditures. However, except as provided in section 8.58, the balance in the Iowa Economic Emergency Fund may be used in determining the cash position of the General Fund of the State for payment of state obligations. Interest or earnings on moneys deposited in the Iowa Economic Emergency Fund are credited to the Rebuild Iowa Infrastructure Fund.

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

STATE OF IOWA

Required Supplementary Information
Schedules of Funding Progress

(Expressed in Thousands)

PENSION PLANS

Peace Officers' Retirement, Accident and Disability System

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL As A Percentage Of Covered Payroll
2009	July 1, 2009	$ 300,262	$ 432,894	$ 132,632	69.36%	$ 41,862	316.83%
2010	July 1, 2010	290,559	433,402	142,844	67.04%	41,955	340.47%
2011	July 1, 2011	288,851	461,595	172,744	62.58%	43,494	397.17%

* The annual required contribution is calculated using the aggregate actuarial cost method.

Judicial Retirement System

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL As A Percentage Of Covered Payroll
2009	July 1, 2009	$ 93,045	$ 151,029	$ 57,984	61.61%	$ 26,811	216.27%
2010	July 1, 2010	99,416	156,029	56,613	63.72%	25,480	222.19%
2011	July 1, 2011	109,512	164,511	54,999	66.57%	26,403	208.31%

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

OTHER POSTEMPLOYMENT BENEFITS

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL As A Percentage Of Covered Payroll
State Plan *							
2009	July 1, 2008	$ -	$ 293,481	$ 293,481	0.00%	$ 1,561,799	18.79%
2010	July 1, 2008	-	293,481	293,481	0.00%	1,561,799	18.79%
2011	July 1, 2010	-	377,933	377,933	0.00%	1,656,131	22.82%
University Funds **							
2009	July 1, 2007	$ -	$ 201,800	$ 201,800	0.00%	$ 1,228,000	16.43%
2010	July 1, 2009	-	244,700	244,700	0.00%	1,247,600	19.61%
2011	July 1, 2010	-	254,300	254,300	0.00%	1,251,600	20.32%

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

** The projected unit credit method is used to calculate the actuarial accrued liability and the annual required contribution.

Pension Trust funds and Other Postemployment Benefits are discussed in detail in the Notes to the Financial Statements (see NOTE 15 - PENSION PLANS and NOTE 16 - OTHER POSTEMPLOYMENT BENEFITS).

SUPPLEMENTARY INFORMATION

STATE OF IOWA

Combining Balance Sheet
Nonmajor Governmental Funds - By Fund Type

June 30, 2011
(Expressed in Thousands)

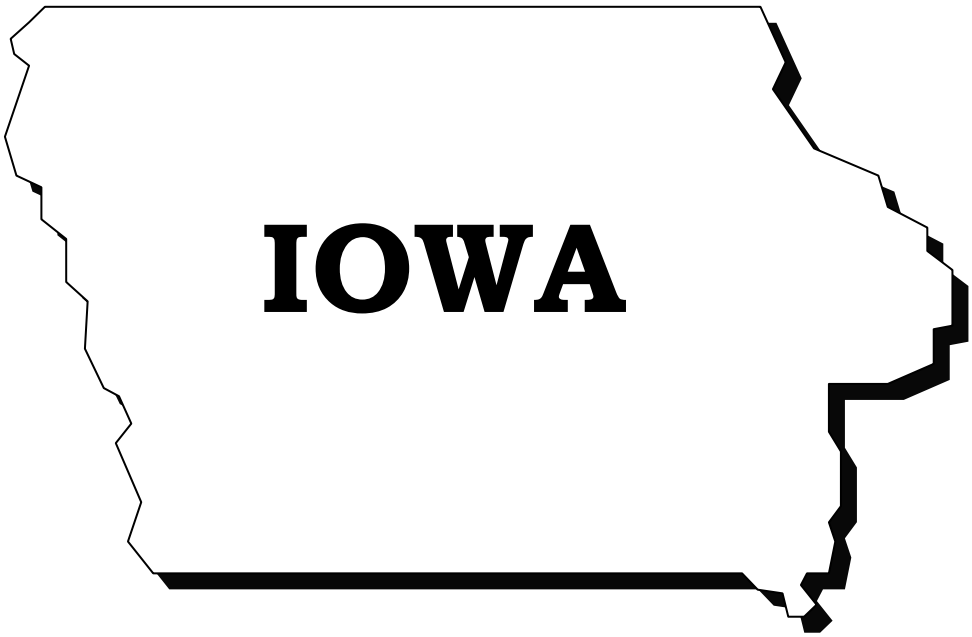
	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS				
Current assets:				
Cash & investments	$ 103,394	$ 115,063	$ 15,527	$ 233,984
Deposits with trustees	2,388	90	-	2,478
Accounts receivable (net)	13,139	3,687	-	16,826
Loans receivable (net)	618	-	-	618
Due from other funds	2,769	2,486	-	5,255
Inventory	97	-	-	97
Prepaid expenditures	68	-	-	68
Total current assets	122,473	121,326	15,527	259,326
Noncurrent assets:				
Accounts receivable (net)	162	-	-	162
Loans receivable (net)	1,926	-	-	1,926
Due from other funds/ advances to other funds	27,630	-	-	27,630
Total noncurrent assets	29,718	-	-	29,718
TOTAL ASSETS	**$ 152,191**	**$ 121,326**	**$ 15,527**	**$ 289,044**
LIABILITIES				
Current liabilities:				
Accounts payable & accruals	$ 6,003	$ 11,634	$ -	$ 17,637
Due to other funds	21,688	444	-	22,132
Deferred revenue	910	13	-	923
TOTAL LIABILITIES	**28,601**	**12,091**	**-**	**40,692**
FUND BALANCES				
Nonspendable	165	-	15,527	15,692
Spendable:				
Restricted	106,600	100,370	-	206,970
Committed	16,838	8,865	-	25,703
Unassigned	(13)	-	-	(13)
TOTAL FUND BALANCES	**123,590**	**109,235**	**15,527**	**248,352**
TOTAL LIABILITIES & FUND BALANCES	**$ 152,191**	**$ 121,326**	**$ 15,527**	**$ 289,044**

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, 2011
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES				
Receipts from other entities	$ 40,679	$ 12,620	$ -	$ 53,299
Investment income	3,847	412	384	4,643
Fees, licenses & permits	38,362	-	-	38,362
Refunds & reimbursements	42,378	62	-	42,440
Sales, rents & services	4,031	-	-	4,031
Miscellaneous	16,042	12	58	16,112
GROSS REVENUES	**145,339**	**13,106**	**442**	**158,887**
Less revenue refunds	4,518	-	-	4,518
NET REVENUES	**140,821**	**13,106**	**442**	**154,369**
EXPENDITURES				
Current:				
Administration & regulation	12,857	1	-	12,858
Education	86,358	-	-	86,358
Health & human rights	495	369	-	864
Human services	133	-	-	133
Justice & public defense	1,522	37	-	1,559
Economic development	1,039	-	-	1,039
Transportation	964	-	-	964
Agriculture & natural resources	1,593	6,115	-	7,708
Capital outlay:				
Administration & regulation	22	4,878	-	4,900
Education	29	-	-	29
Health & human rights	55	14,045	-	14,100
Human services	-	1,086	-	1,086
Justice & public defense	94	31,802	-	31,896
Transportation	65	-	-	65
Agriculture & natural resources	16	6,883	-	6,899
Debt service:				
Principal	370	6,435	-	6,805
Interest	1,507	1,960	-	3,467
TOTAL EXPENDITURES	**107,119**	**73,611**	**-**	**180,730**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**33,702**	**(60,505)**	**442**	**(26,361)**
OTHER FINANCING SOURCES (USES)				
Transfers in	11,059	37,469	760	49,288
Transfers out	(47,045)	(20,204)	(384)	(67,633)
Revenue bonds issued	-	130,719	-	130,719
TOTAL OTHER FINANCING SOURCES (USES)	**(35,986)**	**147,984**	**376**	**112,374**
NET CHANGE IN FUND BALANCES	**(2,284)**	**87,479**	**818**	**86,013**
FUND BALANCES - JULY 1, RESTATED	**125,874**	**21,756**	**14,709**	**162,339**
FUND BALANCES - JUNE 30	**$ 123,590**	**$ 109,235**	**$ 15,527**	**$ 248,352**


IOWA

COMBINING FINANCIAL STATEMENTS

Nonmajor Special Revenue Funds

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

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

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

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

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

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

STATE OF IOWA

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2011
(Expressed in Thousands)

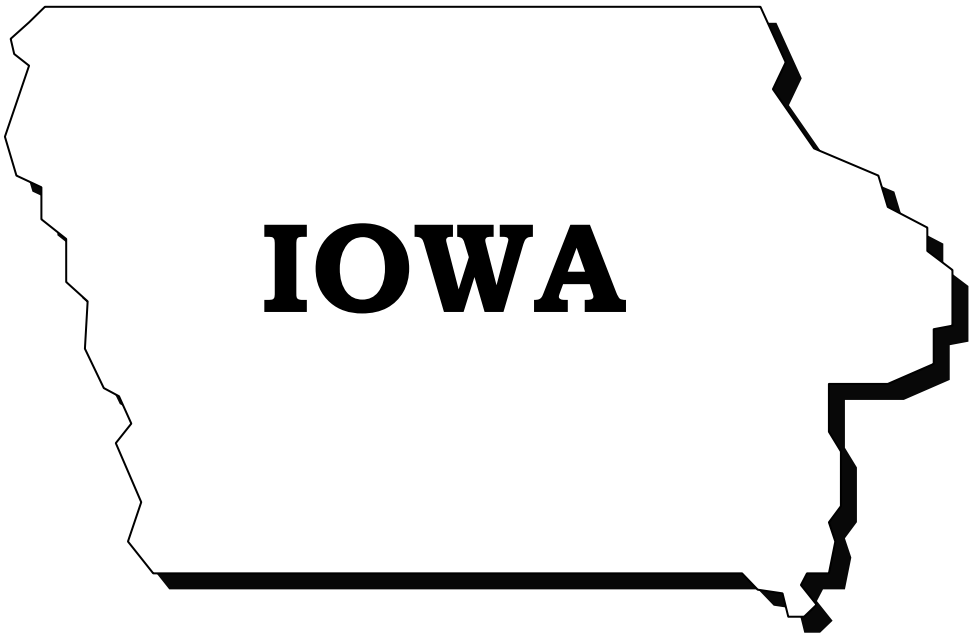
	GUARANTY AGENCY OPERATING	HONEY CREEK AUTHORITY	FEDERAL STUDENT LOAN RESERVE	IOWA PUBLIC TELEVISION FOUNDATION	OTHER FUNDS	TOTAL
ASSETS						
Current assets:						
Cash & investments	$ 18,821	$ -	$ 24,033	$ 7,435	$ 53,105	$ 103,394
Deposits with trustees	-	2,388	-	-	-	2,388
Accounts receivable (net)	987	8	2,109	835	9,200	13,139
Loans receivable (net)	506	-	-	-	112	618
Due from other funds	609	-	51	-	2,109	2,769
Inventory	-	-	-	39	58	97
Prepaid expenditures	30	-	-	38	-	68
Total current assets	20,953	2,396	26,193	8,347	64,584	122,473
Noncurrent assets:						
Accounts receivable (net)	-	-	-	162	-	162
Loans receivable (net)	1,682	-	-	-	244	1,926
Due from other funds/ advances to other funds	-	27,630	-	-	-	27,630
Total noncurrent assets	1,682	27,630	-	162	244	29,718
TOTAL ASSETS	**$ 22,635**	**$ 30,026**	**$ 26,193**	**$ 8,509**	**$ 64,828**	**$ 152,191**
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	$ 1,537	$ -	$ 1,969	$ 256	$ 2,241	$ 6,003
Due to other funds	40	-	581	368	20,699	21,688
Deferred revenue	37	-	-	718	155	910
TOTAL LIABILITIES	**1,614**	**-**	**2,550**	**1,342**	**23,095**	**28,601**
FUND BALANCES						
Nonspendable	30	-	-	77	58	165
Spendable:						
Restricted	20,991	30,026	23,643	7,090	24,850	106,600
Committed	-	-	-	-	16,838	16,838
Unassigned	-	-	-	-	(13)	(13)
TOTAL FUND BALANCES	**21,021**	**30,026**	**23,643**	**7,167**	**41,733**	**123,590**
TOTAL LIABILITIES & FUND BALANCES	**$ 22,635**	**$ 30,026**	**$ 26,193**	**$ 8,509**	**$ 64,828**	**$ 152,191**

STATE OF IOWA

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

For the Year Ended June 30, 2011
(Expressed in Thousands)

	GUARANTY AGENCY OPERATING	HONEY CREEK AUTHORITY	FEDERAL STUDENT LOAN RESERVE	IOWA PUBLIC TELEVISION FOUNDATION	OTHER FUNDS	TOTAL
REVENUES						
Receipts from other entities	$ 8,104	$ -	$ 32,062	$ -	$ 513	$ 40,679
Investment income	759	49	244	1,270	1,525	3,847
Fees, licenses & permits	-	-	158	-	38,204	38,362
Refunds & reimbursements	4,341	-	37,872	-	165	42,378
Sales, rents & services	-	-	-	-	4,031	4,031
Miscellaneous	-	-	-	8,017	8,025	16,042
GROSS REVENUES	**13,204**	**49**	**70,336**	**9,287**	**52,463**	**145,339**
Less revenue refunds	1,098	-	1,497	-	1,923	4,518
NET REVENUES	**12,106**	**49**	**68,839**	**9,287**	**50,540**	**140,821**
EXPENDITURES						
Current:						
Administration & regulation	-	-	-	-	12,857	12,857
Education	17,912	-	64,468	3,320	658	86,358
Health & human rights	-	-	-	-	495	495
Human services	-	-	-	-	133	133
Justice & public defense	-	-	-	-	1,522	1,522
Economic development	-	-	-	-	1,039	1,039
Transportation	-	-	-	-	964	964
Agriculture & natural resources	-	2	-	-	1,591	1,593
Capital outlay:						
Administration & regulation	-	-	-	-	22	22
Education	28	-	-	-	1	29
Health & human rights	-	-	-	-	55	55
Justice & public defense	-	-	-	-	94	94
Transportation	-	-	-	-	65	65
Agriculture & natural resources	-	-	-	-	16	16
Debt service:						
Principal	-	370	-	-	-	370
Interest	-	1,507	-	-	-	1,507
TOTAL EXPENDITURES	**17,940**	**1,879**	**64,468**	**3,320**	**19,512**	**107,119**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**(5,834)**	**(1,830)**	**4,371**	**5,967**	**31,028**	**33,702**
OTHER FINANCING SOURCES (USES)						
Transfers in	8,100	1,433	-	-	1,526	11,059
Transfers out	(74)	-	(7,952)	(3,817)	(35,202)	(47,045)
TOTAL OTHER FINANCING SOURCES (USES)	**8,026**	**1,433**	**(7,952)**	**(3,817)**	**(33,676)**	**(35,986)**
NET CHANGE IN FUND BALANCES	**2,192**	**(397)**	**(3,581)**	**2,150**	**(2,648)**	**(2,284)**
FUND BALANCES - JULY 1, RESTATED	**18,829**	**30,423**	**27,224**	**5,017**	**44,381**	**125,874**
FUND BALANCES - JUNE 30	**$ 21,021**	**$ 30,026**	**$ 23,643**	**$ 7,167**	**$ 41,733**	**$ 123,590**


IOWA

STATE OF IOWA
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Budgetary Basis
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2011
(Expressed in Thousands)

	PRIMARY ROAD FUND				REVENUE BONDS CAPITAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE:								
Transfers	$ 529,800	$ 529,800	$ 607,498	$ 77,698	$ -	$ -	$ 85	$ 85
RECEIPTS CREDITED TO APPROPRIATIONS:								
Other taxes	-	-	-	-	-	-	-	-
Wagering tax receipts	-	-	-	-	-	-	-	-
Individual income tax quarterly	-	-	-	-	-	-	-	-
Sales tax - DOT	5	5	1	(4)	-	-	-	-
Federal support	322,022	322,022	407,481	85,459	3,385	-	477	477
Local governments	4,600	4,600	3,108	(1,492)	-	-	-	-
Other states	3,000	2,995	7,567	4,572	-	-	-	-
Reimbursements from other agencies	160	160	4	(156)	-	-	-	-
Interest	1	1	-	(1)	400	800	248	(552)
Bonds & loans	-	6	1,097	1,091	-	-	-	-
Fees, licenses & permits	860	860	1,785	925	-	-	-	-
Refunds & reimbursements	4,011	4,011	-	(4,011)	-	-	229	229
Sale of real estate	1,710	1,710	2,403	693	-	-	-	-
Sale of equipment & salvage	-	-	-	-	-	-	-	-
Rents & leases	16	16	20	4	-	-	-	-
Agricultural sales	-	-	-	-	-	-	-	-
Other sales & services	-	-	-	-	-	-	-	-
Unearned receipts	-	-	-	-	-	-	-	-
Income tax checkoffs	-	-	-	-	-	-	-	-
Other	2,750	2,750	6,766	4,016	-	-	-	-
TOTAL APPROPRIATED RECEIPTS	**339,135**	**339,136**	**430,232**	**91,096**	**3,785**	**800**	**954**	**154**
TOTAL REVENUES AVAILABLE	**868,935**	**868,936**	**1,037,730**	**168,794**	**3,785**	**800**	**1,039**	**239**
EXPENDITURES:								
Administration & regulation	-	-	-	-	71,677	267,573	184,711	82,862
Agriculture & natural resources	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Health & human services	-	-	-	-	-	-	-	-
Transportation	592,623	586,713	586,151	562	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	**592,623**	**586,713**	**586,151**	**562**	**71,677**	**267,573**	**184,711**	**82,862**
TRANSFERS	**297,718**	**297,718**	**293,674**	**4,044**	**18,966**	**100,823**	**40,878**	**59,945**
TOTAL EXPENDITURES & TRANSFERS	**890,341**	**884,431**	**879,825**	**4,606**	**90,643**	**368,396**	**225,589**	**142,807**
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES & TRANSFERS	**(21,406)**	**(15,495)**	**157,905**	**173,400**	**(86,858)**	**(367,596)**	**(224,550)**	**143,046**
FUND BALANCES - JULY 1 (BUDGETARY-RESTATED)	**182,073**	**178,048**	**178,048**	**-**	**47,950**	**486,586**	**486,586**	**-**
FUND BALANCES - JUNE 30 (BUDGETARY)	**$ 160,667**	**$ 162,553**	**$ 335,953**	**$ 173,400**	**$ (38,908)**	**$ 118,990**	**$ 262,036**	**$ 143,046**

(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, 2011
(Expressed in Thousands)
(continued)

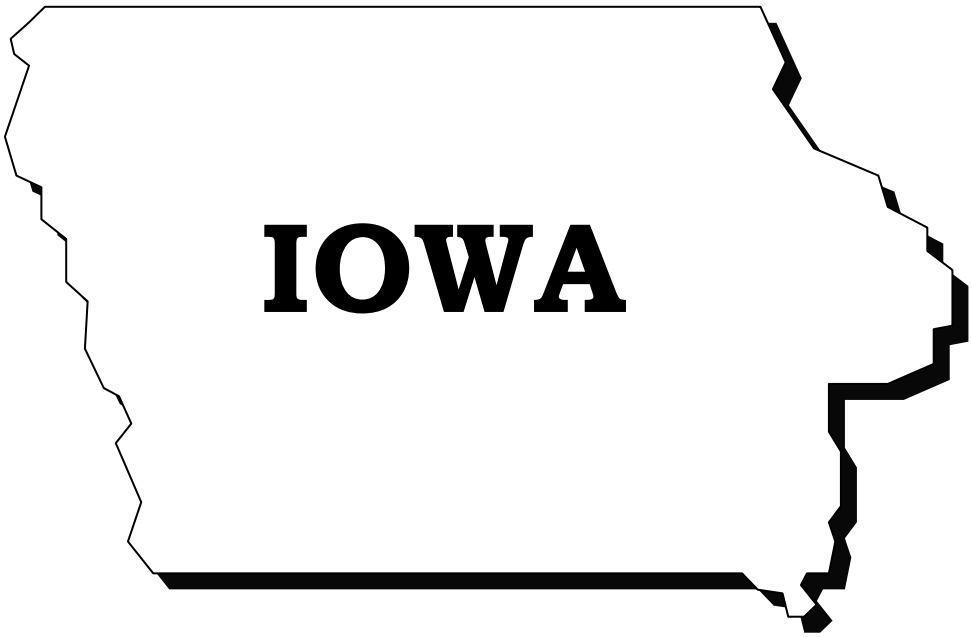
	IOWACARE FUND				GROW IOWA VALUES FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE:								
Transfers	$ 10,092	$ 10,092	$ 4,602	$ (5,490)	$ 38,650	$ 39,125	$ 34,475	$ (4,650)
RECEIPTS CREDITED TO APPROPRIATIONS:								
Other taxes	-	-	-	-	-	-	-	-
Wagering tax receipts	-	-	-	-	-	-	-	-
Individual income tax quarterly	-	-	-	-	-	-	-	-
Sales tax - DOT	-	-	-	-	-	-	-	-
Federal support	99,563	99,563	89,779	(9,784)	-	-	-	-
Local governments	38,000	38,000	38,000	-	-	-	-	-
Other states	-	-	-	-	-	-	-	-
Reimbursements from other agencies	-	-	-	-	-	-	-	-
Interest	350	350	46	(304)	715	720	380	(340)
Bonds & loans	-	-	-	-	4,500	4,410	6,328	1,918
Fees, licenses & permits	-	-	-	-	-	-	-	-
Refunds & reimbursements	-	-	-	-	375	375	1,562	1,187
Sale of real estate	-	-	-	-	-	-	-	-
Sale of equipment & salvage	-	-	-	-	-	-	-	-
Rents & leases	-	-	-	-	-	-	-	-
Agricultural sales	-	-	-	-	-	-	-	-
Other sales & services	-	-	-	-	-	-	-	-
Unearned receipts	-	-	-	-	-	-	-	-
Income tax checkoffs	-	-	-	-	-	-	-	-
Other	-	-	-	-	190	190	390	200
TOTAL APPROPRIATED RECEIPTS	**137,913**	**137,913**	**127,825**	**(10,088)**	**5,780**	**5,695**	**8,660**	**2,965**
TOTAL REVENUES AVAILABLE	**148,005**	**148,005**	**132,427**	**(15,578)**	**44,430**	**44,820**	**43,135**	**(1,685)**
EXPENDITURES:								
Administration & regulation	-	-	-	-	-	-	-	-
Agriculture & natural resources	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	29,427	24,560	19,871	4,689
Education	-	-	-	-	-	-	-	-
Health & human services	51,000	51,000	47,168	3,832	-	-	-	-
Transportation	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	**51,000**	**51,000**	**47,168**	**3,832**	**29,427**	**24,560**	**19,871**	**4,689**
TRANSFERS	**96,305**	**96,305**	**82,522**	**13,783**	**16,631**	**22,731**	**20,994**	**1,737**
TOTAL EXPENDITURES & TRANSFERS	**147,305**	**147,305**	**129,690**	**17,615**	**46,058**	**47,291**	**40,865**	**6,426**
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES & TRANSFERS	**700**	**700**	**2,737**	**2,037**	**(1,628)**	**(2,471)**	**2,270**	**4,741**
FUND BALANCES - JULY 1 (BUDGETARY-RESTATED)	**6,830**	**10,876**	**10,876**	**-**	**102,340**	**84,302**	**84,302**	**-**
FUND BALANCES - JUNE 30 (BUDGETARY)	**$ 7,530**	**$ 11,576**	**$ 13,613**	**$ 2,037**	**$ 100,712**	**$ 81,831**	**$ 86,572**	**$ 4,741**

(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, 2011
(Expressed in Thousands)
(continued)

	OTHER FUNDS				TOTAL			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE:								
Transfers	$ 344,621	$ 359,592	$ 351,530	$ (8,062)	$ 923,163	$ 938,609	$ 998,190	$ 59,581
RECEIPTS CREDITED TO APPROPRIATIONS:								
Other taxes	850	850	1,699	849	850	850	1,699	849
Wagering tax receipts	5,000	5,000	4,946	(54)	5,000	5,000	4,946	(54)
Individual income tax quarterly	4,000	4,000	4,000	-	4,000	4,000	4,000	-
Sales tax - DOT	-	-	-	-	5	5	1	(4)
Federal support	83,818	81,905	85,918	4,013	508,788	503,490	583,655	80,165
Local governments	1,125	1,270	1,145	(125)	43,725	43,870	42,253	(1,617)
Other states	-	-	-	-	3,000	2,995	7,567	4,572
Reimbursements from other agencies	1,100	1,110	138	(972)	1,260	1,270	142	(1,128)
Interest	8,331	7,321	900	(6,421)	9,797	9,192	1,574	(7,618)
Bonds & loans	150,000	150,200	150,563	363	154,500	154,616	157,988	3,372
Fees, licenses & permits	107,908	107,906	95,581	(12,325)	108,768	108,766	97,366	(11,400)
Refunds & reimbursements	9,122	9,224	12,659	3,435	13,508	13,610	14,450	840
Sale of real estate	-	-	-	-	1,710	1,710	2,403	693
Sale of equipment & salvage	20	20	1	(19)	20	20	1	(19)
Rents & leases	5	5	318	313	21	21	338	317
Agricultural sales	10	10	40	30	10	10	40	30
Other sales & services	1,367	1,367	1,880	513	1,367	1,367	1,880	513
Unearned receipts	310	311	500	189	310	311	500	189
Income tax checkoffs	150	150	127	(23)	150	150	127	(23)
Other	607	612	514	(98)	3,547	3,552	7,670	4,118
TOTAL APPROPRIATED RECEIPTS	**373,723**	**371,261**	**360,929**	**(10,332)**	**860,336**	**854,805**	**928,600**	**73,795**
TOTAL REVENUES AVAILABLE	**718,344**	**730,853**	**712,459**	**(18,394)**	**1,783,499**	**1,793,414**	**1,926,790**	**133,376**
EXPENDITURES:								
Administration & regulation	364,530	380,348	239,422	140,926	436,207	647,921	424,133	223,788
Agriculture & natural resources	25,350	25,350	15,408	9,942	25,350	25,350	15,408	9,942
Economic development	24,696	24,817	10,915	13,902	54,123	49,377	30,786	18,591
Education	27,686	27,764	29,613	(1,849) *	27,686	27,764	29,613	(1,849) *
Health & human services	7,086	7,126	2,527	4,599	58,086	58,126	49,695	8,431
Transportation	-	2	2,536	(2,534) *	592,623	586,715	588,687	(1,972) *
Judicial	2,161	2,161	190	1,971	2,161	2,161	190	1,971
TOTAL EXPENDITURES	**451,509**	**467,568**	**300,611**	**166,957**	**1,196,236**	**1,397,414**	**1,138,512**	**258,902**
TRANSFERS	**331,288**	**338,229**	**328,622**	**9,607**	**760,908**	**855,806**	**766,690**	**89,116**
TOTAL EXPENDITURES & TRANSFERS	**782,797**	**805,797**	**629,233**	**176,564**	**1,957,144**	**2,253,220**	**1,905,202**	**348,018**
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES & TRANSFERS	**(64,453)**	**(74,944)**	**83,226**	**158,170**	**(173,645)**	**(459,806)**	**21,588**	**481,394**
FUND BALANCES - JULY 1 (BUDGETARY-RESTATED)	**90,042**	**195,566**	**195,566**	**-**	**429,235**	**955,378**	**955,378**	**-**
FUND BALANCES - JUNE 30 (BUDGETARY)	**$ 25,589**	**$ 120,622**	**$ 278,792**	**$ 158,170**	**$ 255,590**	**$ 495,572**	**$ 976,966**	**$ 481,394**

* 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 School Infrastructure Fund and the Stafford Loan Program in the Education function and in the State Aviation Fund in the Transportation function.


IOWA

COMBINING FINANCIAL STATEMENTS

Nonmajor Capital Projects Funds

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

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

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

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

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

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

STATE OF IOWA

Combining Balance Sheet
Nonmajor Capital Projects Funds

June 30, 2011
(Expressed in Thousands)

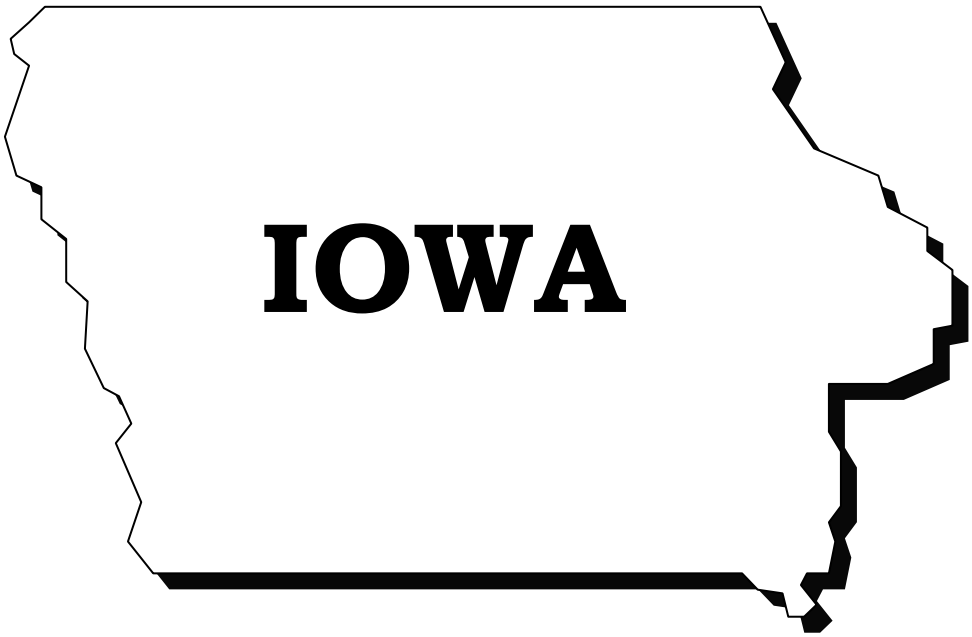
	GENERAL SERVICES CAPITALS FUND	ENDOWMENT FOR IOWA'S HEALTH RESTRICTED CAPITALS FUND	MARINE FUEL TAX CAPITALS FUND	2009 PRISON BONDING FUND	OTHER FUNDS	TOTAL
ASSETS						
Current assets:						
Cash & investments	$ 2,754	$ 6,364	$ 5,553	$ 98,992	$ 1,400	$ 115,063
Deposits with trustees	-	-	-	-	90	90
Accounts receivable	-	1,855	970	135	727	3,687
Due from other funds	106	120	248	12	2,000	2,486
TOTAL ASSETS	**$ 2,860**	**$ 8,339**	**$ 6,771**	**$ 99,139**	**$ 4,217**	**$ 121,326**
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	$ 1,757	$ 456	$ 637	$ 6,916	$ 1,868	$ 11,634
Due to other funds	324	47	25	46	2	444
Deferred revenue	-	-	13	-	-	13
TOTAL LIABILITIES	**2,081**	**503**	**675**	**6,962**	**1,870**	**12,091**
FUND BALANCES						
Spendable:						
Restricted	-	7,836	-	92,177	357	100,370
Committed	779	-	6,096	-	1,990	8,865
TOTAL FUND BALANCES	**779**	**7,836**	**6,096**	**92,177**	**2,347**	**109,235**
TOTAL LIABILITIES & FUND BALANCES	**$ 2,860**	**$ 8,339**	**$ 6,771**	**$ 99,139**	**$ 4,217**	**$ 121,326**

STATE OF IOWA

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

For the Year Ended June 30, 2011
(Expressed in Thousands)

	GENERAL SERVICES CAPITALS FUND	ENDOWMENT FOR IOWA'S HEALTH RESTRICTED CAPITALS FUND	MARINE FUEL TAX CAPITALS FUND	2009 PRISON BONDING FUND	OTHER FUNDS	TOTAL
REVENUES						
Receipts from other entities	$ 636	$ 9,762	$ 1,224	$ -	$ 998	$ 12,620
Investment income	-	94	-	169	149	412
Refunds & reimbursements	-	62	-	-	-	62
Miscellaneous	-	-	-	-	12	12
TOTAL REVENUES	**636**	**9,918**	**1,224**	**169**	**1,159**	**13,106**
EXPENDITURES						
Current:						
Administration & regulation	-	-	-	1	-	1
Health & human rights	-	369	-	-	-	369
Justice & public defense	-	-	-	-	37	37
Agriculture & natural resources	-	48	351	-	5,716	6,115
Capital outlay:						
Administration & regulation	249	75	-	-	4,554	4,878
Health & human rights	13,652	393	-	-	-	14,045
Human services	997	89	-	-	-	1,086
Justice & public defense	291	1,305	-	29,398	808	31,802
Agriculture & natural resources	-	107	2,099	-	4,677	6,883
Debt service:						
Principal	-	-	-	-	6,435	6,435
Interest	-	-	-	4	1,956	1,960
TOTAL EXPENDITURES	**15,189**	**2,386**	**2,450**	**29,403**	**24,183**	**73,611**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**(14,553)**	**7,532**	**(1,226)**	**(29,234)**	**(23,024)**	**(60,505)**
OTHER FINANCING SOURCES (USES)						
Transfers in	15,144	88	3,162	-	19,075	37,469
Transfers out	-	(19,991)	(213)	-	-	(20,204)
Revenue bonds issued	-	-	-	130,719	-	130,719
TOTAL OTHER FINANCING SOURCES (USES)	**15,144**	**(19,903)**	**2,949**	**130,719**	**19,075**	**147,984**
NET CHANGE IN FUND BALANCES	**591**	**(12,371)**	**1,723**	**101,485**	**(3,949)**	**87,479**
FUND BALANCES - JULY 1	**188**	**20,207**	**4,373**	**(9,308)**	**6,296**	**21,756**
FUND BALANCES - JUNE 30	**$ 779**	**$ 7,836**	**$ 6,096**	**$ 92,177**	**$ 2,347**	**$ 109,235**


IOWA

COMBINING FINANCIAL STATEMENTS

Nonmajor Permanent Funds

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

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

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

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

Pilot Gove 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, 2011
(Expressed in Thousands)

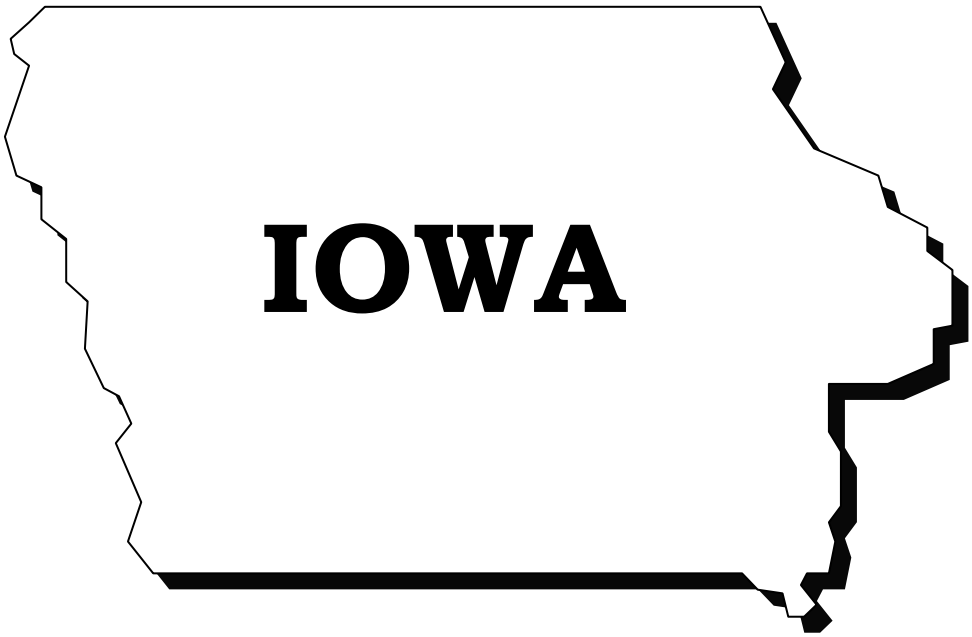
	PERMANENT SCHOOL PRINCIPAL FUND	IOWA CULTURAL TRUST FUND	IOWA PUBLIC TELEVISION FOUNDATION ENDOWMENT	PILOT GROVE TRUST FUND	HENERY ALBERT TRUST FUND	TOTAL
ASSETS						
Current assets:						
Cash & investments	$ 8,032	$ 5,936	$ 1,548	$ 10	$ 1	$ 15,527
TOTAL ASSETS	**$ 8,032**	**$ 5,936**	**$ 1,548**	**$ 10**	**$ 1**	**$ 15,527**
FUND BALANCES						
Nonspendable	8,032	5,936	1,548	10	1	15,527
TOTAL FUND BALANCES	**$ 8,032**	**$ 5,936**	**$ 1,548**	**$ 10**	**$ 1**	**$ 15,527**

STATE OF IOWA

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

For the Year Ended June 30, 2011
(Expressed in Thousands)

	PERMANENT SCHOOL PRINCIPAL FUND	IOWA CULTURAL TRUST FUND	IOWA PUBLIC TELEVISION FOUNDATION ENDOWMENT	PILOT GROVE TRUST FUND	HENERY ALBERT TRUST FUND	TOTAL
REVENUES						
Investment income	$ -	$ -	$ 384	$ -	$ -	$ 384
Miscellaneous	58	-	-	-	-	58
TOTAL REVENUES	**58**	**-**	**384**	**-**	**-**	**442**
OTHER FINANCING SOURCES (USES)						
Transfers in	-	760	-	-	-	760
Transfers out	-	-	(384)	-	-	(384)
TOTAL OTHER FINANCING SOURCES (USES)	**-**	**760**	**(384)**	**-**	**-**	**376**
NET CHANGE IN FUND BALANCES	**58**	**760**	**-**	**-**	**-**	**818**
FUND BALANCES - JULY 1, RESTATED	**7,974**	**5,176**	**1,548**	**10**	**1**	**14,709**
FUND BALANCES - JUNE 30	**$ 8,032**	**$ 5,936**	**$ 1,548**	**$ 10**	**$ 1**	**$ 15,527**


IOWA

COMBINING FINANCIAL STATEMENTS

Nonmajor Enterprise Funds

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

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

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

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

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

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

STATE OF IOWA

Combining Statement of Net Assets
Nonmajor Enterprise Funds

June 30, 2011
(Expressed in Thousands)

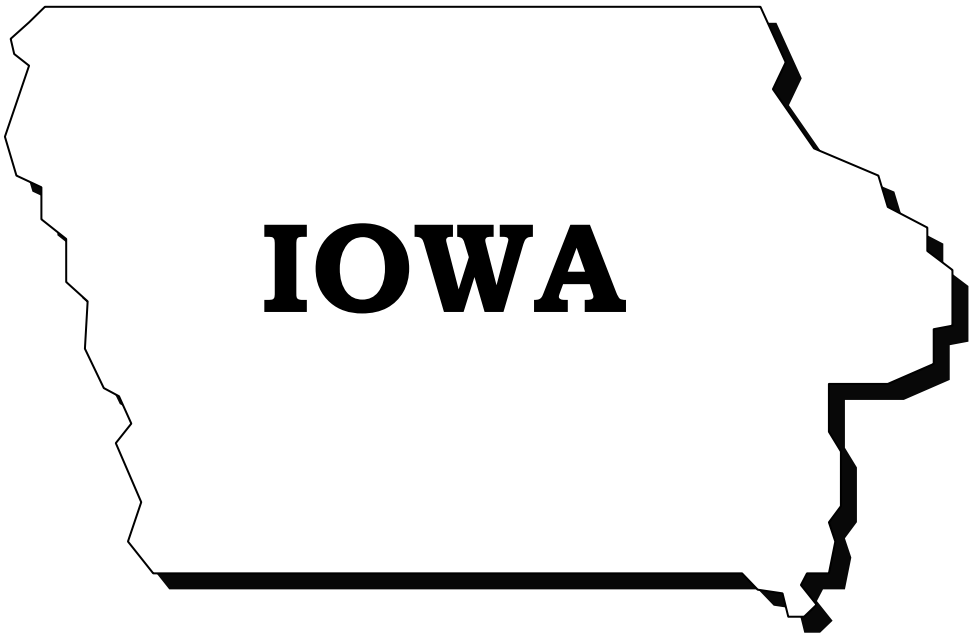
	IOWA COMMUNICATIONS NETWORK	HONEY CREEK PARK	LIQUOR CONTROL ACT	IOWA STATE PRISON INDUSTRIES	OTHER FUNDS	TOTAL
ASSETS						
Current assets:						
Cash & investments	$ 8,483	$ 413	$ 1,515	$ 3,245	$ 2,303	$ 15,959
Accounts receivable (net)	20,088	93	11,423	2,549	448	34,601
Interest receivable	5	-	-	-	-	5
Due from other funds	-	-	-	-	17	17
Inventory	1,660	180	743	7,955	1,021	11,559
Prepaid expenses	-	121	-	8	168	297
Total current assets	30,236	807	13,681	13,757	3,957	62,438
Noncurrent assets:						
Capital assets - nondepreciable	206	-	210	223	437	1,076
Capital assets - depreciable (net)	16,509	51,809	68	4,759	1,184	74,329
Prepaid expenses	400	-	-	-	-	400
Total noncurrent assets	17,115	51,809	278	4,982	1,621	75,805
TOTAL ASSETS	**47,351**	**52,616**	**13,959**	**18,739**	**5,578**	**138,243**
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	5,521	680	8,960	1,352	91	16,604
Due to other funds/advances from other funds	-	-	579	-	274	853
Unearned revenue	240	507	-	2	50	799
Compensated absences	746	-	131	510	178	1,565
Total current liabilities	6,507	1,187	9,670	1,864	593	19,821
Noncurrent liabilities:						
Accounts payable & accruals	445	-	227	566	179	1,417
Due to other funds/advances from other funds	-	27,630	-	-	-	27,630
Unearned revenue	2,620	-	-	-	-	2,620
Compensated absences	596	-	62	1,117	225	2,000
Total noncurrent liabilities	3,661	27,630	289	1,683	404	33,667
TOTAL LIABILITIES	**10,168**	**28,817**	**9,959**	**3,547**	**997**	**53,488**
NET ASSETS						
Invested in capital assets, net of related debt	16,715	51,809	278	4,982	1,621	75,405
Unrestricted	20,468	(28,010)	3,722	10,210	2,960	9,350
TOTAL NET ASSETS	**$ 37,183**	**$ 23,799**	**$ 4,000**	**$ 15,192**	**$ 4,581**	**$ 84,755**

STATE OF IOWA

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

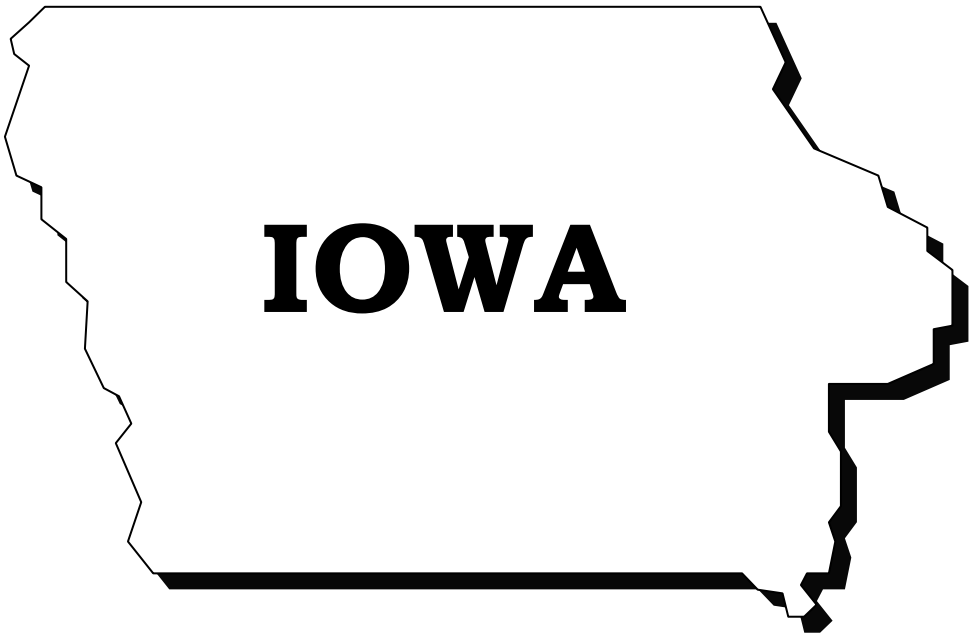
For the Year Ended June 30, 2011
(Expressed in Thousands)

	IOWA COMMUNICATIONS NETWORK	HONEY CREEK PARK	LIQUOR CONTROL ACT	IOWA STATE PRISON INDUSTRIES	OTHER FUNDS	TOTAL
OPERATING REVENUES						
Fees, licenses & permits	$ -	$ -	$ 13,288	$ -	$ 3,210	$ 16,498
Refunds & reimbursements	-	-	220	-	103	323
Sales, rents & services	31,417	5,547	221,141	20,061	804	278,970
Miscellaneous	-	-	1,560	-	399	1,959
TOTAL OPERATING REVENUES	**31,417**	**5,547**	**236,209**	**20,061**	**4,516**	**297,750**
OPERATING EXPENSES						
General & administrative	10,214	1,384	-	14	-	11,612
Depreciation	5,529	176	58	558	230	6,551
Direct & other	11,009	-	-	14,538	147	25,694
Personal services	-	-	3,126	1,761	2,456	7,343
Travel & subsistence	-	-	526	5	128	659
Supplies & materials	-	-	218	68	145	431
Contractual services	-	4,233	2,108	1,478	798	8,617
Equipment & repairs	-	-	117	36	33	186
Claims & miscellaneous	11,369	74	144,708	697	75	156,923
Licenses, permits & refunds	-	-	694	-	14	708
State aid & credits	-	-	3,528	-	-	3,528
TOTAL OPERATING EXPENSES	**38,121**	**5,867**	**155,083**	**19,155**	**4,026**	**222,252**
OPERATING INCOME (LOSS)	**(6,704)**	**(320)**	**81,126**	**906**	**490**	**75,498**
NONOPERATING REVENUES (EXPENSES)						
Taxes	-	-	6,803	-	-	6,803
Investment income	36	3	-	23	13	75
Gain on sale of capital assets	-	-	-	37	-	37
Loss on sale of capital assets	-	-	-	-	(21)	(21)
NET NONOPERATING REVENUES	**36**	**3**	**6,803**	**60**	**(8)**	**6,894**
INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	**(6,668)**	**(317)**	**87,929**	**966**	**482**	**82,392**
Capital contributions & grants	360	3,841	-	-	-	4,201
Transfers in	2,245	-	-	-	-	2,245
Transfers out	-	(1,433)	(90,455)	-	-	(91,888)
CHANGE IN NET ASSETS	**(4,063)**	**2,091**	**(2,526)**	**966**	**482**	**(3,050)**
TOTAL NET ASSETS - JULY 1, RESTATED	**41,246**	**21,708**	**6,526**	**14,226**	**4,099**	**87,805**
TOTAL NET ASSETS - JUNE 30	**$ 37,183**	**$ 23,799**	**$ 4,000**	**$ 15,192**	**$ 4,581**	**$ 84,755**


IOWA

STATE OF IOWA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2011
(Expressed in Thousands)

	IOWA COMMUNICATIONS NETWORK	HONEY CREEK PARK	LIQUOR CONTROL ACT	IOWA STATE PRISON INDUSTRIES	OTHER FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	$ 26,080	$ 5,485	$ 228,257	$ 19,785	$ 3,859	$ 283,466
Cash received from miscellaneous	-	-	1,780	-	399	2,179
Cash payments to suppliers for goods & services	(23,318)	(6,062)	(150,055)	(17,723)	(1,194)	(198,352)
Cash payments to employees for services	(8,377)	-	(3,091)	(1,619)	(2,435)	(15,522)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**(5,615)**	**(577)**	**76,891**	**443**	**629**	**71,771**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in from other funds	2,245	-	-	-	-	2,245
Transfers out to other funds	-	(1,433)	(90,225)	-	-	(91,658)
Tax receipts	-	-	6,803	-	-	6,803
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	**2,245**	**(1,433)**	**(83,422)**	**-**	**-**	**(82,610)**
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES						
Acquisition & construction of capital assets	(2,443)	1,956	-	(369)	(183)	(1,039)
Proceeds from sale of capital assets	-	-	-	37	(21)	16
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	**(2,443)**	**1,956**	**-**	**(332)**	**(204)**	**(1,023)**
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest & dividends on investments	64	3	-	23	13	103
NET CASH PROVIDED BY INVESTING ACTIVITIES	**64**	**3**	**-**	**23**	**13**	**103**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	**(5,749)**	**(51)**	**(6,531)**	**134**	**438**	**(11,759)**
CASH & CASH EQUIVALENTS - JULY 1, RESTATED	**14,232**	**464**	**8,046**	**3,111**	**1,865**	**27,718**
CASH & CASH EQUIVALENTS - JUNE 30	**$ 8,483**	**$ 413**	**$ 1,515**	**$ 3,245**	**$ 2,303**	**$ 15,959**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	$ (6,704)	$ (320)	$ 81,126	$ 906	$ 490	$ 75,498
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	5,529	176	58	558	230	6,551
(Increase) decrease in accounts receivable	(8,034)	3	(6,172)	(254)	(249)	(14,706)
(Increase) decrease in due from	-	1	-	-	3	4
(Increase) decrease in inventory	396	(50)	263	(861)	(143)	(395)
(Increase) decrease in prepaid expenses	(48)	(9)	8	16	(64)	(97)
Increase (decrease) in accounts payable	433	58	1,573	(56)	81	2,089
Increase (decrease) in due to	-	(370)	-	-	272	(98)
Increase (decrease) in unearned revenue	2,697	(66)	-	(22)	(12)	2,597
Increase (decrease) in compensated absences	116	-	35	156	21	328
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (5,615)**	**$ (577)**	**$ 76,891**	**$ 443**	**$ 629**	**$ 71,771**
NONCASH CAPITAL & RELATED FINANCING ACTIVITIES						
Capital assets contributed	$ -	$ 3,841	$ -	$ -	$ -	$ 3,841


IOWA

COMBINING FINANCIAL STATEMENTS

Internal Service Funds

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

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

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

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

Information Technology Revolving Fund provides data processing services to other State departments or agencies.

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

STATE OF IOWA

Combining Statement of Net Assets
Internal Service Funds

June 30, 2011
(Expressed in Thousands)

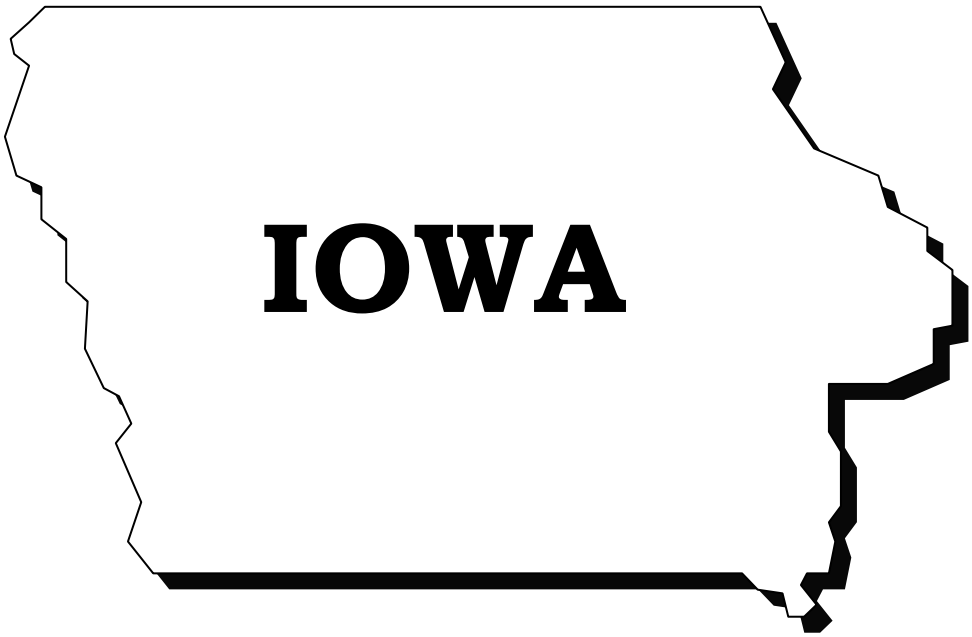
	WORKERS' COMPENSATION FUND	MATERIALS & EQUIPMENT REVOLVING FUND	DEPRECIATION REVOLVING FUND	INFORMATION TECHNOLOGY REVOLVING FUND	OTHER FUNDS	TOTAL
ASSETS						
Current assets:						
Cash & investments	$ 3,817	$ 13,128	$ 10,762	$ 5,885	$ 16,092	$ 49,684
Accounts receivable (net)	82	112	8	12	1,222	1,436
Due from other funds/advances to other funds	47,843	233	6,385	3,589	13,568	71,618
Inventory	-	5,767	-	47	1,977	7,791
Prepaid expenses	-	-	-	1,161	1,526	2,687
Total current assets	51,742	19,240	17,155	10,694	34,385	133,216
Noncurrent assets:						
Capital assets - depreciable (net)	-	85,610	-	2,390	2,924	90,924
TOTAL ASSETS	**51,742**	**104,850**	**17,155**	**13,084**	**37,309**	**224,140**
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	26,723	2,587	10	2,375	4,980	36,675
Due to other funds/advances from other funds	33	16	18	1,313	10,407	11,787
Unearned revenue	-	-	11,073	-	-	11,073
Compensated absences	-	432	-	1,039	1,397	2,868
Total current liabilities	26,756	3,035	11,101	4,727	16,784	62,403
Noncurrent liabilities:						
Accounts payable & accruals	24,986	581	-	1,036	1,962	28,565
Compensated absences	-	764	-	841	1,319	2,924
Total noncurrent liabilities	24,986	1,345	-	1,877	3,281	31,489
TOTAL LIABILITIES	**51,742**	**4,380**	**11,101**	**6,604**	**20,065**	**93,892**
NET ASSETS						
Invested in capital assets, net of related debt	-	85,610	-	2,390	2,924	90,924
Unrestricted	-	14,860	6,054	4,090	14,320	39,324
TOTAL NET ASSETS	**$ -**	**$ 100,470**	**$ 6,054**	**$ 6,480**	**$ 17,244**	**$ 130,248**

STATE OF IOWA

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

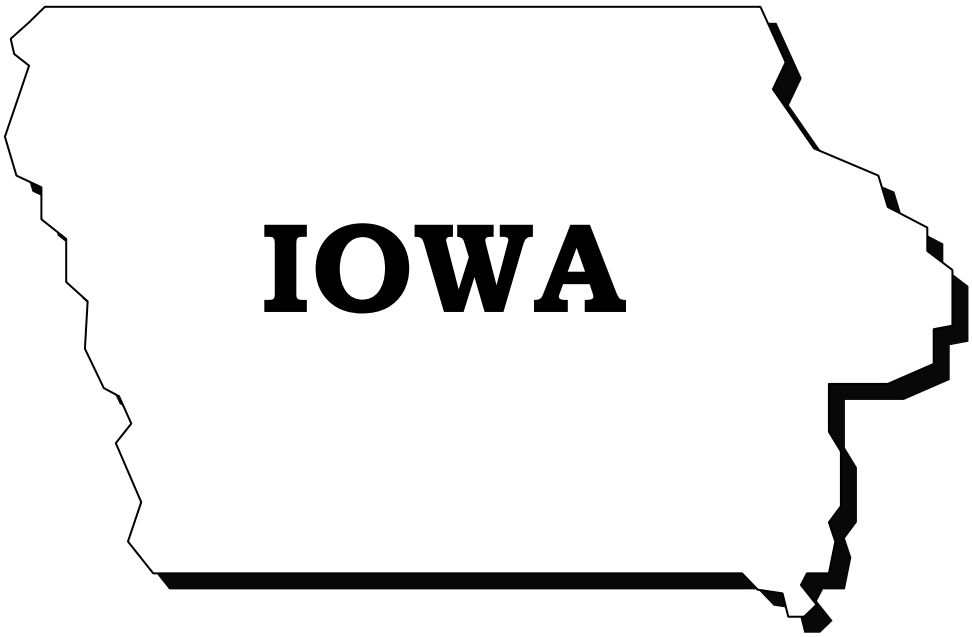
For the Year Ended June 30, 2011
(Expressed in Thousands)

	WORKERS' COMPENSATION FUND	MATERIALS & EQUIPMENT REVOLVING FUND	DEPRECIATION REVOLVING FUND	INFORMATION TECHNOLOGY REVOLVING FUND	OTHER FUNDS	TOTAL
OPERATING REVENUES						
Receipts from other entities	$ 28,255	$ 2,916	$ 4,700	$ 33,227	$ 52,471	$ 121,569
Fees, licenses & permits	-	-	-	5	200	205
Refunds & reimbursements	359	61,217	123	-	1,374	63,073
Sales, rents & services	-	-	402	108	59	569
Miscellaneous	-	5,834	-	-	104	5,938
TOTAL OPERATING REVENUES	**28,614**	**69,967**	**5,225**	**33,340**	**54,208**	**191,354**
OPERATING EXPENSES						
Depreciation	-	12,073	-	1,237	764	14,074
Personal services	-	5,096	-	10,955	14,145	30,196
Travel & subsistence	-	13,003	2	15	10,335	23,355
Supplies & materials	-	32,433	-	993	16,194	49,620
Contractual services	2,336	2,245	49	15,328	6,682	26,640
Equipment & repairs	-	2,585	3,030	6,939	2,326	14,880
Claims & miscellaneous	26,278	6	-	30	1,384	27,698
Licenses, permits & refunds	-	19	5	-	7	31
TOTAL OPERATING EXPENSES	**28,614**	**67,460**	**3,086**	**35,497**	**51,837**	**186,494**
OPERATING INCOME (LOSS)	**-**	**2,507**	**2,139**	**(2,157)**	**2,371**	**4,860**
NONOPERATING REVENUES (EXPENSES)						
Investment income	-	-	-	66	43	109
Gain on sale of capital assets	-	-	-	-	35	35
Loss on sale of capital assets	-	(21)	-	(328)	(14)	(363)
NET NONOPERATING REVENUES (EXPENSES)	**-**	**(21)**	**-**	**(262)**	**64**	**(219)**
CHANGE IN NET ASSETS	**-**	**2,486**	**2,139**	**(2,419)**	**2,435**	**4,641**
TOTAL NET ASSETS - JULY 1	**-**	**97,984**	**3,915**	**8,899**	**14,809**	**125,607**
TOTAL NET ASSETS - JUNE 30	**$ -**	**$ 100,470**	**$ 6,054**	**$ 6,480**	**$ 17,244**	**$ 130,248**


IOWA

STATE OF IOWA
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2011
(Expressed in Thousands)

	WORKERS' COMPENSATION FUND	MATERIALS & EQUIPMENT REVOLVING FUND	DEPRECIATION REVOLVING FUND	INFORMATION TECHNOLOGY REVOLVING FUND	OTHER FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from other entities	$ 359	$ 8,724	$ 394	$ 104	$ 1,053	$ 10,634
Cash received from reciprocal interfund activity	25,930	63,251	6,553	32,556	52,825	181,115
Cash payments to suppliers for goods & services	(24,536)	(50,040)	(3,076)	(22,228)	(36,948)	(136,828)
Cash payments to employees for services	-	(4,870)	-	(10,663)	(13,859)	(29,392)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**1,753**	**17,065**	**3,871**	**(231)**	**3,071**	**25,529**
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES						
Acquisition & construction of capital assets	-	(8,902)	-	(1,166)	(151)	(10,219)
NET CASH USED BY CAPITAL & RELATED FINANCING ACTIVITIES	**-**	**(8,902)**	**-**	**(1,166)**	**(151)**	**(10,219)**
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest & dividends on investments	-	-	-	66	43	109
NET CASH PROVIDED BY INVESTING ACTIVITIES	**-**	**-**	**-**	**66**	**43**	**109**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	**1,753**	**8,163**	**3,871**	**(1,331)**	**2,963**	**15,419**
CASH & CASH EQUIVALENTS - JULY 1	**2,064**	**4,965**	**6,891**	**7,216**	**13,129**	**34,265**
CASH & CASH EQUIVALENTS - JUNE 30	**$ 3,817**	**$ 13,128**	**$ 10,762**	**$ 5,885**	**$ 16,092**	**$ 49,684**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	$ -	$ 2,507	$ 2,139	$ (2,157)	$ 2,371	$ 4,860
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	-	12,073	-	1,237	764	14,074
(Increase) decrease in accounts receivable	17	(26)	(8)	(9)	(484)	(510)
(Increase) decrease in due from	(2,375)	2,036	(2,245)	(516)	(1,070)	(4,170)
(Increase) decrease in inventory	-	999	-	(8)	(163)	828
(Increase) decrease in prepaid expenses	-	-	-	(63)	(571)	(634)
Increase (decrease) in accounts payable	4,078	(748)	10	1,148	714	5,202
Increase (decrease) in due to	33	(2)	(75)	(155)	1,224	1,025
Increase (decrease) in unearned revenue	-	-	4,050	-	-	4,050
Increase (decrease) in compensated absences	-	226	-	292	286	804
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**$ 1,753**	**$ 17,065**	**$ 3,871**	**$ (231)**	**$ 3,071**	**$ 25,529**


IOWA

COMBINING FINANCIAL STATEMENTS

Pension and Other Employee Benefit Funds

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

June 30, 2011
(Expressed in Thousands)

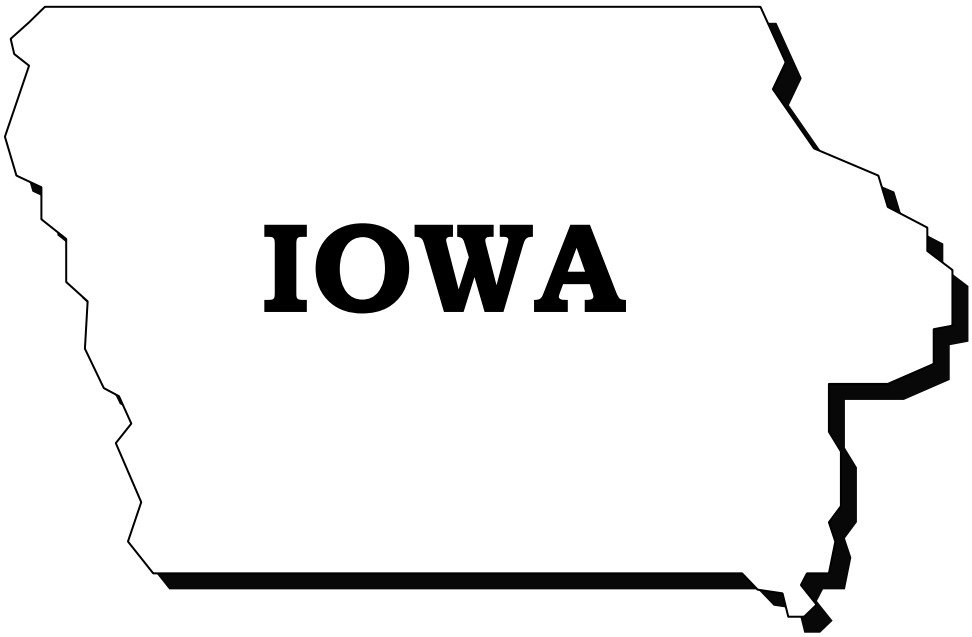
	IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM	PEACE OFFICERS' RETIREMENT SYSTEM	JUDICIAL RETIREMENT SYSTEM	INSURANCE FUND	SPOC INSURANCE FUND	TOTAL
ASSETS						
Cash & cash equivalents	$ 204,159	$ 6,275	$ 4,631	$ 7	$ 3,074	$ 218,146
Receivables:						
Contributions	51,026	847	204	651	-	52,728
Investments sold	942,791	3,089	1,514	-	-	947,394
Foreign exchange contracts	1,446,550	-	-	-	-	1,446,550
Interest & dividends	62,924	961	-	-	-	63,885
Total receivables	2,503,291	4,897	1,718	651	-	2,510,557
Investments, at fair value:						
Fixed income securities	8,010,946	157,487	60,724	-	-	8,229,157
Equity investments	9,771,185	103,512	43,179	-	-	9,917,876
Real estate partnerships	1,774,421	12,368	3,893	-	-	1,790,682
Investment in private equity/ debt	2,852,708	-	-	-	-	2,852,708
Real assets	969,812	-	-	-	-	969,812
Securities lending collateral pool	685,487	24,994	1,997	-	-	712,478
Securities on loan with brokers	-	24,579	1,965	-	-	26,544
Total investments	24,064,559	322,940	111,758	-	-	24,499,257
Capital assets:						
Land	500	-	-	-	-	500
Other - depreciable (net)	21,139	-	-	-	-	21,139
Total capital assets	21,639	-	-	-	-	21,639
Other assets	2,666	-	-	-	-	2,666
TOTAL ASSETS	**26,796,314**	**334,112**	**118,107**	**658**	**3,074**	**27,252,265**
LIABILITIES						
Accounts payable & accruals	1,472,596	380	104	7	-	1,473,087
Payable for investments purchased	1,537,210	130	4,434	-	-	1,541,774
Payable to brokers for rebate & collateral	704,376	24,994	1,997	-	-	731,367
TOTAL LIABILITIES	**3,714,182**	**25,504**	**6,535**	**7**	**-**	**3,746,228**
NET ASSETS						
Held in trust for pension/other postemployment benefits	$ 23,082,132	$ 308,608	$ 111,572	$ 651	$ 3,074	$ 23,506,037

STATE OF IOWA

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

For the Year Ended June 30, 2011
(Expressed in Thousands)

	IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM	PEACE OFFICERS' RETIREMENT SYSTEM	JUDICIAL RETIREMENT SYSTEM	INSURANCE FUND	SPOC INSURANCE FUND	TOTAL
ADDITIONS						
Contributions:						
Member contributions	$ 306,472	$ 3,844	$ 2,475	$ 1,057	$ 161	$ 314,009
Employer contributions	468,035	9,554	8,102	-	-	485,691
Buy-back/buy-in contributions	14,847	-	-	-	-	14,847
Total contributions	789,354	13,398	10,577	1,057	161	814,547
Investment income:						
Net increase in fair value of investments	3,489,456	47,832	16,384	-	-	3,553,672
Interest	255,634	12,227	1,396	1	-	269,258
Dividends	100,934	2,277	977	-	-	104,188
Other	118,215	-	-	-	-	118,215
Total investment income	3,964,239	62,336	18,757	1	-	4,045,333
Less investment expense	41,670	1,629	390	-	-	43,689
Net investment income	3,922,569	60,707	18,367	1	-	4,001,644
TOTAL ADDITIONS	**4,711,923**	**74,105**	**28,944**	**1,058**	**161**	**4,816,191**
DEDUCTIONS						
Pension & annuity benefits	1,457,005	22,254	8,681	-	-	1,487,940
Payments in accordance with agreements	-	-	-	824	460	1,284
Administrative expense	9,651	117	13	-	-	9,781
Refunds	41,215	-	-	-	-	41,215
TOTAL DEDUCTIONS	**1,507,871**	**22,371**	**8,694**	**824**	**460**	**1,540,220**
CHANGE IN NET ASSETS	**3,204,052**	**51,734**	**20,250**	**234**	**(299)**	**3,275,971**
NET ASSETS - JULY 1	**19,878,080**	**256,874**	**91,322**	**417**	**3,373**	**20,230,066**
NET ASSETS - JUNE 30	**$ 23,082,132**	**$ 308,608**	**$ 111,572**	**$ 651**	**$ 3,074**	**$ 23,506,037**


IOWA

COMBINING FINANCIAL STATEMENTS

Private Purpose Trust Funds

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

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

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

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

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

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

STATE OF IOWA

Combining Statement of Fiduciary Net Assets
Private Purpose Trust Funds

June 30, 2011
(Expressed in Thousands)

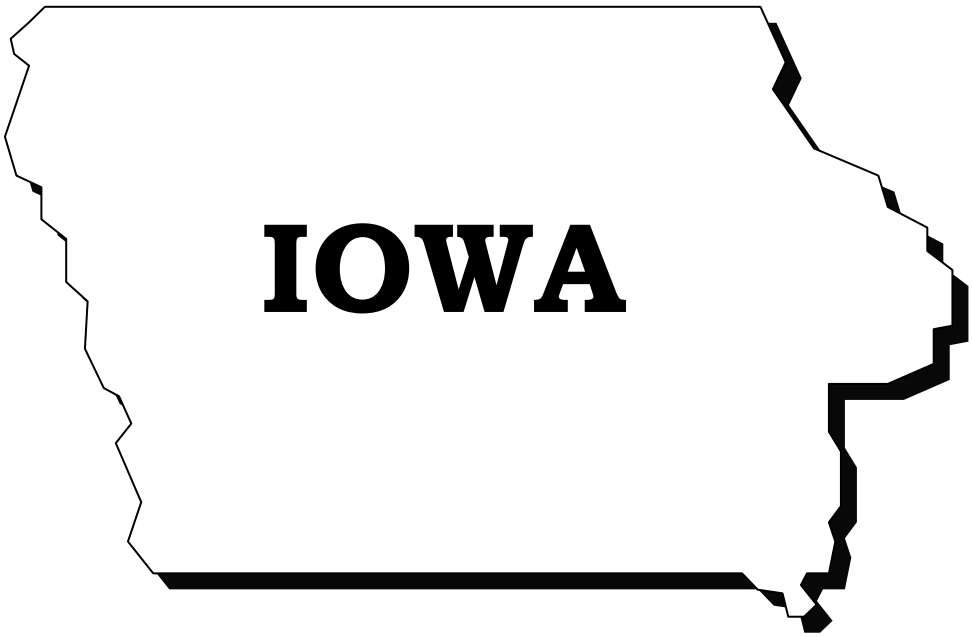
	IOWA EDUCATIONAL SAVINGS PLAN TRUST	IOWA VETERANS TRUST FUND	BRAILLE & SIGHT SAVING SCHOOL FUND	GEAR-UP FUND	OTHER FUNDS	TOTAL
ASSETS						
Cash	$ 1,217	$ 13,273	$ 667	$ 1,001	$ 708	$ 16,866
Accounts receivable (net)	5	579	-	840	-	1,424
Investments	2,843,643	-	-	6,735	-	2,850,378
Capital assets - depreciable (net)	15	-	-	-	71	86
Prepaid expenses	8	-	-	-	-	8
Inventory	-	-	-	-	12	12
TOTAL ASSETS	**2,844,888**	**13,852**	**667**	**8,576**	**791**	**2,868,774**
LIABILITIES						
Accounts payable & accruals	25	-	-	-	35	60
NET ASSETS						
Held in trust for other purposes	$ 2,844,863	$ 13,852	$ 667	$ 8,576	$ 756	$ 2,868,714

STATE OF IOWA

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

For the Year Ended June 30, 2011
(Expressed in Thousands)

	IOWA EDUCATIONAL SAVINGS PLAN TRUST	IOWA VETERANS TRUST FUND	BRAILLE & SIGHT SAVING SCHOOL FUND	GEAR-UP FUND	OTHER FUNDS	TOTAL
ADDITIONS						
Contributions:						
Participant contributions	$ 798,631	$ -	$ -	$ -	$ 58	$ 798,689
Other contributions	31	1	-	4,200	10	4,242
Gifts, bequests & endowments	-	3,133	-	-	133	3,266
Total contributions	798,662	3,134	-	4,200	201	806,197
Investment income (loss):						
Net increase (decrease) in fair value of investments	-	57	181	(9)	-	229
Interest	1	40	36	63	3	143
Total investment income	1	97	217	54	3	372
TOTAL ADDITIONS	**798,663**	**3,231**	**217**	**4,254**	**204**	**806,569**
DEDUCTIONS						
Distributions to participants	172,486	-	-	-	-	172,486
Other	1,173	122	44	3	247	1,589
TOTAL DEDUCTIONS	**173,659**	**122**	**44**	**3**	**247**	**174,075**
CHANGE IN NET ASSETS	**625,004**	**3,109**	**173**	**4,251**	**(43)**	**632,494**
NET ASSETS - JULY 1, RESTATED	**2,219,859**	**10,743**	**494**	**4,325**	**799**	**2,236,220**
NET ASSETS - JUNE 30	**$ 2,844,863**	**$ 13,852**	**$ 667**	**$ 8,576**	**$ 756**	**$ 2,868,714**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COMBINING FINANCIAL STATEMENTS

Agency Funds

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

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

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

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

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

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

STATE OF IOWA

Combining Statement of Fiduciary Net Assets
Agency Funds

June 30, 2011
(Expressed in Thousands)

	LOCAL SALES & SERVICES TAX FUND	CENTRALIZED PAYROLL TRUSTEE FUND	JUDICIAL - CLERKS OF DISTRICT COURT	SCHOOL DISTRICT SURTAX CLEARING FUND	OTHER FUNDS	TOTAL
ASSETS						
Cash	$ 20,014	$ 19,192	$ 21,471	$ 87,732	$ 62,066	$ 210,475
Accounts receivable (net)	118,266	1,427	-	5,642	57,509	182,844
TOTAL ASSETS	**$ 138,280**	**$ 20,619**	**$ 21,471**	**$ 93,374**	**$ 119,575**	**$ 393,319**
LIABILITIES						
Accounts payable & accruals	$ 138,280	$ 20,619	$ 21,471	$ 93,374	$ 119,575	$ 393,319
TOTAL LIABILITIES	**$ 138,280**	**$ 20,619**	**$ 21,471**	**$ 93,374**	**$ 119,575**	**$ 393,319**

STATE OF IOWA

Combining Statement of Changes in Assets and Liabilities
Agency Funds

For the Year Ended June 30, 2011
(Expressed in Thousands)

	BEGINNING BALANCE	ADDITIONS	DEDUCTIONS	ENDING BALANCE
LOCAL SALES & SERVICES TAX FUND				
ASSETS				
Cash	$ 36,981	$ 709,580	$ 726,547	$ 20,014
Accounts receivable	108,420	118,266	108,420	118,266
TOTAL ASSETS	$ 145,401	$ 827,846	$ 834,967	$ 138,280
LIABILITIES				
Accounts payable & accruals	$ 145,401	$ 827,846	$ 834,967	$ 138,280
CENTRALIZED PAYROLL TRUSTEE FUND				
ASSETS				
Cash	$ 22,244	$ 799,666	$ 802,718	$ 19,192
Accounts receivable	1,125	1,427	1,125	1,427
TOTAL ASSETS	$ 23,369	$ 801,093	$ 803,843	$ 20,619
LIABILITIES				
Accounts payable & accruals	$ 23,369	$ 801,093	$ 803,843	$ 20,619
JUDICIAL - CLERKS OF DISTRICT COURT				
ASSETS				
Cash	$ 23,847	$ 270,278	$ 272,654	$ 21,471
LIABILITIES				
Accounts payable & accruals	$ 23,847	$ 270,278	$ 272,654	$ 21,471
SCHOOL DISTRICT SURTAX CLEARING FUND				
ASSETS				
Cash	$ 84,413	$ 95,399	$ 92,080	$ 87,732
Accounts receivable	4,290	5,642	4,290	5,642
TOTAL ASSETS	$ 88,703	$ 101,041	$ 96,370	$ 93,374
LIABILITIES				
Accounts payable & accruals	$ 88,703	$ 101,041	$ 96,370	$ 93,374
OTHER FUNDS				
ASSETS				
Cash	$ 53,393	$ 1,291,656	$ 1,282,983	$ 62,066
Accounts receivable	55,261	57,511	55,263	57,509
TOTAL ASSETS	$ 108,654	$ 1,349,167	$ 1,338,246	$ 119,575
LIABILITIES				
Accounts payable & accruals	$ 108,654	$ 1,349,167	$ 1,338,246	$ 119,575
TOTAL				
ASSETS				
Cash	$ 220,878	$ 3,166,579	$ 3,176,982	$ 210,475
Accounts receivable	169,096	182,846	169,098	182,844
TOTAL ASSETS	$ 389,974	$ 3,349,425	$ 3,346,080	$ 393,319
LIABILITIES				
Accounts payable & accruals	$ 389,974	$ 3,349,425	$ 3,346,080	$ 393,319