KPMG

IOWA FINANCE AUTHORITY

(A Component Unit of the State of Iowa)

Basic Financial Statements and
Schedule of Expenditures of Federal Awards

June 30, 2008 and 2007

(With Independent Auditors' Report Thereon)

IOWA FINANCE AUTHORITY

(A Component Unit of the State of Iowa)

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KPMG LLP
2500 Ruan Center
666 Grand Avenue
Des Moines, IA 50309

Independent Auditors' Report

The Board of Directors
Iowa Finance Authority:

We have audited the accompanying financial statements of each major fund and the total business-type activities of the Iowa Finance Authority (the Authority), a component unit of the State of Iowa, as of and for the years ended June 30, 2008 and 2007, which collectively comprise the Authority's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the total business-type activities of the Iowa Finance Authority as of June 30, 2008 and 2007, and the respective changes in financial position and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2008 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 8 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. 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. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the 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.

KPMG LLP

Des Moines, Iowa
September 22, 2008

Management's discussion and analysis provides an overview of the financial activities of the Iowa Finance Authority (the Authority) for the fiscal years ended June 30, 2008 and 2007. Please read it in conjunction with the Authority's financial statements and accompanying notes.

The Authority is a self-supporting entity and follows enterprise fund accounting. Accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. While the various funds of the Authority are grouped together for management convenience, the combined assets are available only in accordance with the applicable bond resolutions, federal and Iowa laws, and other outstanding agreements.

Authority Credit and General Obligation Rating

The unsecured general obligation of the Authority is rated AA- by Standard and Poor's Rating Services and Aa3 by Moody's Investors Services as of June 30, 2008. These ratings take into account the amount of unrestricted net assets maintained by the Authority, as well as certain contingent obligations to which the general obligation of the Authority is pledged. While there is no assurance that these ratings will remain in effect for any period of time, management is committed to maintaining an investment grade general obligation rating for the Authority.

Overview of the Financial Statements

This annual financial report consists of *Management's Discussion and Analysis* (this section) and the *Basic Financial Statements*, including notes to the financial statements. The *Basic Financial Statements* include Authority-wide financial statements and statements for the following two major funds:

- Housing Agency Fund
- State Revolving Fund

The statements of net assets detail the assets and liabilities of the Authority based on their liquidity, utilizing current and noncurrent categories. The resulting net assets in these statements are displayed as either restricted or unrestricted. Under Governmental Accounting Standards Board (GASB) Statement Nos. 34, 37, and 38, assets are restricted when their use is subject to external restrictions (such as bond resolutions, legal agreements, statutes, etc.), with assets not falling under this category being characterized as unrestricted. Please note, however, that unrestricted net assets may include assets that have been committed by the Authority for specific uses.

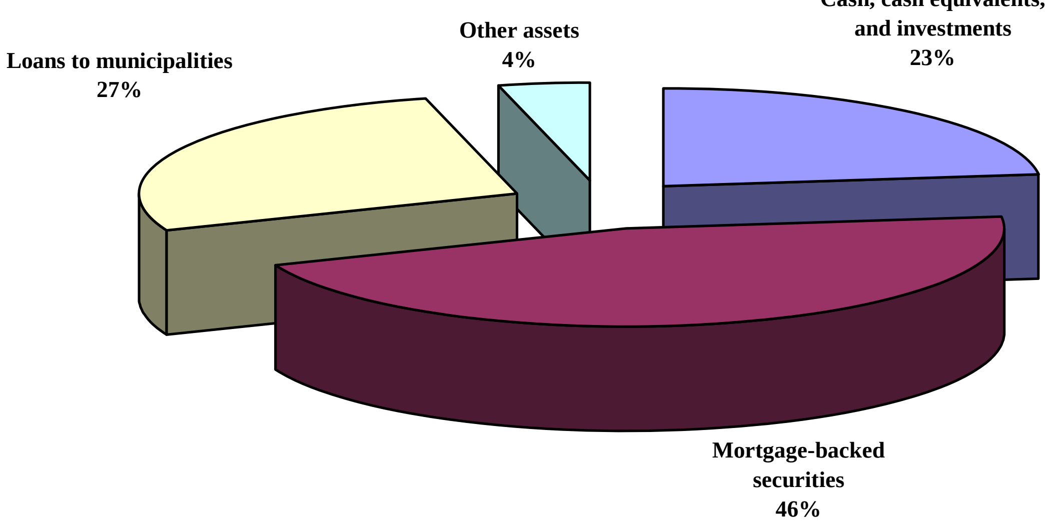
The statements of revenues, expenses, and changes in net assets present operating revenues less operating expenses and the resultant operating income or loss, nonoperating income or loss, and the resultant change in net assets.

The statements of cash flows report the net increase or decrease in cash and cash equivalents. These statements include cash flows from operating activities, cash flows from noncapital financing activities, and cash flows from investing activities.

Condensed Financial Information

The following charts and tables present condensed financial information for FY08 and FY07.

Total Authority Assets as of June 30, 2008
$2,233 million



Total Authority Assets as of June 30, 2007
$1,892 million

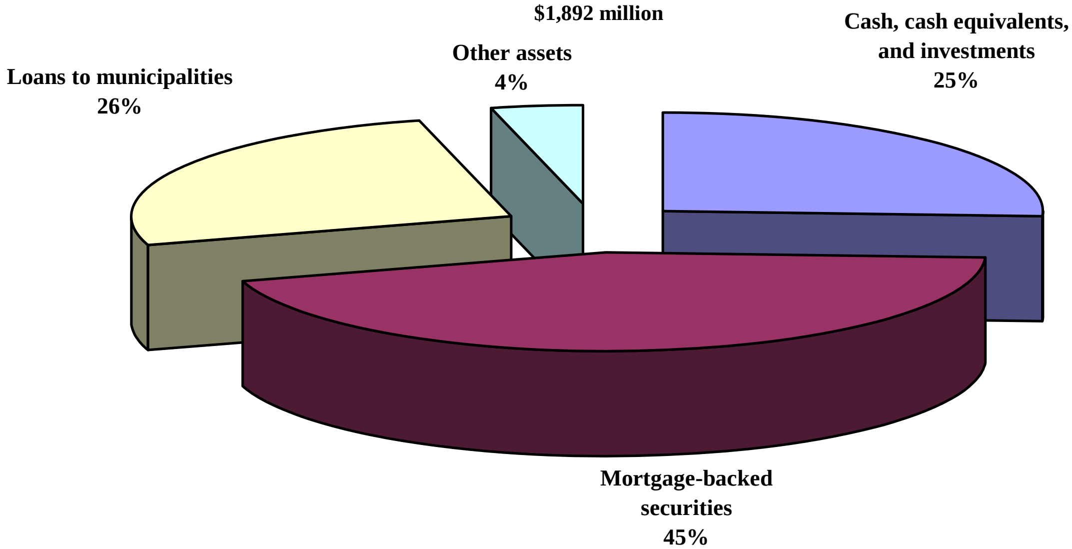


Table 1—Total Condensed Information of the Authority

Net Assets
(Dollars in millions)

	2008	2007	2006
Assets:			
Cash, cash equivalents, and investments	$ 524.1	473.3	513.7
Mortgage-backed securities	1,024.3	844.8	644.1
Loans to municipalities or water systems	594.3	496.2	447.8
Other assets	89.9	78.2	40.5
Total assets	2,232.6	1,892.5	1,646.1
Liabilities:			
Bonds payable, net	1,426.8	1,176.4	1,009.1
Other liabilities	68.5	59.5	40.7
Total liabilities	1,495.3	1,235.9	1,049.8
Net assets:			
Invested in capital assets, net of related debt	1.1	0.9	0.5
Restricted net assets	721.9	637.9	578.6
Unrestricted net assets	14.3	17.8	17.2
Total net assets	$ 737.3	656.6	596.3

Revenues, Expenses, and Changes in Net Assets
(Dollars in millions)

	2008	2007	2006
Operating revenues:			
Interest income	$ 94.6	82.9	67.2
Net increase (decrease) in fair value	23.0	(0.6)	(37.5)
Fee and other income and provision for loan losses	14.3	14.3	13.2
Grant income	45.7	45.0	49.8
Total operating revenues	177.6	141.6	92.7
Operating expenses:			
Interest on bonds	66.1	54.1	43.6
General and administrative	16.6	13.3	13.3
Grants and aid	14.3	13.0	10.9
Provision for losses	(0.1)	0.9	0.7
Total operating expenses	96.9	81.3	68.5
Change in net assets	80.7	60.3	24.2
Net assets at beginning of year	656.6	596.3	572.1
Net assets at end of year	$ 737.3	656.6	596.3

Financial Analysis—Combined 2008

- The Authority's assets increased 18%, or $340.1 million, to $2,232.6 million in FY08 compared to $1,892.5 million in FY07. Mortgage-backed securities (MBS) grew 21% or $179.5 million as the Authority's FirstHome programs continue to grow. Loans to municipalities or water systems (SRF loans) grew 20%, or $98.1 million, as part of the SRF loan origination process.

- Bonds payable increased 21%, or $250.4 million, to $1,426.8 million in FY08 compared to $1,176.4 million in FY07.

  The Authority issued four single family bond series totaling $286.2 million to purchase MBS under the FirstHome Program and to refund prior bonds. One multifamily bond series provided $3.8 million to originate one first mortgage loan. One SRF bond series was issued for $64.2 million. The Authority made bond payments of $103.8 million.

Series	Date	Amount	Rating
SF 2007 DEFG	07/12/07	$ 83.6	D/E/F: AAA by Standard & Poor's; Aaa by Moody's G: AAA/A-1+ by Standard & Poor's; Aaa/VMIG-1 by Moody's
SF 2007 HIJ	09/14/07	89.8	AAA by Standard & Poor's; Aaa by Moody's
SF 2007 KLMN	12/12/07	52.8	K/L: AAA by Standard & Poor's; Aaa by Moody's M/N: AAA/A-1+ by Standard & Poor's; Aaa/VMIG-1 by Moody's
SF 2008 ABC	04/16/08	60.0	A: AAA by Standard & Poor's; Aaa by Moody's B/C: AAA/A-1+ by Standard & Poor's; Aaa/VMIG-1 by Moody's
		286.2	
MF 2008 A	05/01/08	3.8	AA-/A-1+ by Standard & Poor's; Aa3 / VMIG-1 by Moody's
SRF 2007 A	10/11/07	64.2	AAA by Standard & Poor's; Aaa by Moody's; AAA by Fitch Ratings
Total		$ 354.2	

- Interest income grew 14%, or $11.7 million, due to the asset growth in the MBS and SRF loan portfolios.

- The fair value of investments and MBS increased $23.6 million as a result of declining market interest rates for the year.

- General and administrative expenses grew 25% or $3.3 million, to $16.6 million. In FY07, there was a one-time expense reduction of $1.8 million relating to the SRF On Site Water Assistance Program. Allowing for this, there was a 13.5% growth in general and administrative expenses in FY07 and a 9.9% growth in FY08.

- Grant expense grew 10%, or $1.3 million, to $14.3 million as the Authority continues to increase on-mission housing and water quality grants.

Financial Analysis—Combined 2007

- The Authority's assets increased 15%, or $246.4 million, to $1,892.5 million in FY07 compared to $1,646.1 million in FY06. MBS grew 31% or $200.7 million as increased demand continued for the Authority's FirstHome programs. SRF loans grew 11%, or $48.4 million, as part of the SRF loan origination process.

- Bonds payable increased 17%, or $167.3 million, to $1,176.4 million in FY07 compared to $1,009.1 million in FY06.

  The Authority arranged a $2.8 million loan to finance the purchase and remodeling of their facility at 2015 Grand Avenue in Des Moines, Iowa. Three single family bond issues provided $220.0 million of financing to purchase MBS under the FirstHome Program. Two multifamily bond issues provided $28.5 million of financing to originate first mortgage loans. The Authority made bond payments of $84.0 million.

Series	Date	Amount	Rating
GF note	10/01/06	$ 2.8	Not rated
SF 2006 GH	07/13/06	70.0	AAA by Standard & Poor's; Aaa by Moody's
SF 2006 IJ	09/27/06	80.0	AAA by Standard & Poor's; Aaa by Moody's
SF 2007 ABC	03/08/07	70.0	A/B: AAA by Standard & Poor's; Aaa by Moody's C: AAA/A-1+ by Standard & Poor's; Aaa/VMIG-1 by Moody's
		220.0	
MF 2006 A	10/12/06	6.5	AA- by Standard & Poor's; Aa3 by Moody's
MF 2007 AB	06/14/07	22.0	AA-/A-1+ by Standard & Poor's Aa3 / VMIG-1 by Moody's
		28.5	
Total		$ 251.3	

- Interest income grew 23%, or $15.7 million, due to the asset growth in the MBS and SRF loan portfolios and stable interest rates throughout the year.

- Grant income declined 10%, or $4.8 million, due to lower federal capitalization grant draws from the Environmental Protection Agency.

- Grant expense grew 19%, or $2.1 million, to $13.0 million as the Authority continues to increase on-mission housing grants.

Additional Information

For additional information with respect to the management's discussion and analysis or for information concerning the financial statements, please contact the Authority's Chief Financial Officer at (515) 725-4900.

IOWA FINANCE AUTHORITY

(A Component Unit of the State of Iowa)

Statement of Net Assets

June 30, 2008

(Dollars in thousands)

		Housing Agency	State Revolving Fund	Totals
Assets				
Current assets (substantially restricted):				
Cash and cash equivalents	$	220,595	211,377	431,972
Investments:				
Other investments		23,983	9,360	33,343
Mortgage-backed securities		17,119	—	17,119
Total current investments		41,102	9,360	50,462
Loans to municipalities or water systems		—	37,909	37,909
Housing Agency loans, net		1,865	—	1,865
Accrued interest receivable		6,728	4,014	10,742
Other assets		1,259	8	1,267
Total current assets		271,549	262,668	534,217
Noncurrent assets (substantially restricted):				
Investments:				
Other investments		29,810	28,942	58,752
Mortgage-backed securities		1,007,184	—	1,007,184
Total noncurrent investments		1,036,994	28,942	1,065,936
Loans to municipalities or water systems		—	556,373	556,373
Housing Agency loans, net		62,269	—	62,269
Capital assets, net of accumulated depreciation		3,668	—	3,668
Other assets		9,621	496	10,117
Total noncurrent assets		1,112,552	585,811	1,698,363
Total assets		1,384,101	848,479	2,232,580
Liabilities				
Current liabilities:				
Bonds payable, net		32,686	23,695	56,381
Accrued interest payable		23,080	5,336	28,416
Accounts payable and other		23,463	875	24,338
Rebates owed		—	63	63
Deferred income		368	438	806
Total current liabilities		79,597	30,407	110,004
Noncurrent liabilities:				
Bonds payable, net		1,126,901	243,483	1,370,384
Reserves for claims		5,268	—	5,268
Rebates owed		56	426	482
Deferred income		3,242	5,945	9,187
Total noncurrent liabilities		1,135,467	249,854	1,385,321
Total liabilities		1,215,064	280,261	1,495,325
Net Assets				
Invested in capital assets, net of related debt		1,073	—	1,073
Restricted net assets:				
Per bond resolutions		129,506	300,254	429,760
Per legislation		24,176	—	24,176
Per other agreements		—	267,964	267,964
Total restricted net assets		153,682	568,218	721,900
Unrestricted net assets		14,282	—	14,282
Total net assets	$	169,037	568,218	737,255

See accompanying notes to financial statements.

IOWA FINANCE AUTHORITY

(A Component Unit of the State of Iowa)

Statement of Net Assets

June 30, 2007

(Dollars in thousands)

	Housing Agency	State Revolving Fund	Totals
Assets			
Current assets (substantially restricted):			
Cash and cash equivalents	$ 169,057	184,583	353,640
Investments:			
Other investments	21,378	61,876	83,254
Mortgage-backed securities	14,411	—	14,411
Total current investments	35,789	61,876	97,665
Loans to municipalities or water systems	—	30,058	30,058
Housing Agency loans, net	2,174	—	2,174
Accrued interest receivable	6,013	3,926	9,939
Other assets	649	90	739
Total current assets	213,682	280,533	494,215
Noncurrent assets (substantially restricted):			
Investments:			
Other investments	29,658	6,737	36,395
Mortgage-backed securities	830,413	—	830,413
Total noncurrent investments	860,071	6,737	866,808
Loans to municipalities or water systems	—	466,129	466,129
Housing Agency loans, net	54,748	—	54,748
Capital assets, net of accumulated depreciation	3,596	—	3,596
Other assets	6,654	373	7,027
Total noncurrent assets	925,069	473,239	1,398,308
Total assets	1,138,751	753,772	1,892,523
Liabilities			
Current liabilities:			
Bonds payable, net	26,362	21,590	47,952
Accrued interest payable	19,755	4,531	24,286
Accounts payable and other	20,023	770	20,793
Rebates owed	108	59	167
Deferred income	395	353	748
Total current liabilities	66,643	27,303	93,946
Noncurrent liabilities:			
Bonds payable, net	927,609	200,864	1,128,473
Reserves for claims	5,422	—	5,422
Rebates owed	19	264	283
Deferred income	3,041	4,718	7,759
Total noncurrent liabilities	936,091	205,846	1,141,937
Total liabilities	1,002,734	233,149	1,235,883
Net Assets			
Invested in capital assets, net of related debt	863	—	863
Restricted net assets:			
Per bond resolutions	94,452	304,989	399,441
Per legislation	22,859	—	22,859
Per other agreements	—	215,634	215,634
Total restricted net assets	117,311	520,623	637,934
Unrestricted net assets	17,843	—	17,843
Total net assets	$ 136,017	520,623	656,640

See accompanying notes to financial statements.

IOWA FINANCE AUTHORITY

(A Component Unit of the State of Iowa)

Statements of Revenues, Expenses, and Changes in Net Assets

Year Ended June 30, 2008

(Dollars in thousands)

		Housing Agency	State Revolving Fund	Totals
Operating revenues:				
Interest income	$	67,940	26,620	94,560
Net increase (decrease) in fair value of investments and mortgage-backed securities		23,105	(57)	23,048
Fee income		12,485	1,791	14,276
Grant income		8,892	36,755	45,647
Other income		65	4	69
Total operating revenues		112,487	65,113	177,600
Operating expenses:				
Interest on bonds		54,126	11,977	66,103
General and administrative		11,114	5,541	16,655
Grants and aid		14,329	—	14,329
Recoveries of losses		(102)	—	(102)
Total operating expenses		79,467	17,518	96,985
Operating income/change in net assets		33,020	47,595	80,615
Net assets at June 30, 2007		136,017	520,623	656,640
Net assets at June 30, 2008	$	169,037	568,218	737,255

See accompanying notes to financial statements.

Year Ended June 30, 2007

(Dollars in thousands)

		Housing Agency	State Revolving Fund	Totals
Operating revenues:				
Interest income	$	55,725	27,143	82,868
Net increase (decrease) in fair value of investments and mortgage-backed securities		(651)	16	(635)
Fee income		12,720	1,359	14,079
Grant income		7,719	37,298	45,017
Other income		219	—	219
Total operating revenues		75,732	65,816	141,548
Operating expenses:				
Interest on bonds		43,102	11,042	54,144
General and administrative		9,965	3,287	13,252
Grants and aid		13,004	—	13,004
Provision for losses		862	—	862
Total operating expenses		66,933	14,329	81,262
Operating income/change in net assets		8,799	51,487	60,286
Net assets at June 30, 2006		127,218	469,136	596,354
Net assets at June 30, 2007	$	136,017	520,623	656,640

See accompanying notes to financial statements.

IOWA FINANCE AUTHORITY

(A Component Unit of the State of Iowa)

Statement of Cash Flows

Year Ended June 30, 2008

(Dollars in Thousands)

		Housing Agency	State Revolving Fund	Totals
Cash flows from operating activities:				
Cash receipts for fees	$	20,255	3,103	23,358
Interest received on loans and mortgage-backed securities		55,735	16,866	72,601
Principal payments on loans and mortgage-backed securities		94,016	27,067	121,083
Purchases of loans and mortgage-backed securities		(258,870)	(125,162)	(384,032)
Grants and other income		8,956	36,759	45,715
Cash payments to employees		(7,379)	(415)	(7,794)
Cash payments to suppliers and grantees		(25,550)	(5,062)	(30,612)
Net cash used in operating activities		(112,837)	(46,844)	(159,681)
Cash flows from noncapital financing activities:				
Proceeds from issuance of bonds		289,985	64,160	354,145
Payment of bonds		(84,369)	(19,436)	(103,805)
Interest paid		(50,801)	(11,171)	(61,972)
Net cash provided by noncapital financing activities		154,815	33,553	188,368
Cash flows from investing activities:				
Purchases of investments		(52,626)	(77,360)	(129,986)
Interest received on investments		11,505	9,865	21,370
Sales/maturities of investments		51,138	107,613	158,751
Purchase of capital assets		(370)	—	(370)
Payment of rebate		(87)	(33)	(120)
Net cash provided by investing activities		9,560	40,085	49,645
Increase in cash and cash equivalents		51,538	26,794	78,332
Cash and cash equivalents, beginning of year		169,057	184,583	353,640
Cash and cash equivalents, end of year	$	220,595	211,377	431,972
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income	$	33,020	47,595	80,615
Interest income on investments and bank deposits		(11,366)	(9,865)	(21,231)
Rebate expense		15	199	214
Interest expense on bonds		54,127	11,976	66,103
Net change in fair value of investments and mortgage-backed securities		(23,106)	58	(23,048)
Depreciation of capital assets		298	—	298
Principal payments on loans and mortgage-backed securities		94,041	27,066	121,107
Purchases of loans and mortgage-backed securities		(258,895)	(125,162)	(384,057)
Increase in interest receivable on loans and mortgage-backed securities		(854)	(88)	(942)
Increase in other assets		(3,577)	(40)	(3,617)
(Decrease) increase in accounts payable and other		(4,310)	105	(4,205)
Increase in deferred income		7,770	1,312	9,082
Net cash used in operating activities	$	(112,837)	(46,844)	(159,681)

See accompanying notes to financial statements.

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)
Statement of Cash Flows
Year Ended June 30, 2007
(Dollars in Thousands)

		Housing Agency	State Revolving Fund	Totals
Cash flows from operating activities:				
Cash receipts for fees	$	13,409	1,649	15,058
Interest received on loans and mortgage-backed securities		42,031	18,088	60,119
Principal payments on loans and mortgage-backed securities		76,369	31,884	108,253
Purchases of loans and mortgage-backed securities		(296,783)	(80,239)	(377,022)
Grants and other income		7,939	37,298	45,237
Cash payments to employees		(6,534)	(296)	(6,830)
Cash payments to suppliers and grantees		(18,540)	(2,592)	(21,132)
Net cash provided by (used in) operating activities		(182,109)	5,792	(176,317)
Cash flows from noncapital financing activities:				
Proceeds from issuance of bonds		251,300	—	251,300
Payment of bonds		(62,907)	(21,025)	(83,932)
Interest paid		(37,986)	(11,440)	(49,426)
Net cash provided by (used in) noncapital financing activities		150,407	(32,465)	117,942
Cash flows from investing activities:				
Purchases of investments		(39,155)	(173,579)	(212,734)
Interest received on investments		12,232	9,164	21,396
Sales/maturities of investments		42,924	167,680	210,604
Purchase of capital assets		(1,906)	—	(1,906)
Payment of rebate		(12)	(1,782)	(1,794)
Net cash provided by investing activities		14,083	1,483	15,566
Decrease in cash and cash equivalents		(17,619)	(25,190)	(42,809)
Cash and cash equivalents, beginning of year		186,676	209,773	396,449
Cash and cash equivalents, end of year	$	169,057	184,583	353,640
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income	$	8,799	51,487	60,286
Interest income on investments and bank deposits		(12,527)	(9,164)	(21,691)
Rebate expense		(103)	(22)	(125)
Interest expense on bonds		43,102	11,042	54,144
Net change in fair value of investments and mortgage-backed securities		651	(16)	635
Depreciation of capital assets		557	—	557
Principal payments on loans and mortgage-backed securities		76,369	31,884	108,253
Purchases of loans and mortgage-backed securities		(296,783)	(80,239)	(377,022)
(Increase) decrease in interest receivable on loans and mortgage-backed securities		(1,065)	130	(935)
(Increase) decrease in other assets		(1,664)	97	(1,567)
(Decrease) increase in accounts payable and other		(135)	303	168
Increase in deferred income		690	290	980
Net cash provided by (used in) operating activities	$	(182,109)	5,792	(176,317)

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

The Iowa Finance Authority (the Authority) was created in 1975 under Chapter 16 of the Code of Iowa as a public instrumentality and agency of the State of Iowa (the State) to undertake programs that assist in attainment of adequate housing for low- or moderate-income families, elderly families, and families that include one or more persons with disabilities. The Authority is authorized and has issued bonds for these purposes, the proceeds of which are used to provide affordable mortgage financing. The bonds are payable principally from repayments of such mortgage loans. These obligations do not constitute a debt of the State, and consequently, the State is not liable for any repayments.

To accomplish these purposes further, the Authority is authorized to allocate federal low-income housing tax credits for qualified multifamily housing developments in the State. In addition, federal grants and certain other funds of the Authority are utilized through its various housing assistance programs to provide low-interest loans or grants to assist the homeless and low-income Iowans in obtaining adequate housing.

The Authority has contracted with the United States Department of Housing and Urban Development (HUD) to serve as contract administrator for Section 8 Housing Assistance Payment (HAP) contracts. The Authority disburses subsidy payments monthly to the multifamily projects and monitors the individual units and projects for compliance with HUD regulations.

Chapter 16 of the Code of Iowa authorizes the Small Business Loan Program and the Economic Development Loan Program. The Authority is authorized and has issued revenue bonds under these programs, the proceeds of which have been used to provide limited types of financing for qualified small businesses, manufacturing facilities, group homes for citizens who are mentally or physically handicapped, nonprofit entities, multifamily housing, and economic development. The bonds are payable solely from repayments of the loans, which have been assigned, without recourse, to participating financial institutions or to the trustee on behalf of bondholders. These obligations are limited obligations of the Authority payable solely from certain revenues. Neither the Authority nor the State is obligated to pay debt service on such bonds, except from the specifically pledged revenues. Therefore, the loans and bonds are not recorded in the Authority's financial statements. Prior to July 1, 1996, the Authority issued approximately $1.0 billion of these conduit debt obligations, for which the aggregate amount outstanding as of June 30, 2008 is not determinable and cannot be reasonably estimated. The Authority issued approximately $2.9 billion in fiscal years 1997 through 2008, of which approximately $2.1 billion is outstanding at June 30, 2008.

Chapter 16 of the Code of Iowa authorizes the Iowa Finance Authority Title Guaranty Division (the Division). The purposes of the Division are to supplement the abstract-attorney's title opinion system by providing a low-cost mechanism for guaranties of real-property titles, to facilitate mortgage lenders' participation in the secondary market, and to add to the integrity of the land-title transfer system in the State. A title guaranty certificate is an obligation of the Division, and claims are payable solely out of the assets and revenues of the Title Guaranty Division Program Account. The title guarantees do not constitute a debt of the State, and consequently, the State is not liable for any repayments. The Division also executes and records mortgage releases for Iowa real estate properties if more than 30 days have elapsed since payment in full was made by the respective mortgagor and certain requirements have been met in accordance with the related laws and administrative rules. The State, and not the Authority or the Division, is liable for any claims arising as the result of releasing a mortgage in error.

Section 16.93 of the Code of Iowa authorizes the Division to issue closing protection letters, which may indemnify a person to whom a proposed title guaranty is to be issued against loss of settlement funds due to certain listed acts of the Division's named participating attorney or participating abstractor.

Chapter 455B of the Code of Iowa authorizes the Authority, jointly and in cooperation with the Iowa Department of Natural Resources (DNR), to undertake the creation, administration, and financing of the Iowa Water Pollution Control Works Financing Program (the Clean Water Program) and the Iowa Drinking Water Facilities Financing Program (the Drinking Water Program). These programs were created to implement provisions of federal legislation authorizing the U.S. Environmental Protection Agency (EPA) to make annual capitalization grants to states. The Authority is authorized and has issued revenue bonds to meet the 20% State match required to receive the grants and to provide additional funds to make loans to finance all or part of the construction of primarily wastewater and drinking water facilities. The bonds are limited obligations of the Authority payable solely from repayments of the loans and other assets and revenues pledged under the applicable bond indentures. The obligations do not constitute a debt of the State or a general obligation of the Authority.

Chapter 455G of the Code of Iowa authorizes the Iowa Comprehensive Petroleum Underground Storage Tank Fund (the UST Fund). The Authority is authorized and has issued revenue bonds for the purpose of funding the UST Fund. The bonds are payable solely from specified revenues and assets of the UST Fund that are pledged therefore, including portions of the State's motor vehicle use tax and annual storage tank management fee. These obligations do not constitute a general obligation of the Authority or the State but are a pledge of future revenue of the State. The UST Fund is administered by the UST Fund board, and its monies and accounts are held by the State Treasurer. Therefore, the UST Fund assets and bonds are not recorded in the Authority's financial statements. As of June 30, 2008, all outstanding bonds have been retired or defeased leaving none outstanding. As of June 30, 2007 approximately $39.8 million of these conduit debt obligations were outstanding.

Chapter 34A of the Code of Iowa authorizes the Authority to issue bonds for the purpose of funding the Enhanced 911 Emergency Telephone Communications System (the E911 System). Bond proceeds are used to make loans to counties or joint E911 service boards throughout Iowa to implement the E911 System in their respective counties. The bonds are payable solely from repayments of the loans, which have been assigned without recourse to the trustee on behalf of bondholders, and from other amounts pledged therefore under the bond indentures. These obligations do not constitute a debt of the State or a general obligation of the Authority. Therefore, the loans and bonds are not recorded in the Authority's financial statements. As of June 30, 2008 and 2007, approximately $2.0 million and $2.2 million, respectively, of these conduit debt obligations are outstanding.

Chapter 16 of the Code of Iowa authorizes the Authority to issue bonds for the purpose of financing the construction or renovation of correctional facilities in the State. The Iowa Department of

(Continued)

Corrections administers the State's correctional institutions and authorizes expenditures under the program. The bonds are payable solely from monies deposited in the Iowa Prison Infrastructure Fund, maintained by the State Treasurer, currently required by State law to be the first $9.5 million of monies remitted to the State Treasurer each fiscal year from certain fees and fines collected by the clerks of the district court in criminal cases, investment earnings on monies in the Iowa Prison Infrastructure Fund, and from other amounts pledged therefore under the bond indenture. These obligations do not constitute a general obligation of the Authority or the State but are a pledge of future revenues of the State. Therefore, the bonds are not recorded in the Authority's financial statements. As of June 30, 2008 and 2007, approximately $48.6 million and $54.2 million respectively, of these conduit debt obligations are outstanding.

The Authority is a component unit of the State of Iowa. The Authority's financial statements are included in the State's comprehensive annual financial report.

(b) Basis of Presentation

The financial statements have been prepared using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Authority applies all GASB pronouncements, as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with GASB pronouncements.

(c) Fund Accounting

The Authority's accounts are organized as major funds, each of which is a separate set of self-balancing accounts for the assets, liabilities, net assets, revenues, and expenses of the Authority's programs. The Authority presents two major funds: (1) Housing Agency and (2) State Revolving Fund.

The following describes the nature of the major funds currently maintained by the Authority:

Housing Agency—consists of:

a. General Operating Accounts—accounts for the administrative operations of the Authority. Receipts of various program fees, HUD contract administration fees, transfers to or from various bond accounts in accordance with applicable bond resolutions, and administrative expenses of the Authority.

b. Single Family Bond Programs—account for the proceeds from single family mortgage and housing bonds, the debt service requirements of the bonds, the investment of monies held within the bond accounts, the related loans, and mortgage-backed securities. Single family mortgage and housing bonds are general obligations of the Authority, but are primarily payable from certain assets and revenues pledged under the bond resolutions.

c. Multifamily Bond Program—account for the proceeds from multifamily mortgage bonds, the debt service requirements of the bonds, the investment of monies held within the bond

(Continued)

accounts, and the related loans. Multifamily bonds are a general obligation of the Authority, but are primarily payable from certain assets and revenues pledged under the bond resolutions.

d. Miscellaneous Restricted Funds—accounts for federal grants or State appropriations received and monies transferred from the Division, all specifically restricted or committed for uses in accordance with applicable legislation or grant agreements.

e. Title Guaranty Division Program—accounts for the administrative costs of the Division, proceeds from title guaranty fees, and payments for claims made against the title guarantees. Monies in this account, after providing for adequate reserves and operating expenses, are transferred to the Housing Assistance Programs.

State Revolving Fund—consists of:

a. Clean Water Program Accounts—account for the proceeds of Clean Water Program revenue bonds, the debt service requirements of the bonds, the investment of monies held within the bond accounts and the equity account, receipt of EPA capitalization grants, the related wastewater treatment facility loans to municipalities, and administrative costs of the program. The bonds are secured by certain loan agreements and other assets and revenues pledged under the applicable bond indentures for the State Revolving Fund.

b. Drinking Water Program Accounts—account for the proceeds of Drinking Water Program revenue bonds, the debt service requirements of the bonds, the investment of monies held within the bond accounts and the equity account, receipt of EPA capitalization grants, the related drinking water facility loans to Iowa drinking water systems, and administrative costs of the program. The bonds are secured by certain loan agreements and other assets and revenues pledged under the applicable bond indentures for the State Revolving Fund.

(d) Cash Equivalents

For purposes of the statements of cash flows, all highly liquid investments that can be converted to cash within three months or less are considered to be cash equivalents. These investments include the monies deposited in the State's interest-bearing pooled money funds, investment agreements associated with bond issues, and various money market funds.

(e) Investments

Under the various bond resolutions, State statutes, and its Investment Policy, the Authority may invest in United States Government and agency obligations directly or through repurchase agreements secured by such obligations, certificates of deposit in qualified financial institutions, pooled money funds with the State, and investment agreements with United States Government agencies, qualified financial institutions, or qualified corporations.

Investments and mortgage-backed securities are recorded at fair value in the statements of net assets, with the change in the fair value recorded in the statements of revenues, expenses, and changes in net assets.

(f) Loans to Municipalities or Water Systems

Loans to municipalities or water systems are recorded at their unpaid principal balance. The loans generally have terms of 20 years and are intended to be held to maturity. Certain loans are pledged as collateral for particular bonds outstanding. Each municipality or water system has entered into a loan agreement with the Authority, DNR, and the trustee and has evidenced its commitment to repay the loan by issuing a revenue obligation or a general obligation to the Authority, which is held by the trustee as security for the loan.

(g) Other Loans

Other loans are recorded at their unpaid principal balance, net of allowance for loan losses. The loans are intended to be held to maturity and are secured by first or second mortgages, other types of collateral, or are unsecured.

(h) Provision for Housing Agency Loan Losses

An evaluation of possible credit losses relating to Housing Agency loans is made and a provision for losses is charged to expense. An allowance for losses of $2.6 million was netted against other loans at June 30, 2008 and 2007. The accrued interest on loans that become more than three months delinquent is charged to income. Subsequent interest income is not recognized on such loans until collected or until the loans are three months or less in arrears.

(i) Capital Assets

Furniture and equipment that exceed $2,500 are recorded at cost, and depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years.

Leasehold improvements that exceed $2,500 are recorded at cost and are amortized using the straight-line method over the lesser of the estimated useful lives of the asset or the term of the lease.

Real estate purchased is recorded at cost. Land is recorded at net tax value at the time of the purchase and is not depreciated; the remaining cost is assigned to the building and depreciation is provided using the straight-line method over 40 years.

(j) Bond Issuance Costs, Premiums, and Discounts

Bond issuance costs, premiums, and discounts are deferred and amortized as an adjustment to interest expense over the life of the related bond issues using the bonds outstanding method. Losses on defeasance of refunded bonds are deferred and amortized as an adjustment to interest expense over the shorter of the life of the defeased bonds or the new bonds using the bonds outstanding method.

(k) Reserves for Title Guaranty Division Losses

The reserve for title guaranty claims under guaranties of real property titles is estimated based on the Division’s experience. The amount includes both case-basis evaluations and formula calculations and represents the estimated net cost of all unpaid losses, including losses incurred but not yet reported to the Division. The Commissioner of Insurance for the State requires the Division’s reserve to be 10% of net premiums plus known case reserves established by the Division, less the release of net written premiums consistent with a 5%-per-year 20-year release schedule, or a minimum of $1,000,000. In addition, a separate reserve of $1,000,000 is required by the Commissioner of Insurance as an initial reserve for closing protection letters.

(Continued)

(l) Rebates Owed

The amount of investment income the Authority may earn and retain on the proceeds of bonds issued in 1982 and after is limited by federal legislation. Earnings in excess of the allowable amount must be rebated to either the mortgagors or the United States Treasury. Such excess earnings are recorded as liabilities.

(m) Deferred Income

Initiation fees are received by the Authority at the time of origination of loans to municipalities or water systems made under the Clean Water Program and Drinking Water Program. The initiation fee is amortized over the estimated life of loans in the portfolio using the straight-line method.

Commitment fees are amortized over the expected life of the related bonds using the bonds outstanding method. Fees relating to unfunded mortgages were recorded as income upon the expiration of the funding period.

Compliance monitoring fees are received by the Authority at the time of each Low Income Housing Tax Credit (LIHTC) project's completion. Such fees are used to defray the administrative expenses of the Authority for annually monitoring each project's continued compliance with federal regulations. These fees are amortized over the 15-year compliance period.

(n) Net Assets

Restricted net assets represent net assets set aside, as required by the various bond resolutions, for the benefit of the respective bond owners. Assets related to such restricted net assets include required reserves, loans or mortgage-backed securities, assets held for placement into loans or mortgage-backed securities, investments, and assets held for scheduled debt service. Restricted net assets also represent net assets specifically restricted for uses in accordance with applicable legislation, including the Title Guaranty Division Program and the Miscellaneous Restricted Funds.

Restricted net assets also represent net assets restricted for use by other agreements including loans and accounts held under the Clean Water Program Accounts and the Drinking Water Program Accounts, which are restricted pursuant to the Master Trust Agreement and federal laws or regulations.

Unrestricted net assets provide additional security for the Authority's general obligations and coverage of the Authority's administrative costs. Unrestricted net assets are available to meet commitments listed under "Commitments and Contingencies."

(o) Operating Revenues and Expenses

The Authority records all revenues and expenses derived from loans, investments, title guaranty premiums, and federal programs as operating revenues and expenses since these are generated from the Authority's daily operations and are needed to carry out its statutory purposes and to provide debt service coverage on its various bonds. All revenues and expenses not meeting this definition are reported as nonoperating.

(Continued)

(p) Fee Income

The Authority receives fee income from program users to cover the cost of the program administration. Fee income is recorded in the period earned. Fees collected in the current period for future services are deferred and amortized over the life of the service period. Major sources of fee income are service acquisition fees in connection with the Authority's single family programs; Title Guarantee fees; Section 8 administration fees; low-income housing tax credit fees; and State Revolving Fund loan commitment and servicing fees.

(q) Grant Income

The Authority receives grant income from various sources to cover the cost of program administration and for further distribution to subgrantees. Major sources of grant income are the EPA's grants for the Authority's Clean Water Program and Drinking Water Program; the HUD's grants for the Authority's Housing Opportunities for Persons with Aids and Emergency Shelter Operating Grant programs; and the Iowa legislature for down-payment assistance to returning active duty military personnel. Grant income is recorded when all eligibility requirements have been met.

(r) Recent Accounting Pronouncements

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement is intended to improve how state and local governments report information about derivative instruments, financial arrangements used by governments to manage specific risks or make investments, in their financial statements. The statement specifically requires governments to measure most derivative instruments at fair value in their financial statements. The guidance in this statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged. The Authority has not completed its assessment of the impact of the adoption of this statement.

(s) Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(t) Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

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(2) Deposits and Investments

(a) Deposits

At June 30, 2008 and 2007, the Authority has uninsured bank balances of $14.7 million and $0.5 million, respectively. Deposits of $138.0 million and $136.8 million, respectively, were deposited in money market accounts covered by collateralized trust accounts (dollars in thousands).

	June 30, 2008			
	Housing Agency	State Revolving Fund	Total	% of total
Type:				
Cash in bank	$ 873	24,041	24,914	15.3%
Money market accounts	44,515	93,456	137,971	84.7
Total	$ 45,388	117,497	162,885	100.0%

	June 30, 2007			
	Housing Agency	State Revolving Fund	Total	% of total
Type:				
Cash in bank	$ 165	2,513	2,678	1.9%
Money market accounts	55,238	81,555	136,793	98.1
Total	$ 55,403	84,068	139,471	100.0%

(b) Investments

The investment of funds is restricted by the Authority's board of directors; the Authority's various bond indentures; and the State of Iowa. Permitted investments include direct obligations of, or obligations guaranteed by, the federal government of United States of America; obligations issued by certain agencies of the federal government; repurchase agreements fully collateralized and secured by the U.S. Treasury; GNMA, FNMA, and FHLMC mortgage-backed securities; corporate bonds issued or guaranteed by a domestic U.S. corporation meeting certain credit rating standards; State of Iowa pooled money funds, and guaranteed investment contracts with financial institutions meeting certain credit rating standards.

The following table displays the types of investments, amounts, and the average maturity of the investment (dollars in thousands):

Type:		Housing Agency	State Revolving Fund	Total	% of total	Average maturity
		June 30, 2008				
GNMA mortgage-backed securities	$	429,733	—	429,733	31%	25.7 years
FNMA mortgage-backed securities		571,590	—	571,590	41	27.2 years
FHLMC mortgage-backed securities		22,980	—	22,980	2	29.3 years
Agency notes		36,852	38,302	75,154	5	1.9 years
Treasury bonds		5,625	—	5,625	1	9.2 years
Treasury strips		10,057	—	10,057	1	5.3 years
Corporate bonds		1,259	—	1,259	—	4.6 years
State of Iowa pooled money funds		18,267	—	18,267	1	Less than 1 year
Guaranteed investment contracts		156,940	93,880	250,820	18	Less than 1 year
Total	$	1,253,303	132,182	1,385,485	100%	

Type:		Housing Agency	State Revolving Fund	Total	% of total	Average maturity
		June 30, 2007				
GNMA mortgage-backed securities	$	392,865	—	392,865	33%	25.6 years
FNMA mortgage-backed securities		451,742	—	451,742	38	27.7 years
FHLMC mortgage-backed securities		217	—	217	1	22.5 years
Agency notes		35,459	51,400	86,859	7	1.4 years
Treasury bonds		5,338	—	5,338	—	10.2 years
Treasury strips		10,239	—	10,239	1	5.7 years
Certificates of deposit		—	17,213	17,213	2	8.4 years
State of Iowa pooled money funds		9,325	—	9,325	1	Less than 1 year
Guaranteed investment contracts		104,329	100,515	204,844	17	Less than 1 year
Total	$	1,009,514	169,128	1,178,642	100%	

(c) Credit Risk

Credit risk is the risk that an issuer or counterparty will not fulfill their obligation to the Authority. Custodial credit risk is the risk that in the event of a depository institution failure, the Authority's deposits may not be returned.

The Authority minimizes credit risk by limiting securities to those authorized in the investment policy; diversifying the investment portfolio to limit the impact of potential losses from any one type of security or individual issuer; and prequalifying the financial institutions, brokers, dealers, and advisers with which the Authority does business.

(d) Concentration Risk

Concentration of risk is the risk of loss that may be attributed to the magnitude of an investment in a single type of security or single issuer. The Authority diversifies its investment portfolios to minimize the impact of potential losses from one type of security or issuer. Portfolio maturities are staggered to avoid undue concentration of assets within a specific maturity period, which provides for stability of income and reasonable liquidity.

The tables below address credit risk and concentration risk (dollars in thousands):

June 30, 2008

Provider	Credit Ratings: Standard & Poor's	Credit Ratings: Moody's	Housing Agency	State Revolving Fund	Total	% of total
Money Market Funds:						
Wells Fargo Bank, N.A.	AAA/A1+	Aaa/P1	$ 44,515	93,456	137,971	35%
Guaranteed Investment Contracts:						
AIG MFC	AA-/A1+	Aa3/P1	3,695	—	3,695	1
Bayerische Landesbank	A/A1	Aa2/P1	2,738	—	2,738	1
Depfa Bank	A/A1	Aa3/P1	22,767	—	22,767	6
FSA Capital Management	AAA/none	Aaa/P-1	7,077	—	7,077	2
Natixis (formerly IXIS)	AA-/A1+	Aa2/P1	—	22,958	22,958	6
Pallas Capital	none/none	Aaa/P1	16,426	—	16,426	4
Prudential Insurance Co.	AA/A1+	Aa3/none	12	—	12	—
Royal Bank of Canada	AA-/A1+	Aaa/P1	5,418	—	5,418	1
Societe Generale	AA-/A1+	Aa2/P1	42,453	70,922	113,375	29
TransAmerica	AA/A1+	Aa3/P1	46,834	—	46,834	12
Trinity Funding	AAA/A1+	Aaa/P1	9,520	—	9,520	3
Corporate Bonds:						—
General Electric	AAA/A1+	Aaa/P1	1,259	0	1,259	—
Total			$ 202,714	187,336	390,050	100%

June 30, 2008

Provider	Credit Ratings: Standard & Poor's	Credit Ratings: Moody's	Housing Agency	State Revolving Fund	Total	% of total
Money Market Funds:						
Wells Fargo Bank, N.A.	AAA/A1+	Aaa/P1	$ 55,238	81,555	136,793	40%
Guaranteed Investment Contracts:						
AIG MFC	AA/A1+	Aa2/P1	4,628	—	4,628	1
Bayerische Landesbank	A/A1	Aa2/P1	517	—	517	—
Depfa Bank	AA-/A1+	Aa3/P1	12,814	—	12,814	4
FSA Capital Management	AAA/none	Aaa/none	4,191	—	4,191	1
IXIS Funding Corp.	AA/A1+	Aaa/P1	—	24,836	24,836	7
Pallas Capital	none/none	Aaa/P1	11,545	—	11,545	3
Prudential Insurance Co.	AA/A1+	Aa3/none	24	—	24	—
Royal Bank of Canada	AA-/A1+	Aaa/P1	5,360	—	5,360	2
Societe Generale	AA/A1+	Aa1/P1	40,047	75,679	115,726	34
TransAmerica	AA/A1+	Aa3/P1	16,215	—	16,215	5
Trinity Funding	AAA/A1+	Aaa/P1	8,988	—	8,988	3
Total			$ 159,567	182,070	341,637	100%

(e) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the fair value of the Authority's investments. The Authority minimizes interest rate risk by structuring investment portfolios so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

(f) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Authority has no positions in foreign currency or any foreign currency denominated investments.

(3) Housing Agency Loans

Housing Agency loans at June 30, 2008 and 2007 are as follows (dollars in thousands):

		2008		
		Cost	**Provision for losses**	**Net**
Loans secured with first mortgages	$	56,918	(346)	56,572
Loans secured with second mortgages, other collateral, or unsecured		9,838	(2,276)	7,562
Total	$	66,756	(2,622)	64,134

		2007		
		Cost	**Provision for losses**	**Net**
Loans secured with first mortgages	$	51,065	—	51,065
Loans secured with second mortgages, other collateral, or unsecured		8,471	(2,614)	5,857
Total	$	59,536	(2,614)	56,922

(Continued)

(4) Bonds and Notes Payable

Bonds and notes payable at June 30, 2008 and 2007 are as follows (dollars in thousands):

Description	Original amount	Due dates From	Due dates To	Interest rate From	Interest rate To	Balance 2008	Balance 2007
Housing Agency Bonds & Notes							
General Fund Note Payable	$ 2,801		10/02/21		4.111%	2,595	2,733
Single Family 1977 A	17,005		08/01/08		5.875	800	1,685
Single Family Drawdown 2006 AB	—			Variable*	2.340	16,407	11,539
A - Term Bonds	5,120		07/01/16		5.800	—	1,285
A - Term Bonds	6,090		07/01/25		5.500	—	—
B - Serial Bonds	4,590	01/01/01	07/01/09	4.550%	5.500	—	350
B - Term Bonds	5,200		01/01/21		5.300	—	—
C - Term Bonds	4,000		01/01/28		6.100	—	1,010
C - Term Bonds	5,000		07/01/30		6.100	—	1,265
Total Bonds Outstanding	30,000					—	3,910
Unamortized (disc) / prem / other						—	(26)
Single Family 1997 ABCDE	30,000					—	3,884
F - Term Bonds	8,025		01/01/16		5.550	—	2,515
F - Term Bonds	12,510		01/01/27		5.700	—	3,900
G - Serial Bonds	9,390	07/01/00	07/01/09	4.300	5.300	—	875
G - Term Bonds	9,035		01/01/21		4.950	—	—
H - Term Bonds	2,440		01/01/28		5.850	—	755
H - Term Bonds	7,820		07/01/30		5.850	—	2,410
Total Bonds Outstanding	49,220					—	10,455
Unamortized (disc) / prem / other						—	(60)
Single Family 1997 FGH	49,220					—	10,395
A - Serial Bonds	1,530	07/01/11	07/01/13	5.800	6.000	285	300
A - Term Bonds	2,975		07/01/18		6.250	585	600
B - Serial Bonds	3,125	07/01/02	07/01/10	4.800	5.850	265	350
B - Term Bonds	2,470		01/01/21		6.400	480	495
C - Term Bonds	6,080		07/01/26		5.700	115	1,780
C - Term Bonds	8,820		07/01/30		6.450	1,730	860
Total Bonds Outstanding	25,000					3,460	4,385
Unamortized (disc) / prem / other						(22)	(29)
Single Family 2000 ABC	25,000					3,438	4,356

* Variable rates are as of June 30, 2008

Description	Original amount	Due dates From	Due dates To	Interest rate From	Interest rate To	Balance 2008	Balance 2007
Housing Agency Bonds & Notes (continued)							
D - Serial Bonds	$ 3,205	07/01/07	07/01/10	5.650%	5.800%	$ 425	570
D - Term Bonds	6,375		07/01/16		6.100	1,090	1,120
E - Serial Bonds	6,890	07/01/01	07/01/08	5.000	5.900	105	240
E - Term Bonds	20,530		01/01/21		6.000	3,785	5,100
E - Term Bonds	2,085		07/01/22		6.350	355	370
F - Term Bonds	28,030		07/01/32		6.400	4,810	4,955
Total Bonds Outstanding	67,115					10,570	12,355
Unamortized (disc) / prem / other						(61)	(84)
Single Family 2000 DEF	67,115					10,509	12,271
G - Serial Bonds	590	07/01/11	07/01/12	5.300	5.400	285	300
G - Term Bonds	3,095		07/01/18		5.800	1,475	1,580
G - Term Bonds	18,315		01/01/33		5.900	8,315	8,965
H - Term Bonds (taxable)	10,000		07/01/29		7.190	—	875
Total Bonds Outstanding	32,000					10,075	11,720
Unamortized (disc) / prem / other						(65)	(80)
Single Family 2000 GH	32,000					10,010	11,640
A - Serial Bonds	6,905	07/01/02	01/01/11	3.100	4.600	650	890
A - Term Bonds	4,680		07/01/16		5.100	935	1,020
B - Serial Bonds	1,495	07/01/11	07/01/12	5.000	5.100	290	325
B - Term Bonds	10,310		07/01/23		4.700	3,830	4,895
C - Term bonds	15,445		07/01/33		5.500	7,490	7,685
Total Bonds Outstanding	38,835					13,195	14,815
Unamortized (disc) / prem / other						(147)	(180)
Single Family 2001 ABC	38,835					13,048	14,635
D - Serial Bonds	3,950	07/01/04	07/01/13	3.250	4.850	1,060	1,400
D - Term Bonds	3,700		07/01/21		5.250	1,960	2,050
D - Term Bonds	6,250		07/01/33		4.300	1,385	2,355
D - Term Bonds	11,100		01/01/34		5.375	5,315	5,665
Total Bonds Outstanding	25,000					9,720	11,470
Unamortized (disc) / prem / other						(68)	(84)
Single Family 2001 D	25,000					9,652	11,386
A - Serial Bonds	6,500	07/01/04	07/01/14	2.900	5.150	1,475	1,925
A - Term Bonds	1,665		01/01/22		5.300	360	360
A - Term Bonds	3,930		07/01/22		5.300	880	885
A - Term Bonds	5,190		07/01/27		5.300	5,190	5,190
A - Term Bonds	4,565		07/01/32		5.400	815	895
A - Term Bonds	8,750		01/01/33		4.450	2,500	3,790
A - Term Bonds	4,400		07/01/33		5.400	940	960
Total Bonds Outstanding	35,000					12,160	14,005
Unamortized (disc) / prem / other						(82)	(99)
Single Family 2002 A	35,000					12,078	13,906

* Variable rates are as of June 30, 2008

Description	Original Amount	Due Dates From	Due Dates To	Interest Rate From	Interest Rate To	Balance 2008	Balance 2007
Housing Agency Bonds & Notes (continued)							
B - Serial Bonds	$ 10,925	07/01/03	07/01/14	2.000%	4.850%	$ 2,915	3,530
C - Term Bonds	6,425		07/01/21		5.500	2,105	2,250
C - Term Bonds	5,240		01/01/22		5.500	1,770	1,845
C - Term bonds	9,250		07/01/24		4.500	4,070	4,950
D - Term Bonds	7,050		01/01/28		5.500	7,050	7,050
D - Term Bonds	6,000		07/01/32		5.600	2,000	2,100
D - Term Bonds	6,340		07/01/33		5.600	2,075	2,215
E - Term Bonds (taxable)	10,000		01/01/33		5.710	2,035	3,835
Total Bonds Outstanding	61,230					24,020	27,775
Unamortized (disc) / prem / other						(275)	(346)
Single Family 2002 BCDE	61,230					23,745	27,429
F - Serial Bonds	2,670	07/01/04	07/01/14	1.750	4.000	1,060	1,335
F - Term Bonds	765		01/01/16		4.250	530	545
G - Serial Bonds	1,310	07/01/10	07/01/13	3.750	4.100	875	915
G - Term Bonds	4,685		01/01/23		4.900	3,155	3,265
G - Term Bonds	635		07/01/24		4.900	430	450
H - Term Bonds	7,855		01/01/31		5.000	5,250	5,470
H - Term Bonds	10,000		07/01/33		3.500	3,710	5,225
H - Term Bonds	5,830		07/01/34		5.000	3,895	4,055
I - Term Bonds	11,250		07/01/32	Variable*	1.620	7,880	8,680
Total Bonds Outstanding	45,000					26,785	29,940
Unamortized (disc) / prem / other						(161)	(190)
Single Family 2002 FGHI	45,000					26,624	29,750
A - Serial Bonds	5,175	01/01/06	07/01/16	2.250	4.750	3,240	3,640
A - Term Bonds	3,675		07/01/22		5.000	2,735	2,840
A - Term Bonds	1,200		01/01/23		5.000	975	990
A - Term Bonds	8,950		01/01/34		5.125	6,740	7,035
A - Term Bonds	7,000		07/01/35		4.400	1,990	3,565
A - Term Bonds	9,000		07/01/35		5.125	6,875	7,100
B - Term Bonds	10,000		07/01/34	Variable*	3.048	6,000	7,160
Total Bonds Outstanding	45,000					28,555	32,330
Unamortized (disc) / prem / other						(98)	(142)
Single Family 2003 AB	45,000					28,457	32,188
C - Serial Bonds	3,750	07/01/09	01/01/15	2.600	3.750	1,440	2,230
D - Serial Bonds	2,830	01/01/05	01/01/10	1.600	3.100	355	905
D - Term Bonds	10,270		01/01/25		4.250	5,000	6,660
E - Serial Bonds	820		07/01/33		4.600	335	485
E - Term Bonds	2,330		01/01/34		4.600	975	1,390
F - Term Bonds	20,000		01/01/33	Variable*	1.620	19,685	19,685
G - Term Bonds (taxable)	10,000		07/01/25	Variable*	2.998	6,420	7,515
Total Bonds Outstanding	50,000					34,210	38,870
Unamortized (disc) / prem / other						47	29
Single Family 2003 CDEFG	50,000					34,257	38,899

* Variable rates are as of June 30, 2008

(Continued)

Description		Original amount	Due dates From	Due dates To	Interest rate From	Interest rate To		Balance 2008	Balance 2007
Housing Agency Bonds & Notes (continued)									
H - Serial Bonds	$	3,670	01/01/09	07/01/15	3.000%	4.300%	$	2,930	3,195
I - Term Bonds		5,450		07/01/22		4.900		4,370	4,765
J - Serial Bonds		4,620	07/01/05	01/01/14	1.650	4.450		2,090	2,890
J - Term Bonds		9,500		07/01/29		5.000		7,425	8,180
J - Term Bonds		11,000		07/01/34		5.000		6,490	8,335
J - Term Bonds		10,760		01/01/35		5.100		8,320	9,205
Total Bonds Outstanding		45,000						31,625	36,570
Unamortized (disc) / prem / other								163	197
Single Family 2003 HIJ		45,000						31,788	36,767
A - Serial Bonds		6,120	07/01/05	07/01/14	1.750	4.450		3,640	3,945
A - Term Bonds		3,855		07/01/24		4.900		2,850	3,080
A - Term Bonds		12,270		01/01/34		5.000		7,735	10,245
A - Term Bonds		2,585		07/01/34		5.100		1,630	2,130
A - Term Bonds		5,170		01/01/35		5.100		3,870	4,175
B - Term Bonds		15,000		07/01/34	Variable*	1.600		15,000	15,000
Total Bonds Outstanding		45,000						34,725	38,575
Unamortized (disc) / prem / other								191	221
Single Family 2004 AB		45,000						34,916	38,796
C - Serial Bonds		3,395	01/01/06	01/01/14	2.500	4.700		1,590	2,090
C - Term Bonds		1,155		07/01/09		3.660		660	960
C - Term Bonds		1,400		07/01/12		4.280		1,060	1,185
C - Term Bonds		610		07/01/14		4.700		460	515
C - Term Bonds		7,400		07/01/25		5.125		5,555	6,210
C - Term Bonds		2,680		01/01/30		5.200		2,010	2,260
C - Term Bonds		2,680		07/01/30		5.200		2,015	2,255
C - Term Bonds		5,650		01/01/34		5.250		3,950	4,850
C - Term Bonds		9,030		07/01/35		5.250		6,665	7,530
D - Term Bonds		17,000		07/01/34	Variable*	1.640		14,800	15,985
Total Bonds Outstanding		51,000						38,765	43,840
Unamortized (disc) / prem / other								(43)	(51)
Single Family 2004 CD		51,000						38,722	43,789
E - Serial Bonds		10,825	01/01/06	01/01/16	1.950	3.950		6,295	8,090
F - Term Bonds		2,375		07/01/24		4.550		1,800	2,070
F - Term Bonds		10,400		01/01/35		5.000		7,860	9,455
F - Term Bonds		6,400		07/01/35		4.800		4,780	5,500
G - Term Bonds		20,000		07/01/34	Variable*	1.600		20,000	20,000
Total Bonds Outstanding		50,000						40,735	45,115
Unamortized (disc) / prem / other								244	285
Single Family 2004 EFG		50,000						40,979	45,400
A - Serial Bonds		5,885	07/01/07	07/01/16	2.900	4.300		4,245	5,255
B - Serial Bonds		2,925	01/01/07	01/01/15	3.200	4.500		1,435	2,220
B - Term Bonds		15,350		07/01/25		4.600		11,845	13,750
B - Term Bonds		17,300		07/01/30		5.000		13,930	16,035
C - Term Bonds		24,000		07/01/36	Variable*	1.620		24,000	24,000
Total Bonds Outstanding		65,460						55,455	61,260
Unamortized (disc) / prem / other								211	220
Single Family 2005 ABC		65,460						55,666	61,480

* Variable rates are as of June 30, 2008

IOWA FINANCE AUTHORITY

(A Component Unit of the State of Iowa)

Notes to Financial Statements

June 30, 2008 and 2007

Description	Original amount	Due dates From	Due dates To	Interest rate From	Interest rate To	Balance 2008	Balance 2007
Housing Agency Bonds & Notes (continued)							
D - Serial Bonds	$ 5,995	01/01/07	01/01/16	3.000%	4.250%	$ 3,590	5,195
D - Term Bonds	2,565		07/01/13		4.000	2,095	2,440
D - Term Bonds	8,340		01/01/36		4.450	6,830	7,935
D - Term Bonds	19,100		01/01/36		5.000	15,520	17,650
E - Term Bonds	24,000		01/01/36	Variable*	1.600	24,000	24,000
Total Bonds Outstanding	60,000					52,035	57,220
Unamortized (disc) / prem / other						492	564
Single Family 2005 DE	60,000					52,527	57,784
F - Serial Bonds	3,075	07/01/14	07/01/16	4.000	4.200	2,555	2,995
G - Serial Bonds	6,810	07/01/07	01/01/14	3.250	4.300	4,955	6,625
G - Term Bonds	1,510		07/01/26		4.700	1,335	1,490
G - Term Bonds	240		07/01/31		4.750	210	240
G - Term Bonds	19,800		01/01/36		5.000	17,485	19,325
G - Term Bonds	4,565		01/01/37		4.875	3,755	4,435
H - Term Bonds	24,000		07/01/36	Variable*	1.620	24,000	24,000
Total Bonds Outstanding	60,000					54,295	59,110
Unamortized (disc) / prem / other						469	531
Single Family 2005 FGH	60,000					54,764	59,641
A - Serial Bonds	1,385	07/01/14	01/01/15	3.800	3.900	1,315	1,385
B - Serial Bonds	10,655	07/01/07	07/01/16	3.400	4.300	9,090	10,655
B - Term Bonds	4,535		01/01/26		4.750	4,380	4,535
B - Term Bonds	14,425		01/01/36		4.900	13,830	14,425
B - Term Bonds	17,000		01/01/36		5.000	15,550	16,765
C - Term Bonds	12,000		01/01/36	Variable*	1.600	12,000	12,000
Total Bonds Outstanding	60,000					56,165	59,765
Unamortized (disc) / prem / other						263	291
Single Family 2006 ABC	60,000					56,428	60,056
D - Serial Bonds	1,575	07/01/14	07/01/15	4.100	4.150	1,455	1,565
E - Serial Bonds	6,965	07/01/07	07/01/14	3.700	4.500	5,700	6,935
E - Term Bonds	1,270		07/01/16		4.650	1,170	1,260
E - Term Bonds	3,925		07/01/26		4.850	3,715	3,925
E - Term Bonds	245		07/01/31		4.950	245	245
E - Term Bonds	25,250		01/01/36		5.500	23,820	25,125
E - Term Bonds	8,770		01/01/37		5.000	8,245	8,765
F - Term Bonds	12,000		07/01/36	Variable*	1.620	12,000	12,000
Total Bonds Outstanding	60,000					56,350	59,820
Unamortized (disc) / prem / other						1,031	1,140
Single Family 2006 DEF	60,000					57,381	60,960
G - Serial Bonds	2,720	07/01/07	07/01/16	3.750	4.500	2,450	2,720
G - Term Bonds	12,975		01/01/26		4.875	12,580	12,975
G - Term Bonds	8,265		07/01/30		5.000	8,030	8,265
G - Term Bonds	14,620		07/01/36		5.000	14,220	14,620
G - Term Bonds	8,420		07/01/36		5.750	7,955	8,420
H - Term Bonds (Taxable)	23,000		07/01/36		5.868	21,735	23,000
Total Bonds Outstanding	70,000					66,970	70,000
Unamortized (disc) / prem / other						149	162
Single Family 2006 GH	70,000					67,119	70,162

* Variable rates are as of June 30, 2008

Description	Original amount	Due dates From	Due dates To	Interest rate From	Interest rate To	Balance 2008	Balance 2007
Housing Agency Bonds & Notes (continued)							
I - Term Bonds	$ 5,405		07/01/21		4.700%	$ 5,405	5,405
I - Term Bonds	7,385		07/01/26		4.800	7,385	7,385
I - Term Bonds	10,085		07/01/31		4.900	10,085	10,085
I - Term Bonds	17,125		07/01/37		4.950	17,125	17,125
J - Term Bonds (Taxable)	40,000		07/01/37		5.745	38,415	40,000
Total Bonds Outstanding	80,000					78,415	80,000
Unamortized (disc) / prem / other						(548)	(585)
Single Family 2006 IJ	80,000					77,867	79,415
A - Serial Bonds	3,855	01/01/08	07/01/17	3.500%	3.950	3,815	3,855
B - Term Bonds	4,935		07/01/22		4.600	4,935	4,935
B - Term Bonds	5,175		07/01/26		4.700	5,175	5,175
B - Term Bonds	10,560		07/01/32		4.750	10,560	10,560
B - Term Bonds	10,475		07/01/37		4.800	10,475	10,475
C - Term Bonds (Taxable)	35,000		07/01/37	Variable*	2.650	34,520	35,000
Total Bonds Outstanding	70,000					69,480	70,000
Unamortized (disc) / prem / other						(372)	(392)
Single Family 2007 ABC	70,000					69,108	69,608
D - Serial Bonds	1,215	07/01/11	01/01/17	3.950	4.400	1,215	—
E - Term Bonds	5,770		07/01/22		5.050	5,765	—
E - Term Bonds	7,215		07/01/27		5.100	7,165	—
E - Term Bonds	9,675		07/01/32		5.150	9,625	—
E - Term Bonds	5,000		07/01/37		5.750	4,790	—
E - Term Bonds	14,750		01/01/38		5.200	14,695	—
F - Serial Bonds	7,000	07/01/08	07/01/14	5.341	5.752	6,970	—
G - Term Bonds	33,000		01/01/38	Variable*	2.650	32,780	—
Total Bonds Outstanding	83,625					83,005	—
Unamortized (disc) / prem / other						(207)	—
Single Family 2007 DEFG	83,625					82,798	—
H - Serial Bonds	7,875	07/01/08	07/01/17	3.650	4.500	7,875	—
I - Term Bonds	2,805		07/01/22		5.200	2,805	—
I - Term Bonds	16,295		07/01/32		5.350	16,295	—
I - Term Bonds	22,725		07/01/37		5.400	22,725	—
I - Term Bonds	10,065		07/01/37		5.500	9,780	—
J - Term Bonds	30,000		07/01/30		5.770	29,980	—
Total Bonds Outstanding	89,765					89,460	—
Unamortized (disc) / prem / other						(214)	—
Single Family 2007 HIJ	89,765					89,246	—
K - Serial Bonds	2,905	07/01/09	07/01/17	3.700	4.450	2,905	—
K - Term Bonds	7,545		04/01/28		5.125	7,545	—
L - Serial Bonds	2,395		07/01/09	4.390	4.810	2,395	—
M - Term Bonds	25,450		01/01/39	Variable*	2.650	25,450	—
N - Term Bonds	14,550		01/01/39	Variable*	1.620	14,550	—
Total Bonds Outstanding	52,845					52,845	—
Unamortized (disc) / prem / other						(235)	—
Single Family 2007 KLMN	52,845					52,610	—

* Variable rates are as of June 30, 2008

Description	Original amount	Due dates From	Due dates To	Interest rate From	Interest rate To	Balance 2008	Balance 2007
Housing Agency Bonds & Notes (continued)							
A - Serial Bonds	$ 2,465	07/01/09	07/01/17	3.000%	4.900%	$ 2,465	—
B - Term Bonds	28,070		01/01/39	Variable*	1.600	28,070	—
C - Term Bonds	29,465		01/01/39	Variable*	2.650	29,465	—
Total Bonds Outstanding	60,000					60,000	—
Unamortized (disc) / prem / other						(203)	—
Single Family 2008 ABC	60,000					59,797	—
A - Serial Bonds	6,080	04/01/81	04/01/98	4.250	5.500	—	—
A - Term Bonds	22,050		04/01/21		6.000	14,345	15,100
Total Bonds Outstanding	28,130					14,345	15,100
Unamortized (disc) / prem / other						(139)	(158)
Multi Family 1978 A	28,130					14,206	14,942
A - Term Bonds	6,475		07/01/41		4.600	6,295	6,475
Total Bonds Outstanding	6,475					6,295	6,475
Unamortized (disc) / prem / other						—	—
Multi Family 2006 A	6,475					6,295	6,475
A - Term Bonds	12,700		08/01/37	Variable*	1.650	12,700	12,700
B - Term Bonds	9,300		08/01/37	Variable*	1.650	9,300	9,300
Total Bonds Outstanding	22,000					22,000	22,000
Unamortized (disc) / prem / other						—	—
Multi Family 2007 AB	22,000					22,000	22,000
A - Term Bond	3,750		06/01/24	Variable*	1.600	3,750	—
Total Bonds Outstanding	3,750					3,750	—
Unamortized (disc) / prem / other						—	—
Multi Family 2008 A	3,750					3,750	—
Bonds Outstanding	1,586,256					1,159,267	952,837
Unamortized (disc) / prem / other						320	1,134
Total Housing Agency	1,586,256					1,159,587	953,971
State Revolving Fund							
A - Serial Bonds	37,340	08/01/02	08/01/11	4.000	5.250	10,605	14,265
B - Serial Bonds	138,810		04/01/21	4.000	5.250	84,625	95,165
Total Bonds Outstanding	176,150					95,230	109,430
Unamortized (disc) / prem / other						(148)	(200)
CW 2001	176,150					95,082	109,230
A - Serial Bonds	12,900	08/01/02	08/01/11	4.000	5.250	6,845	7,915
A - Term Bonds	1,100		08/01/16		5.500	1,100	1,100
A - Term Bonds	480		08/01/18		5.500	480	480
A - Term Bonds	405		08/01/20		5.000	405	405
A - Term Bonds	120		08/01/23		5.000	120	120
B - Serial Bonds	21,345		04/01/21	4.000	5.250	14,020	15,630
B - Term Bonds	4,895		08/01/16		5.500	4,895	4,895
B - Term Bonds	5,750		08/01/18		5.500	5,750	5,750
B - Term Bonds	6,120		08/01/20		5.000	6,120	6,120
B - Term Bonds	3,960		08/01/23		5.000	3,960	3,960
Total Bonds Outstanding	57,075					43,695	46,375
Unamortized (disc) / prem / other						433	496
DW 2001	57,075					44,128	46,871

* Variable rates are as of June 30, 2008

Description		Original amount	Due dates From	Due dates To	Interest rate From	Interest rate To		Balance 2008	Balance 2007
State Revolving Fund (continued)									
Total Bonds Outstanding	$	3,350	08/01/03	08/01/22	2.000%	4.700%	$	2,205	2,445
Unamortized (disc) / prem / other								(10)	(12)
CW 2003		3,350						2,195	2,433
A - Serial Bonds		3,240	08/01/04	08/01/17	2.000	4.300		2,250	2,535
B - Serial Bonds		49,510	08/01/04	08/01/24	2.000	5.000		43,665	45,655
Total Bonds Outstanding		52,750						45,915	48,190
Unamortized (disc) / prem / other								(11)	(12)
DW 2003		52,750						45,904	48,178
Total Bonds Outstanding		11,090	08/01/06	08/01/12	3.250	5.000		7,950	9,515
Unamortized (disc) / prem / other								74	110
CW 2005		11,090						8,024	9,625
Total Bonds Outstanding		6,685	08/01/06	08/01/12	3.250	5.000		5,410	6,040
Unamortized (disc) / prem / other								52	77
DW 2005		6,685						5,462	6,117
A - Serial Bonds		5,660	08/01/08	08/01/21	4.000	5.000		5,660	—
B - Serial Bonds		29,700	08/01/08	08/01/24	4.000	5.000		29,700	—
Total Bonds Outstanding		35,360						35,360	—
Unamortized (disc) / prem / other								1,259	—
CW 2007		35,360						36,619	—
A - Serial Bonds		4,435	08/01/08	08/01/21	4.000	5.000		4,435	—
B - Serial Bonds		24,365	08/01/09	08/01/24	4.000	5.000		24,365	—
Total Bonds Outstanding		28,800						28,800	—
Unamortized (disc) / prem / other								964	—
DW 2007		28,800						29,764	—
Bonds Outstanding		307,100						264,565	221,995
Unamortized (disc) / prem / other								2,613	459
Total State Revolving Fund	$	307,100					$	267,178	222,454
Bonds Outstanding		1,893,356						1,423,832	1,174,832
Unamortized (disc) / prem / other								2,933	1,593
Total Authority	$	1,893,356					$	1,426,765	1,176,425

The following table summarizes the net bonds and notes payable activity for the Authority for the years ended June 30, 2008 and 2007 (dollars in thousands):

	June 30, 2007	Additions	Reductions	June 30, 2008	Due within one year
Housing Agency	$ 953,971	289,985	84,369	1,159,587	32,686
State Revolving Fund	222,454	64,160	19,436	267,178	23,695
Total	$ 1,176,425	354,145	103,805	1,426,765	56,381

	June 30, 2006	Additions	Reductions	June 30, 2007	Due within one year
Housing Agency	$ 765,578	251,300	62,907	953,971	26,362
State Revolving Fund	243,479	—	21,025	222,454	21,590
Total	$ 1,009,057	251,300	83,932	1,176,425	47,952

A summary of scheduled bond maturities and interest payments follows (dollars in thousands):

Year ending	Housing Agency			State Revolving Fund			Total		
June 30	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2009	$ 32,686	46,617	79,303	23,695	12,338	36,033	56,381	58,955	115,336
2010	18,115	45,449	63,564	24,715	11,209	35,924	42,830	56,658	99,488
2011	19,357	44,663	64,020	25,355	10,022	35,377	44,712	54,685	99,397
2012	20,364	43,840	64,204	25,210	8,794	34,004	45,574	52,634	98,208
2013	21,427	42,945	64,372	24,715	7,569	32,284	46,142	50,514	96,656
2014 - 2018	129,056	198,777	327,833	69,600	24,496	94,096	198,656	223,273	421,929
2019 - 2023	164,717	167,597	332,314	54,775	10,571	65,346	219,492	178,168	397,660
2024 - 2028	219,125	128,282	347,407	16,500	767	17,267	235,625	129,049	364,674
2029 - 2033	275,835	78,370	354,205	—	—	—	275,835	78,370	354,205
2034 - 2038	250,530	22,616	273,146	—	—	—	250,530	22,616	273,146
2039 - 2043	8,055	124	8,179	—	—	—	8,055	124	8,179
Total	$ 1,159,267	819,280	1,978,547	264,565	85,766	350,331	1,423,832	905,046	2,328,878

Under the bond resolutions, the Authority has the option to redeem bonds at initial prices ranging from 103% to 100%, and subsequently at prices declining to par. Generally, the redemption option cannot be exercised prior to the time the bonds have been outstanding for 10 years; however, certain special redemptions, as governed by the bond resolutions, are permitted prior to such time. Term bonds are subject to mandatory redemptions, without premium, through sinking fund installments subsequent to the scheduled completion of retirement of the serial bonds of the same issue. The schedule of bond maturities includes the sinking fund installments for the term bonds. Capital accumulator bonds and future income growth bonds are included in the schedule of bond maturities at their respective values at the time of maturity or sinking fund installment. Bond maturities and interest rates are based on those in effect as of June 30, 2008.

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

The Single Family Mortgage Bond Resolutions, the Single Family Housing Bond Resolutions, and the Multifamily Bond Indenture contain covenants that require the Authority to make payments of principal and interest from amounts available in the General Account should deficiencies occur in the accounts established for such payments by the respective bond resolutions. The Draw Down Bond Indenture under the Single Family Bond Program and the bond resolutions for the State Revolving Fund accounts do not contain these covenants.

Defeased Debt

The Authority has defeased certain bonds by depositing funds or securities into an irrevocable trust account with an escrow agent to provide for future interest and principal payments. Accordingly, the trust account assets and the liabilities for these defeased bonds are not included in the Authority's basic financial statements.

The amount of defeased debt outstanding at June 30, 2008 and 2007 is shown below (dollars in thousands):

		Balance	
		June 30, 2008	**June 30, 2007**
State Revolving Fund Defeased Bonds			
Combined Series 1998	$	—	15,340
Combined Series 1999		22,275	23,895
Series 2000A		3,910	4,250
Total State Revolving Fund Defeased Bonds		26,185	43,485
Total Authority	$	26,185	43,485

(Continued)

(5) Disclosure for Derivatives Not Reported at Fair Value on the Statements of Net Assets

The Authority uses derivative instruments to manage and reduce exposure to adverse fluctuations in interest rates and to lower the overall cost of financing.

(a) ***Interest rate swap agreements*** involve the exchange of floating rate for fixed rate payments between two parties (without the exchange of the underlying principal amount) based on a common notional amount and maturity date. The table below contains information on the terms and net fair value (as of June 30, 2008 and 2007) of the Authority's swap transactions (dollars in thousands):

Associated bond series	Effective date	Notional value at 6/30/2008	Fixed rate	Fair value 06/30/08	Fair value 06/30/07	Termination date
SF 2002 I	10/30/2002	$ 7,880	3.653%	$ (147)	143	07/01/2032
SF 2003 F	06/25/2003	19,685	3.615	190	1,203	01/03/2033
SF 2004 B	12/02/2004	15,000	4.086	(597)	(103)	07/01/2034
SF 2004 D	02/03/2005	14,800	4.007	(360)	117	07/01/2020
SF 2004 G	06/01/2005	20,000	3.867	(528)	230	07/01/2034
SF 2005 C	11/01/2005	24,000	4.140	(1,188)	59	01/01/2036
SF 2005 E	02/01/2006	24,000	3.817	(480)	437	01/01/2036
SF 2005 H	05/01/2006	24,000	3.843	(658)	531	07/01/2036
SF 2006 C	09/01/2006	12,000	3.766	(426)	174	01/01/2036
SF 2006 F	11/01/2006	12,000	4.632	(851)	(259)	07/01/2036
SF 2007 C	03/08/2007	34,320	5.034	(2,711)	98	07/01/2025
SF 2007 G	07/12/2007	32,780	5.493	(2,114)	—	01/01/2019
SF 2007 M	12/12/2007	25,450	4.373	(181)	—	07/01/2021
SF 2007 N	12/12/2007	14,550	4.364	(339)	—	01/01/2039
SF 2008 B	04/16/2008	28,070	4.470	(123)	—	01/01/2039
SF 2008 C	04/16/2008	29,465	3.880	536	—	01/01/2026
MF 2008 A	04/17/2008	3,750	3.971	(82)	—	06/01/2024

The fair value for the swap transactions set forth above include the value of options purchased by the Authority from the swap counterparties.

(b) ***Corridor agreements*** involve the purchase and sale of interest rate caps between two parties (without the exchange of the underlying principal amount) based on a common notional amount and maturity date. The table below contains information on the terms and net fair value (as of June 30, 2008 and 2007) of the Authority's corridor transactions (dollars in thousands):

Corridor Table

Associated bond series	Effective date	Notional value at 6/30/2008	Cap/strike rate		Fair value		Termination date
			Purchased	Sold	06/30/08	06/30/07	
SF 2003 B	03/19/03	$ 6,000	6.00%	11.00%	$ 12	25	07/01/12
SF 2003 G	06/25/03	6,420	5.00	6.00	60	142	07/01/13

(c) ***Interest rate caps*** involve payment of a premium by the buyer, who in exchange receives money at the end of each period in which an interest rate exceeds the agreed upon strike price. The table below contains information on the terms and fair values (as of June 30, 2008 and 2007) of the Authority's interest rate cap transactions (dollars in thousands):

Interest Rate Cap Table

Associated bond series	Effective date	Notional value at 6/30/2008	Cap/strike rate	Fair value		Termination date
				06/30/08	06/30/07	
MF 2007 A	06/14/07	$ 12,700	4.50%	$ 60	58	7/1/2012
MF 2007 B*	06/14/07	9,300	4.50	389	433	1/1/2024

* On 07/01/2014 the cap/strike rate will change to 5.00% and will change once more to 5.50% on 07/01/2019.

(d) ***Swap payments and associated debt payments*** will vary over time as interest rates vary. Using rates as of June 30, 2008, the debt service requirements of the Authority's outstanding variable rate debt and the net swap payments, are as follows (dollars in thousands):

Fiscal year ending June 30	Variable-rate bonds principal	Variable-rate bonds interest	Interest rate swaps, net	Total
2009	$ 1,165	6,863	6,601	14,629
2010	1,965	6,734	7,161	15,860
2011	1,975	6,682	6,838	15,495
2012	2,170	6,640	6,503	15,313
2013	1,700	6,607	6,167	14,474
2014-2018	24,380	31,608	26,457	82,445
2019-2023	44,355	27,841	20,210	92,406
2024-2028	66,255	22,513	13,820	102,588
2029-2033	103,230	14,599	7,770	125,599
2034-2038	87,460	4,471	1,867	93,798
2039-2043	7,295	52	56	7,403
Total	$ 341,950	134,610	103,450	580,010

(e) Risks associated with swap transactions

Counterparty risk. Counterparty risk is the risk that the counterparty to the swap transaction will default on its obligation to deliver cash resulting from the transaction. UBS AG and Goldman Sachs Capital Markets, LP are currently counterparties under swap agreements with the Authority. UBS AG is currently rated AA-/A-1+ by Standard and Poor's and Aa2/P-1 by Moody's, and the agreements with Goldman Sachs Capital Markets, LP are fully guaranteed by Goldman Sachs Group, which is currently rated AA-/A-1 by Standard and Poor's and Aa3/P-1 by 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 Capital Markets, LP to ensure that the Authority's exposure to either of its counterparties does not exceed a proper amount.

Termination risk. Termination risk is the risk that the swap could be terminated as a result of any of several events, which may include a ratings downgrade of the Authority's single family mortgage bonds or of UBS AG or Goldman, 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 that the likelihood of any such termination event is remote.

Rollover risk. Rollover risk is the risk that the term of a particular swap contract is not coterminous with the related bonds. If an issuer entered into a swap to hedge for a specified period of time and then decides at swap maturity that it wishes 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.

Basis risk. Basis risk refers to a mismatch between the interest rate received from the swap 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 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 swap rate is the Authority's basis risk.

(6) Retirement System

The Authority participates in the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State. IPERS provides retirement and death benefits, which are established by State statute, to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA 50306-9117. Details of the plan are provided on a system-wide basis. The Authority's portion is not separately determinable. The unfunded actuarial accrued liability of the plan at June 30, 2007 (latest information available) was $2.27 billion.

Plan members are required to contribute 3.70% of their annual covered salary, and the Authority is required to contribute 5.75% of annual covered salaries. Contribution requirements are established by State statute. The Authority's contributions to IPERS for the years ended June 30, 2008 and 2007 were $345,434 and $302,227, respectively, equal to the required contribution for each year.

(Continued)

(7) Commitments and Contingencies

(a) Housing Agency Commitments

The Authority has assumed certain guarantees of the former Iowa Housing Corporation (IHC) in conjunction with the assets received from the IHC on July 1, 2003. The maximum amount of these guarantees as of June 30, 2008 and 2007 was $1.5 million for which a $.5 million reserve for claims liability is recorded as those dates.

The Authority has committed to purchase $67.1 million in mortgage-backed securities under its FirstHome program as of June 30, 2008.

The Authority has approved loan agreements under various housing assistance programs for which $2.3 million has not been disbursed as of June 30, 2008.

The Authority has made commitments to grant funds for various purposes. The Authority does not record the expense or the liability for these grants until the grantee has fulfilled all contractual requirements and the funds have actually been disbursed. A summary of those outstanding commitments as of June 30, 2008 follows (dollars in thousands):

Description		June 30, 2008	June 30, 2007
Project-based housing grants	$	1,205	345
Local Housing Trust Fund grants		206	517
Capacity building grants		4	88
Wastewater Treatment Financial Assistance grants		6,698	—
Total outstanding commitments	$	8,113	950

(b) State Revolving Fund Commitments

The Authority has signed loan agreements under the State Revolving Fund Clean Water Program and Drinking Water Program for which $85.9 million and $43.4 million, respectively, have not been disbursed as of June 30, 2008.

Schedule

IOWA FINANCE AUTHORITY

(A Component Unit of the State of Iowa)

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2008

(Dollars in Thousands)

Grantor/program title	CFDA number		Federal expenditures
United States Department of Housing and Urban Development direct programs:			
Housing Counseling Assistance Program	14.169	$	84
Section 8 Housing Assistance Payments Program—Special Allocations	14.195		45,993
Emergency Shelter Grants Program	14.231		1,391
Shelter Care Plus	14.238		27
Housing Opportunities for Persons with AIDS (H.O.P.W.A.) program	14.241		390
Total United States Department of Housing and Urban Development direct programs			47,885
United States Department of the Treasury direct program:			
National Foreclosure Mitigation Counseling Program	21.000		609
Total federal awards expenditures		$	48,494

See accompanying notes to schedule of expenditures of federal awards.

IOWA FINANCE AUTHORITY

(A Component Unit of the State of Iowa)

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2008

(1) Basis of Presentation

The purpose of the Schedule of Expenditures of Federal Awards (the Schedule) is to present a summary of those activities of the Iowa Finance Authority (the Authority) for the year ended June 30, 2008, which have been financed by the United States Government (federal awards). For purposes of the Schedule, federal awards include all awards entered into directly between the Authority and the federal government and subawards from nonfederal organizations made under federally sponsored agreements. Because the Schedule presents only a selected portion of the activities of the Authority, it is not intended to, and does not, present the financial position, revenues, expenses, and changes in net assets of the Authority.

Deductions or expenditures for direct costs are recognized as incurred, using the accrual method of accounting and the cost accounting principles contained in the United States Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Subrecipients

Of the federal expenditure presented in the Schedule, the Authority provided federal awards to subrecipients as follows (Dollars in thousands):

Program title	CFDA number		Amount provided to subrecipients
Housing Counseling Assistance Program	14.169	$	84
Emergency Shelter Grants Program	14.231		1,384
H.O.P.W.A Program	14.241		382
National Foreclosure Counseling Program	21.000		566

KPMG LLP
2500 Ruan Center
666 Grand Avenue
Des Moines, IA 50309

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Iowa Finance Authority:

We have audited the financial statements of each major fund and the total business-type activities of the Iowa Finance Authority (the Authority), a component unit of the State of Iowa, as of and for the year ended June 30, 2008, and have issued our report thereon dated September 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board, management, and others within the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

KPMG LLP

Des Moines, Iowa
September 22, 2008

KPMG
KPMG LLP
2500 Ruan Center
666 Grand Avenue
Des Moines, IA 50309

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

The Board of Directors
Iowa Finance Authority:

Compliance

We have audited the compliance of the Iowa Finance Authority (the Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board of directors, management, and other employees within the Authority and all applicable federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

KPMG LLP

Des Moines, Iowa
September 22, 2008

IOWA FINANCE AUTHORITY

(A Component Unit of the State of Iowa)

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

(1) Summary of Auditors' Results

(a) The type of report issued on the financial statements: ***Unqualified opinions***

(b) Significant deficiencies in internal control over financial reporting were reported: ***None reported***

Material weaknesses: ***No***

(c) Noncompliance which is material to the financial statements: ***No***

(d) Significant deficiencies in internal control over compliance were disclosed: ***None reported***

Material weaknesses: ***No***

(e) The type of report issued on compliance for major programs: ***Unqualified opinion***

(f) Any audit findings that are required to be reported under Section 510(a) of OMB Circular A-133: ***No***

(g) Major programs: ***14.195 Section 8 Housing Assistance Payments Program—Special Allocations***

(h) Dollar threshold used to distinguish between Type A and Type B programs: ***$1,454,793***

(i) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: ***Yes***

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None.

(3) Findings and Questioned Costs Relating to Federal Awards

None.