



IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Basic Financial Statements

June 30, 2009 and 2008

(With Independent Auditors' Report Thereon)

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Table of Contents

	Page(s)
Independent Auditors' Report	1 – 2
Management's Discussion and Analysis	3 – 8
Statements of Net Assets	9 – 12
Statements of Revenues, Expenses, and Changes in Net Assets	13 – 14
Statements of Cash Flows	15 – 18
Notes to Financial Statements	19 – 46



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, 2009 and 2008, 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, 2009 and 2008, 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 29, 2009 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 3 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.

KPMG LLP

Des Moines, Iowa
September 29, 2009

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)
Management's Discussion and Analysis
June 30, 2009 and 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, 2009 and 2008. 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, 2009. 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. 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.

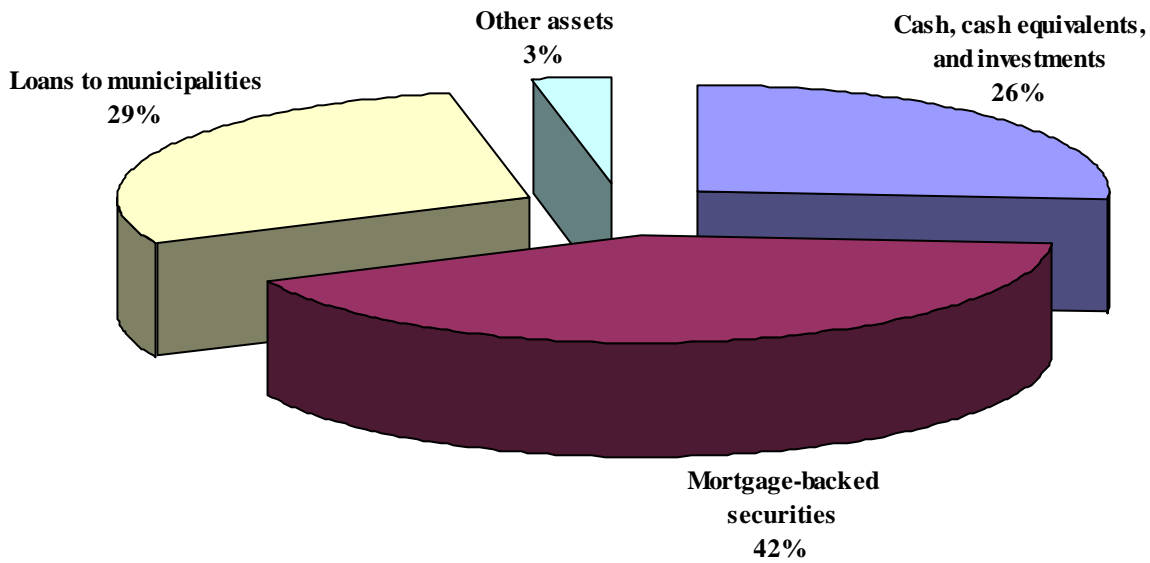
The statements of cash flows report the net increase or decrease in cash and cash equivalents. These statements include cash flows from operating activities, cash flows from noncapital financing activities, and cash flows from investing activities.

IOWA FINANCE AUTHORITY
 (A Component Unit of the State of Iowa)
 Management's Discussion and Analysis
 June 30, 2009 and 2008

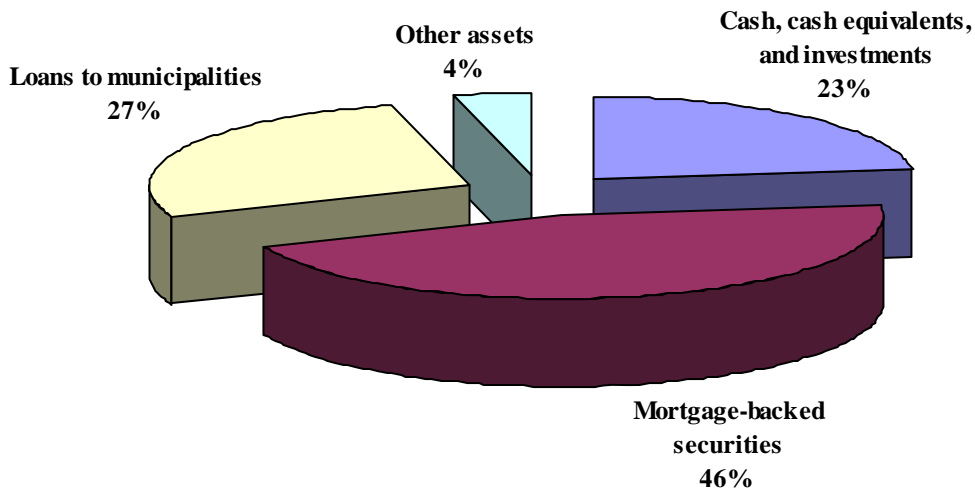
Condensed Financial Information

The following charts and tables present condensed financial information for FY09 and FY08.

Total Authority Assets as of June 30, 2009
\$2,520 million



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



IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)
Management's Discussion and Analysis
June 30, 2009 and 2008

Table 1 – Total Condensed Information of the Authority

Net Assets			
(Dollars in millions)			
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Assets:			
Cash, cash equivalents, and investments	\$ 657.4	524.1	473.3
Mortgage-backed securities	1,045.6	1,024.3	844.8
Loans to municipalities or water systems	724.7	594.3	496.2
Other assets	91.9	89.9	78.2
Total assets	<u>2,519.6</u>	<u>2,232.6</u>	<u>1,892.5</u>
Liabilities:			
Bonds payable, net	1,620.7	1,426.8	1,176.4
Other liabilities	75.8	68.5	59.5
Total liabilities	<u>1,696.5</u>	<u>1,495.3</u>	<u>1,235.9</u>
Net assets:			
Invested in capital assets, net of related debt	1.0	1.1	0.9
Restricted net assets	810.6	721.9	637.9
Unrestricted net assets	11.5	14.3	17.8
Total net assets	<u>\$ 823.1</u>	<u>737.3</u>	<u>656.6</u>

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Management's Discussion and Analysis

June 30, 2009 and 2008

Revenues, Expenses, and Changes in Net Assets

(Dollars in millions)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating revenues:			
Interest income	\$ 94.6	94.6	82.9
Net increase (decrease) in fair value	45.6	23.0	(0.6)
Fee and other income	16.6	14.3	14.3
Grant income	72.6	45.7	45.0
Total operating revenues	<u>229.4</u>	<u>177.6</u>	<u>141.6</u>
Operating expenses:			
Interest on bonds	74.0	66.1	54.1
General and administrative	19.4	16.6	13.3
Grants and aid	50.2	14.3	13.0
Provision for losses	—	(0.1)	0.9
Total operating expenses	<u>143.6</u>	<u>96.9</u>	<u>81.3</u>
Change in net assets	85.8	80.7	60.3
Net assets at beginning of year	<u>737.3</u>	<u>656.6</u>	<u>596.3</u>
Net assets at end of year	<u>\$ 823.1</u>	<u>737.3</u>	<u>656.6</u>

Financial Analysis – Combined 2009

- The Authority's assets increased 13%, or \$287.0 million, to \$2,519.6 million in FY09 compared to \$2,232.6 million in FY08. Cash, cash equivalents, and investments grew 25% or \$133.3 million. Mortgage-backed securities (MBS) grew 2% or \$21.3 million. Loans to municipalities or water systems (SRF loans) grew 22%, or \$130.4 million.
- Bonds payable increased 14%, or \$193.9 million, to \$1,620.7 million in FY09 compared to \$1,426.8 million in FY08.

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Management's Discussion and Analysis

June 30, 2009 and 2008

The Authority issued single family bonds totaling \$75.0 million to purchase MBS under the FirstHome Program; arranged short-term financing totaling \$125.9 to preserve bond cap and fund a multifamily construction project; and issued one SRF bond series totaling \$148.5 million to originate SRF loans. The Authority made bond payments of \$155.4 million.

<u>Series</u>	<u>Date</u>	<u>Amount</u>	<u>Rating</u>
SF 2008 DEF	10/01/08	\$ 52.5	D/E: AAA by Standard & Poor's; Aaa by Moody's F: AAA/A-1+ by Standard & Poor's; Aaa/VMIG1 by Moody's
SF 2008 G	02/03/09	22.5	G: AAA/A-1+ by Standard & Poor's; Aaa/VMIG1 by Moody's
SF Advance	Var	124.7	Not Rated
MF LOC	Var	1.2	Not Rated
SRF 2008	12/18/08	148.5	AAA by Standard & Poor's; Aaa by Moody's; AAA by Fitch Ratings
Total		<u>\$ 349.4</u>	

- Interest income remained constant at \$94.6 million as a result of declining market interest rates for the year.
- The fair value of investments and MBS increased \$45.6 million as a result of declining market interest rates for the year.
- Grant income increased \$26.9 million. Housing Agency grant income increased \$36.9 million due to increased state funding for disaster relief and water quality. State Revolving Fund grant income declined by \$10.0 million due to EPA funding reductions and a postponement of a SRF bond issue to provide state-match funds.
- General and administrative expenses grew 17% or \$2.8 million, to \$19.4 million. The Housing Agency incurred some one-time costs due to the volatility of the financial markets, and State Revolving Fund incurred higher expenses in relation to planned drinking water projects.
- Grant expense increased \$35.9 million, to \$50.2 million as a result of grants for disaster relief and water quality.

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.

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Management's Discussion and Analysis

June 30, 2009 and 2008

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.

<u>Series</u>	<u>Date</u>	<u>Amount</u>	<u>Rating</u>
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
		<u>286.2</u>	
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		<u>\$ 354.2</u>	

- 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 25.0% 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.

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, 2009

(Dollars in thousands)

Assets	Housing Agency	State Revolving Fund	Totals
Current assets (substantially restricted):			
Cash and cash equivalents	\$ 314,592	275,819	590,411
Investments:			
Other investments	34,727	6,000	40,727
Mortgage-backed securities	17,460	—	17,460
Total current investments	52,187	6,000	58,187
Loans to municipalities or water systems	—	32,162	32,162
Housing Agency loans, net	1,987	—	1,987
Accrued interest receivable	5,540	3,485	9,025
Other assets	2,218	565	2,783
Total current assets	376,524	318,031	694,555
Noncurrent assets (substantially restricted):			
Investments:			
Other investments	21,155	5,068	26,223
Mortgage-backed securities	1,028,125	—	1,028,125
Total noncurrent investments	1,049,280	5,068	1,054,348
Loans to municipalities or water systems	—	692,521	692,521
Housing Agency loans, net	63,732	—	63,732
Capital assets, net of accumulated depreciation	3,507	—	3,507
Other assets	10,228	738	10,966
Total noncurrent assets	1,126,747	698,327	1,825,074
Total assets	1,503,271	1,016,358	2,519,629

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Statement of Net Assets

June 30, 2009

(Dollars in thousands)

Liabilities	Housing Agency	State Revolving Fund	Totals
Current liabilities:			
Bonds payable, net	\$ 114,288	26,365	140,653
Accrued interest payable	23,389	8,853	32,242
Accounts payable and other	24,119	1,240	25,359
Rebates owed	—	—	—
Deferred income	480	—	480
Total current liabilities	162,276	36,458	198,734
Noncurrent liabilities:			
Bonds payable, net	1,110,614	369,445	1,480,059
Reserves for claims	5,367	—	5,367
Rebates owed	18	700	718
Deferred income	3,737	7,884	11,621
Total noncurrent liabilities	1,119,736	378,029	1,497,765
Total liabilities	1,282,012	414,487	1,696,499
Net Assets			
Invested in capital assets, net of related debt	1,056	—	1,056
Restricted net assets:			
Per bond resolutions	183,773	321,279	505,052
Per legislation	24,906	—	24,906
Per other agreements	—	280,592	280,592
Total restricted net assets	208,679	601,871	810,550
Unrestricted net assets	11,524	—	11,524
Total net assets	\$ 221,259	601,871	823,130

See accompanying notes to financial statements.

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Statement of Net Assets

June 30, 2008

(Dollars in thousands)

Assets	Housing Agency	State Revolving Fund	Totals
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

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Statement of Net Assets

June 30, 2008

(Dollars in thousands)

Liabilities	Housing Agency	State Revolving Fund	Totals
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 Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2009

(Dollars in thousands)

	<u>Housing Agency</u>	<u>State Revolving Fund</u>	<u>Totals</u>
Operating revenues:			
Interest income	\$ 67,999	26,633	94,632
Net increase in fair value of investments and mortgage-backed securities	45,489	124	45,613
Fee income	14,137	2,322	16,459
Grant income	45,767	26,856	72,623
Other income	116	—	116
Total operating revenues	<u>173,508</u>	<u>55,935</u>	<u>229,443</u>
Operating expenses:			
Interest on bonds	58,514	15,505	74,019
General and administrative	12,760	6,630	19,390
Grants and aid	50,204	—	50,204
Recoveries (provision) of losses	(192)	147	(45)
Total operating expenses	<u>121,286</u>	<u>22,282</u>	<u>143,568</u>
Operating income/change in net assets	52,222	33,653	85,875
Net assets at June 30, 2008	<u>169,037</u>	<u>568,218</u>	<u>737,255</u>
Net assets at June 30, 2009	<u>\$ 221,259</u>	<u>601,871</u>	<u>823,130</u>

See accompanying notes to financial statements.

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Statement of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2008

(Dollars in thousands)

	<u>Housing Agency</u>	<u>State Revolving Fund</u>	<u>Totals</u>
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	<u>112,487</u>	<u>65,113</u>	<u>177,600</u>
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	<u>79,467</u>	<u>17,518</u>	<u>96,985</u>
Operating income/change in net assets	33,020	47,595	80,615
Net assets at June 30, 2007	<u>136,017</u>	<u>520,623</u>	<u>656,640</u>
Net assets at June 30, 2008	<u>\$ 169,037</u>	<u>568,218</u>	<u>737,255</u>

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, 2009

(Dollars in thousands)

	Housing Agency	State Revolving Fund	Totals
Cash flows from operating activities:			
Cash receipts for fees	\$ 25,504	3,823	29,327
Interest received on loans and mortgage-backed securities	62,258	20,643	82,901
Principal payments on loans and mortgage-backed securities	139,335	47,081	186,416
Purchases of loans and mortgage-backed securities	(117,153)	(177,481)	(294,634)
Grants and other income	45,883	26,856	72,739
Cash payments to employees	(7,351)	(541)	(7,892)
Cash payments to suppliers and grantees	(66,645)	(6,669)	(73,314)
Net cash provided by (used in) operating activities	81,831	(86,288)	(4,457)
Cash flows from noncapital financing activities:			
Proceeds from issuance of bonds	200,917	148,435	349,352
Payment of bonds	(135,602)	(19,803)	(155,405)
Interest paid	(58,205)	(11,988)	(70,193)
Net cash provided by noncapital financing activities	7,110	116,644	123,754
Cash flows from investing activities:			
Purchases of investments	(101,950)	(6,000)	(107,950)
Interest received on investments	6,890	6,729	13,619
Sales/maturities of investments	100,301	33,357	133,658
Purchase of capital assets	(185)	—	(185)
Net cash provided by investing activities	5,056	34,086	39,142
Increase in cash and cash equivalents	93,997	64,442	158,439
Cash and cash equivalents, beginning of year	220,595	211,377	431,972
Cash and cash equivalents, end of year	\$ 314,592	275,819	590,411

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Statement of Cash Flows

Year ended June 30, 2009

(Dollars in thousands)

	<u>Housing Agency</u>	<u>State Revolving Fund</u>	<u>Totals</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income	\$ 52,222	33,653	85,875
Interest income on investments and bank deposits	(6,839)	(6,729)	(13,568)
Rebate expense	(34)	210	176
Interest expense on bonds	58,514	15,505	74,019
Net increase in fair value of investments and mortgage-backed securities	(45,489)	(124)	(45,613)
Depreciation of capital assets	346	—	346
Principal payments on loans and mortgage-backed securities	139,335	47,081	186,416
Purchases of loans and mortgage-backed securities	(117,153)	(177,481)	(294,634)
Increase in interest receivable on loans and mortgage-backed securities	1,133	530	1,663
Increase in other assets	(1,566)	(799)	(2,365)
(Decrease) increase in accounts payable and other	(10,005)	365	(9,640)
Increase in deferred income	<u>11,367</u>	<u>1,501</u>	<u>12,868</u>
Net cash provided by (used in) operating activities	<u>\$ 81,831</u>	<u>(86,288)</u>	<u>(4,457)</u>

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)

	<u>Housing Agency</u>	<u>State Revolving Fund</u>	<u>Totals</u>
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	<u>(112,837)</u>	<u>(46,844)</u>	<u>(159,681)</u>
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	<u>154,815</u>	<u>33,553</u>	<u>188,368</u>
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	<u>9,560</u>	<u>40,085</u>	<u>49,645</u>
Increase in cash and cash equivalents	51,538	26,794	78,332
Cash and cash equivalents, beginning of year	<u>169,057</u>	<u>184,583</u>	<u>353,640</u>
Cash and cash equivalents, end of year	<u>\$ 220,595</u>	<u>211,377</u>	<u>431,972</u>

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Statement of Cash Flows

Year ended June 30, 2008

(Dollars in thousands)

	<u>Housing Agency</u>	<u>State Revolving Fund</u>	<u>Totals</u>
Reconciliation of operating income to net cash 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	54,126	11,977	66,103
Net change in fair value of investments and mortgage-backed securities	(23,105)	57	(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	<u>\$ (112,837)</u>	<u>(46,844)</u>	<u>(159,681)</u>

See accompanying notes to financial statements.

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Notes to Financial Statements

June 30, 2009 and 2008

(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, 2009 is not determinable and cannot be reasonably estimated. The Authority issued approximately \$4.0 billion in fiscal years 1997 through 2009, of which approximately \$2.6 billion is outstanding at June 30, 2009.

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

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Notes to Financial Statements

June 30, 2009 and 2008

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 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, 2009 and 2008, approximately \$1.7 million and \$2.0 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 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

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Notes to Financial Statements

June 30, 2009 and 2008

statements. As of June 30, 2009 and 2008, approximately \$42.7 million and \$48.6 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 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.

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Notes to Financial Statements

June 30, 2009 and 2008

- 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 guaranties. 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 the Authority's 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 to 30 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

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Notes to Financial Statements

June 30, 2009 and 2008

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 \$2.0 million and \$2.6 million, respectively, was netted against other loans at June 30, 2009 and 2008. 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 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.

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Notes to Financial Statements

June 30, 2009 and 2008

(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.

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Notes to Financial Statements

June 30, 2009 and 2008

(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 Environmental Protection Agency's grants for the Authority's Clean Water Program and Drinking Water Program; the Department of Housing and Urban Development'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, homeless shelter operating grants, and disaster recovery programs. 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. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Notes to Financial Statements

June 30, 2009 and 2008

(2) Deposits and Investments

(a) Deposits

At June 30, 2009 and 2008, the Authority had uninsured bank balances of \$15.7 million and \$14.7 million, respectively. Deposits of \$247.1 million and \$138.7 million, respectively, were covered by collateralized trust agreements (dollars in thousands).

June 30, 2009				
	Housing Agency	State Revolving Fund	Total	Percentage of total
Type:				
Cash in bank	\$ 132	36,361	36,493	9.6%
Cash in trust accounts	34,654	1,338	35,992	9.5
Certificates of deposit	96,493	—	96,493	25.4
Money market trust accounts	108,204	102,902	211,106	55.5
Total	\$ 239,483	140,601	380,084	100.0%
June 30, 2008				
	Housing Agency	State Revolving Fund	Total	Percentage of total
Type:				
Cash in bank	\$ 123	24,041	24,164	14.8%
Cash in trust accounts	750	—	750	0.5
Money market trust accounts	44,515	93,456	137,971	84.7
Total	\$ 45,388	117,497	162,885	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.

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Notes to Financial Statements

June 30, 2009 and 2008

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

June 30, 2009					
	Housing Agency	State Revolving Fund	Total	Percentage of total	Average maturity
Type:					
GNMA mortgage-backed securities	\$ 472,093	—	472,093	36%	25.6 years
FNMA mortgage-backed securities	551,825	—	551,825	42	26.6 years
FHLMC mortgage-backed securities	21,666	—	21,666	2	28.3 years
Agency notes	39,392	11,068	50,460	4	1.4 years
Treasury bonds	5,717	—	5,717	—	9.2 years
Treasury strips	9,473	—	9,473	1	5.3 years
Corporate bonds	1,301	—	1,301	—	3.6 years
Treasury bills	2,650	—	2,650	—	Less than 1 year
State of Iowa pooled money funds	30,141	—	30,141	2	Less than 1 year
Guaranteed investment contracts	42,319	135,217	177,536	13	Less than 1 year
Total	\$ 1,176,577	146,285	1,322,862	100%	
June 30, 2008					
	Housing Agency	State Revolving Fund	Total	Percentage of total	Average maturity
Type:					
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%	

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Notes to Financial Statements

June 30, 2009 and 2008

(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):

Provider	Credit Ratings		June 30, 2009			
	Standard & Poor's	Moody's	Housing Agency	State Revolving Fund	Total	Percentage of total
Money market funds:						
Wells Fargo Bank, N.A.	AA/A1+	Aa2/P1	\$ 108,204	102,902	211,106	43%
Certificates of Deposit						
Federal Home Loan Bank	AAA/A1+	Aaa/P1	96,493	—	96,493	20
Guaranteed investment contracts:						
AIG, Inc	A-/A1	A3/P1	657	—	657	—
Bayerische Landesbank	BBB+/A2	A1/P1	2,333	—	2,333	—
Calyon	AA-/A1+	Aa3/P1	2,197	—	2,197	—
FSA International, Ltd	AAA/none	Aa3/none	4,765	—	4,765	1
ING USA Annuity & Life Ins. Co.	AA-/A1+	A1/P1	—	47,174	47,174	10
Natixis	A+/A1	Aa3/P1	—	25,549	25,549	6
Royal Bank of Canada	AA-/A1+	Aaa/P1	2,660	—	2,660	1
Societe Generale	A+/A1	Aa2/P1	19,011	62,494	81,505	17
TransAmerica Life Ins. Co.	AA-/A1+	A1/P1	8,336	—	8,336	2
Trinity Funding	AA+/A1+	Aa2/P1	2,360	—	2,360	—
Corporate bonds:						
General Electric	AA+/A1+	Aa2/P1	1,301	—	1,301	—
Total			\$ 248,317	238,119	486,436	100%

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Notes to Financial Statements

June 30, 2009 and 2008

June 30, 2008						
Provider	Credit Ratings		Housing Agency	State Revolving Fund	Total	Percentage of total
	Standard & Poor's	Moody's				
Money market funds:						
Wells Fargo Bank, N.A.	AAA/A1+	Aaa/P1	\$ 44,515	93,456	137,971	35%
Guaranteed investment contracts:						
AIG, Inc	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 International, Ltd	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	—	1,259	—
Total			\$ 202,714	187,336	390,050	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, 2009 and 2008 are as follows (dollars in thousands):

	2009		
	Cost	Allowance for losses	Net
Loans secured with first mortgages	\$ 59,040	(566)	58,474
Loans secured with second mortgages, other collateral, or unsecured	8,707	(1,462)	7,245
Total	\$ 67,747	(2,028)	65,719

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Notes to Financial Statements

June 30, 2009 and 2008

	2008		
	Cost	Allowance 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

(4) Bonds and Notes Payable

Bonds and notes payable at June 30, 2009 and 2008 are as follows (dollars in thousands):

Description	Original amount	Due dates		Interest rate		Balance	
		From	To	From	To	2009	2008
Housing Agency Bonds and Notes:							
General Fund Note Payable	\$ 2,801		10/02/21		4.111%	\$ 2,451	2,595
A – Term Bond	17,005		08/01/08		5.875	—	800
Total Bonds Outstanding	17,005					—	800
Unamortized (disc)/prem/other	—					—	—
Single Family 1977 A	17,005					—	800
FY08 – Bonds	16,407				Variable*	2,340	16,407
FY09 – Bonds	28,934				Variable*	2,340	—
FY09 – FHLB Credit Facility	95,793		12/01/09		Variable*	0.650	—
Total Bonds Outstanding	141,134					95,793	16,407
Unamortized (disc)/prem/other	—					—	—
Single Family Credit Facility	141,134					95,793	16,407
A – Serial Bonds	1,530	07/01/11	07/01/13	5.800%	6.000	250	285
A – Term Bonds	2,975		07/01/18		6.250	510	585
B – Serial Bonds	3,125	07/01/02	07/01/10	4.800	5.850	160	265
B – Term Bonds	2,470		01/01/21		6.400	420	480
C – Term bonds	6,080		07/01/26		5.700	—	115
C – Term bonds	8,820		01/01/32		6.450	1,510	1,730
Total Bonds Outstanding	25,000					2,850	3,460
Unamortized (disc)/prem/other	—					(17)	(22)
Single Family 2000 ABC	25,000					2,833	3,438

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Notes to Financial Statements

June 30, 2009 and 2008

Description	Original amount	Due dates		Interest rate		Balance	
		From	To	From	To	2009	2008
D – Serial Bonds	\$ 3,205	07/01/07	07/01/10	5.650%	5.800%	\$ 280	425
D – Term Bonds	6,375		07/01/16		6.100	1,060	1,090
E – Serial Bonds	6,890	07/01/01	07/01/08	5.000	5.900	—	105
E – Term Bonds	20,530		01/01/21		6.000	2,685	3,785
E – Term Bonds	2,085		07/01/22		6.350	345	355
F – Term Bonds	28,030		07/01/32		6.400	4,675	4,810
Total Bonds Outstanding	67,115					9,045	10,570
Unamortized (disc)/prem/other						(49)	(61)
Single Family 2000 DEF	67,115					8,996	10,509
G – Serial Bonds	590	07/01/11	07/01/12	5.300	5.400	235	285
G – Term Bonds	3,095		07/01/18		5.800	1,225	1,475
G – Term Bonds	18,315		01/01/33		5.900	6,805	8,315
H – Term Bonds (taxable)	10,000		07/01/29		7.190	—	—
Total Bonds Outstanding	32,000					8,265	10,075
Unamortized (disc)/prem/other						(50)	(65)
Single Family 2000 GH	32,000					8,215	10,010
A – Serial Bonds	6,905	07/01/02	01/01/11	3.100	4.600	345	650
A – Term Bonds	4,680		07/01/16		5.100	730	935
B – Serial Bonds	1,495	07/01/11	07/01/12	5.000	5.100	205	290
B – Term Bonds	10,310		07/01/23		4.700	2,410	3,830
C – Term bonds	15,445		07/01/33		5.500	6,780	7,490
Total Bonds Outstanding	38,835					10,470	13,195
Unamortized (disc)/prem/other						(111)	(147)
Single Family 2001 ABC	38,835					10,359	13,048
D – Serial Bonds	3,950	07/01/04	07/01/13	3.250	4.850	815	1,060
D – Term Bonds	3,700		07/01/21		5.250	1,960	1,960
D – Term Bonds	6,250		07/01/33		4.300	670	1,385
D – Term Bonds	11,100		01/01/34		5.375	5,225	5,315
Total Bonds Outstanding	25,000					8,670	9,720
Unamortized (disc)/prem/other						(58)	(68)
Single Family 2001 D	25,000					8,612	9,652

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Notes to Financial Statements

June 30, 2009 and 2008

Description	Original amount	Due dates		Interest rate		Balance	
		From	To	From	To	2009	2008
A – Serial Bonds	\$ 6,500	07/01/04	07/01/14	2.900%	5.150%	\$ 1,055	1,475
A – Term Bonds	1,665		01/01/22		5.300	360	360
A – Term Bonds	3,930		07/01/22		5.300	870	880
A – Term Bonds	5,190		07/01/27		5.300	5,190	5,190
A – Term Bonds	4,565		07/01/32		5.400	705	815
A – Term Bonds	8,750		01/01/33		4.450	1,080	2,500
A – Term Bonds	4,400		07/01/33		5.400	910	940
Total Bonds Outstanding	35,000					10,170	12,160
Unamortized (disc)/prem/other						(65)	(82)
Single Family 2002 A	35,000					10,105	12,078
B – Serial Bonds	10,925	07/01/03	07/01/14	2.000	4.850	2,300	2,915
C – Term bonds	6,425		07/01/21		5.500	1,955	2,105
C – Term bonds	5,240		01/01/22		5.500	1,670	1,770
C – Term bonds	9,250		07/01/24		4.500	3,395	4,070
D – Term Bonds	7,050		01/01/28		5.500	7,050	7,050
D – Term Bonds	6,000		07/01/32		5.600	1,885	2,000
D – Term Bonds	6,340		07/01/33		5.600	1,925	2,075
E – Term Bonds (taxable)	10,000		01/01/33		5.710	345	2,035
Total Bonds Outstanding	61,230					20,525	24,020
Unamortized (disc)/prem/other						(215)	(275)
Single Family 2002 BCDE	61,230					20,310	23,745
F – Serial Bonds	2,670	07/01/04	07/01/14	1.750	4.000	775	1,060
F – Term Bonds	765		01/01/16		4.250	500	530
G – Serial Bonds	1,310	07/01/10	07/01/13	3.750	4.100	800	875
G – Term Bonds	4,685		01/01/23		4.900	2,870	3,155
G – Term Bonds	635		01/01/24		4.900	395	430
H – Term Bonds	7,855		01/01/31		5.000	4,830	5,250
H – Term Bonds	10,000		07/01/33		3.500	2,350	3,710
H – Term Bonds	5,830		01/01/34		5.000	3,585	3,895
I – Term Bonds	11,250		07/01/32	Variable*	0.360	7,030	7,880
Total Bonds Outstanding	45,000					23,135	26,785
Unamortized (disc)/prem/other						(132)	(161)
Single Family 2002 FGHI	45,000					23,003	26,624

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Notes to Financial Statements

June 30, 2009 and 2008

Description	Original amount	Due dates		Interest rate		Balance	
		From	To	From	To	2009	2008
A – Serial Bonds	\$ 5,175	01/01/06	07/01/16	2.250%	4.750%	\$ 2,780	3,240
A – Term Bonds	3,675		07/01/22		5.000	2,580	2,735
A – Term Bonds	1,200		01/01/23		5.000	955	975
A – Term Bonds	8,950		01/01/34		5.125	6,395	6,740
A – Term Bonds	7,000		01/01/35		4.400	805	1,990
A – Term Bonds	9,000		07/01/35		5.125	6,550	6,875
B – Term Bonds	10,000		07/01/34	Variable*	1.558	4,965	6,000
Total Bonds Outstanding	45,000					25,030	28,555
Unamortized (disc)/prem/other						(62)	(98)
Single Family 2003 AB	45,000					24,968	28,457
C – Serial Bonds	3,750	07/01/09	01/01/15	2.600	3.750	830	1,440
D – Serial Bonds	2,830	01/01/05	01/01/10	1.600	3.100	75	355
D – Term Bonds	10,270		01/01/25		4.250	3,540	5,000
E – Serial Bonds	820		07/01/33		4.600	195	335
E – Term Bonds	2,330		01/01/34		4.600	560	975
F – Term Bonds	20,000		01/01/33	Variable*	0.360	19,685	19,685
G – Term Bonds (taxable)	10,000		07/01/25	Variable*	1.508	5,350	6,420
Total Bonds Outstanding	50,000					30,235	34,210
Unamortized (disc)/prem/other						57	47
Single Family 2003 CDEFG	50,000					30,292	34,257
H – Serial Bonds	3,670	01/01/09	07/01/15	3.000	4.300	2,505	2,930
I – Term Bonds	5,450		07/01/22		4.900	4,160	4,370
J – Serial Bonds	4,620	07/01/05	01/01/14	1.650	4.450	1,725	2,090
J – Term Bonds	9,500		07/01/29		5.000	7,045	7,425
J – Term Bonds	11,000		07/01/34		5.000	4,750	6,490
J – Term Bonds	10,760		01/01/35		5.100	7,815	8,320
Total Bonds Outstanding	45,000					28,000	31,625
Unamortized (disc)/prem/other						139	163
Single Family 2003 HIJ	45,000					28,139	31,788
A – Serial Bonds	6,120	07/01/05	07/01/14	1.750	4.450	3,080	3,640
A – Term Bonds	3,855		07/01/24		4.900	2,430	2,850
A – Term Bonds	12,270		01/01/34		5.000	5,285	7,735
A – Term Bonds	2,585		07/01/34		5.100	1,350	1,630
A – Term Bonds	5,170		01/01/35		5.100	3,300	3,870
B – Term Bonds	15,000		07/01/34	Variable*	0.350	15,000	15,000
Total Bonds Outstanding	45,000					30,445	34,725
Unamortized (disc)/prem/other						160	191
Single Family 2004 AB	45,000					30,605	34,916

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Notes to Financial Statements

June 30, 2009 and 2008

Description	Original amount	Due dates		Interest rate		Balance	
		From	To	From	To	2009	2008
C – Serial Bonds	\$ 3,395	01/01/06	01/01/14	2.500%	4.700%	\$ 1,470	1,590
C – Term Bonds	1,155		07/01/09		3.660	150	660
C – Term Bonds	1,400		07/01/12		4.280	975	1,060
C – Term Bonds	610		07/01/14		4.700	420	460
C – Term Bonds	7,400		07/01/25		5.125	5,160	5,555
C – Term Bonds	2,680		01/01/30		5.200	1,855	2,010
C – Term Bonds	2,680		07/01/30		5.200	1,865	2,015
C – Term Bonds	5,650		01/01/34		5.250	3,030	3,950
C – Term Bonds	9,030		07/01/35		5.250	6,140	6,665
D – Term Bonds	17,000		07/01/34	Variable*	0.360	13,615	14,800
Total Bonds Outstanding	51,000					34,680	38,765
Unamortized (disc)/prem/other						(37)	(43)
Single Family 2004 CD	51,000					34,643	38,722
E – Serial Bonds	10,825	01/01/06	01/01/16	1.950	3.950	5,250	6,295
F – Term Bonds	2,375		07/01/24		4.550	1,710	1,800
F – Term Bonds	10,400		01/01/35		5.000	6,085	7,860
F – Term Bonds	6,400		07/01/35		4.800	4,500	4,780
G – Term Bonds	20,000		07/01/34	Variable*	0.380	20,000	20,000
Total Bonds Outstanding	50,000					37,545	40,735
Unamortized (disc)/prem/other						212	244
Single Family 2004 EFG	50,000					37,757	40,979
A – Serial Bonds	5,885	07/01/07	07/01/16	2.900	4.300	3,115	4,245
B – Serial Bonds	2,925	01/01/07	01/01/15	3.200	4.500	1,265	1,435
B – Term Bonds	15,350		07/01/25		4.600	10,580	11,845
B – Term Bonds	17,300		07/01/30		5.000	11,270	13,930
C – Term Bonds	24,000		01/01/36	Variable*	0.400	24,000	24,000
Total Bonds Outstanding	65,460					50,230	55,455
Unamortized (disc)/prem/other						199	211
Single Family 2005 ABC	65,460					50,429	55,666
D – Serial Bonds	5,995	01/01/07	01/01/16	3.000	4.250	2,440	3,590
D – Term Bonds	2,565		07/01/13		4.000	1,900	2,095
D – Term Bonds	8,340		01/01/36		4.450	6,245	6,830
D – Term Bonds	19,100		01/01/36		5.000	12,565	15,520
E – Term Bonds	24,000		01/01/36	Variable*	0.380	24,000	24,000
Total Bonds Outstanding	60,000					47,150	52,035
Unamortized (disc)/prem/other						427	492
Single Family 2005 DE	60,000					47,577	52,527

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Notes to Financial Statements

June 30, 2009 and 2008

Description	Original amount	Due dates		Interest rate		Balance	
		From	To	From	To	2009	2008
F – Serial Bonds	\$ 3,075	07/01/14	07/01/16	4.000%	4.200%	\$ 2,335	2,555
G – Serial Bonds	6,810	07/01/07	01/01/14	3.250	4.300	3,850	4,955
G – Term Bonds	1,510		07/01/26		4.700	1,275	1,335
G – Term Bonds	240		07/01/31		4.750	210	210
G – Term Bonds	19,800		01/01/36		5.000	14,455	17,485
G – Term Bonds	4,565		01/01/37		4.875	3,425	3,755
H – Term Bonds	24,000		07/01/36	Variable*	0.400	24,000	24,000
Total Bonds Outstanding	60,000					49,550	54,295
Unamortized (disc)/prem/other						410	469
Single Family 2005 FGH	60,000					49,960	54,764
A – Serial Bonds	1,385	07/01/14	01/01/15	3.800	3.900	1,200	1,315
B – Serial Bonds	10,655	07/01/07	07/01/16	3.400	4.300	7,310	9,090
B – Term Bonds	4,535		01/01/26		4.750	4,030	4,380
B – Term Bonds	14,425		01/01/36		4.900	12,695	13,830
B – Term Bonds	17,000		01/01/36		5.000	13,220	15,550
C – Term Bonds	12,000		01/01/36	Variable*	0.380	12,000	12,000
Total Bonds Outstanding	60,000					50,455	56,165
Unamortized (disc)/prem/other						226	263
Single Family 2006 ABC	60,000					50,681	56,428
D – Serial Bonds	1,575	07/01/14	07/01/15	4.100	4.150	1,310	1,455
E – Serial Bonds	6,965	07/01/07	07/01/14	3.700	4.500	4,425	5,700
E – Term Bonds	1,270		07/01/16		4.650	1,050	1,170
E – Term Bonds	3,925		07/01/26		4.850	3,340	3,715
E – Term Bonds	245		07/01/31		4.950	240	245
E – Term Bonds	25,250		07/01/36		5.500	21,175	23,820
E – Term Bonds	8,770		01/01/37		5.000	7,390	8,245
F – Term Bonds	12,000		07/01/36	Variable*	0.400	12,000	12,000
Total Bonds Outstanding	60,000					50,930	56,350
Unamortized (disc)/prem/other						894	1,031
Single Family 2006 DEF	60,000					51,824	57,381
G – Serial Bonds	2,720	07/01/07	07/01/16	3.750	4.500	2,120	2,450
G – Term Bonds	12,975		01/01/26		4.875	11,950	12,580
G – Term Bonds	8,265		07/01/30		5.000	7,605	8,030
G – Term Bonds	14,620		07/01/36		5.000	13,455	14,220
G – Term Bonds	8,420		07/01/36		5.750	7,085	7,955
H – Term Bonds (Taxable)	23,000		07/01/36		5.868	19,345	21,735
Total Bonds Outstanding	70,000					61,560	66,970
Unamortized (disc)/prem/other						131	149
Single Family 2006 GH	70,000					61,691	67,119

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Notes to Financial Statements

June 30, 2009 and 2008

Description	Original amount	Due dates		Interest rate		Balance	
		From	To	From	To	2009	2008
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	17,115	17,125
J – Term Bonds (Taxable)	40,000		07/01/37		5.745	34,040	38,415
Total Bonds Outstanding	80,000					74,030	78,415
Unamortized (disc)/prem/other						(496)	(548)
Single Family 2006 IJ	80,000					73,534	77,867
A – Serial Bonds	3,855	01/01/08	07/01/17	3.500%	3.950	3,685	3,815
B – Term Bonds	4,935		07/01/22		4.600	4,885	4,935
B – Term Bonds	5,175		07/01/26		4.700	5,060	5,175
B – Term Bonds	10,560		07/01/32		4.750	10,290	10,560
B – Term Bonds	10,475		01/01/37		4.800	10,200	10,475
C – Term Bonds (Taxable)	35,000		07/01/37	Variable*	0.500	32,080	34,520
Total Bonds Outstanding	70,000					66,200	69,480
Unamortized (disc)/prem/other						(340)	(372)
Single Family 2007 ABC	70,000					65,860	69,108
D – Serial Bonds	1,215	07/01/11	01/01/17	3.950	4.400	1,215	1,215
E – Term Bonds	5,770		07/01/22		5.050	5,710	5,765
E – Term Bonds	7,215		07/01/27		5.100	7,100	7,165
E – Term Bonds	9,675		07/01/32		5.150	9,525	9,625
E – Term Bonds	5,000		07/01/37		5.750	4,195	4,790
E – Term Bonds	14,750		01/01/38		5.200	14,555	14,695
F – Serial Bonds	7,000	07/01/08	07/01/14	5.341	5.752	6,435	6,970
G – Term Bonds	33,000		01/01/38	Variable*	0.720	30,885	32,780
Total Bonds Outstanding	83,625					79,620	83,005
Unamortized (disc)/prem/other						(190)	(207)
Single Family 2007 DEFG	83,625					79,430	82,798
H – Serial Bonds	7,875	07/01/08	07/01/17	3.650	4.500	7,115	7,875
I – Term Bonds	2,805		07/01/22		5.200	2,705	2,805
I – Term Bonds	16,295		07/01/32		5.350	15,855	16,295
I – Term Bonds	22,725		07/01/37		5.400	22,110	22,725
I – Term Bonds	10,065		07/01/37		5.500	9,045	9,780
J – Term Bonds	30,000		07/01/30		5.770	28,085	29,980
Total Bonds Outstanding	89,765					84,915	89,460
Unamortized (disc)/prem/other						(195)	(214)
Single Family 2007 HIJ	89,765					84,720	89,246

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Notes to Financial Statements

June 30, 2009 and 2008

Description	Original amount	Due dates		Interest rate		Balance	
		From	To	From	To	2009	2008
K – Serial Bonds	\$ 2,905	07/01/09	07/01/17	3.700%	4.450%	\$ 2,905	2,905
K – Term Bonds	7,545		07/01/28		5.125	7,545	7,545
L – Serial Bonds	2,395	07/01/09	07/01/14	4.390	4.810	2,145	2,395
M – Term Bonds	25,450		01/01/39	Variable*	0.720	24,695	25,450
N – Term Bonds	14,550		01/01/39	Variable*	0.360	14,550	14,550
Total Bonds Outstanding	52,845					51,840	52,845
Unamortized (disc)/prem/other						(218)	(235)
Single Family 2007 KLMN	52,845					51,622	52,610
A – Serial Bonds	2,465	07/01/09	07/01/17	3.000	4.900	2,460	2,465
B – Term Bonds	28,070		01/01/39	Variable*	0.350	28,070	28,070
C – Term Bonds	29,465		01/01/39	Variable*	0.500	29,060	29,465
Total Bonds Outstanding	60,000					59,590	60,000
Unamortized (disc)/prem/other						(193)	(203)
Single Family 2008 ABC	60,000					59,397	59,797
D – Serial Bonds	4,670	01/01/10	01/01/13	2.450	3.450	4,670	—
E – Serial Bonds	8,605	07/01/13	07/01/18	3.450	4.350	8,605	—
E – Term Bonds	7,140		07/01/23		5.000	7,140	—
E – Term Bonds	7,050		07/01/28		5.250	7,050	—
E – Term Bonds	7,705		07/01/32		5.400	7,705	—
F – Term Bonds	17,330		01/01/39	Variable*	0.350	17,330	—
G – Term Bonds (Taxable)	22,500		01/01/39	Variable*	0.500	22,500	—
Total Bonds Outstanding	75,000					75,000	—
Unamortized (disc)/prem/other						(379)	—
Single Family 2008 DEFG	75,000					74,621	—
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	13,540	14,345
Total Bonds Outstanding	28,130					13,540	14,345
Unamortized (disc)/prem/other	—					(120)	(139)
Multi Family 1978 A	28,130					13,420	14,206
A – Term Bonds	6,475		07/01/41		4.600	6,115	6,295
Total Bonds Outstanding	6,475					6,115	6,295
Unamortized (disc)/prem/other						—	—
Multi Family 2006 A	6,475					6,115	6,295

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Notes to Financial Statements

June 30, 2009 and 2008

Description	Original amount	Due dates		Interest rate		Balance	
		From	To	From	To	2009	2008
Loan 109	\$ 321			Variable*	0.558%	\$ 321	—
Loan 117	869			Variable*	0.564	869	—
Total Bonds Outstanding	1,190					1,190	—
Multi Family Credit Facility	1,190					1,190	—
A – Term Bonds	12,700		08/01/37	Variable*	1.750	12,700	12,700
B – Term Bonds	9,300		08/01/37	Variable*	1.750	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*	2.750	3,750	3,750
Total Bonds Outstanding	3,750					3,750	3,750
Unamortized (disc)/prem/other						—	—
Multi Family 2008 A	3,750					3,750	3,750
Bonds Outstanding	1,724,360					1,224,974	1,159,267
Unamortized (disc)/prem/other						(72)	320
Total Housing Agency	\$ 1,724,360					\$ 1,224,902	1,159,587
State Revolving Fund							
A – Serial Bonds	\$ 37,340	08/01/02	08/01/11	4.000%	5.250%	\$ 7,170	10,605
B – Serial Bonds	138,810		08/01/14	4.000	5.500	73,350	84,625
Total Bonds Outstanding	176,150					80,520	95,230
Unamortized (disc)/prem/other						(103)	(148)
CW 2001	176,150					80,417	95,082
A – Serial Bonds	12,900	08/01/02	08/01/14	4.000	5.250	5,645	6,845
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	5.500	12,445	14,020
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					40,920	43,695
Unamortized (disc)/prem/other						374	433
DW 2001	57,075					41,294	44,128

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Notes to Financial Statements

June 30, 2009 and 2008

Description	Original amount	Due dates		Interest rate		Balance	
		From	To	From	To	2009	2008
Total Bonds Outstanding	\$ 3,350	08/01/03	08/01/22	2.000%	4.700%	\$ 1,975	2,205
Unamortized (disc)/prem/other						(8)	(10)
CW 2003	3,350					1,967	2,195
A – Serial Bonds	3,240	08/01/04	08/01/17	2.000	4.300	1,970	2,250
B – Serial Bonds	49,510	08/01/04	08/01/24	2.000	5.000	41,600	43,665
Total Bonds Outstanding	52,750					43,570	45,915
Unamortized (disc)/prem/other						(10)	(11)
DW 2003	52,750					43,560	45,904
Total Bonds Outstanding	11,090	08/01/06	08/01/12	3.250	5.000	6,300	7,950
Unamortized (disc)/prem/other						45	74
CW 2005	11,090					6,345	8,024
Total Bonds Outstanding	6,685	08/01/06	08/01/12	3.250	5.000	4,300	5,410
Unamortized (disc)/prem/other						31	52
DW 2005	6,685					4,331	5,462
A – Serial Bonds	5,660	08/01/08	08/01/21	4.000	5.000	5,445	5,660
B – Serial Bonds	29,700	08/01/08	08/01/24	4.000	5.000	29,400	29,700
Total Bonds Outstanding	35,360					34,845	35,360
Unamortized (disc)/prem/other						1,139	1,259
CW 2007	35,360					35,984	36,619
A – Serial Bonds	4,435	08/01/08	08/01/21	4.000	5.000	4,075	4,435
B – Serial Bonds	24,365	08/01/09	08/01/24	4.000	5.000	24,365	24,365
Total Bonds Outstanding	28,800					28,440	28,800
Unamortized (disc)/prem/other						866	964
DW 2007	28,800					29,306	29,764
A – Serial Bonds	2,725	08/01/09	08/01/22	3.500	5.500	2,725	—
B – Serial Bonds	100,640	08/01/09	08/01/28	3.500	6.000	100,640	—
Total Bonds Outstanding	103,365					103,365	—
Unamortized (disc)/prem/other						2,890	—
CW 2008	103,365					106,255	—

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Notes to Financial Statements

June 30, 2009 and 2008

Description	Original amount	Due dates		Interest rate		Balance	
		From	To	From	To	2009	2008
A – Serial Bonds	\$ 2,175	08/01/09	08/01/22	3.500%	5.250%	\$ 2,175	—
B – Serial Bonds	42,895	08/01/09	08/01/28	3.500	6.000	42,895	—
Total Bonds Outstanding	45,070					45,070	—
Unamortized (disc)/prem/other						1,280	—
DW 2008	45,070					46,350	—
Bonds Outstanding	519,695					389,305	264,565
Unamortized (disc)/prem/other						6,505	2,613
Total State Revolving Fund	<u>519,695</u>					<u>395,810</u>	<u>267,178</u>
Bonds Outstanding	2,244,055					1,620,712	1,426,765
Unamortized (disc)/prem/other						6,433	2,933
Total Authority	<u>\$ 2,244,055</u>					<u>\$ 1,627,145</u>	<u>1,429,698</u>

* Variable rates are as of June 30, 2009

The following table summarizes the net bonds and notes payable activity for the Authority for the years ended June 30, 2009 and 2008 (dollars in thousands):

	June 30, 2008	Additions	Reductions	June 30, 2009	Due within one year
Housing Agency	\$ 1,159,587	200,917	135,602	1,224,902	114,288
State Revolving Fund	267,178	148,435	19,803	395,810	26,365
Total	<u>\$ 1,426,765</u>	<u>349,352</u>	<u>155,405</u>	<u>1,620,712</u>	<u>140,653</u>
	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	<u>\$ 1,176,425</u>	<u>354,145</u>	<u>103,805</u>	<u>1,426,765</u>	<u>56,381</u>

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Notes to Financial Statements

June 30, 2009 and 2008

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

Year ending June 30	Housing Agency			State Revolving Fund			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 114,288	38,693	152,981	26,365	19,481	45,846	140,653	58,174	198,827
2011	19,092	37,978	57,070	28,505	17,312	45,817	47,597	55,290	102,887
2012	20,074	37,216	57,290	28,935	15,928	44,863	49,009	53,144	102,153
2013	21,062	36,387	57,449	29,140	14,506	43,646	50,202	50,893	101,095
2014	22,450	35,474	57,924	29,435	13,107	42,542	51,885	48,581	100,466
2015 – 2019	134,225	162,538	296,763	102,015	49,521	151,536	236,240	212,059	448,299
2020 – 2024	171,793	134,143	305,936	99,195	25,459	124,654	270,988	159,602	430,590
2025 – 2029	224,740	98,339	323,079	45,715	4,915	50,630	270,455	103,254	373,709
2030 – 2034	284,770	54,876	339,646	—	—	—	284,770	54,876	339,646
2035 – 2039	211,925	11,384	223,309	—	—	—	211,925	11,384	223,309
2040 – 2044	555	39	594	—	—	—	555	39	594
Total	\$ 1,224,974	647,067	1,872,041	389,305	160,229	549,534	1,614,279	807,296	2,421,575

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, 2009.

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.

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Notes to Financial Statements

June 30, 2009 and 2008

The amount of defeased debt outstanding at June 30, 2009 and 2008 is shown below (dollars in thousands):

	Balance	
	June 30, 2009	June 30, 2008
State Revolving Fund Defeased Bonds:		
Combined Series 1999	\$ 20,600	22,275
Series 2000A	3,555	3,910
Total State Revolving Fund Defeased Bonds	24,155	26,185
Total Authority	\$ 24,155	26,185

(5) Derivatives

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, 2009 and 2008) of the Authority's swap transactions (dollars in thousands):

Swap Table						
Associated bond series	Effective date	Notional value at June 30, 2009	Fixed rate rate	Fair value June 30, 2009	June 30, 2008	Termination date
SF 2002 I	10/30/02	\$ 7,030	3.653%	\$ (385)	(147)	07/01/2032
SF 2003 F	06/25/03	19,685	3.615	(683)	190	01/03/2033
SF 2004 B	12/02/04	15,000	4.086	(995)	(597)	07/01/2034
SF 2004 D	02/03/05	13,615	4.007	(750)	(360)	07/01/2020
SF 2004 G	06/01/05	20,000	3.867	(1,143)	(528)	07/01/2034
SF 2005 C	11/01/05	24,000	4.140	(2,232)	(1,188)	01/01/2036
SF 2005 E	02/01/06	24,000	3.817	(1,246)	(480)	01/01/2036
SF 2005 H	05/01/06	24,000	3.843	(1,666)	(658)	07/01/2036
SF 2006 C	09/01/06	12,000	3.766	(1,017)	(426)	01/01/2036
SF 2006 F	11/01/06	12,000	4.632	(1,113)	(851)	07/01/2036
SF 2007 C	03/08/07	32,080	5.034	(4,825)	(2,711)	07/01/2025
SF 2007 G	07/12/07	30,885	5.493	(3,834)	(2,114)	01/01/2019
SF 2007 M	12/12/07	24,695	4.373	(1,563)	(181)	07/01/2021
SF 2007 N	12/12/07	14,550	4.364	(449)	(339)	01/01/2039
SF 2008 B	04/16/08	28,070	4.470	(440)	(123)	01/01/2039
SF 2008 C	04/16/08	29,060	3.880	(1,515)	536	01/01/2026
SF 2008 F	10/01/08	17,330	4.529	(582)	—	01/01/2039
SF 2008 G	10/01/08	22,480	4.173	(1,658)	—	07/01/2018
MF 2008 A	04/17/08	3,750	3.971	(198)	(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.

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Notes to Financial Statements

June 30, 2009 and 2008

- (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, 2009 and 2008) of the Authority's corridor transactions (dollars in thousands):

Corridor Table								
Associated bond series	Effective date	Notional value at June 30, 2009	Cap/strike rate		Fair value		Termination date	
			Purchased	Sold	June 30, 2009	June 30, 2008		
SF 2003 B	03/19/03	\$ 4,965	6.00%	11.00%	\$ 1	12	07/01/12	
SF 2003 G	06/25/03	5,350	5.00	6.00	17	60	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, 2009 and 2008) of the Authority's interest rate cap transactions (dollars in thousands):

Interest rate cap table							
Associated bond series	Effective date	Notional value at June 30, 2009	Cap/strike rate	Fair value		Termination date	
				June 30 2009	June 30 2008		
MF 2007 A	06/14/07	\$ 12,700	4.50%	\$ 26	60	41,091	
MF 2007 B*	06/14/07	9,300	4.50	583	389	45,292	

* 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.

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Notes to Financial Statements

June 30, 2009 and 2008

- (d) *Swap Payments and Associated Debt Payments* will vary over time as interest rates vary. Using rates as of June 30, 2009, 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
2010	\$ 1,890	1,809	14,439	18,138
2011	1,895	1,772	13,728	17,395
2012	2,090	1,764	12,933	16,787
2013	1,630	1,757	12,113	15,500
2014	1,910	1,738	11,368	15,016
2015 – 2019	29,525	8,344	46,683	84,552
2020 – 2024	52,125	7,368	34,886	94,379
2025 – 2029	73,375	5,551	23,712	102,638
2030 – 2034	116,590	3,439	13,421	133,450
2035 – 2039	93,220	872	3,083	97,175
2040 – 2044	—	—	—	—
Total	\$ 374,250	34,414	186,366	595,030

- (a) *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.

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Notes to Financial Statements

June 30, 2009 and 2008

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, 2008 (latest information available) was \$2.66 billion.

Plan members are required to contribute 3.90% of their annual covered salary, and the Authority is required to contribute 6.05% of annual covered salaries. Contribution requirements are established by State statute. The Authority's contributions to IPERS for the years ended June 30, 2009 and 2008 were \$382,900 and \$345,434, respectively, equal to the required contribution for each year.

(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, 2009 and 2008 was \$1.5 million for which a \$0.5 million reserve for claims liability is recorded.

The Authority has committed to purchase \$30.9 million in mortgage-backed securities under its FirstHome program as of June 30, 2009.

The Authority has committed to loan agreements under various housing assistance programs for which \$28.7 million has not been disbursed as of June 30, 2009.

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)

Notes to Financial Statements

June 30, 2009 and 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, 2009 follows (dollars in thousands):

<u>Description</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Project-based housing grants	\$ 772	1,205
Local housing trust fund grants	94	206
Capacity building grants	156	4
Wastewater treatment financial assistance grants	8,077	6,698
Jumpstart housing assistance	8,597	—
Total outstanding commitments	<u>\$ 17,696</u>	<u>8,113</u>

(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 \$137.1 million and \$51.8 million, respectively, have not been disbursed as of June 30, 2009.

(8) Subsequent Events

We have reviewed subsequent events through September 29, 2009, the date the financial statements were issued, and concluded there were no events or transactions during this period that would require recognition or disclosure in our financial statements other than those already reflected.