KPMG

IOWA FINANCE AUTHORITY

(A Component Unit of the State of Iowa)

Basic Financial Statements and
Schedule of Expenditures of Federal Awards

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)

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

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Independent Auditors' Report

The Board of Directors
Iowa Finance Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund and the total business-type activities of Iowa Finance Authority (the Authority), a component unit of the State of Iowa, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2014 and 2013, and the respective changes in financial position, and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 1(q) to the financial statements, in 2014, the Authority adopted new accounting guidance related to Government Accounting Standards Board (GASB) No. 65, *Items Previously Reported as Assets and Liabilities*, and GASB No. 69, *Government Combinations and Disposals of Government Operations*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The combining financial statements and schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements on pages 40 and 41 and schedule of expenditures of federal awards on page 42 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

KPMG LLP

Des Moines, Iowa
October 24, 2014

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, 2014 and 2013. 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 General Obligation Rating

The unsecured general obligation of the Authority is rated AA by Standard & Poor's Rating Services (Standard & Poor's) and Aa3 by Moody's Investors Service (Moody's) as of June 30, 2014 and 2013. These ratings take into account the amount of unrestricted net position 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.

Authority Bond Ratings

In August 2011, Standard and Poor's lowered its long-term credit rating on the United States of America from AAA to AA+ and downgraded all mortgage revenue bonds where the underlying security (the mortgages) is guaranteed by the federal government. This affects the Authority's single-family bonds totaling $397.0 million on June 30, 2014, which are now rated AA+ by Standard and Poor's.

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 (SRF)

The statements of net position detail the assets and liabilities of the Authority based on their liquidity, utilizing current, and noncurrent categories. The resulting net position in these statements is 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 position may include assets that have been committed by the Authority for specific uses.

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

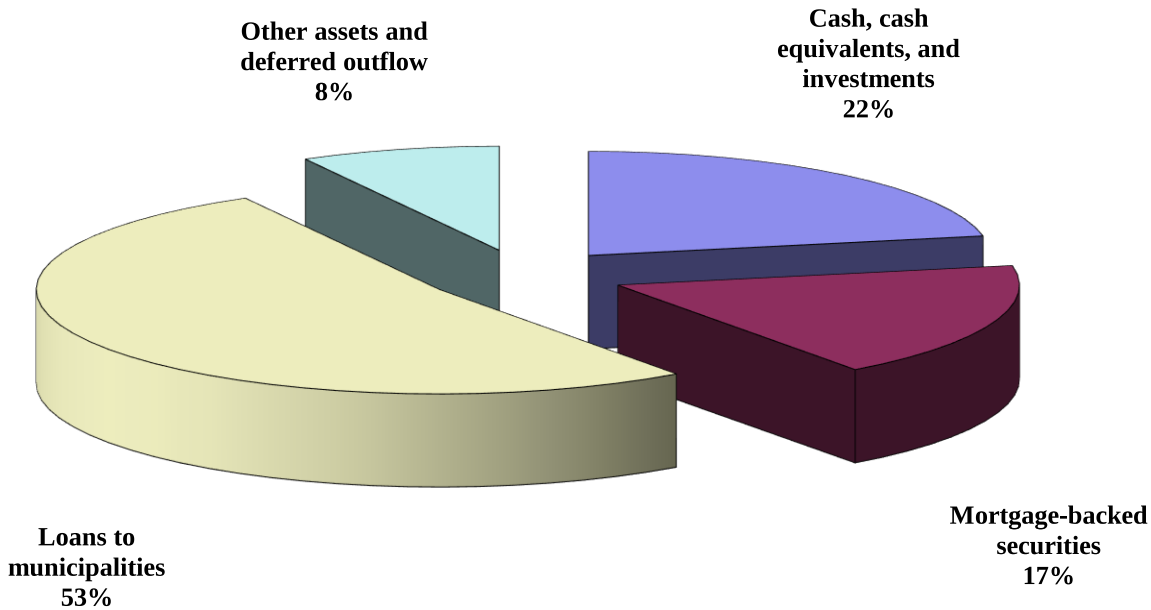
(Continued)

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 fiscal year 2014 and fiscal year 2013.

Total Authority Assets and Deferred Outflows as of June 30, 2014
$2,655 million



Total Authority Assets and Deferred Outflows as of June 30, 2013
$2,639 million

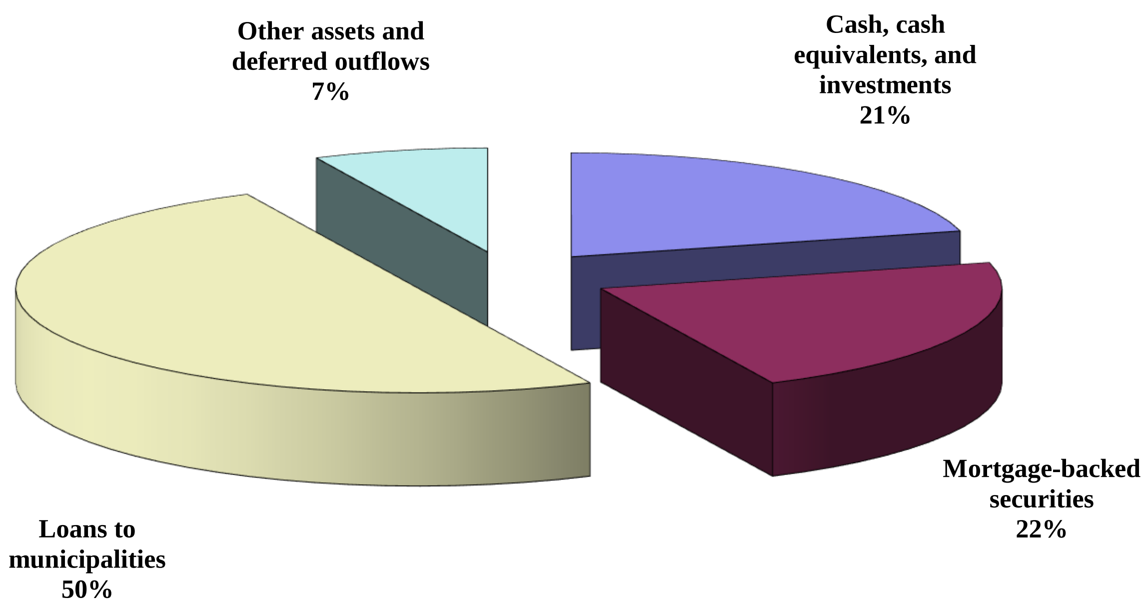


Table 1 – Total Condensed Information of the Authority

Net Position

(Dollars in thousands)

		2014	2013 (as Restated)	2012 (as Restated)
Assets:				
Cash, cash equivalents, and investments	$	594,850	550,450	778,595
Mortgage-backed securities		464,419	570,874	707,926
Loans to municipalities or water systems		1,395,279	1,317,080	1,214,681
Other assets		191,700	181,920	167,422
Total assets		2,646,248	2,620,324	2,868,624
Deferred outflows		8,668	18,495	31,393
Total assets and deferred outflows		2,654,916	2,638,819	2,900,017
Liabilities:				
Bonds payable, net		1,430,358	1,445,304	1,675,816
Other liabilities		94,777	98,580	151,371
Total liabilities		1,525,135	1,543,884	1,827,187
Net position:				
Net investment in capital assets		3,016	3,020	3,053
Restricted net position		1,113,797	1,080,788	1,059,392
Unrestricted net position		12,968	11,127	10,385
Total net position	$	1,129,781	1,094,935	1,072,830

Revenues, Expenses, and Changes in Net Position

(Dollars in thousands)

	2014	2013 (as Restated)	2012 (as Restated)
Operating revenues:			
Interest income	$ 70,935	76,143	88,760
Net decrease in fair value	(1,148)	(28,023)	(4,085)
Fee income	16,872	19,278	17,669
Grant income	64,648	85,429	140,344
Other income	1,714	207	851
Total operating revenues	153,021	153,034	243,539
Operating expenses:			
Interest on bonds	51,865	57,087	67,843
Loss on swap novation	5,875	—	—
General and administrative	25,202	25,335	22,788
Grants and aid	40,861	47,204	77,303
Provision (recoveries) for losses	303	1,303	(64)
Total operating expenses	124,106	130,929	167,870
Change in net assets	28,915	22,105	75,669
Net position at beginning of year, as previously reported	1,094,935	1,068,340	992,398
Adoption of GASB 65	—	4,490	4,763
Agriculture Development Division merger	5,931	—	—
Net position at beginning of year, as restated	1,100,866	1,072,830	997,161
Net position at end of year	$ 1,129,781	1,094,935	1,072,830

Financial Analysis – Combined 2014 (in thousands)

- The Authority's assets and deferred outflows increased 1% or $16,097 to $2,654,916 in FY14 compared to $2,638,819 in FY13. Cash, cash equivalents, and investments increased 8%, or $44,400. Mortgage-backed securities (MBS) declined 19%, or $106,455. Loans to municipalities or water systems (SRF loans) grew 6%, or $78,199.
- The Authority's liabilities declined 1% or $18,749 to $1,525,135 in FY14 compared to $1,543,884 in FY13. Bonds payable declined 1%, or $14,946.
- The Authority's net position increased 3% or $34,846 to $1,129,781 in FY14 compared to $1,094,935 in FY13. The merger of the Iowa Agriculture Development Authority contributed $5,931 to net position.

The Authority issued two new single-family bond series totaling $11,525 to purchase mortgage-backed securities and one SRF bond series with a face value of $115,450, which sold at a premium for total proceeds of $132,404. The Authority made bond payments of $158,417.

Series	Date		Amount (In thousands)	Rating
SF 2013 4	07/24/13	$	10,000	Aaa by Moody's
SF 2014 B-1	02/14/14		1,525	AA+ by Standard & Poor's; Aaa by Moody's
SRF 2013	07/02/13		115,450	AAA by Standard & Poor's; Aaa by Moody's; AAA by Fitch Ratings
Total		$	126,975	

- Interest income declined 7% to $70,935 due to prepayments in the Authority's MBS portfolio.
- The fair value of investments and MBS declined $1,148 due to the reduction of the MBS portfolio.
- Fee income declined 12% to $16,872 primarily due to fewer residential refinancing transactions in Iowa Title Guaranty Division.
- Grant income declined $20,781 to $64,648 due to funding reductions in federal and state programs.
- Other income increased by $1,507 to $1,714 due primarily to the change in fair value of derivative investments.
- Interest on bonds declined 9% to $51,865 due to the reduction in outstanding bonds.
- Loss on swap novation – a $5,875 noncash loss resulting from the novation of nine swap positions from UBS AG, rated A by Standard & Poor's, to Bank of New York Mellon, rated AA- by Standard & Poor's. The transaction resulted in a terminating event under GASB statement No. 53; which required the Authority to recognize the loss in the current year; then recoup the loss over the remaining life of the nine swaps.
- General and administrative expenses declined $133 to $25,202.
- Grants and aid expense declined $6,343 to $40,861, a direct result of the decreased funding mentioned above.

Financial Analysis – Combined 2013 (in thousands)

- The Authority's assets and deferred outflows declined $261,198 to $2,638,819 in FY13 compared to $2,900,017 in FY12. Cash, cash equivalents, and investments declined 29%, or $228,145. Mortgage-backed securities declined 19%, or $137,052. Loans to municipalities or water systems grew 8%, or $102,399.
- The Authority's liabilities declined $283,303 to $1,543,884 in FY13 compared to $1,827,187 in FY12. Bonds payable declined 14%, or $230,512.
- The Authority's net position increased $22,105 to $1,094,935 in FY13 compared to $1,072,830 in FY12.

(Continued)

The Authority issued four new single-family bond series totaling $85,186 to refund prior bonds and to purchase mortgage-backed securities. The Authority made bond payments of $315,058.

Series	Date		Amount (In thousands)	Rating
SF 2012 1	12/27/12	$	17,756	Aaa by Moody's
SF 2013 1	01/24/13		20,000	Aaa by Moody's
SF 2013 2	06/27/13		15,000	Aaa by Moody's
SF 2013 3	05/30/13		32,430	Aaa by Moody's
Total		$	85,186	

- Interest income declined 14% to $76,143 due to high prepayment rates in the Authority's MBS portfolio.
- The fair value of investments and MBS declined $28,023 because of the reduction of the MBS portfolio.
- Grant income declined $54,915 to $85,429 due to the end of many onetime state and federal programs.
- Interest expense declined 16% to $57,087.
- General and administrative expenses grew 11%, or $2,547, to $25,335 due mainly to volume increases in the Iowa Title Guaranty division.
- Grants and aid expense declined $30,099 to $47,204, a direct result of the decreased funding mentioned above.

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 Position

June 30, 2014

(Dollars in thousands)

Assets	**Housing Agency Fund**	**State Revolving Fund**	**Total**
Current assets (substantially restricted):			
Cash and cash equivalents	$ 166,202	296,561	462,763
Investments in mortgage-backed securities	9,963	—	9,963
Other investments	2,793	62,317	65,110
Loans to municipalities or water systems	—	77,949	77,949
Housing Agency loans, net	8,864	—	8,864
Accrued interest receivable	2,729	3,640	6,369
Other current assets	833	707	1,540
Total current assets	191,384	441,174	632,558
Noncurrent assets (substantially restricted):			
Investments in mortgage-backed securities	454,456	—	454,456
Other investments	18,412	48,565	66,977
Loans to municipalities or water systems	—	1,317,330	1,317,330
Housing Agency loans, net	136,693	—	136,693
Capital assets, net of accumulated depreciation	2,946	70	3,016
Other noncurrent assets	35,218	—	35,218
Total noncurrent assets	647,725	1,365,965	2,013,690
Total assets	839,109	1,807,139	2,646,248
Deferred Outflows of Resources			
Accumulated decrease in fair value of hedging derivatives	5,501	—	5,501
Loss on refunding	—	3,167	3,167
Total deferred outflows of resources	5,501	3,167	8,668
Liabilities			
Current liabilities:			
Bonds payable, net	8,671	42,350	51,021
Accrued interest payable	5,879	16,703	22,582
Escrow deposits	9,687	—	9,687
Accounts payable and other liabilities	15,376	1,181	16,557
Total current liabilities	39,613	60,234	99,847
Noncurrent liabilities:			
Bonds payable, net	438,039	941,298	1,379,337
Reserves for claims	5,532	—	5,532
Other liabilities	40,420	(1)	40,419
Total noncurrent liabilities	483,991	941,297	1,425,288
Total liabilities	523,604	1,001,531	1,525,135
Net Position			
Net investment in capital assets	2,946	70	3,016
Restricted net position:			
Per bond resolutions	222,200	656,500	878,700
Per legislation	77,533	—	77,533
Per other agreements	5,359	152,205	157,564
Total restricted net position	305,092	808,705	1,113,797
Unrestricted net position	12,968	—	12,968
Total net position	$ 321,006	808,775	1,129,781

See accompanying notes to financial statements.

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

Statement of Net Position

June 30, 2013

(Dollars in thousands)

Assets		Housing Agency Fund (as Restated)	State Revolving Fund (as Restated)	Total (as Restated)
Current assets (substantially restricted):				
Cash and cash equivalents	$	165,042	217,987	383,029
Investments in mortgage-backed securities		11,266	—	11,266
Other investments		6,320	131,041	137,361
Loans to municipalities or water systems		—	68,883	68,883
Housing Agency loans, net		4,241	—	4,241
Accrued interest receivable		3,072	3,509	6,581
Other current assets		2,429	552	2,981
Total current assets		192,370	421,972	614,342
Noncurrent assets (substantially restricted):				
Investments in mortgage-backed securities		559,608	—	559,608
Other investments		14,397	15,663	30,060
Loans to municipalities or water systems		—	1,248,197	1,248,197
Housing Agency loans, net		131,912	—	131,912
Capital assets, net of accumulated depreciation		2,906	114	3,020
Other noncurrent assets		33,184	1	33,185
Total noncurrent assets		742,007	1,263,975	2,005,982
Total assets		934,377	1,685,947	2,620,324
Deferred Outflows of Resources				
Accumulated decrease in fair value of hedging derivatives		14,870	—	14,870
Loss on refunding		—	3,625	3,625
Total deferred outflows of resources		14,870	3,625	18,495
Liabilities				
Current liabilities:				
Bonds payable, net		9,116	30,940	40,056
Accrued interest payable		8,023	15,009	23,032
Escrow deposits		8,978	—	8,978
Accounts payable and other liabilities		15,242	1,078	16,320
Total current liabilities		41,359	47,027	88,386
Noncurrent liabilities:				
Bonds payable, net		547,129	858,119	1,405,248
Reserves for claims		5,120	—	5,120
Other liabilities		45,130	—	45,130
Total noncurrent liabilities		597,379	858,119	1,455,498
Total liabilities		638,738	905,146	1,543,884
Net Position				
Net investment in capital assets		2,906	114	3,020
Restricted net position:				
Per bond resolutions		221,108	644,908	866,016
Per legislation		75,368	—	75,368
Per other agreements		—	139,404	139,404
Total restricted net position		296,476	784,312	1,080,788
Unrestricted net position		11,127	—	11,127
Total net position	$	310,509	784,426	1,094,935

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 Position

Year ended June 30, 2014

(Dollars in thousands)

		Housing Agency Fund	State Revolving Fund	Total
Operating revenues:				
Interest income	$	33,062	37,873	70,935
Net (decrease) increase in fair value of investments and mortgage-backed securities		(1,505)	357	(1,148)
Fee income		12,956	3,916	16,872
Grant income		32,973	31,675	64,648
Other income		1,714	—	1,714
Total operating revenues		79,200	73,821	153,021
Operating expenses:				
Interest on bonds		17,240	34,625	51,865
Loss on swap novation		5,875	—	5,875
General and administrative		15,992	9,210	25,202
Grants and aid		35,199	5,662	40,861
Provision (recoveries) of losses		328	(25)	303
Total operating expenses		74,634	49,472	124,106
Operating income/change in net position		4,566	24,349	28,915
Net position at June 30, 2013, as previously reported		310,509	784,426	1,094,935
Iowa Agriculture Development Authority merger		5,931	—	5,931
Net position at June 30, 2013, as restated		316,440	784,426	1,100,866
Net position at June 30, 2014	$	321,006	808,775	1,129,781

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 Position

Year ended June 30, 2013

(Dollars in thousands)

		Housing Agency Fund (as Restated)	State Revolving Fund (as Restated)	Total (as Restated)
Operating revenues:				
Interest income	$	38,367	37,776	76,143
Net decrease in fair value of investments and mortgage-backed securities		(27,777)	(246)	(28,023)
Fee income		14,981	4,297	19,278
Grant income		47,428	38,001	85,429
Other income		207	—	207
Total operating revenues		73,206	79,828	153,034
Operating expenses:				
Interest on bonds		26,106	30,981	57,087
General and administrative		15,786	9,549	25,335
Grants and aid		42,227	4,977	47,204
Provision for of losses		1,171	132	1,303
Total operating expenses		85,290	45,639	130,929
Operating income (loss)/change in net position		(12,084)	34,189	22,105
Net position at June 30, 2012, as previously reported		326,161	742,179	1,068,340
Adoption of GASB 65		(3,568)	8,058	4,490
Net position at June 30, 2012, as restated		322,593	750,237	1,072,830
Net position at June 30, 2013 as restated	$	310,509	784,426	1,094,935

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, 2014

(Dollars in thousands)

		Housing Agency Fund	State Revolving Fund	Totals
Cash flows from operating activities:				
Cash receipts for fees	$	12,649	3,893	16,542
Interest received on loans and mortgage-backed securities		30,393	36,976	67,369
Principal payments on loans and mortgage-backed securities		260,970	86,912	347,882
Purchases of loans and mortgage-backed securities		(166,313)	(157,366)	(323,679)
Grants and other income		32,805	31,534	64,339
Cash payments to employees		(8,980)	(606)	(9,586)
Cash payments to suppliers and grantees		(36,576)	(21,713)	(58,289)
Net cash provided by (used in) operating activities		124,948	(20,370)	104,578
Cash flows from capital and related financing activities				
Proceeds from issuance of bonds		11,525	132,404	143,929
Payment of bonds		(120,390)	(30,940)	(151,330)
Interest paid		(21,259)	(39,349)	(60,608)
Net cash provided by (used in) capital and related financing activities		(130,124)	62,115	(68,009)
Cash flows from investing activities:				
Purchases of investments		(11,684)	(299,380)	(311,064)
Interest received on investments		3,094	721	3,815
Sales/maturities of investments		11,843	335,559	347,402
Reduction (payment) of rebate liability		13	(71)	(58)
Purchase of capital assets		(320)	—	(320)
Net cash provided by investing activities		2,946	36,829	39,775
Increase (decrease) in cash and cash equivalents		(2,230)	78,574	76,344
Cash and cash equivalents, beginning of year as previously reported		165,042	217,987	383,029
Cash provided by Iowa Agriculture Development Authority merger		3,390	—	3,390
Cash and cash equivalents, beginning of year, as restated		168,432	217,987	386,419
Cash and cash equivalents, end of year	$	166,202	296,561	462,763
Reconciliation of operating income/change in net position to net cash provided by (used in) operating activities:				
Operating income/change in net position	$	4,566	24,349	28,915
Interest income on investments and bank deposits		(3,181)	(721)	(3,902)
Rebate expense		—	(45)	(45)
Interest expense on bonds		17,240	34,625	51,865
Net increase in fair value of investments and mortgage-backed securities		1,505	(357)	1,148
Loss on swap novation		5,875	—	5,875
Allowance for loan losses		2,865	(7,746)	(4,881)
Change in fair value of investment derivatives		(1,326)	—	(1,326)
Depreciation of capital assets		280	44	324
Principal payments on loans and mortgaged backed securities		260,970	86,912	347,882
Purchases of loans and mortgage-backed securities		(166,313)	(157,366)	(323,679)
(Increase) decrease in interest receivable on loans and mortgage-backed securities		466	(130)	336
(Increase) decrease in other assets		(436)	(155)	(591)
Increase (decrease) in accounts payable and other liabilities		1,903	220	2,123
Increase (decrease) in unearned income		534	—	534
Net cash provided by (used in) operating activities	$	124,948	(20,370)	104,578

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, 2013

(Dollars in thousands)

		Housing Agency Fund (as Restated)	State Revolving Fund (as Restated)	Totals (as Restated)
Cash flows from operating activities:				
Cash receipts for fees	$	14,792	4,297	19,089
Interest received on loans and mortgage backed securities		33,995	37,483	71,478
Principal payments on loans and mortgage-backed securities		259,231	146,895	406,126
Purchases of loans and mortgage-backed securities		(114,013)	(240,955)	(354,968)
Grants and other income		2,480	38,001	40,481
Cash payments to employees		(8,770)	(675)	(9,445)
Cash payments to suppliers and grantees		(88,336)	(20,756)	(109,092)
Net cash provided by (used in) operating activities		99,379	(35,710)	63,669
Cash flows from capital and related financing activities				
Proceeds from issuance of bonds		85,186	—	85,186
Payment of bonds		(243,632)	(65,640)	(309,272)
Interest paid		(30,588)	(39,944)	(70,532)
Net cash used in capital and related financing activities		(189,034)	(105,584)	(294,618)
Cash flows from investing activities:				
Purchases of investments		(37,761)	(292,192)	(329,953)
Interest received on investments		5,211	771	5,982
Cash paid to settle derivatives		(1,083)	—	(1,083)
Sales/maturities of investments		99,865	299,538	399,403
Payment of rebate owed		(189)	(753)	(942)
Purchase of capital assets		(114)	(114)	(228)
Net cash provided by investing activities		65,929	7,250	73,179
Decrease in cash and cash equivalents		(23,726)	(134,044)	(157,770)
Cash and cash equivalents, beginning of year		188,768	352,031	540,799
Cash and cash equivalents, end of year	$	165,042	217,987	383,029
Reconciliation of operating income (loss)/change in net position to net cash provided by (used in) operating activities:				
Operating income (loss)/change in net position	$	(12,084)	34,189	22,105
Interest income on investments and bank deposits		(5,172)	(771)	(5,943)
Rebate expense		—	38	38
Interest expense on bonds		26,106	30,981	57,087
Net increase in fair value of investments and mortgage-backed securities		27,777	246	28,023
Allowance for loan losses		(38,973)	(8,340)	(47,313)
Depreciation of capital assets		262	—	262
Principal payments on loans and mortgage backed securities		259,231	146,895	406,126
Purchases of loans and mortgage-backed securities		(114,013)	(240,955)	(354,968)
(Increase) decrease in interest receivable on loans and mortgage-backed securities		800	439	1,239
(Increase) decrease in other assets		(596)	1,278	682
Increase (decrease) in accounts payable and other liabilities		1,946	290	2,236
Increase (decrease) in unearned income		(45,905)	—	(45,905)
Net cash provided by (used in) operating activities	$	99,379	(35,710)	63,669

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, 2014 is not determinable and cannot be reasonably estimated. The Authority issued approximately $8.8 billion in fiscal years 1997 through 2014, of which approximately $4.0 billion is outstanding at June 30, 2014.

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 guarantees 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 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 moneys 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 moneys 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 moneys 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, 2014, these bonds have been paid. As of June 30, 2013, approximately $16.2 million, of these conduit debt obligations were outstanding.

The Iowa Legislature; during the 2013 legislative session, passed House File 607 and merged the Iowa Agriculture Development Authority (IADD) into the Authority effective July 1, 2013. The Authority received all assets, liabilities, and net position of the IADD. Chapter 16 of the Code of Iowa authorizes the Authority to issue bonds for the purpose of financing the IADD. 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, 2014, approximately $143.7 million of these conduit debt obligations were outstanding.

The Authority is a component unit of the State. 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.

(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 position, revenues, and expenses of the Authority's programs. The Authority presents two major funds: (1) Housing Agency Fund and (2) State Revolving Fund.

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

Housing Agency Fund – Consists of

a. General Operating Accounts – account 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 moneys 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 – accounts for the proceeds from multifamily mortgage bonds, the debt service requirements of the bonds, the investment of moneys 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. Federal and State Funds – accounts for federal grants or State appropriations received and moneys transferred from the Division, all specifically restricted or committed for uses in accordance with applicable legislation or grant agreements.

e. Agriculture Development Division – accounts for the administrative operations of Agriculture Development Division made up of receipts of various program fees and administrative expenses.

e. Iowa Title Guaranty Division – accounts for the administrative costs of the Division, proceeds from title guaranty fees, and payments for claims made against the title guarantees. Moneys 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 moneys 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 moneys 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 moneys 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 U.S. government and agency, and municipal 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 U.S. government agencies, qualified financial institutions, or qualified corporations.

Investments and mortgage-backed securities are recorded at fair value in the statements of net position, with the change in the fair value recorded in the statements of revenues, expenses, and changes in net position. Guaranteed investment contracts are nonparticipating and, therefore, recorded at carrying value.

(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 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.

(Continued)

(g) Housing Loans Made with Federal Funds

The Authority receives federal funds to make housing loans in connection with various federal programs for the State. These funds must be repaid to the federal government in the event of failure of the project. Loan repayments must remain within the program and be immediately loaned or granted to program recipients based upon the rules of the program. Grant income is recorded when federal funds are received; grant expense is charged at the time these loans are disbursed.

(h) 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.

(i) 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 $2.2 million and $2.1 million was netted against other loans at June 30, 2014 and 2013, respectively. 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.

(j) 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.

(k) Bond Issuance Costs

Bond issuance costs are recognized in the period incurred.

(l) Bond Premiums and Discounts

Bond 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 bond refunding are deferred and amortized as an adjustment to interest expense over the shorter of the remaining life of the refunded bonds or the new bonds using the bonds outstanding method.

(Continued)

(m) Reserves for Title Guaranty Division Losses

The reserve for title guaranty claims 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.

(n) 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 U.S. Treasury. Such excess earnings are recorded as liabilities.

(o) Deferred Income

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

(p) Net Position

Restricted net position represents net position set aside, as required by the various bond resolutions, for the benefit of the respective bond owners. Assets related to such restricted net position 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 position also represents net position specifically restricted for uses in accordance with applicable legislation, including the Title Guaranty Division Program and the Miscellaneous Restricted Funds.

Restricted net position also represents net position 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 position provides additional security for the Authority's general obligations and coverage of the Authority's administrative costs. Unrestricted net position is available to meet commitments listed under "Commitments and Contingencies."

(q) Restatement of Net Position

During 2014, the Authority implemented Government Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result, certain balances from prior year have been reclassified to conform to the current year presentation. Additionally, the Authority restated net position as of July 1, 2012 by $(3,568,000) for the Housing Agency and

(Continued)

$8,058,000 for the State Revolving Fund. The Authority also adopted GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. As a result, the July 1, 2013 net position was restated and increased by $5,931,000 (note 8).

(r) 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.

(s) 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 Housing Assistance Payments Program administration fees; low-income housing tax credit fees; and State Revolving Fund loan commitment and servicing fees.

(t) 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 Home Investment Partnerships Program, Housing Opportunities for Persons with Aids, and Emergency Solutions 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.

(u) Derivatives

The Authority uses derivative financial instruments to manage and reduce exposure to adverse fluctuations in interest rates and to lower the overall cost of financing. The Authority's derivatives consist of swap, cap, and corridor agreements entered into in connection with its issuance of variable rate mortgage revenue bonds.

The Authority reports hedging derivative instruments as either deferred inflows or outflows and investing derivative instruments as investments. The change in the fair value of the investing derivative instruments is reported in the statements of revenues, expenses, and changes in net position.

(v) 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.

(w) Income Taxes

The Authority is recognized as tax-exempt, quasi-governmental organization under IRC Section 115(l). Accordingly, no provision for income taxes has been included in the accompanying financial statements.

(2) Deposits and Investments

(a) Deposits

At June 30, 2014 and 2013, the Authority had no uninsured or uncollateralized deposits (dollars in thousands):

	June 30, 2014			
	Housing Agency Fund	State Revolving Fund	Total	Percentage of total
Type:				
Cash in bank	$ 6,054	61,918	67,972	17%
Cash in trust accounts	9	—	9	—
Certificates of deposit	1,227	2,224	3,451	1
Money market trust accounts	83,888	234,643	318,531	82
Total	$ 91,178	298,785	389,963	100%

	June 30, 2013			
	Housing Agency Fund	State Revolving Fund	Total	Percentage of total
Type:				
Cash in bank	$ 7,728	62,170	69,898	22%
Cash in trust accounts	54	—	54	—
Certificates of deposit	1,058	361	1,419	1
Money market trust accounts	93,423	147,362	240,785	77
Total	$ 102,263	209,893	312,156	100%

(b) Investments

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

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

	June 30, 2014				
	Housing Agency Fund	**State Revolving Fund**	**Total**	**Percentage of total**	**Average maturity (years)**
Type:					
GNMA mortgage-backed securities	$ 301,081	—	301,081	44%	23.5
FNMA mortgage-backed securities	158,376	—	158,376	24	23.0
FHLMC mortgage-backed securities	4,962	—	4,962	1	23.2
U.S. government agency securities	5,501	83,141	88,642	13	2.9
U.S. Treasury securities	12,430	16,977	29,407	4	3.6
Corporate bonds	—	517	517	—	2.2
Municipal securities	2,047	8,023	10,070	2	2.4
State of Iowa pooled money funds	25,535	—	25,535	4	Less than 1
Guaranteed investment contracts	50,716	—	50,716	8	Less than 1
Total	$ 560,648	108,658	669,306	100%	

	June 30, 2013				
	Housing Agency Fund	**State Revolving Fund**	**Total**	**Percentage of total**	**Average maturity (years)**
Type:					
GNMA mortgage-backed securities	$ 354,040	—	354,040	44%	24.4
FNMA mortgage-backed securities	209,052	—	209,052	26	24.0
FHLMC mortgage-backed securities	7,783	—	7,783	1	24.3
U.S. government agency securities	5,193	128,373	133,566	17	2.4
U.S. Treasury securities	11,243	—	11,243	1	3.9
Corporate bonds	—	2,253	2,253	—	1.2
Municipal securities	3,222	15,717	18,939	2	3.0
State of Iowa pooled money funds	20,592	—	20,592	3	Less than 1
Guaranteed investment contracts	43,245	8,455	51,700	6	Less than 1
Total	$ 654,370	154,798	809,168	100%	

As of June 30, 2014 and 2013, the Authority had derivative investments with the following maturities (dollars in thousands):

		June 30, 2014			
		Investment maturities (in years)			
Investment type	**Fair value**	**Less than 1**	**1–5**	**6–10**	**More than 10**
Investment derivative instruments	$ (120)	—	53	—	(173)
Investment derivative instrument – forward mortgage-backed securities sales	26,950	26,950	—	—	—

		June 30, 2013			
		Investment maturities (in years)			
Investment type	**Fair value**	**Less than 1**	**1–5**	**6–10**	**More than 10**
Investment derivative instruments	$ (101)	—	—	55	(156)
Investment derivative instrument – forward mortgage-backed securities sales	25,600	25,600	—	—	—

(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.

(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.

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

	June 30, 2014						
	Credit ratings						
Type/Provider	Standard & Poor's	Moody's		Housing Agency Fund	State Revolving Fund	Total	Percentage of total
Money market funds:							
Wells Fargo Bank, N.A.	NR to AAAm-G	NR to Aaa-mf	$	64,419	213,935	278,354	72.6%
Goldman Sachs Group, Inc.	AAAm to AAAm-G	Aaa-MF		19,469	20,708	40,177	10.5
Certificate of deposit:							
15 providers	NR to AA+	NR to Aa3		1,227	2,224	3,451	0.9
Guaranteed investment contracts:							
Societe Generale*	A/A-1	A2/P-1		28,006	—	28,006	7.3
TransAmerica Life Ins Co	AA-/A-1+	A1/P-1		5,201	—	5,201	1.4
Credit Agricole	A/A-1+	A2/P-1		7,127	—	7,127	1.9
FSA International, Ltd	AA-	Aa3		1,209	—	1,209	0.3
Bayerische Landesbank	Not rated	A3/P-2		7,457	—	7,457	1.9
Royal Bank of Canada	AA-/A-1+	Aa3/P-1		1,716	—	1,716	0.4
Corporate and municipal bonds:							
28 providers	A–to AAA	Baa2 to Aaa		2,047	8,541	10,588	2.8
Total			$	137,878	245,408	383,286	100.0%

* Investment agreements are collateralized with U.S. government securities

	June 30, 2013					
	Credit ratings					
Type/Provider	**Standard & Poor's**	**Moody's**	**Housing Agency Fund**	**State Revolving Fund**	**Total**	**Percentage of total**
Money market funds:						
Wells Fargo Bank, N.A.	NR to AAAm-G	NR to Aaa-mf	$ 76,642	113,119	189,761	60.3%
Goldman Sachs Group, Inc.	AAAm to AAAm-G	Aaa-MF	16,781	34,243	51,024	16.2
Certificate of deposit:						
7 providers	A–to AA+	A2 to Aa3	1,058	361	1,419	0.4
Guaranteed investment contracts:						
Societe Generale*	A/A-1	A2/P-1	25,873	—	25,873	8.2
TransAmerica Life Ins Co	AA-/A-1+	A1/P-1	7,338	—	7,338	2.3
Credit Agricole	A/A-1	A2/P-1	4,199	—	4,199	1.3
FSA International, Ltd	AA-	Aa3	2,420	—	2,420	0.8
Natixtis Funding Corp*	A+/A-1+	Aa3/P-1	—	8,455	8,455	2.7
Bayerische Landesbank	Not rated	Baa1/P-2	2,707	—	2,707	0.9
Royal Bank of Canada	AA-/A1+	Aa3/P-1	708	—	708	0.2
Corporate and municipal bonds:						
39 providers	A–to AAA	Baa2 to Aaa	3,222	17,970	21,192	6.7
Total			$ 140,948	174,148	315,096	100.0%

* Investment agreements are collateralized with U.S. government securities

(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, 2014 and 2013 are as follows (dollars in thousands):

	2014		
	Cost	**Allowance for losses**	**Net**
Loans secured with first mortgages	$ 84,546	(620)	83,926
Loans secured with second mortgages, other collateral, or unsecured	5,478	(1,541)	3,937
State program loans	13,774	(1,020)	12,754
Federal program loans	74,366	(29,426)	44,940
Total	$ 178,164	(32,607)	145,557

	2013			
		Cost	Allowance for losses	Net
Loans secured with first mortgages	$	81,666	(630)	81,036
Loans secured with second mortgages, other collateral, or unsecured		5,867	(1,469)	4,398
State program loans		9,459	(1,000)	8,459
Federal program loans		63,100	(20,840)	42,260
Total	$	160,092	(23,939)	136,153

(4) Bonds and Notes Payable

Bonds and notes payable at June 30, 2014 and 2013 are as follows (dollars in thousands):

Description		Original amount	Due dates From	Due dates To	Interest rate From	Interest rate To		Balance 2014	Balance 2013
Housing Agency Bonds and Notes:									
Single Family Mortgage Bonds:									
SF 2004 A – Serial Bonds	$	6,120	07/01/05	07/01/14	1.750	4.450	$	155	455
SF 2004 A – Term Bonds		3,855		07/01/24		4.900		1,140	1,140
SF 2004 A – Term Bonds		2,585		07/01/34		5.100		—	605
SF 2004 A – Term Bonds		5,170		01/01/35		5.100		725	1,545
SF 2004 B – Term Bonds		15,000		07/01/34	Variable*	0.080		11,425	12,790
SF 2004 C – Serial Bonds		3,395	01/01/06	01/01/14	2.500	4.700		—	180
SF 2004 C – Term Bonds		610		07/01/14		4.700		—	145
SF 2004 C – Term Bonds		7,400		07/01/25		5.125		—	1,425
SF 2004 C – Term Bonds		2,680		01/01/30		5.200		—	535
SF 2004 C – Term Bonds		2,680		07/01/30		5.200		—	510
SF 2004 C – Term Bonds		9,030		07/01/35		5.250		—	1,615
SF 2004 D – Term Bonds		17,000		07/01/34	Variable*	0.070		8,040	9,520
SF 2004 E – Serial Bonds		10,825	01/01/06	01/01/16	1.950	3.950		550	865
SF 2004 F – Term Bonds		2,375		07/01/24		4.550		—	340
SF 2004 F – Term Bonds		6,400		07/01/35		4.800		—	880
SF 2004 G – Term Bonds		20,000		07/01/34	Variable*	0.080		9,830	10,615
SF 2005 A – Serial Bonds		5,885	07/01/07	07/01/16	2.900	4.300		685	685
SF 2005 B – Serial Bonds		2,925	01/01/07	01/01/15	3.200	4.500		55	120
SF 2005 B – Term Bonds		15,350		07/01/25		4.600		1,165	2,635
SF 2005 B – Term Bonds		17,300		07/01/30		5.000		—	1,140
SF 2005 C – Term Bonds		24,000		01/01/36	Variable*	0.070		4,315	8,440
SF 2005 D – Serial Bonds		5,995	01/01/07	01/01/16	3.000	4.250		—	45
SF 2005 D – Term Bonds		2,565		07/01/13		4.000		—	100
SF 2005 D – Term Bonds		8,340		01/01/36		4.450		—	1,160
SF 2005 D – Term Bonds		19,100		01/01/36		5.000		820	2,385
SF 2005 E – Term Bonds		24,000		01/01/36	Variable*	0.080		9,660	10,995
SF 2005 G – Term Bonds		19,800		01/01/36		5.000		—	2,140
SF 2005 H – Term Bonds		24,000		07/01/36	Variable*	0.070		8,185	12,465
SF 2006 A – Serial Bonds		1,385	07/01/14	01/01/15	3.800	3.900		—	110
SF 2006 B – Serial Bonds		10,655	07/01/07	07/01/16	3.400	4.300		—	215
SF 2006 B – Term Bonds		4,535		01/01/26		4.750		—	160

Description	Original amount	Due dates From	Due dates To	Interest rate From	Interest rate To	Balance 2014	Balance 2013
SF 2006 B – Term Bonds	14,425		01/01/36		4.900	$ —	560
SF 2006 B – Term Bonds	17,000		01/01/36		5.000	815	2,770
SF 2006 C – Term Bonds	12,000		01/01/36	Variable*	0.080	10,985	12,000
SF 2006 E – Term Bonds	25,250		07/01/36		5.500	5,970	8,215
SF 2006 F – Term Bonds	12,000		07/01/36	Variable*	0.070	3,210	5,665
SF 2006 G – Serial Bonds	2,720	07/01/07	07/01/16	3.750	4.500	300	410
SF 2006 G – Term Bonds	12,975		01/01/26		4.875	1,125	3,305
SF 2006 G – Term Bonds	14,620		07/01/36		5.000	—	170
SF 2006 G – Term Bonds	8,420		07/01/36		5.750	1,515	2,405
SF 2006 H – Term Bonds	23,000		07/01/36		5.868	4,060	6,425
SF 2006 I – Term Bonds	5,405		07/01/21		4.700	2,010	2,010
SF 2006 I – Term Bonds	7,385		07/01/26		4.800	2,635	2,635
SF 2006 I – Term Bonds	10,085		07/01/31		4.900	3,540	3,540
SF 2006 I – Term Bonds	17,125		07/01/37		4.950	2,765	5,835
SF 2006 J – Term Bonds	40,000		07/01/37		5.745	6,520	10,915
SF 2007 A – Serial Bonds	3,855	01/01/08	07/01/17	3.500	3.950	—	640
SF 2007 B – Term Bonds	4,935		07/01/22		4.600	—	690
SF 2007 B – Term Bonds	5,175		07/01/26		4.700	—	680
SF 2007 B – Term Bonds	10,560		07/01/32		4.750	—	1,310
SF 2007 C – Term Bonds	35,000		07/01/37	Variable*	0.130	14,490	18,350
SF 2007 D – Serial Bonds	1,215	07/01/11	01/01/17	3.950	4.400	—	320
SF 2007 E – Term Bonds	5,000		07/01/37		5.750	1,335	1,865
SF 2007 G – Term Bonds	33,000		01/01/38	Variable*	0.110	12,775	15,875
SF 2007 I – Term Bonds	10,065		07/01/37		5.500	3,225	4,375
SF 2007 J – Term Bonds	30,000		07/01/30		5.770	1,250	8,105
SF 2007 M – Term Bonds	25,450		01/01/39	Variable*	0.110	11,215	13,880
SF 2007 N – Term Bonds	14,550		01/01/39	Variable*	0.070	4,085	5,930
SF 2008 B – Term Bonds	28,070		01/01/39	Variable*	0.080	6,345	12,890
SF 2008 C – Term Bonds	29,465		01/01/39	Variable*	0.130	12,770	16,025
SF 2008 E – Serial Bonds	8,605	07/01/13	07/01/18	3.000	4.350	—	710
SF 2008 E – Term Bonds	7,140		07/01/23		5.000	—	150
SF 2008 E – Term Bonds	7,050		07/01/28		5.250	—	100
SF 2008 F – Term Bonds	17,330		01/01/39	Variable*	0.080	16,705	17,330
SF 2008 G – Term Bonds	22,500		01/01/39	Variable*	0.130	9,110	12,140
SF 2009 A – Serial Bonds	13,510	07/01/10	07/01/20	3.450	4.200	5,665	6,425
SF 2009 A – Term Bonds	5,660		07/01/24		4.800	2,790	3,165
SF 2009 A – Term Bonds	5,970		07/01/28		5.000	—	3,235
SF 2009 A – Term Bonds	8,025		01/01/38		5.000	3,850	4,970
SF 2009 1 – Serial Bonds	7,370	01/01/11	07/01/21	0.700	4.100	3,655	4,120
SF 2009 1 – Term Bonds	4,230		01/01/26		4.550	905	2,475
SF 2009 1 – Term Bonds	4,400		07/01/28		5.000	2,310	2,960
SF 2010 1 – Serial Bonds	10,410	01/01/12	01/01/22	0.750	3.550	6,290	7,110
SF 2010 1 – Term Bonds	4,150		07/01/27		4.000	500	2,285
SF 2010 1 – Term Bonds	6,240		01/01/28		4.375	3,715	4,555
SF 2009 3A – Term Bonds	31,200		07/01/41		3.010	20,750	24,220
SF 2011 1 Serial Bonds	14,315	07/01/12	07/01/23	0.500	4.000	11,055	12,075
SF 2011 1 Term Bonds	3,920		07/01/26		4.375	2,445	3,345
SF 2011 1 Term Bonds	5,765		01/01/29		4.500	4,390	5,035
SF 2011 2 Serial Bonds	9,650	01/01/13	07/01/22	0.700	3.600	8,120	9,105
SF 2011 2 Term Bonds	4,185		07/01/26		4.000	4,010	4,010
SF 2011 2 Term Bonds	1,800		01/01/28		4.150	810	1,685
SF 2011 2 Term Bonds	4,365		07/01/28		4.500	3,700	4,140
SF 2011 3C Term Bonds	30,000		07/01/41		0.610	27,080	29,000
SF 2012 1 Term Bonds	17,756		09/01/40		2.300	14,166	16,754
SF 2013 1 Term Bonds	20,000		02/01/43		2.150	18,818	19,795

Description	Original amount	Due dates From	Due dates To	Interest rate From	Interest rate To	Balance 2014	Balance 2013
SF 2013 2 Term Bonds	15,000		07/01/43		2.800	$ 14,526	15,000
SF 2013 3 Term Bonds	32,430		02/01/42		2.900	29,015	32,430
SF 2013 4 Term Bonds	10,000		08/01/43		2.800	9,668	—
SF 2014 B-1 – Term Bonds	1,525		02/01/44		3.590	1,491	—
Multi Family Housing Bonds:							
MF 1978 A – Term Bonds	22,050		04/01/21		6.000	8,735	9,815
MF 2006 A – Term Bonds	6,475		07/01/41		4.600	5,135	5,355
MF 2007 A – Term Bonds	12,700		08/01/37	Variable*	0.070	11,800	12,075
MF 2007 B – Term Bonds	9,300		08/01/37	Variable*	0.070	8,645	8,845
MF 2008 A – Term Bond	3,750		06/01/24	Variable*	0.080	3,650	3,650
MF FHLB B1 – Term Bonds	11,500		02/01/26	Variable*	1.271	11,121	11,257
G.o. Notes and Credit Facilities:							
Iowa State University note	1,000		12/31/21		—	623	722
Iowa State University note	45		03/15/24		—	31	36
Total Housing Agency	1,161,031					444,969	553,834
State Revolving Fund:							
Revenue Bonds:							
2003 – Serial Bonds	56,100	08/01/03	08/01/24	2.000	5.250	—	2,810
2007 – Serial Bonds	64,160	08/01/08	08/01/24	4.000	5.000	53,265	56,515
2008 – Serial Bonds	148,435	08/01/09	08/01/28	3.500	6.000	129,400	135,485
2009 – Serial Bonds	143,895	08/01/10	08/01/29	2.000	5.000	132,695	137,020
2010 – Serial Bonds	215,725	08/01/11	08/01/25	2.000	5.000	193,810	206,440
2010 – Term Bonds	77,165		08/01/30		5.272	77,165	77,165
2011 – Serial Bonds	220,435	08/01/12	08/01/31	2.000	5.000	217,290	219,130
2013 – Serial Bonds	115,450	02/01/14	08/01/33	1.500	5.000	115,450	—
Total State Revolving Fund	1,041,365					919,075	834,565
Total bonds and notes	$ 2,202,396					1,364,044	1,388,399
Premium/discount, net						66,314	56,905
Total Authority						$ 1,430,358	1,445,304

* Variable rates are as of June 30, 2014

The following tables summarize the bonds and notes payable (net of premium and discount) activity for the Authority for the years ended June 30, 2014 and 2013 (dollars in thousands):

	June 30, 2013	Additions	Reductions	June 30, 2014	Due within one year
Housing Agency	$ 556,245	11,525	121,060	446,710	8,671
State Revolving Fund	885,434	132,404	37,357	980,481	42,350
Total	$ 1,441,679	143,929	158,417	1,427,191	51,021

	June 30, 2012	Additions	Reductions	June 30, 2013	Due within one year
Housing Agency	$ 715,217	85,186	244,158	556,245	11,874
State Revolving Fund	956,153	—	70,719	885,434	34,540
Total	$ 1,671,370	85,186	314,877	1,441,679	46,414

A summary of scheduled bond maturities (excluding premium and discount) and interest payments is as follows (dollars in thousands):

Year ending	Housing Agency			State Revolving Fund			Total		
June 30	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2015	$ 8,671	9,217	17,888	42,350	39,267	81,617	51,021	48,484	99,505
2016	9,921	8,976	18,897	47,905	37,417	85,322	57,826	46,393	104,219
2017	10,898	8,705	19,603	49,865	35,461	85,326	60,763	44,166	104,929
2018	11,200	8,414	19,614	50,705	33,560	84,265	61,905	41,974	103,879
2019	11,609	8,098	19,707	52,395	31,513	83,908	64,004	39,611	103,615
2020–2024	61,393	35,474	96,867	273,370	123,380	396,750	334,763	158,854	493,617
2025–2029	67,183	27,947	95,130	254,115	62,710	316,825	321,298	90,657	411,955
2030–2034	73,395	21,670	95,065	148,370	12,369	160,739	221,765	34,039	255,804
2035–2039	93,050	15,538	108,588	—	—	—	93,050	15,538	108,588
2040–2044	97,649	7,556	105,205	—	—	—	97,649	7,556	105,205
Total	$ 444,969	151,595	596,564	919,075	375,677	1,294,752	1,364,044	527,272	1,891,316

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, 2014.

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

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.

Derivative Instrument Payments and Variable-Rate Debt

As of June 30, 2014, aggregate debt service requirements of the Authority's variable-rate debt and net receipts/payments on associated derivative instruments are as follows. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on hedging derivative instruments will vary. Refer to note 5 for information on derivative instruments (dollars in thousands).

Fiscal year ending June 30		Variable-rate bonds principal	Variable-rate bonds interest	Interest rate swaps, net	Total
2015	$	1,565	147	5,891	7,603
2016		2,270	145	4,999	7,414
2017		3,255	142	4,352	7,749
2018		3,360	139	3,805	7,304
2019		3,535	136	3,441	7,112
2020–2024		26,180	619	14,190	40,989
2025–2029		29,110	479	9,559	39,148
2030–2034		44,855	310	6,401	51,566
2035–2039		42,665	87	2,028	44,780
Total	$	156,795	2,204	54,666	213,665

(5) Derivative Instruments

The Authority uses derivative financial instruments to manage and reduce exposure to adverse fluctuations in interest rates and to lower the overall cost of financing. The Authority's derivatives consist of swap, cap, and corridor agreements entered into in connection with its issuance of variable rate mortgage revenue bonds.

The Authority reports hedging derivative instruments as either deferred inflows or outflows and investing derivative instruments as investments. The change in the fair value of the investing derivative instruments is reported in the statements of revenues, expenses, and changes in net position.

Swap agreements allow the Authority to raise funds at variable rates and swap them into fixed rates that are lower than those available to the Authority if fixed-rate borrowings were made directly. These contracts involve the exchange of variable-rate for fixed-rate payments between the parties, without the exchange of the underlying debt, based on a common notional amount and maturity date. The following table displays the terms of the Authority's swap hedging derivative instruments outstanding at June 30, 2014 and 2013 (dollars in thousands):

Bond series	2014 Notional amount	2013 Notional amount	Effective date	Termination date	Terms: Pay	Terms: Receive	Counter party rating *
SF 2004 B	$ 7,350	11,050	12/02/04	07/01/34	4.028%	Enhanced LIBOR	A2
SF 2004 D	8,040	9,520	02/03/05	07/01/20	4.007	SIFMA + 0.10% or Various LIBOR + Spread	Aa2
SF 2004 G	9,830	10,615	06/01/05	07/01/34	3.867	Enhanced LIBOR	A2
SF 2005 C	4,315	8,825	11/01/05	01/01/36	4.140	SIFMA + 0.10% or Various LIBOR + Spread	Aa2
SF 2005 E	10,995	10,995	01/01/11	01/01/36	3.817	Enhanced LIBOR	A2
SF 2005 H	8,185	13,310	01/01/11	07/01/36	3.843	SIFMA + 0.10% or Various LIBOR + Spread	Aa2
SF 2006 C	12,000	12,000	09/01/06	01/01/36	3.760	Enhanced LIBOR	A2
SF 2006 F	4,165	10,195	11/01/06	07/01/36	4.632	SIFMA + 0.10%	Aa2
SF 2007 C	15,405	18,350	03/08/07	07/01/25	5.289	LIBOR	A2
SF 2007 G	12,775	15,875	07/12/07	01/01/19	5.493	LIBOR	Aa2
SF 2007 M	11,215	13,880	12/12/07	07/01/21	4.373	LIBOR	Aa2
SF 2007 N	4,780	11,060	12/12/07	01/01/39	4.364	SIFMA + 0.06%	Aa2
MF 2008 A	3,650	3,650	04/17/08	06/01/24	3.971	SIFMA + 0.08%	A2
SF 2008 B	6,345	12,890	01/01/11	01/01/39	4.470	SIFMA + 0.06%	A2
SF 2008 C	12,770	16,025	04/16/08	01/01/26	3.880	LIBOR	A2
SF 2008 F	17,330	17,330	10/01/08	01/01/39	4.529	SIFMA + 0.08%	A2
SF 2008G	9,110	12,140	10/01/08	07/01/18	4.173	LIBOR	A2

*Moody's rating
SIFMA = Securities Industry and Financial Markets Association Swap Index
LIBOR = London Interbank Offer Rate

Interest rate caps derivatives in where the Authority receives payments at the end of each period, based on a notional amount, when the interest rate exceeds the agreed-upon strike rate. A corridor agreement is an interest rate cap with an upper limit, or ceiling, where the cap ceases to pay above the ceiling rate. The following table displays the terms of the Authority's cap and corridor derivative instruments outstanding at June 30, 2014 and 2013 (dollars in thousands):

Bond Series	2014 Notional amount	2013 Notional amount	Effective date	Maturity date	Strike rate	Ceiling rate
SF 2003 G	$ —	1,325	06/25/2003	07/01/2013	5% 3 mo. LIBOR	10% 3 mo LIBOR
MF 2007 B	9,300	9,300	06/14/2007	01/01/2024	4.5% SIFMA until 07/14/2014 5.0% SIFMA until 07/01/2019 5.5% SIFMA thereafter	N/A
MF 2007 A	12,285	12,285	07/01/2012	07/01/2015	3% SIFMA	N/A
MF B-1	11,257	11,257	07/01/2012	07/01/2015	6% LIBOR	N/A

The fair value balances of derivative instruments outstanding at June 30, 2014 and 2013, classified by type, and changes in the fair value of such derivative instruments for the years then ended as reported in the 2014 and 2013 financial statements are as follows (dollars in thousands):

Bond series		Type	Fair value June 30 2014	Fair value June 30 2013	Change in fair value
Hedging derivatives:					
SF 2004 B	100-035	Swap	$ 89	(105)	194
SF 2004 D	100-036	Swap	45	(232)	277
SF 2004 G	100-037	Swap	(175)	(375)	200
SF 2005 C	100-038	Swap	(390)	(880)	490
SF 2005 E	100-039	Swap	(339)	(575)	236
SF 2005 H	100-050	Swap	(532)	(1,009)	477
SF 2006 C	100-041	Swap	(863)	(1,017)	154
SF 2006 F	100-042	Swap	(411)	(813)	402
SF 2007 C	100-045	Swap	(2,032)	(2,527)	495
SF 2007 G	100-046	Swap	(1,079)	(1,692)	613
SF 2007 M	100-048	Swap	(835)	(1,198)	363
SF 2007 N	100-048	Swap	(469)	(481)	12
SF 2008 C	100-049	Swap	(759)	(1,072)	313
SF 2008 F	100-050	Swap	(1,047)	(1,226)	179
SF 2008G	100-050	Swap	(500)	(819)	319
SF 2008 B	100-049	Swap	(444)	(529)	85
MF 2007 A	200-007	Cap	—	1	(1)
MF 2007 B	200-007	Cap	132	239	(107)
MF 2008 A	200-009	Swap	(562)	(561)	(1)
MF 2011 B1	200-011	Cap	—	1	(1)
Total hedging derivatives			$ (10,171)	(14,870)	4,699
Investment derivatives:					
SF 2007 C		Swap	$ (53)	(81)	28
SF 2007 G		Swap	51	55	(4)
Forward MBS sales			(26,950)	(25,600)	(1,350)
Total investment derivatives			$ (26,952)	(25,626)	(1,326)

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

The fair values of the interest rate cap and the forward contract were estimated based on the present value of their estimated future cash flows.

On August 28, 2013, the Authority entered into an agreement that transferred nine derivative instruments totaling approximately $90.5 million in notional value from UBS AG, rated A by Standard & Poor (S&P), to Bank of New York Mellon, rated AA- by S&P. The transaction resulted in a terminating event under GASB Statement No. 53, which required the Authority to recognize a net noncash loss of $5.9 million.

Risks Associated with Derivative Transactions

Credit risk. The Authority is exposed to credit risk on hedging derivatives instruments that are in asset positions. The aggregate fair value of hedging derivative instruments in asset positions at June 30, 2014 and 2013 was $266 and $242, respectively. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted.

Bank of New York Mellon and Goldman Sachs Bank USA are currently counterparties under the derivatives agreements with the Authority. Bank of New York Mellon and Goldman Sachs Bank USA are currently rated Aa3 by Moody's Investors Service.

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

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

Basis risk. Basis risk refers to a mismatch between the interest rate received from the derivative counterparty and the interest rate actually owed on the Authority's bonds. Specifically, the Authority's basis risk is that the variable interest payment received from counterparty will be less than the actual variable interest payments owed on the Authority's variable rate bonds. The mismatch between the Authority's actual bond rate and the derivative rate is the Authority's basis risk. As of June 30, 2014 and

2013, the weighted average interest rate of the Authority's hedged variable-rate debt is 4.15% and 4.39%, while the SIFMA swap index rate is 0.04% and 0.06%, respectively. LIBOR is 0.12% and 0.19% at June 30, 2014 and 2013, respectively.

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 Bank of New York Mellon or Goldman Sachs Capital Markets, LP, covenant violation by a party, bankruptcy of a party, swap payment default by a party, and default events as defined in the Authority's single-family bond resolution; however, the Authority believes 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.

(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, Iowa, 50306-9117. Details of the plan are provided on a systemwide basis. The Authority's portion is not separately determinable. The unfunded actuarial accrued liability of the plan at June 30, 2013 (latest information available) was $5.8 billion.

Plan members are required to contribute 5.78% of their annual covered salary, and the Authority is required to contribute 8.67% of annual covered salaries. Contribution requirements are established by State statute. The Authority's contributions to IPERS for the years ended June 30, 2014 and 2013 were $631,040 and $600,357, respectively, equal to the required contribution for each year.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement will require the Authority to recognize a liability for the Authority's proportionate share of the net pension liability of IPERS. This Statement is effective for the Authority for the year ended June 30, 2015 and could result in an adjustment to net position.

(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, 2014 was $1.3 million for which a $0.5 million reserve for claims liability is recorded.

The Authority has committed to purchase $50.9 million in mortgage-backed securities under its FirstHome program as of June 30, 2014.

The Authority has committed to loan agreements under various housing assistance programs for which $2.8 million has not been disbursed as of June 30, 2014.

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, 2014 and 2013 is as follows (dollars in thousands):

		June 30	
Description		**2014**	**2013**
Project-based housing grants	$	348	266
Local housing trust fund grants		8,646	7,029
Shelter assistance grants		624	620
IJOBS – affordable housing assistance		—	57
IJOBS – water quality financial assistance		6,304	10,349
IJOBS – local disaster prevention competitive		—	9,018
IJOBS – targeted disaster relief		135	730
Total outstanding commitments	$	16,057	28,069

(b) State Revolving Fund Commitments

The Authority has signed loan agreements under the State Revolving Fund for which $121.1 million have not been disbursed as of June 30, 2014.

(8) Merger of Operations

The Iowa Legislature, during the 2013 legislative session, passed House File 607 and merged the IADD into the Authority effective July 1, 2013. The Authority received all assets, liabilities, and net position of the IADD (dollars in thousands):

		June 30, 2013
Merged assets:		
Cash and cash equivalents	$	3,390
Investments		612
Loans		2,007
Accrued interest receivable		36
Other assets		3
Total assets		6,048
Merged liabilities:		
Accounts payable and other liabilities		117
Net position of merged IADD	$	5,931

As a result of this merger, net position of the Authority as of July 1, 2013 was restated and increased by $5,931,000.

(9) Subsequent Events

The Authority has reviewed subsequent events through October 24, 2014 and concluded there were no events or transactions during the period that would require recognition or disclosure in the financial statements other than those already reflected.

Schedule 1

IOWA FINANCE AUTHORITY

Combining Statement of Net Position

June 30, 2014

(Dollars in thousands)

	Housing Agency								State Revolving Funds			Combined
Assets	**General Operating Account**	**Single Family 1991 MRB Indenture**	**Single Family 2009 MRB Indenture**	**Multi Family Indenture**	**Federal and State Programs**	**Agriculture Development Division**	**Title Guaranty Division**	**Total Housing Agency**	**Clean Water Programs**	**Drinking Water Programs**	**Total SRF**	**Total IFA**
Current assets (substantially restricted):												
Cash and cash equivalents	$ 5,564	79,037	8,588	35,902	21,894	4,012	11,205	166,202	211,532	85,029	296,561	462,763
Investments in mortgage-backed securities	361	5,730	3,872	—	—	—	—	9,963	—	—	—	9,963
Other investments	867	—	—	1,222	704	—	—	2,793	34,983	27,334	62,317	65,110
Loans to municipalities or water systems	—	—	—	—	—	—	—	—	49,751	28,198	77,949	77,949
Housing Agency loans, net	52	296	—	5,215	3,107	194	—	8,864	—	—	—	8,864
Accrued interest receivable	48	1,126	594	881	41	39	—	2,729	2,516	1,124	3,640	6,369
Other current assets	942	178	—	28	(229)	(28)	(58)	833	223	484	707	1,540
Total current assets	7,834	86,367	13,054	43,248	25,517	4,217	11,147	191,384	299,005	142,169	441,174	632,558
Noncurrent assets (substantially restricted):												
Investments in mortgage-backed securities	6,491	259,681	188,284	—	—	—	—	454,456	—	—	—	454,456
Other investments	1,624	7,005	—	9,203	376	204	—	18,412	24,120	24,445	48,565	66,977
Loans to municipalities or water systems	—	—	—	—	—	—	—	—	961,607	355,723	1,317,330	1,317,330
Housing Agency loans, net	1,040	4,138	—	65,996	63,972	1,547	—	136,693	—	—	—	136,693
Capital assets, net of accumulated depreciation	2,946	—	—	—	—	—	—	2,946	48	22	70	3,016
Other long term assets	—	31,762	3,457	(1)	—	—	—	35,218	—	—	—	35,218
Total noncurrent assets	12,101	302,586	191,741	75,198	64,348	1,751	—	647,725	985,775	380,190	1,365,965	2,013,690
Total assets	19,935	388,953	204,795	118,446	89,865	5,968	11,147	839,109	1,284,780	522,359	1,807,139	2,646,248
Deferred Outflows of Resources												
Accumulated decrease in fair value of hedging derivatives	—	5,070	—	431	—	—	—	5,501	—	—	—	5,501
Loss on refunding	—	—	—	—	—	—	—	—	474	2,693	3,167	3,167
Total deferred outflows	—	5,070	—	431	—	—	—	5,501	474	2,693	3,167	8,668
Liabilities												
Current liabilities:												
Bonds payable, net	—	3,645	3,405	1,517	104	—	—	8,671	28,985	13,365	42,350	51,021
Accrued interest payable	—	3,708	1,777	394	—	—	—	5,879	12,114	4,589	16,703	22,582
Escrow deposits	—	—	—	5,486	—	—	4,201	9,687	—	—	—	9,687
Accounts payable and other liabilities	2,192	648	71	113	11,783	3	566	15,376	500	681	1,181	16,557
Total current liabilities	2,192	8,001	5,253	7,510	11,887	3	4,767	39,613	41,599	18,635	60,234	99,847
Noncurrent liabilities:												
Bonds payable, net	—	206,748	183,172	47,569	550	—	—	438,039	689,599	251,699	941,298	1,379,337
Reserves for claims	—	—	—	—	463	—	5,069	5,532	—	—	—	5,532
Other liabilities	2,435	36,811	—	431	743	—	—	40,420	—	(1)	(1)	40,419
Total noncurrent liabilities	2,435	243,559	183,172	48,000	1,756	—	5,069	483,991	689,599	251,698	941,297	1,425,288
Total liabilities	4,627	251,560	188,425	55,510	13,643	3	9,836	523,604	731,198	270,333	1,001,531	1,525,135
Net Position												
Net investment in capital assets	2,946	—	—	—	—	—	—	2,946	48	22	70	3,016
Restricted net position:												
Per bond resolutions	—	142,463	16,370	63,367	—	—	—	222,200	434,245	222,255	656,500	878,700
Per legislation	—	—	—	—	76,222	—	1,311	77,533	—	—	—	77,533
Per other agreements	—	—	—	—	—	5,359	—	5,359	119,763	32,442	152,205	157,564
Total restricted net position	—	142,463	16,370	63,367	76,222	5,359	1,311	305,092	554,008	254,697	808,705	1,113,797
Unrestricted net position	12,362	—	—	—	—	606	—	12,968	—	—	—	12,968
Total net position	$ 15,308	142,463	16,370	63,367	76,222	5,965	1,311	321,006	554,056	254,719	808,775	1,129,781

See accompanying independent auditors' report.

Schedule 2

IOWA FINANCE AUTHORITY

Combining Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2014

(Dollars in thousands)

	Housing Agency									State Revolving Funds			Combined
	General Operating Account	Single Family 1991 MRB Indenture	Single Family 2009 MRB Indenture	Multi Family Indenture	Federal and State Programs	Agriculture Development Division	Title Guaranty Division	Eliminations	Total Housing Agency	Clean Water Programs	Drinking Water Programs	Total SRF	Totals IFA
Operating revenues:													
Interest income	$ 644	18,518	7,515	5,827	450	108	—	—	33,062	26,948	10,925	37,873	70,935
Net (decrease) increase in fair value of investments and mortgage-backed securities	(224)	(1,981)	1,079	(381)	2	—	—	—	(1,505)	167	190	357	(1,148)
Fee income	5,157	1,525	—	—	3	273	6,457	(459)	12,956	2,772	1,144	3,916	16,872
Grant income	5,181	300	—	1,000	28,961	—	—	(2,469)	32,973	18,069	13,606	31,675	64,648
Other income	171	1,372	—	—	—	45	126	—	1,714	—	—	—	1,714
Total operating revenues	10,929	19,734	8,594	6,446	29,416	426	6,583	(2,928)	79,200	47,956	25,865	73,821	153,021
Operating expenses:													
Interest on bonds	—	9,824	5,569	1,847	—	—	—	—	17,240	25,187	9,438	34,625	51,865
Loss on swap novation	—	5,875	—	—	—	—	—	—	5,875	—	—	—	5,875
Authority fees	—	—	—	459	—	—	—	(459)	—	—	—	—	—
General and administrative	8,880	271	70	47	1,386	392	4,946	—	15,992	3,953	5,257	9,210	25,202
Grants and aid	4,677	5,371	451	—	26,000	—	1,169	(2,469)	35,199	3,402	2,260	5,662	40,861
Provision (recoveries) of losses	—	(1)	—	(5)	69	—	265	—	328	—	(25)	(25)	303
Total operating expenses	13,557	21,340	6,090	2,348	27,455	392	6,380	(2,928)	74,634	32,542	16,930	49,472	124,106
Interfund transfers	—	(283)	283	—	—	—	—	—	—	—	—	—	—
Operating income (loss)/change in net assets	(2,628)	(1,889)	2,787	4,098	1,961	34	203	—	4,566	15,414	8,935	24,349	28,915
Net position at June 30, 2013, as restated	17,936	144,352	13,583	59,269	74,261	5,931	1,108	—	316,440	538,642	245,784	784,426	1,100,866
Net position at June 30, 2014	$ 15,308	142,463	16,370	63,367	76,222	5,965	1,311	—	321,006	554,056	254,719	808,775	1,129,781

See accompanying independent auditors' report.

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

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

(Dollars in thousands)

Grantor/program title	CFDA number		Federal expenditures
United States Department of Housing and Urban Development			
Direct programs:			
Section 8 Housing Assistance Payments Program	14.195	$	55,360
Emergency Solutions Grants Program	14.231		2,018
Home Investment Partnerships Program (HOME)	14.239		9,876
Housing Opportunities for Persons with AIDS (HOPWA)	14.241		323
Total United States Department of Housing and Urban Development direct programs			67,577
United States Department of the Treasury Direct programs:			
National Foreclosure Mitigation Counseling Program	21.000		583
Total federal awards expenditures for year ended June 30, 2014			68,160
United States Department of Housing and Urban Development			
Home Investment Partnerships Program (HOME) loans			
(less current year expenditures)	14.239		115,507
ARRA – Tax Credit Assistance Program loans	14.258		18,978
		$	202,645

See accompanying notes to schedule of expenditures of federal awards.

(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, 2014, which have been financed by the U.S. 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 position 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 U.S. 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
Section 8 Housing Assistance Payments Program	14.195	$ 55,360
Emergency Shelter Grants Program	14.231	1,948
HOME	14.239	8,905
HOPWA	14.241	313
National Foreclosure Mitigation Counseling Program	21.000	552
Total		$ 67,078

(3) Outstanding Loan Principal Balances

The following is the outstanding principal balance of the Tax Credit Assistance Program at June 30, 2014 (dollars in thousands):

Tax Credit Assistance Program	$ 18,978

The following is the outstanding principal balance of the HOME Program at June 30, 2014 (dollars in thousands):

HOME	$	121,191

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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, in accordance with the 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, the financial statements of each major fund and the total business-type activities of the Iowa Finance Authority (the Authority), a component of the State of Iowa, as of June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Des Moines, Iowa
October 24, 2014

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Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

The Board of Directors
Iowa Finance Authority:

Report on Compliance for Each Major Federal Program

We have audited Iowa Finance Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2014. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Iowa Finance Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

KPMG

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

KPMG LLP

Des Moines, Iowa
October 24, 2014

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

(1) Summary of Auditors' Results

(a) The type of report issued on the financial statements: ***Unmodified opinion on the Housing Agency and State Revolving Funds and the total business-type activities***.

(b) Significant deficiencies in internal control over financial reporting were not reported.

(c) No material weaknesses in internal control over financial reporting were reported.

(d) Noncompliance, which is material to the financial statements: ***None***

(e) No significant deficiencies in internal control over major programs were reported.

(f) No material weaknesses in internal control over major programs were reported.

(g) The type of report issued on compliance for major programs: ***Unmodified***

(h) Audit finding that is required to be reported under Section 510(a) of OMB Circular A-133: ***Yes***

(i) Major programs:

	CFDA #
Home Investment Partnerships Program (HOME)	14.239
ARRA – Tax Credit Assistance Program	14.258

(j) Dollar threshold used to distinguish between Type A and Type B programs: ***$3,000,000***

(k) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: ***No***

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

None

(3) Findings and Questioned Costs Relating to Federal Awards

None