IOWA FINANCE AUTHORITY

(A Component Unit of the State of Iowa)

Basic Financial Statements and
Schedule of Expenditures of Federal Awards

June 30, 2015

(With Independent Auditors' Report Thereon)

IOWA FINANCE AUTHORITY

IowaFinanceAuthority.gov

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

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Message from David Jamison,
Executive Director

The Iowa Finance Authority (Authority) celebrated its 40th anniversary in 2015. Looking back, the Authority has invested billions of dollars in Iowa's economy and helped create more than 100,000 jobs for Iowans. Celebrating a milestone such as this is an opportunity to review our accomplishments and refresh our vision for the future. The Authority has surpassed every expectation had for it when it was established in 1975 with a new law, a $100,000 allocation and a handful of employees.

Today, the Authority is a separate and distinct instrumentality of the state, manages more than $2 billion in assets and administers nearly forty programs. The Authority's programs have increased the quality of life of countless Iowans and the ripple effects are felt across the state.

This anniversary allowed the Authority to reflect on its past accomplishments as well as look forward to all of the important work to be done in the areas of affordable homeownership and rental, addressing homelessness, assisting beginning farmers, improving water quality infrastructure and providing low-cost real estate title protection.

Fiscal Year 2015 (FY15) was heavily dedicated to strategic planning for the future and setting exciting goals for the years to come. The Authority implemented the innovative Entrepreneurial Operating System (EOS), to help us in improving operating efficiencies, refreshing our core focus statement, core values and short and long-term goals, as well as realigning staff to focus on priorities and allow IFA to improve processes and customer service to stakeholders.

We set a ten-year goal of having 100 percent name awareness by the year 2025. This goal is central to our mission as the more Iowans that are aware of the programs available to them, the more Iowans we will be able to assist. To accomplish this goal, we'll not only need to continue our track record of excellence in the administration of our current programs, but we'll be continuously looking for ways to innovate in order to improve the quality of life for more Iowans.

FY15 Accomplishments:

Homeownership

- The Authority invested more than $150 million to assist more than 1,500 Iowans in realizing their dream of homeownership through our affordable homeownership programs.
- More than 940 of these home buyers also utilized down payment assistance to make homeownership a reality.
- Supported Governor Branstad and Lt. Governor Reynolds Administration's Home Base Iowa effort to recruit military service members and veterans to live and work in Iowa. In FY15, 410 military service members or veterans received up to $5,000 in down payment and closing cost assistance to purchase a home through the Military Homeownership Assistance Program.
- The Take Credit! Program provided 395 first-time home buyers a federal income tax credit of up to $2,000 per year for the life of their mortgage. Funding for the program was made available by converting expiring tax-exempt bond volume cap.

Homelessness: The Authority awarded more than $3.3 million to agencies across the state to assist people to quickly regain stability in permanent housing after experiencing a housing crisis and/or homelessness. These funds also supported the costs of operations of homeless and domestic violence shelters. The state Shelter Assistance Fund Program offers bonus points for applicants that demonstrate exceptional services or priority assistance for veterans.

Housing Tax Credits: The Authority allocated more than $7.8 million in Federal Housing Tax Credits in calendar year 2015 which will create 523 safe and affordable units to benefit families.

HOME Program: 700 Iowa families were assisted with a total of $14 million in affordable rental, homebuyer or tenant-based assistance.

State Housing Trust Fund: More than 2,300 families were provided access to affordable housing through more than $7.6 million in funding. An additional $6.6 million in local funds were leveraged to complete these projects.

Project-Based Section 8: The Authority holds a Performance-Based Annual Contribution Contract with the U.S. Department of Housing and Urban Development to provide oversight of select project-based Section 8 properties in Iowa. The Section 8 Contract currently covers 214 properties providing affordable housing to approximately 12,000 low-income Iowa households in 71 counties throughout the state.

State Revolving Fund (SRF): The SRF reached a major milestone during FY15, surpassing the $2.5 billion mark in assistance provided to Iowa communities. A total of $218 million was committed in loans executed during FY15, doubling the amount committed during the previous fiscal year.
The total included:

- **$70 million** to design and construct wastewater treatment upgrades, sewer rehabilitation, combined sewer overflow correction, and new collector and interceptor sewers.
- **$106 million** to design and construction water treatment, storage, and water supply projects.
- **$42 million** for nonpoint source projects to prevent soil erosion, manage manure, replace inadequate septic systems, improve storm water quality, and conserve land for water quality and habitat protection.

Iowa Agricultural Development Division : More than 400 beginning farmers received assistance beginning their farming operations through a total of more than $13 million in low-interest loans and tax credits offered by the Iowa Agricultural Development Division in FY15.

Iowa Title Guaranty (ITG): ITG issued residential and commercial title certificates covering more than $10.4 billion worth of Iowa real estate in FY15 and provided over $1 million to support affordable housing within Iowa.

Financial Strength: The Iowa Finance Authority maintained an AA rating from Standard & Poor's Rating Agency and an Aa3 from Moody's.

Helping Iowans has been at the core of the Iowa Finance Authority's mission for forty years and we look forward to the tremendous opportunity to serve many more Iowans in the coming years.

Sincerely,

David Jamison

David Jamison
Executive Director

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)
Management's Discussion and Analysis
(Unaudited)
June 30, 2015

This section of the Iowa Finance Authority's (the Authority) annual financial report presents management's discussion and analysis of the financial position and results of operations at and for the fiscal year ended June 30, 2015. This information is being presented to provide additional information regarding the activities of the Authority and to meet the disclosure requirement of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* This discussion should be read in conjunction with the financial statements and accompanying notes.

The Authority was created in 1975 by the Iowa legislature through the enactment of Chapter 16 of the Code of Iowa (the Act), and constitutes a public instrumentality and agency of the State of Iowa (the State). The Authority was established to undertake programs, which assist low- and moderate-income families attain adequate housing, and to undertake various finance activities. Subsequent amendments to the Act expanded the Authority's responsibilities to include the administration of numerous housing, water quality, agricultural, and economic development programs. The Authority's mission is to enhance the quality of life for Iowans by making affordable financing possible for home and community.

The Authority raises funds through the public and private sale of bonds, which are not obligations of the State. The proceeds are loaned to eligible borrowers through private lending institutions across the state or directly to municipalities to fund water quality infrastructure. As a self-sustaining entity, the Authority's operating revenues come from loan and investment income, program administration fees, loan servicing, and gains on sales of loans. The Authority is a self-supporting entity and receives no tax appropriations for its operations.

Authority Credit and 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, 2015. 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 rating of its general obligation.

Overview of the Financial Statements

This annual financial report consists of three parts: the independent auditor's report, management's discussion and analysis (this section), and the basic financial statements. The basic financial statements consist of Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and the accompanying notes to the Financial Statements. The Authority follows enterprise fund accounting. Accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

The Statement of Net Position includes all of the Authority's assets and liabilities, presented in order of liquidity, as well as deferred outflows and deferred inflows. The organization of the statement separates assets and liabilities into current and non-current components. The resulting Net Position is displayed as either restricted or unrestricted.

Net Position is restricted when assets are subject to external limits such as bond indentures, legal agreements, federal and state statutes, or pledged in connection with the general obligation of the Authority.

The Statement of Revenues, Expenses, and Changes in Net Position accounts for the Authority's current year revenues and expenses. This statement measures the activities of the Authority's operations over the past year and presents the resulting change in net position. It is organized by separating operating revenues and expenses from non-operating revenue and expenses.

The Statement of Cash Flows primarily provides information about the net change in the Authority's cash and cash equivalents for the fiscal year. It provides information about the Authority's cash receipts, cash payments, and net changes in cash resulting from operating, noncapital financing, investing, and capital financing activities. The statement provides information regarding the sources and uses of cash and the change in the cash balance during the reporting period.

These statements are accompanied by a complete set of Notes to the Financial Statements that provide additional information that is essential for a fair presentation of the basic financial statements.

During 2015, the Authority implemented GASB No. 68, *Accounting and Financial Reporting for Pensions,* ("GASB No. 68"), which is effective and applicable for the Authority's fiscal year 2015. GASB No. 68 revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits, including additional note disclosures and required supplementary information. GASB No. 68 requires recognition of a net pension liability and changes in the net pension liability, deferred outflows of resources, and deferred inflows of resources, which arise from other types of events related to pensions. During the transition year beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability.

The basic financial statements are presented on an Authority-wide basis and by the two major funds, the Housing Agency Fund and the State Revolving Fund (SRF). Authority-wide financial statements are provided to display a comprehensive view of all Iowa Finance Authority funds. All of the assets in these funds are substantially restricted as to use by the Authority and are available only in accordance with the applicable bond resolutions, federal and Iowa laws, and other outstanding agreements.

Discussion of Individual Funds

The Housing Agency Fund includes the Authority's programs that assist in providing affordable financing for single family and multifamily housing, agricultural development for beginning farmers, and real estate title protection. These programs are funded through various ways: issuance of tax-exempt bonds, state and federal funds, tax credits, and fee income. Additionally, the General Operating Account, where program fee receipts are collected and from which Authority operations are paid, is also included within the Housing Agency Fund. See Combining Schedules of Net Position (Schedule 1) and Revenues, Expenses, and Changes in Net Position (Schedule 2).

Single Family

Single family homeownership programs include the FirstHome and Homes for Iowans Programs, which offer eligible first time and repeat home buyers affordable fixed rate mortgages. The Plus Programs offer these same home buyers a grant up to $2,500 to help with down payment and closing costs. The Take Credit Program provides eligible first time home buyers with a Mortgage Credit Certificate (MCC) that may reduce the home buyers federal tax liability up to $2,000 every year for the life of the mortgage. These loan programs are funded through the issuance of bonds under the 1991 Single Family Mortgage Bond Resolution, 2009 Single Family Mortgage Revenue Bond Resolution or through the sale of mortgage backed securities (MBS) in the secondary market.

Multifamily

The Authority seeks to preserve the existing supply of affordable rental units at risk of being lost and to foster the production of new affordable units through its multifamily loan program. These projects are funded through the issuance of bonds under the Multifamily Housing Bond Resolution or equity within this Resolution.

Federal and State Programs

The Authority receives both state and federal resources that support affordable housing (both single and multifamily) and address homelessness. Financial activity within Federal and State Programs is primarily grant income and expenses as the Authority mainly passes these grants to recipients within Iowa. These moneys are restricted for uses in accordance with applicable legislation or grant agreements.

Some state programs include Home and Community Based Revolving Loan Programs that provide facilities for seniors, populations who have disabilities, and those who need health, nutrition, or respite services. The State Housing Trust Fund provides grants to advance and preserve affordable single family and multifamily housing throughout the state. The Shelter Assistance Fund (SAF) Program supports costs of operations of shelters for the homeless and domestic violence shelters, essential services for homeless, and evaluation and reporting services for the homeless. In addition, the Authority also administers the Military Homeownership Assistance Program which provides eligible service members and veterans with a $5,000 grant for down payment and closing costs when purchasing a home.

Some federal programs the Authority administers include the HOME Investment Partnerships Program (HOME), the Housing Opportunities for Persons with AIDS (HOPWA) Program and the Emergency Solutions Grant (ESG) Program, which are all funded by the U.S. Department of Housing and Urban Development (HUD). The HOME program provides no interest loans to developers to create or rehabilitate affordable rental housing. HOME also provides grants to governmental entities and non-profit organizations to assist low-income households in purchasing a home or providing rental assistance. The HOPWA Program provides housing assistance and supportive services for low-income persons with HIV/AIDS and their families. The ESG Program provides grants to agencies that assist people to quickly regain stability in permanent housing after experiencing a housing crisis and/or homelessness.

Agricultural Development Division

The Iowa Agricultural Development Division (IADD) within the Authority administers programs to encourage new beginning farmers. The Beginning Farmer Loan Program and Loan Participation Program help Iowa farmers purchase agricultural land, depreciable machinery or equipment, breeding livestock, or buildings. The Beginning Farmer Tax Credit Program allows agricultural asset owners to earn a tax credit for leasing their land to beginning farmers. The Custom Hire Tax Credit Program offers a tax credit to anyone hiring a beginning farmer to do agricultural contract work for the production of crops or livestock in Iowa. As a division of the Iowa Finance Authority, the IADD is totally self-supporting.

Iowa Title Guaranty

Iowa Title Guaranty (ITG) a division of the Iowa Finance Authority, supplements the abstract-attorney's title opinion system by providing a low-cost mechanism for guaranties of real property titles facilitating mortgage lenders' participation in the secondary market and adds to the integrity of Iowa's land-title transfer system. As a division of the Iowa Finance Authority, ITG is totally self-supporting.

General Operating Account

The General Operating Account is where program fee receipts are collected and from which Authority operations are paid. The Authority receives fee income from administering programs such as the Low Income Housing Tax Credit (LIHTC), Project-Based Section 8, HOME, and various homeless assistance programs. Furthermore, the General Operating Account receives fees from the Economic Development Bond Program, which issues tax-exempt bonds on behalf of private entities of organizations for eligible purposes.

The State Revolving Fund (SRF) is a federal program jointly administered with the Department of Natural Resources (DNR) to provide low-cost financing to Iowa communities and municipalities for the design and construction of water and wastewater infrastructure projects. The SRF consists of grants from the United States Environmental Protection Agency (EPA), tax-exempt bond proceeds, and repayments of loan principal and interest.

The Clean Water SRF funds wastewater treatment, sewer rehabilitation, and storm water quality improvements, as well as non-point source projects. The Drinking Water SRF funds water treatment plants or improvements to existing facilities, water line extensions to existing properties, water storage facilities, wells, and source water protection efforts. The financing for these projects comes in the form of different types of loans depending on the community's need: construction, planning and design, and source water protection, Low-interest loans are also available to public and private borrowers to address storm water management, septic systems, landfill closure, soil erosion, and manure management, for example.

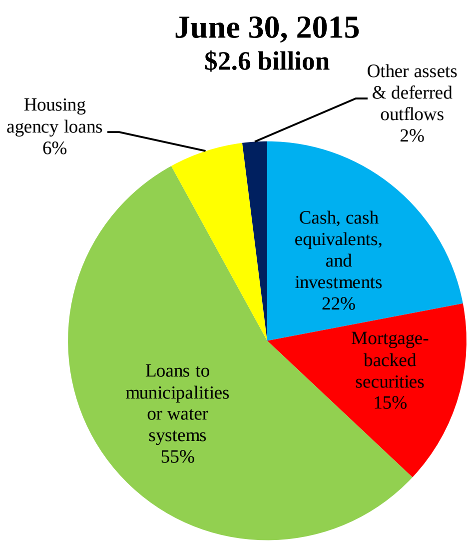
More information regarding these programs is provided in the Notes to Financial Statements.

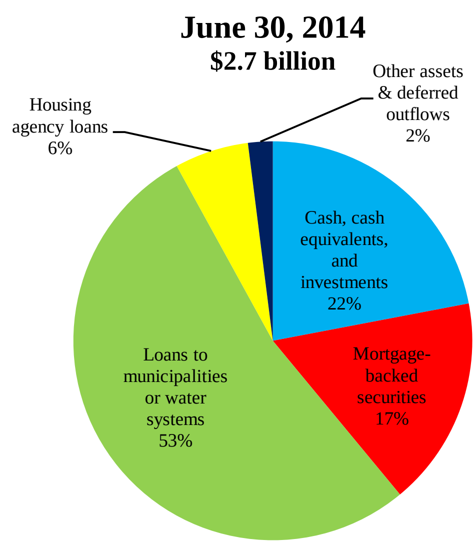
IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)
Management’s Discussion and Analysis
(Unaudited)
June 30, 2015

Condensed Financial Information

The following charts and tables present condensed financial information for fiscal year 2015 and fiscal year 2014.

Iowa Finance Authority Total Assets and Deferred Outflows as of:





Iowa Finance Authority
Net Position
(Dollars in thousands)

		2015	2014
Assets:			
Cash, cash equivalents, and investments	$	562,826	594,850
Mortgage-backed securities		400,887	464,419
Loans to municipalities or water systems		1,422,797	1,395,279
Housing agency loans		146,581	145,557
Other assets		18,780	46,143
Total assets		2,551,871	2,646,248
Deferred outflows		30,675	8,668
Total assets and deferred outflows		2,582,546	2,654,916
Liabilities:			
Bonds payable, net		1,362,920	1,430,358
Other liabilities		65,917	94,777
Total liabilities		1,428,837	1,525,135
Deferred inflows		1,692	—
Total liabilities and deferred inflows		1,430,529	1,525,135
Net position:			
Net investment in capital assets		2,816	3,016
Restricted net position		1,144,052	1,113,797
Unrestricted net position		5,149	12,968
Total net position	$	1,152,017	1,129,781

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)
Management's Discussion and Analysis
(Unaudited)
June 30, 2015

Iowa Finance Authority
Revenues, Expenses, and Changes in Net Position
(Dollars in thousands)

		2015	2014
Operating revenues:			
Interest income	$	64,543	67,527
Gain on sale of mortgage-backed securities		4,746	3,408
Net (decrease) increase in fair value of investments and mortgage-backed securities		(3,941)	(1,148)
Fee income		14,448	16,872
Other income (loss)		253	1,714
Total operating revenues		80,049	88,373
Operating expenses:			
Interest on bonds		46,204	51,865
Loss on swap novation		—	5,875
General and administrative		24,197	25,202
Provision (recoveries) for losses		(4,323)	303
Total operating expenses		66,078	83,245
Net operating income		13,971	5,128
Non-operating revenue (expense):			
Grant income		53,739	64,648
Grants and aid		(40,053)	(40,861)
Net non-operating revenue (expense)		13,686	23,787
Change in net position		27,657	28,915
Net position at beginning of year, as previously reported		1,129,781	1,094,935
Agriculture Development Division merger		—	5,931
Adoption of GASB 68		(5,421)	—
Net position at beginning of year, as restated		1,124,360	1,100,866
Net position at end of year	$	1,152,017	1,129,781

Financial Analysis – Total Iowa Finance Authority 2015 (dollars in thousands)

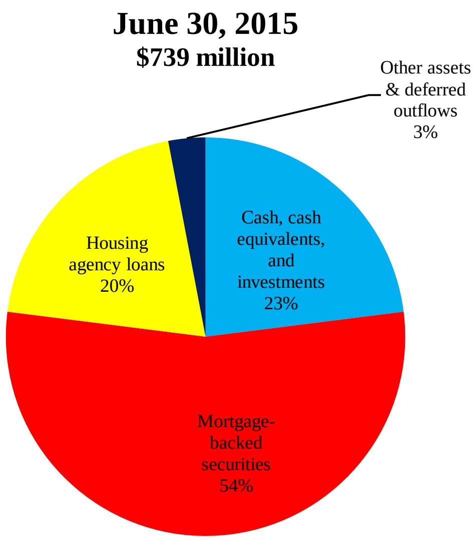
- The Authority's assets and deferred outflows declined 2.7% or $72,370 to $2,582,546 in FY15 compared to $2,654,916 in FY14 due primarily to a decline in mortgage-backed securities (MBS) by 13.7%, or $63,532. Cash, cash equivalents, and investments also declined 5.4%, or $32,024 due to their use in debt reduction. Loans to municipalities or water systems (SRF loans) increased 2.0%, or $27,518.
- The Authority's liabilities and deferred inflows declined 6.2% or $94,606 to $1,430,529 in FY15 compared to $1,525,135 in FY14 due to large refunding and defeasance transactions. Bonds payable declined 4.7%, or $67,438.

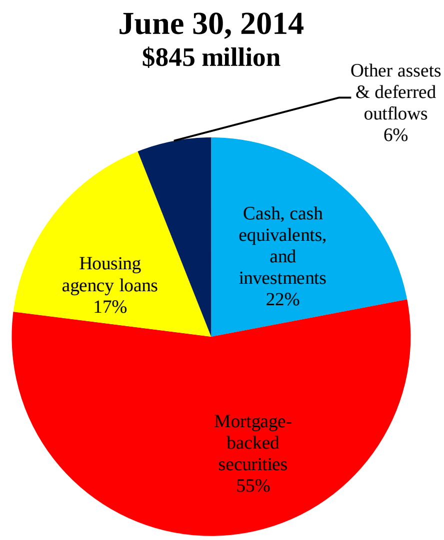
In 2015, the Authority issued one single-family bond series totaling $11,895 to refund existing higher cost debt and one SRF bond series with a face value of $321,530, which sold at a premium for total proceeds of $381,050 to purchase SRF loans and to defease prior bonds. The Authority made bond payments of $438,622.

Series	Date		Amount (In thousands)	Rating
SF 2014 B-2	12/30/14	$	11,895	AA+ by Standard & Poor's; Aaa by Moody's
SRF 2015	02/25/15	$	321,530	AAA by Standard & Poor's; Aaa by Moody's; AAA by Fitch Ratings
Total		$	333,425	

- Interest income declined 4.4% to $64,543 due to prepayments in the Authority's MBS portfolio.
- Gain on sale of mortgage-backed securities increased 39.3% to $4,746 due to higher margins on the sales.
- The fair value of investments and MBS declined $2,793 due to the reduction of the MBS portfolio.
- Fee income declined 14.4% to $14,448 primarily due to fewer residential refinancing transactions in the Iowa Title Guaranty Division.
- Interest on bonds declined 10.9% to $46,204 due to the reduction in outstanding bonds.
- General and administrative expenses declined 4.0% to $24,197 due to lower marketing, professional services, and SRF program expenses.
- The Authority reduced ITG claim reserves resulting in a reduction (recovery) of Provision for losses of $4,323 in FY15.
- Grant income declined 16.9% to $53,739 due to a delay in the availability of SRF capitalization grants.
- As a result, the Authority's net position increased 2.0% or $22,236 to $1,152,017 in FY15 compared to $1,129,781 in FY14 despite the implementation of GASB 68, which reduced net position by $5,421.

Housing Agency Fund Total Assets and Deferred Outflows as of:





Housing Agency Fund
Net Position
(Dollars in thousands)

		2015	2014
Assets:			
Cash, cash equivalents, and investments	$	172,377	187,407
Mortgage-backed securities		400,887	464,419
Loans to municipalities or water systems		—	—
Housing agency loans		146,581	145,557
Other assets		14,828	41,726
Total assets		734,673	839,109
Deferred outflows		3,915	5,501
Total assets and deferred outflows		738,588	844,610
Liabilities:			
Bonds payable, net		360,159	446,710
Other liabilities		49,531	76,894
Total liabilities		409,690	523,604
Deferred inflows		1,537	—
Total liabilities and deferred inflows		411,227	523,604
Net position:			
Net investment in capital assets		2,791	2,946
Restricted net position		319,421	305,092
Unrestricted net position		5,149	12,968
Total net position	$	327,361	321,006

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

Management's Discussion and Analysis

(Unaudited)

June 30, 2015

Housing Agency Fund
Revenues, Expenses, and Changes in Net Position
(Dollars in thousands)

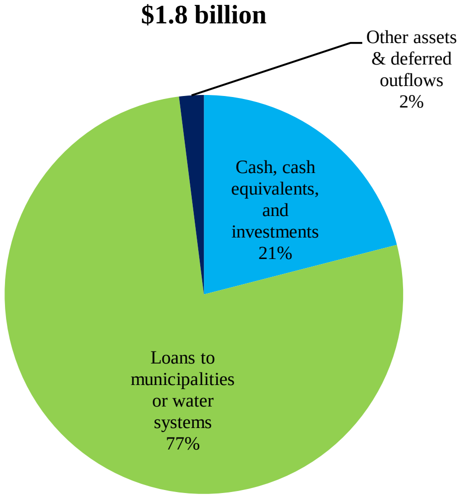
		2015	2014
Operating revenues:			
Interest income	$	26,214	29,654
Gain on sale of mortgage-backed securities		4,746	3,408
Net (decrease) increase in fair value of investments and mortgage-backed securities		(4,026)	(1,505)
Fee income		10,193	12,956
Other income (loss)		253	1,714
Total operating revenues		37,380	46,227
Operating expenses:			
Interest on bonds		13,105	17,240
Loss on swap novation		—	5,875
General and administrative		15,170	15,992
Provision (recoveries) for losses		(4,318)	328
Total operating expenses		23,957	39,435
Net operating income		13,423	6,792
Non-operating revenue (expense):			
Grant income		31,846	32,973
Grants and aid		(33,896)	(35,199)
Net non-operating revenue (expense)		(2,050)	(2,226)
Change in net position		11,373	4,566
Net position at beginning of year, as previously reported		321,006	310,509
Agriculture Development Division merger		—	5,931
Adoption of GASB 68		(5,018)	—
Net position at beginning of year, as restated		315,988	316,440
Net position at end of year	$	327,361	321,006

Financial Analysis – Housing Agency Fund (dollars in thousands)

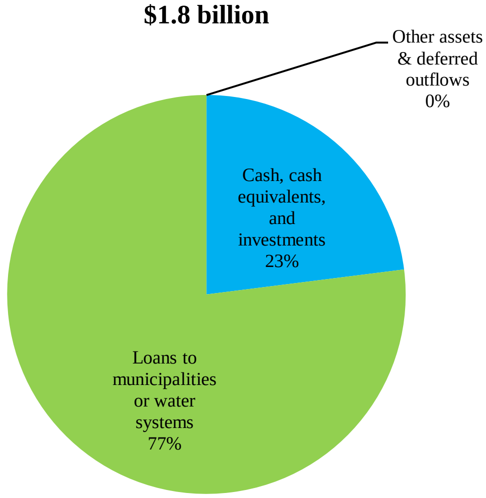
- Assets and deferred outflows declined 12.6% or $106,022 to $738,588 in FY15 compared to $844,610 in FY14 due primarily to a decline in (MBS) by 13.7%, or $63,532 and a reduction of cash, cash equivalents, and investments by 8.0%, or $15,030 used to pay down debt. MBS declined due to prepayments in existing MBS and the sale of new MBS production in the secondary market.
- Liabilities and deferred inflows declined 21.5% or $112,377 to $411,227 in FY15 compared to $523,604 in FY14 due primarily to debt reduction with Bonds payable declining by 19.4%, or $86,551.
- The HAF issued one single-family mortgage bond series totaling $11,895 to refund prior, higher cost debt.
- Interest income declined 11.6% to $26,214 due to prepayments in the MBS portfolio.
- Gain on sale of mortgage-backed securities increased 39.3% to $4,746 due to higher margins on the sales.
- The fair value of investments and MBS declined $2,521 due to the reduction of the MBS portfolio.
- Fee income declined 21.3% to $10,193 due to fewer residential refinancing transactions in the Iowa Title Guaranty Division and lower service acquisition fees from our single-family program due to a change in the fee structure with the Authority's master servicer.
- Other income decreased by $1,461 to $253 primarily due to the change in fair value of investment derivatives.
- Interest on bonds declined 24.0% to $13,105 due to the reduction in bonds payable primarily driven by the pay downs of the MBS.
- General and administrative expenses declined 5.1% to $15,170 due to lower marketing and professional service expenses.
- ITG reduced claim reserves resulting in a reduction (recovery) of provision for losses of $4,318 in FY15.
- Grant income declined 3.4% to $31,846 due to funding reductions in federal and state programs.
- Grants and aid expense declined 3.7% to $33,896, a direct result of the decreased funding mentioned above.
- As a result, net position increased 2.0% or $6,355 to $327,361 in FY15 compared to $321,006 in FY14 despite the implementation of GASB 68, which reduced net position by $5,018.

- **State Revolving Fund Assets and Deferred Outflows as of:**

June 30, 2015
$1.8 billion



June 30, 2014
$1.8 billion



State Revolving Fund
Net Position
(Dollars in thousands)

		2015	2014
Assets:			
Cash, cash equivalents, and investments	$	390,449	407,443
Mortgage-backed securities		—	—
Loans to municipalities or water systems		1,422,797	1,395,279
Housing agency loans		—	—
Other assets		3,952	4,417
Total assets		1,817,198	1,807,139
Deferred outflows		26,760	3,167
Total assets and deferred outflows		1,843,958	1,810,306
Liabilities:			
Bonds payable, net		1,002,761	983,648
Other liabilities		16,386	17,883
Total liabilities		1,019,147	1,001,531
Deferred inflows		155	—
Total liabilities and deferred inflows		1,019,302	1,001,531
Net position:			
Net investment in capital assets		25	70
Restricted net position		824,631	808,705
Unrestricted net position		—	—
Total net position	$	824,656	808,775

State Revolving Fund
Revenues, Expenses, and Changes in Net Position
(Dollars in thousands)

		2015	2014
Operating revenues:			
Interest income	$	38,329	37,873
Net (decrease) increase in fair value of investments and mortgage-backed securities		85	357
Fee income		4,255	3,916
Other income (loss)		—	—
Total operating revenues		42,669	42,146
Operating expenses:			
Interest on bonds		33,099	34,625
Loss on swap novation		—	—
General and administrative		9,027	9,210
Provision (recoveries) for losses		(5)	(25)
Total operating expenses		42,121	43,810
Net operating income		548	(1,664)
Non-operating revenue (expense):			
Grant income		21,893	31,675
Grants and aid		(6,157)	(5,662)
Net non-operating revenue (expense)		15,736	26,013
Change in net position		16,284	24,349
Net position at beginning of year, as previously reported		808,775	784,426
Agriculture Development Division merger			
Adoption of GASB 68		(403)	—
Net position at beginning of year, as restated		808,372	784,426
Net position at end of year	$	824,656	808,775

Financial Analysis – State Revolving Fund (dollars in thousands)

- Assets and deferred outflows increased 1.9% or $33,652 to $1,843,958 in FY15 compared to $1,810,306 in FY14 due to an increase in loans to municipalities or water systems of $27,518 and an increase in deferred outflows of $23,541 from a loss on bond refunding.
- Liabilities and deferred inflows increased 1.8% or $17,771 to $1,019,302 in FY15 compared to $1,001,531 in FY14 due to the issuance of bonds.
- The SRF issued one revenue bond series with a face value of $321,530, which sold at a premium for total proceeds of $381,050 to purchase loans to municipalities and water systems and to refund prior, higher cost bonds.
- Interest income increased 1.2% to $38,329 due to higher loan balances.
- Fee income increased 8.7% to $4,255 also due to the higher loan balances.
- Interest on bonds declined 4.4% to $33,099 due to the refunding savings.
- General and administrative expenses declined 2.0% to $9,027 due to lower DNR set-aside expenses.
- Grant income declined 30.9% to $21,893 due to the delay of availability of capitalization grants from the Environmental Protection Agency.
- Grants and aid expense increased 8.7% to $6,157, due to the disbursement of SRF loans with large forgivable portions during the year.
- As a result, net position increased 2.0% or $15,881 to $824,656 in FY15 compared to $808,775 in FY14 despite the implementation of GASB 68, which reduced net position by $403.

KPMG LLP
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666 Grand Avenue
Des Moines, IA 50309

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 year ended June 30, 2015, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2015, and the respective changes in financial position, and cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 1(s) to the basic financial statements, in 2015, the Authority adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) No. 68, *Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27*, and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are 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 3 through 18, Schedule of Authority's Proportionate Share of the Net Pension Liability, Schedule of Authority Contributions, and Notes to Required Supplementary Information – Pension Liability on pages 54 to 57 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 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 Schedules, on pages 58 to 59, and Schedule of Expenditures of Federal Awards, on page 60, 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 Schedules on pages 58 and 59 and Schedule of Expenditures of Federal Awards on page 60 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 schedules 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 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 Executive Director Letter on pages 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Executive Director Letter has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2015 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
November 18, 2015

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

Statement of Net Position

June 30, 2015

(Dollars in thousands)

Assets		Housing Agency Fund	State Revolving Fund	Total
Current assets (substantially restricted):				
Cash and cash equivalents	$	150,672	262,326	412,998
Investments in mortgage-backed securities		9,128	—	9,128
Other investments		2,467	85,662	88,129
Loans to municipalities or water systems, net		—	75,769	75,769
Housing Agency loans, net		6,381	—	6,381
Accrued interest receivable		2,485	3,456	5,941
Other current assets		1,222	471	1,693
Total current assets		172,355	427,684	600,039
Noncurrent assets (substantially restricted):				
Investments in mortgage-backed securities		391,759	—	391,759
Other investments		19,238	42,461	61,699
Loans to municipalities or water systems, net		—	1,347,028	1,347,028
Housing Agency loans, net		140,200	—	140,200
Capital assets, net of accumulated depreciation		2,791	25	2,816
Other noncurrent assets		8,330	—	8,330
Total noncurrent assets		562,318	1,389,514	1,951,832
Total assets		734,673	1,817,198	2,551,871
Deferred Outflows of Resources				
Pension plan		810	57	867
Accumulated decrease in fair value of hedging derivatives		3,105	—	3,105
Loss on bond refunding		—	26,703	26,703
Total deferred outflows of resources		3,915	26,760	30,675
Liabilities				
Current liabilities:				
Bonds payable, net		8,441	48,055	56,496
Accrued interest payable		4,376	15,258	19,634
Escrow deposits		8,831	—	8,831
Accounts payable and other liabilities		21,947	859	22,806
Total current liabilities		43,595	64,172	107,767
Noncurrent liabilities:				
Bonds payable, net		351,718	954,706	1,306,424
Reserves for claims		767	—	767
Other liabilities		13,610	269	13,879
Total noncurrent liabilities		366,095	954,975	1,321,070
Total liabilities		409,690	1,019,147	1,428,837
Deferred Inflows of Resources				
Pension plan		1,537	155	1,692
Net Position				
Net investment in capital assets		2,791	25	2,816
Restricted net position:				
Per bond resolutions		232,173	679,008	911,181
Per legislation		81,784	—	81,784
Per other agreements		5,464	145,623	151,087
Total restricted net position		319,421	824,631	1,144,052
Unrestricted net position		5,149	—	5,149
Total net position	$	327,361	824,656	1,152,017

See accompanying notes to basic 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, 2015

(Dollars in thousands)

		Housing Agency Fund	State Revolving Fund	Total
Operating revenues:				
Interest on mortgage-backed securities	$	18,474	—	18,474
Interest on loans		3,588	37,001	40,589
Interest on other investments		4,152	1,328	5,480
Gain on the sale of mortgage-backed securities		4,746	—	4,746
Net (decrease) increase in fair value of investments and mortgage-backed securities		(4,026)	85	(3,941)
Fee income		10,193	4,255	14,448
Other income		253	—	253
Total operating revenues		37,380	42,669	80,049
Operating expenses:				
Interest on bonds		13,105	33,099	46,204
General and administrative		15,170	9,027	24,197
Provision (recoveries) of losses		(4,318)	(5)	(4,323)
Total operating expenses		23,957	42,121	66,078
Net operating income		13,423	548	13,971
Non-operating revenue (expense):				
Grant income		31,846	21,893	53,739
Grants and aid		(33,896)	(6,157)	(40,053)
Net non-operating revenue (expense)		(2,050)	15,736	13,686
Change in net position		11,373	16,284	27,657
Net position at June 30, 2014, as restated (note (1)(s))		315,988	808,372	1,124,360
Net position at June 30, 2015	$	327,361	824,656	1,152,017

See accompanying notes to basic financial statements.

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

Statement of Cash Flows

Year ended June 30, 2015

(Dollars in thousands)

	Housing Agency Fund	State Revolving Fund	Totals
Cash flows from operating activities:			
Cash receipts for fees and other income	$ 9,848	4,238	14,086
Interest received on loans and mortgage-backed securities	22,299	37,184	59,483
Gain on sale of mortgage-backed securities	4,746	—	4,746
Principal payments on loans and mortgage-backed securities	93,458	80,342	173,800
Purchase of loans and mortgage-backed securities	(171,093)	(107,519)	(278,612)
Sale of mortgage-backed securities	132,743	—	132,743
Cash payments for salaries and related benefits	(7,694)	(512)	(8,206)
Cash payments to suppliers	(386)	(9,191)	(9,577)
Net cash provided by (used by) operating activities	83,921	4,542	88,463
Cash flows from noncapital financing activities			
Proceeds from issuance of bonds	11,895	381,050	392,945
Repayment of bonds	(97,937)	(340,685)	(438,622)
Interest paid	(15,068)	(77,743)	(92,811)
Payments for cost of issuance	(50)	(1,548)	(1,598)
Receipts for grant programs	32,158	22,133	54,291
Payments for grant programs	(32,737)	(6,157)	(38,894)
Net cash provided by (used in) noncapital financing activities	(101,739)	(22,950)	(124,689)
Cash flows from investing activities:			
Purchases of investments	(17,606)	(147,441)	(165,047)
Interest received on investments	3,061	1,328	4,389
Sales/maturities of investments	16,980	130,286	147,266
Net cash provided by (used in) investing activities	2,435	(15,827)	(13,392)
Cash flows from capital financing activities:			
Purchase of capital assets	(147)	—	(147)
Increase (decrease) in cash and cash equivalents	(15,530)	(34,235)	(49,765)
Cash and cash equivalents, beginning of year	166,202	296,561	462,763
Cash and cash equivalents, end of year	$ 150,672	262,326	412,998
Reconciliation of net operating income/change in net position to net cash provided by (used in) operating activities:			
Operating income	$ 13,423	548	13,971
Interest income on investments and bank deposits	(4,152)	(1,328)	(5,480)
Interest expense on bonds	13,055	31,551	44,606
Payments for cost of issuance	50	1,548	1,598
Net increase (decrease) in fair value of investments and mortgage-backed securities	4,026	(85)	3,941
Provision (recoveries) for loan losses	3,499	(340)	3,159
Change in fair value of investment derivatives	(282)	—	(282)
Depreciation of capital assets	304	44	348
Principal payments on loans and mortgaged backed securities	93,458	80,342	173,800
Sales of mortgage-backed securities	132,743	—	132,743
Purchases of loans and mortgage-backed securities	(171,093)	(107,519)	(278,612)
(Increase) decrease in interest receivable on loans and mortgage-backed securities	236	183	419
(Increase) decrease in other assets and deferred outflows	1,786	(62)	1,724
Increase (decrease) in accounts payable, other liabilities, and deferred inflows	(2,832)	(340)	(3,172)
Increase (decrease) in unearned income	(300)	—	(300)
Net cash provided by (used in) operating activities	$ 83,921	4,542	88,463

See accompanying notes to basic 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 Economic Development Loan Program. The Authority is authorized and has issued revenue bonds under this program, the proceeds of which have been used to provide limited types of financing for qualified manufacturing facilities, nonprofit entities, and multifamily housing projects. The bonds have been assigned, without recourse, to participating financial institutions or to the trustee on behalf of bondholders. Neither the Authority nor the State is obligated to pay debt service on such bonds. Therefore, the loans and bonds are not recorded in the Authority's financial statements. For the year ended June 30, 2015, the Authority issued $114.1 million of these conduit obligations, $9.9 billion since the inception of the program.

The Iowa Legislature created Iowa Title Guaranty as a Division of the Iowa Finance Authority in 1986. Iowa Title Guaranty (ITG) is authorized by Chapter 16 of the Code of Iowa. The purposes of ITG 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 of Iowa. A title guaranty certificate is an obligation of ITG, and claims are payable solely out of the assets and revenues of the Iowa Title Guaranty Program. The title guarantees do not constitute a debt of the State of Iowa, and consequently, the State is not liable for any repayments. The State, and not Iowa Finance Authority or ITG, is liable for any claims arising as the result of releasing a mortgage in error.

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

 (Continued)

Chapter 455B and Chapter 16 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 State revolving Fund (CWSRF) Program) and the Iowa Drinking Water Facilities Financing Program (the Drinking Water State Revolving Fund (DWSRF) Program). These programs were created to implement provisions of federal legislation. The U.S. Environmental Protection Agency (EPA) makes annual capitalization grants to states for these programs. 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 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.

The Iowa Agriculture Development Authority (IADA) became a division of the Authority effective July 1, 2013. It is now called the Iowa Agricultural Development Division (IADD). The Authority received all assets, liabilities, and net position of the IADA. Chapter 16 of the Code of Iowa authorizes the Authority to issue bonds for the purpose of financing loans to beginning farmers. These obligations do not constitute a general obligation of the Authority or the State. Therefore, the bonds are not recorded in the Authority's financial statements. For the year ended June 30, 2015, the IADD issued $10.0 million of these conduit obligations, and $522.0 million since the inception of the program.

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 in accordance with the Governmental Accounting Standards Board (GASB). 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 bonds issued under the Single Family Mortgage Bond Resolution and the Single Family Mortgage Revenue Bond Resolution, the debt service requirements of the bonds, the investment of moneys held within the bond accounts, the related loans, and mortgage-backed securities. The bonds within the Single Family Mortgage Bond Resolution are general obligations of the Authority, but are primarily payable from assets and revenues pledged under the bond resolution. The bonds within the Single Family Mortgage Revenue Bond Resolution are not a general obligation of the Authority but are limited obligations payable solely from the sources provided in this Resolution.

c. Multifamily Bond Program – accounts for the proceeds from bonds issued under the Multifamily Housing Bonds Master Trust Indenture, the debt service requirements of the bonds, the investment of moneys held within the bond accounts, and the related loans. The bonds within the Multifamily Housing Bonds Master Trust Indenture are general obligations of the Authority, but are primarily payable from assets and revenues pledged under the bond resolutions.

d. Federal and State Program – accounts for federal grants or State appropriations received and moneys transferred from ITG, all specifically restricted or committed for uses in accordance with applicable legislation or grant agreements.

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

f. Iowa Title Guaranty Division – accounts for the fees charged for title guaranty certificates, endorsement, and closing protection letters and the administrative costs and claims paid by ITG. Moneys in this account, after providing for adequate reserves and operating expenses, are transferred to the Housing Assistance Program.

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.

(Continued)

(d) ***Substantially Restricted Assets***

Virtually all assets of the Authority are either specifically pledged to bondholders, held on the behalf of various federal and state programs, held in escrow accounts, or pledged in connection with the general obligation of the Authority.

(e) ***Cash Equivalents***

For purposes of the statements of cash flows, all highly liquid investments with original maturity of three months or less from the date of purchase 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. In addition, certain nonparticipating guaranteed investment contracts are considered to be cash equivalents give the fact they are highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

(f) ***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 statement of net position, with the change in the fair value recorded in the statement of revenues, expenses, and changes in net position. Guaranteed investment contracts are nonparticipating and, therefore, recorded at carrying value.

(g) ***Loans to Municipalities or Water Systems, Net***

Loans to municipalities or water systems are recorded at their unpaid principal balance, net of allowance for loan losses, within the State Revolving fund. The loans generally have terms of 20 to 30 years and are intended to be held to maturity. The loans are pledged as collateral for the bonds outstanding. Each municipality or water system has entered into a loan agreement with the Authority and has evidenced its commitment to repay the loan by issuing a revenue obligation or a general obligation to the Authority.

(h) ***Housing Agency Loans, Net***

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.

Other Housing Agency 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 Loan Losses***

An evaluation of possible credit losses related to housing loans made with federal funds is made and a provision for losses is charged to grant expense. An allowance for losses of $79.4 million was netted against housing loans made with federal funds at June 30, 2015.

An evaluation of possible credit losses relating to other Housing Agency loans is made and a provision for losses is charged to provision (recoveries) of loan losses. An allowance for losses of $22.5 million was netted against other Housing Agency loans at June 30, 2015.

An evaluation of possible credit losses relating to loans to municipalities or water systems is made and a provision for losses is charged to provision (recoveries) of loan losses or grant expense. An allowance for losses of $10.7 million was netted against loans to municipalities or water systems at June 30, 2015.

Interest accrues on loans and is charged to interest income until a loan becomes more than three months delinquent at which time accrued interest is reversed. Subsequent interest income is not recognized on the loan until collected or until the loan is 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 as an expense in the period incurred.

(l) ***Bond Premiums, Discounts, and Loss on Bond Refunding***

Bond premiums and discounts are 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 recorded as deferred outflows of resources and 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) ***Escrow Deposits***

In connection with housing agency loans the Authority collects, from certain borrowers, funds sufficient to pay property insurance, real estate taxes, and reserves. In addition, ITG serves as escrow agent in connection with commercial real estate transactions.

(n) ***Reserves for Claims***

ITG's liability for estimated title losses comprises both losses and settlement expenses related to known claims and an estimate for claims that may be reported in the future. The estimate of claims that may be reported in the future is often referred to as incurred but not reported claims. The loss reserves represent the aggregate future payments that are expected to be incurred on claim losses and for costs to settle both known claims and incurred but not reported claims. The amounts are not discounted to their present values.

ITG provides for estimated incurred but not reported losses by a charge to expense when the related guaranty fee revenue is recognized. The amount charged to expense is determined by applying a rate (the loss provision rate) to total title guaranty fee revenue. Known claims are $90,625 at June 30, 2015 and are reported on the statement of net position as reserves for claims. Estimated incurred but not reported claims are $213,000 at June 30, 2015 and are also reported as reserves for claims on the statement of net position.

ITG also engages an independent actuarial firm to review and assess the estimated loss provision rate, known claims reserves and incurred but not reported reserves. The independent actuarial firm actuary performs a reserve analysis utilizing generally accepted actuarial methods and other tests and analyses deemed necessary to provide a professional opinion. ITG's management uses the independent actuaries' review and opinion and other relevant information it may have concerning claims to determine what it considers to be the best estimate of the total amount required for as a reserve for claims.

In addition, the Authority assumed certain guarantees of the former Iowa Housing Corporation (IHC) in conjunction with the assets received from the IHC on July 1, 2003. At that time, management estimated the potential losses and reviews this estimate annually. The maximum amount of these guarantees as of June 30, 2015 was $1.3 million for which a $0.5 million reserve for claims liability is recorded within reserve for claims on the statement of net position.

(o) ***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. At June 30, 2015, $40,209 of such excess earnings are recorded as other liabilities on the statement of net position.

(p) ***Unearned Income***

Compliance monitoring fees received by the Authority at the time a Low Income Housing Tax Credit (LIHTC) project is placed in service are used to defray the administrative expenses of the Authority

(Continued)

for annually monitoring the project's continued compliance with federal regulations. These fees are amortized over the 15-year compliance period. At June 30, 2015, $2.4 million of such unearned income is recorded as other liabilities on the statement of net position.

(q) ***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

(r) ***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."

(s) ***Accounting Changes/Restatement***

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27*, was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments, which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources, and deferred inflows of resources, which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability, which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.*

Beginning net position for the Authority was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows (dollars in thousands):

		Housing Agency Fund	State Revolving Fund	Total
Net position June 30, 2014, as previously reported	$	321,006	808,775	1,129,781
Net pension liability at June 30, 2014		(5,608)	(442)	(6,050)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date		590	39	629
Net position July 1, 2014, as restated	$	315,988	808,372	1,124,360

(t) *Classification of Revenues and Expenses*

The Authority distinguishes operating revenues and expenses from non-operating items. The principal operating revenues are interest income on loans, mortgage-backed securities, and investments; gain on the sale of mortgage-backed securities; change in fair value of investments, mortgage-backed securities, and investment derivative instruments; and fees received in connection with the Title Guaranty Program, administration of the U.S. Department of Housing and Urban Development's Section 8 program, and Low Income Housing Tax Credit programs. Operating expenses include interest expense, general, and administrative expenses, and provisions for loan losses. All revenues and expenses not meeting this definition are reported as nonoperating.

The Authority's nonoperating revenues and expenses consist primarily of the U.S. Environmental Protection Agency's capitalization grants for the SRF programs. Primarily pass through amounts related to the Department of Housing and Urban Development's grants for the Home Investment Partnerships Program, Housing Opportunities for Persons with Aids, and Emergency Solutions Grant programs. Pass-through grants from the Iowa legislature for down-payment assistance to returning active duty military personnel, homeless shelter operating grants, and disaster recovery programs.

(u) *Gain on Sale of Mortgage Backed Securities*

The Authority participates in the GNMA and FNMA Mortgage Backed Securities (MBS) programs whereby GNMA or FNMA guarantees securities that are backed by pools of mortgage loans. Gains on sales of MBS are recorded at the time of settlement and represent the difference between the sale price of the MBS and the carrying value of the underlying pool of mortgages backing them.

(v) *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 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; Iowa 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.

(w) ***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.

(x) ***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. All derivative financial instruments are recorded at fair value. Certain of the Authority's derivatives consist of interest rate swap and interest rate cap agreements entered into in connection with its issuance of variable rate mortgage revenue bonds. These derivative financial instruments are considered hedging derivative instruments and recorded as other assets or other liabilities on the statement of net position.

The Authority's additional derivative financial instruments are commitments to purchase mortgage-backed pass-through certificates (securitized mortgage loans) backed by pools of Authority single-family mortgage loans. These derivative financial instruments consist of forward sales of mortgage-backed securities in the To-Be-Announced (TBA) market, which hedge changes in the fair value of the mortgage loan inventory and commitments. These contracts are considered investment derivative instruments and recorded in other assets on the statement of net position.

The Authority reports hedging derivative instruments accumulated change in fair value as either deferred inflows or outflows of resources. The Authority reports investment derivative instruments accumulated changes in fair value as other income (loss) within the statement of revenues, expenses, and changes in net position.

(y) ***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.

(z) *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) *Reconciliation to Statement of Net Position*

The following is a complete listing of deposits and investments of the Authority at June 30, 2015 (dollars in thousands):

		Housing Agency Fund	State Revolving Fund	Total
Deposits	$	76,570	263,811	340,381
Investments		496,694	126,638	623,332
Total	$	573,264	390,449	963,713

The deposits and investments of the Authority, are reflected in the statement of net position at June 30, 2015 as follows (dollars in thousands):

		Housing Agency Fund	State Revolving Fund	Total
Current assets:				
Cash and cash equivalents	$	150,672	262,326	412,998
Investments in mortgage-backed securities		9,128	—	9,128
Other investments		2,467	85,662	88,129
Noncurrent assets:				
Investments in mortgage-backed securities		391,759	—	391,759
Other investments		19,238	42,461	61,699
Total	$	573,264	390,449	963,713

(b) ***Deposits***

At June 30, 2015, the Authority had uninsured and uncollateralized bank balances of $48.7 million. Deposits of $262.9 million were deposited in money market funds covered by collateralized trust accounts (dollars in thousands):

		Housing Agency Fund	State Revolving Fund	Total	Percentage of total
Type:					
Cash in bank	$	15,577	59,464	75,041	22%
Certificates of deposit		932	1,485	2,417	1
Money market funds		60,061	202,862	262,923	77
Total	$	76,570	263,811	340,381	100%

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

	June 30, 2015				
	Housing Agency Fund	**State Revolving Fund**	**Total**	**Percentage of total**	**Average maturity (years)**
Type:					
GNMA mortgage-backed securities	$ 260,645	—	260,645	42	22.6
FNMA mortgage-backed securities	136,680	—	136,680	22	22.2
FHLMC mortgage-backed securities	3,562	—	3,562	1	22.3
U.S. government agency securities	6,434	105,658	112,092	18	2.5
U.S. Treasury securities	13,159	12,363	25,522	4	3.8
Corporate bonds	—	1,511	1,511	—	0.7
Municipal securities	1,180	7,106	8,286	1	2.6
State of Iowa pooled money funds	24,976	—	24,976	4	Less than 1
Guaranteed investment contracts	50,058	—	50,058	8	Less than 1
Total	$ 496,694	126,638	623,332	100%	

(d) *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.

(e) *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.

(Continued)

The table below addresses credit risk and concentration risk (dollars in thousands):

Type/Provider	Credit ratings: Standard & Poor's	Credit ratings: Moody's	June 30, 2015: 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	$ 47,966	202,862	250,828	77.1%
Goldman Sachs Group, Inc.	AAAm to AAAm-G	Aaa-MF	12,095	—	12,095	3.7%
Certificate of deposit:						
15 providers	NR to AA+	NR to Aa2	932	1,485	2,417	0.8%
Guaranteed investment contracts:						
Societe Generale*	A/A-1	A2/P-1	30,302	—	30,302	9.3%
TransAmerica Life Ins Co	AA-/A-1+	A1/P-1	6,203	—	6,203	1.9%
Credit Agricole	A/A-1-	A2/P-1	5,028	—	5,028	1.6%
FSA International, Ltd	AA-	Aa3	2,392	—	2,392	0.7%
Bayerische Landesbank	Not rated	A3/P-2	5,098	—	5,098	1.6%
Royal Bank of Canada	AA-/A-1+	Aa3/P-1	1,035	—	1,035	0.3%
Corporate and municipal bonds:						
22 providers	AA to AAA	A1 to Aaa	1,180	8,617	9,797	3.0%
Total			$ 112,231	212,964	325,195	100.0%

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

(f) *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.

(g) *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) Loans

Loans at June 30, 2015 are as follows (dollars in thousands):

		Cost	Allowance for losses	Net
Housing Agency Fund Loans:				
Loans secured with first mortgages	$	74,391	(806)	73,585
Loans secured with second mortgages, other collateral, or unsecured		12,057	(1,749)	10,308
State program loans		17,529	(1,000)	16,529
Federal program loans		144,514	(98,355)	46,159
Total Housing Agency Fund Loans	$	248,491	(101,910)	146,581
State Revolving Fund Loans:				
Loans backed by municipal bonds	$	1,394,276	(1,438)	1,392,838
Unsecured planning and design loans		10,703	—	10,703
Unsecured nonpoint source loans		19,256	—	19,256
Forgivable portion of SRF loans		9,254	(9,254)	—
Total State Revolving Fund Loans	$	1,433,489	(10,692)	1,422,797

(4) Bonds and Notes Payable

(a) *Outstanding Bonds and Notes Payable*

Bonds and notes payable at June 30, 2015 are as follows (dollars in thousands):

Description		Original amount	Due dates From	Due dates To	Interest rate From	Interest rate To		Balance 2015
Housing Agency Bonds and Notes:								
SF 1991 Mortgage Bonds:								
SF 2004 B – Term Bonds	$	15,000		07/01/34	Variable*	0.110	$	10,735
SF 2004 E – Serial Bonds		10,825	01/01/06	01/01/16	1.950	3.950		235
SF 2004 G – Term Bonds		20,000		07/01/34	Variable*	0.110		6,555
SF 2005 A – Serial Bonds		5,885	07/01/07	07/01/16	2.900	4.300		615
SF 2005 C – Term Bonds		24,000		01/01/36	Variable*	0.080		1,650
SF 2005 E – Term Bonds		24,000		01/01/36	Variable*	0.110		8,130
SF 2005 H – Term Bonds		24,000		07/01/36	Variable*	0.080		4,080
SF 2006 C – Term Bonds		12,000		01/01/36	Variable*	0.110		8,640
SF 2006 E – Term Bonds		25,250		07/01/36		5.500		4,105
SF 2006 F – Term Bonds		12,000		07/01/36	Variable*	0.080		2,275
SF 2006 G – Serial Bonds		2,720	07/01/07	07/01/16	3.750	4.500		205
SF 2006 G – Term Bonds		12,975		01/01/26		4.875		1,010
SF 2006 G – Term Bonds		8,420		07/01/36		5.750		665
SF 2006 H – Term Bonds		23,000		07/01/36		5.868		1,885
SF 2006 I – Term Bonds		5,405		07/01/21		4.700		2,010
SF 2006 I – Term Bonds		7,385		07/01/26		4.800		2,635
SF 2006 I – Term Bonds		10,085		07/01/31		4.900		3,540

Description	Original amount	Due dates From	Due dates To	Interest rate From	Interest rate To	Balance 2015
SF 2006 I – Term Bonds	$ 17,125		07/01/37		4.950	$ 1,385
SF 2006 J – Term Bonds	40,000		07/01/37		5.745	3,080
SF 2007 C – Term Bonds	35,000		07/01/37	Variable*	0.160	12,690
SF 2007 E – Term Bonds	5,000		07/01/37		5.750	245
SF 2007 G – Term Bonds	33,000		01/01/38	Variable*	0.140	8,155
SF 2007 I – Term Bonds	10,065		07/01/37		5.500	95
SF 2007 M – Term Bonds	25,450		01/01/39	Variable*	0.140	8,655
SF 2007 N – Term Bonds	14,550		01/01/39	Variable*	0.070	4,085
SF 2008 B – Term Bonds	28,070		01/01/39	Variable*	0.110	5,990
SF 2008 C – Term Bonds	29,465		01/01/39	Variable*	0.160	9,905
SF 2008 F – Term Bonds	17,330		01/01/39	Variable*	0.110	13,285
SF 2008 G – Term Bonds	22,500		01/01/39	Variable*	0.160	6,390
SF 2009 A – Serial Bonds	13,510	07/01/10	07/01/20	1.000	4.200	4,325
SF 2009 A – Term Bonds	5,660		07/01/24		4.800	370
SF 2009 A – Term Bonds	8,025		01/01/38		5.000	2,840
SF 2014 B-1 – Term Bonds	1,525		02/01/44		3.590	1,256
SF 2014 B-2 – Term Bonds	11,895		09/01/36		3.050	10,542
Premium						714
Total SF 1991 Mortgage Bonds	561,120					152,977
SF 2009 Mortgage Revenue Bonds:						
SF 2009 1 – Serial Bonds	7,370	01/01/11	07/01/21	0.700	4.100	3,185
SF 2009 1 – Term Bonds	4,400		07/01/28		5.000	1,705
SF 2010 1 – Serial Bonds	10,410	01/01/12	01/01/22	0.750	3.550	4,555
SF 2010 1 – Term Bonds	6,240		01/01/28		4.375	2,945
SF 2009 3A – Term Bonds	31,200		07/01/41		3.010	17,870
SF 2011 1 Serial Bonds	14,315	07/01/12	07/01/23	0.500	4.000	9,865
SF 2011 1 Term Bonds	3,920		07/01/26		4.375	1,710
SF 2011 1 Term Bonds	5,765		01/01/29		4.500	3,500
SF 2011 2 Serial Bonds	9,650	01/01/13	07/01/22	0.700	3.600	7,005
SF 2011 2 Term Bonds	4,185		07/01/26		4.000	3,780
SF 2011 2 Term Bonds	4,365		07/01/28		4.500	2,860
SF 2011 3C Term Bonds	30,000		07/01/41		2.320	24,260
SF 2012 1 Term Bonds	17,756		09/01/40		2.300	11,847
SF 2013 1 Term Bonds	20,000		02/01/43		2.150	16,847
SF 2013 2 Term Bonds	15,000		07/01/43		2.800	13,583
SF 2013 3 Term Bonds	32,430		02/01/42		2.900	25,115
SF 2013 4 Term Bonds	10,000		08/01/43		2.800	8,618
Premium						518
Total SF 2009 Mortgage Revenue Bonds	227,006					159,768
Multi Family Housing Bonds:						
MF 1978 A – Term Bonds	22,050		04/01/21		6.000	7,595
MF 2006 A – Term Bonds	6,475		07/01/41		4.600	4,905
MF 2007 A – Term Bonds	12,700		08/01/37	Variable*	0.080	11,450
MF 2007 B – Term Bonds	9,300		08/01/37	Variable*	0.080	8,390
MF 2008 A – Term Bond	3,750		06/01/24	Variable*	0.110	3,550
MF FHLB B1 – Term Bonds	11,500		02/01/26	Variable*	1.304	10,974
Total MF Housing Bonds	65,775					46,864

Description		Original amount	Due dates From	Due dates To	Interest rate From	Interest rate To		Balance 2015
Credit Facilities:								
Iowa State University note	$	1,000		12/31/21		0.000	$	523
Iowa State University note		45		03/15/24		0.000		27
Total Credit Facilities		1,045						550
Total Housing Agency		854,946						360,159
State Revolving Fund Revenue Bonds:								
2010 – Serial Bonds		215,725	08/01/11	08/01/25	2.000	5.000		175,945
2010 – Term Bonds		77,165		08/01/30		5.272		77,165
2011 – Serial Bonds		220,435	08/01/12	08/01/31	2.000	5.000		212,290
2013 – Serial Bonds		115,450	02/01/14	08/01/33	1.500	5.000		112,990
2015 – Serial Bonds		321,530	08/01/15	08/01/35	1.000	5.000		321,530
Premium								102,841
Total State Revolving Fund		950,305						1,002,761
Total bonds and notes	$	1,805,251					$	1,362,920

* Variable rates are as of June 30, 2015

(b) *Rollforward*

The following table summarizes the bonds and notes payable (net of premium and discount) activity for the Authority for the year ended June 30, 2015 (dollars in thousands):

		June 30, 2014	Additions	Reductions	June 30, 2015	Due within one year
Housing Agency Fund						
SF 1991 Mortgage Bonds	$	210,393	11,895	(69,311)	152,977	3,355
SF 2009 Mortgage Revenue Bonds		186,577	—	(26,809)	159,768	3,390
MF Housing Bonds		49,086	—	(2,222)	46,864	1,592
Credit Facilities		654	—	(104)	550	104
Total Housing Agency Fund		446,710	11,895	(98,446)	360,159	8,441
State Revolving Fund		983,648	381,050	(361,937)	1,002,761	48,055
Total	$	1,430,358	392,945	(460,383)	1,362,920	56,496

(c) ***Maturity***

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

Year ending June 30	Housing Agency Fund Principal	Housing Agency Fund Interest	Housing Agency Fund Total	State Revolving Fund Principal	State Revolving Fund Interest	State Revolving Fund Total	Total Principal	Total Interest	Total Total
2016	$ 8,441	7,537	15,978	48,055	37,126	85,181	56,496	44,663	101,159
2017	9,193	7,322	16,515	50,980	36,331	87,311	60,173	43,653	103,826
2018	9,295	7,067	16,362	51,770	34,403	86,173	61,065	41,470	102,535
2019	9,599	6,794	16,393	53,575	32,231	85,806	63,174	39,025	102,199
2020	10,003	6,497	16,500	50,095	30,011	80,106	60,098	36,508	96,606
2021–2025	44,132	28,695	72,827	287,260	113,133	400,393	331,392	141,828	473,220
2026–2030	52,326	23,274	75,600	217,355	56,884	274,239	269,681	80,158	349,839
2031–2035	56,765	18,671	75,436	132,985	13,051	146,036	189,750	31,722	221,472
2036–2040	76,907	12,977	89,884	7,845	196	8,041	84,752	13,173	97,925
2041–2045	82,266	4,478	86,744	—	—	—	82,266	4,478	86,744
Total	$ 358,927	123,312	482,239	899,920	353,366	1,253,286	1,258,847	476,678	1,735,525

The Authority has the option to redeem bonds at par or at a premium, in some instances. 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. Bond maturities and interest rates are based on those in effect as of June 30, 2015.

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 Bonds Resolution and the Multifamily Housing Bonds Master Trust Indenture contain covenants that require the Authority to make payments of principal and interest from amounts available in the General Account should deficiencies occur in the accounts established for such payments by the respective bond resolutions.

(Continued)

(d) *Derivative Instrument Payments and Variable-Rate Debt*

As of June 30, 2015, 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
2016	$ 1,655	141	4,465	6,261
2017	2,355	138	3,879	6,372
2018	2,425	135	3,399	5,959
2019	2,600	132	3,103	5,835
2020	2,820	127	2,938	5,885
2021–2025	20,820	574	12,220	33,614
2026–2030	22,665	433	8,468	31,566
2031–2035	34,455	260	5,700	40,415
2036–2040	24,975	53	1,384	26,412
Total	$ 114,770	1,993	45,556	162,319

(e) *Defeased Debt*

On February 25, 2015, the Authority issued State Revolving Fund bonds with a face value of $321.5 million to provide resources to purchase investment securities that were placed into an irrevocable trust to provide funds for future debt service payments on $298.3 million of State Revolving Fund bonds. The funds required for this transaction exceeded the net carrying value of the defeased debt by $25.4 million. This refunding was undertaken to take advantage of the low interest rate environment and resulted in an economic gain of $32.9 million.

As a result, the irrevocable trust account assets and the liabilities for these defeased bonds are not included in the Authority's basic financial statements.

(Continued)

The amount of defeased debt outstanding at June 30, 2015 is shown below (dollars in thousands):

		Balance
State Revolving Fund defeased bonds:		
Series 2007	$	49,625
Series 2008		121,925
Series 2009		126,785
Total State Revolving Fund defeased bonds	$	298,335

(5) Derivative Instruments

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, 2015 (dollars in thousands):

Bond series	2015 Notional amount	Effective date	Termination date	Terms: Pay	Terms: Receive	Counterparty
SF 2004 B	$ —	12/02/04	07/01/34	4.028%	Enhanced LIBOR	Goldman Sachs Bank USA
SF 2004 D	—	02/03/05	07/01/20	4.007	SIFMA + 0.10% or Various LIBOR + Spread	The Bank of New York Mellon
SF 2004 G	6,555	06/01/05	07/01/34	3.867	Enhanced LIBOR	Goldman Sachs Bank USA
SF 2005 C	1,650	11/01/05	01/01/36	4.140	SIFMA + 0.10% or Various LIBOR + Spread	The Bank of New York Mellon
SF 2005 E	8,445	01/01/11	01/01/36	3.817	Enhanced LIBOR	Goldman Sachs Bank USA
SF 2005 H	4,080	01/01/11	07/01/36	3.843	SIFMA + 0.10% or Various LIBOR + Spread	The Bank of New York Mellon
SF 2006 C	12,000	09/01/06	01/01/36	3.760	Enhanced LIBOR	Goldman Sachs Bank USA
SF 2006 F	2,275	11/01/06	07/01/36	4.632	SIFMA + 0.10%	The Bank of New York Mellon
SF 2007 C	12,690	03/08/07	07/01/25	5.289	LIBOR	Goldman Sachs Bank USA
SF 2007 G	9,835	07/12/07	01/01/19	5.493	LIBOR	The Bank of New York Mellon
SF 2007 M	8,655	12/12/07	07/01/21	4.373	LIBOR	The Bank of New York Mellon
SF 2007 N	4,780	12/12/07	01/01/39	4.364	SIFMA + 0.06%	The Bank of New York Mellon
MF 2008 A	3,550	04/17/08	06/01/24	3.971	SIFMA + 0.08%	Goldman Sachs Bank USA
SF 2008 B	6,345	01/01/11	01/01/39	4.470	SIFMA + 0.06%	Goldman Sachs Bank USA
SF 2008 C	9,905	04/16/08	01/01/26	3.880	LIBOR	Goldman Sachs Bank USA
SF 2008 F	17,330	10/01/08	01/01/39	4.529	SIFMA + 0.08%	Goldman Sachs Bank USA
SF 2008G	6,390	10/01/08	07/01/18	4.173	LIBOR	Goldman Sachs Bank USA

Goldman Sachs Bank USA is rated A1 by Moody's and A by Standard and Poor's
The Bank of New York Mellon is rated Aa2 by Moody's and AA- by Standard and Poor's
SIFMA = Securities Industry and Financial Markets Association Swap Index
LIBOR = London Interbank Offer Rate

Interest rate cap derivatives are 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. The following table displays the terms of the Authority's cap derivative instruments outstanding at June 30, 2015 (dollars in thousands):

Bond Series	2015 Notional amount	Effective date	Maturity date	Strike rate	Ceiling rate	Counterparty
MF 2007 B	$ 9,300	06/14/2007	01/01/2024	5.0% SIFMA until 07/01/2019	N/A	Royal Bank of Canada
				5.5% SIFMA thereafter	N/A	
MF 2007 A	12,285	07/01/2012	07/01/2015	3% SIFMA	N/A	The Bank of New York Mellon
MF B-1	11,257	07/01/2012	07/01/2015	6% LIBOR	N/A	Royal Bank of Canada

Royal Bank of Canada is rated Aa3 by Moody's and AA- by Standard and Poor's
The Bank of New York Mellon is rated Aa2 by Moody's and AA- by Standard and Poor's

As of June 30, 2015, the Authority had investment derivative instruments with the following maturities (dollars in thousands):

			Investment maturities (in years)			
Investment type	Notional value	Fair value	Less than 1	1–5	6–10	More than 10
Investment derivative instruments – swaps	$ 35,215	(102)	—	(46)	—	(56)
Investment derivative instrument – forward MBS sales	43,875	300	300	—	—	—
Investment derivative instruments – MBS purchase commitments	83,117	483	483	—	—	—
Total	$ 162,207	681	783	(46)	—	(56)

The fair value balances of derivative instruments outstanding at June 30, 2015, classified by type, and changes in the fair value of such derivative instruments for the year then ended as reported in the 2015 financial statements are as follows (dollars in thousands):

Bond series	Type		Fair value June 30 2015	Change in fair value
Hedging derivatives:				
SF 2004 B	Swap	$	—	(89)
SF 2004 D	Swap		—	(45)
SF 2004 G	Swap		(18)	157
SF 2005 C	Swap		(130)	260
SF 2005 E	Swap		(205)	134
SF 2005 H	Swap		(223)	309
SF 2006 C	Swap		(637)	226
SF 2006 F	Swap		(285)	126
SF 2007 C	Swap		(1,635)	397
SF 2007 G	Swap		(568)	511
SF 2007 M	Swap		(539)	296
SF 2007 N	Swap		(385)	84
SF 2008 B	Swap		(226)	218
SF 2008 C	Swap		(501)	258
SF 2008 F	Swap		(583)	464
SF 2008G	Swap		(256)	244
MF 2007 B	Cap		73	(59)
MF 2008 A	Swap		(615)	(53)
Total hedging derivatives		$	(6,733)	3,438
Investment derivatives:				
SF 2007 C	Swap	$	(56)	(3)
SF 2007 G	Swap		(46)	(97)
Forward MBS TBA sales	Forward		300	(665)
MBS purchase comittments	Comittment		483	483
Total investment derivatives		$	681	(282)

The fair values of the interest rate swaps 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 were estimated based on the present value of their estimated future cash flows.

The fair value of the forward mortgage-backed security sales are estimated based on an internal valuation model, which includes current trade pricing for similar financial instruments in active markets that the Authority has the ability to access.

The fair value of the mortgage-back security purchase commitments are estimated using an internal valuation model, which includes grouping the commitments by interest rate and terms, applying an estimated closing ratio, and then multiplying by quoted investor prices determined to be reasonably applicable to the commitment groups based on interest rate, terms, and commitment expiration dates of the commitment group. The closing ratio, which represents the percentage of commitments that management estimates it will ultimately fund, calculation takes into consideration historical data and loan-level data. The weighted average closing ratio at June 30, 2015 was 87.62%.

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, 2015 was $73 thousand. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted.

Bank of New York Mellon, Goldman Sachs Bank USA, and Royal Bank of Canada are currently counterparties under the derivatives agreements with the Authority.

With respect to counterparty risk, the Authority will also manage the agreements and all transactions entered into its counterparties 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, 2015, the weighted average interest rate of the Authority's hedged variable-rate debt is 4.32%, while the SIFMA swap index rate is 0.02%. LIBOR is 0.185% at June 30, 2015.

Termination risk. Termination risk is the risk that the swap could be terminated as a result of any of several events, which may include a ratings downgrade of the Authority's single-family mortgage bonds or of a derivative counterparty covenant violation, bankruptcy, swap payment default and default events as defined in the Authority's Single Family Mortgage Bonds Resolution; however, the Authority believes that the likelihood of any such termination event is remote.

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

(a) *Plan Description*

IPERS membership is mandatory for employees of the Authority, except for those covered by another retirement system. Employees of the Authority are provided with pensions through a cost-sharing multiple-employer defined-benefit pension plan administered by IPERS. IPERS issues a stand-alone financial report, which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

(b) *Pension Benefits*

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

i. A multiplier (based on years of service).

ii. The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

(c) ***Disability and Death Benefits***

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

(d) ***Contributions***

Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Authority contributed 8.93 percent for a total rate of 14.88 percent.

The Authority's contributions to IPERS for the year ended June 30, 2015 were $633 thousand.

(e) ***Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2015, the Authority reported a liability of $4.3 million for its proportionate share of the net pension liability and is recorded within other liabilities in the statement of net position, of which

$4.0 million and $0.3 million was attributed to the Housing Agency Fund and State Revolving Fund, respectively. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Authority's collective proportion was 0.107584 percent, which was an increase of 0.002207 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Authority recognized pension expense of $303 thousand. At June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (dollars in thousands):

	Housing Agency Fund		State Revolving Fund		Total	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 43	—	3	—	46	—
Changes of assumptions	176	—	12	—	188	—
Net difference between projected and actual earnings on pension plan investments	—	1,524	—	103	—	1,627
Changes in proportion and differences between Authority contributions and proportionate share of contributions	—	13	—	52	—	65
Authority contributions subsequent to the measurement date	591	—	42	—	633	—
Total	$ 810	1,537	57	155	867	1,692

$633 thousand reported as deferred outflows of resources related to pensions resulting from the Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (dollars in thousands):

		Year ended June 30
2016	$	(367)
2017		(367)
2018		(367)
2019		(367)
2020		11
Total	$	(1,457)

There were no nonemployer contributing entities at IPERS.

(f) ***Actuarial Assumptions***

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Asset allocation	Long-term expected real rate of return
U.S. Equity	23%	6.31
Non-U.S. Equity	15	6.76
Private equity	13	11.34
Real estate	8	3.52
Core plus fixed income	28	2.06
Credit opportunities	5	3.67
TIPS	5	1.92
Other real assets	2	6.27
Cash	1	(0.69)
	100%	

(g) ***Discount Rate***

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Authority will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(h) ***Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate (dollars in thousands).

	1% Decrease (6.5)%	Discount rate (7.5)%	1% Increase (8.5)%
Authority's proportionate share of the net pension liability	$ 8,062	4,267	1,063

(i) ***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report, which is available on IPERS' Web site at www.ipers.org.

(j) ***Payables to the Pension Plan***

At June 30, 2015, the Authority had no legally required employer or employee contributions not yet remitted to IPERS.

(7) Commitments and Contingencies

(a) ***Housing Agency Fund 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, 2015 was $1.3 million for which a $0.5 million reserve for claims liability is recorded within other liabilities in the statement of net position.

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, 2015 and 2014 is as follows (dollars in thousands):

		June 30, 2015
Description:		
Project-based housing grants	$	205
Local housing trust fund grants		9,593
Shelter assistance grants		585
Total outstanding commitments	$	10,383

(b) ***State Revolving Fund Commitments***

The Authority has signed loan agreements under the State Revolving Fund for which $196.9 million have not been disbursed as of June 30, 2015.

(8) Subsequent Events

On September 28, 2015, the Authority issued $122.0 million of Single Family Mortgage Bonds to purchase mortgage-backed securities under the Authority's FirstHome program and refund existing debt. In conjunction with this issuance, the Authority entered into an interest rate swap agreement with Royal Bank of Canada with an initial notional amount of $5.2 million effective January 1, 2017 and increasing to $25.0 million by July 2018.

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

Schedule of Authority's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*
(Dollars in thousands)

Required Supplementary Information

(Unaudited)

		2015
Authority's proportion of the net pension liability		0.107584%
Authority's proportionate share of the net pension liability	$	4,267
Authority's covered-employee payroll	$	7,066
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll		60.39%
Plan fiduciary net position as a percentage of the total pension liability		87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditors' report.

Note: GASB Statement No. 68 requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

IOWA FINANCE AUTHORITY

(A Component Unit of the State of Iowa)

Schedule of Authority Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(Dollars in thousands)

Required Supplementary Information

(Unaudited)

		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	$	633	631	600	534	451	394	383	345	302	292
Contributions in relation to the statutorily required contribution		(633)	(631)	(600)	(534)	(451)	(394)	(383)	(345)	(302)	(292)
Contribution deficiency (excess)	$	—	—	—	—	—	—	—	—	—	—
Authority's covered-employee payroll	$	7,088	7,066	6,920	6,617	6,489	5,925	6,031	5,702	5,252	5,078
Contribution as a percentage of covered-employee payroll		8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

See accompanying independent auditors' report.

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

(Continued)

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Schedule 1

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

Combining Schedule of Net Position

June 30, 2015

(Dollars in thousands)

	Housing Agency Fund									State Revolving Fund			Combined
Assets	**General Operating Account**	**Single Family 1991 MB**	**Single Family 2009 MRB**	**Multi Family Housing Bonds**	**Federal and State Programs**	**Agricultural Development Division**	**Iowa Title Guaranty Division**	**Eliminations**	**Total Housing Agency**	**Clean Water Programs**	**Drinking Water Programs**	**Total SRF**	**Total IFA**
Current assets (substantially restricted):													
Cash and cash equivalents	$ 3,282	57,848	9,187	49,131	18,060	3,910	9,254	—	150,672	189,816	72,510	262,326	412,998
Investments in mortgage-backed securities	337	5,256	3,535	—	—	—	—	—	9,128	—	—	—	9,128
Other investments	597	—	—	1,442	225	203	—	—	2,467	64,510	21,152	85,662	88,129
Loans to municipalities or water systems, net		—	—	—	—	—	—	—	—	51,698	24,071	75,769	75,769
Housing Agency loans, net	53	296	—	1,016	4,854	162	—	—	6,381	—	—	—	6,381
Accrued interest receivable	38	956	510	880	60	41	—	—	2,485	2,402	1,054	3,456	5,941
Other current assets	1,290	64	—	(5)	3	10	147	(287)	1,222	270	201	471	1,693
Total current assets	5,597	64,420	13,232	52,464	23,202	4,326	9,401	(287)	172,355	308,696	118,988	427,684	600,039
Noncurrent assets (substantially restricted):													
Investments in mortgage-backed securities	5,545	223,244	162,970	—	—	—	—	—	391,759	—	—	—	391,759
Other investments	1,087	10,484	—	7,667	—	—	—	—	19,238	21,607	20,854	42,461	61,699
Loans to municipalities or water systems, net	—	—	—	—	—	—	—	—	—	982,697	364,331	1,347,028	1,347,028
Housing Agency loans, net	772	3,671	—	61,530	72,508	1,719	—	—	140,200	—	—	—	140,200
Capital assets, net of accumulated depreciation	2,788	—	—	—	—	—	3	—	2,791	17	8	25	2,816
Other noncurrent assets	—	5,325	3,005	—	—	—	—	—	8,330	—	—	—	8,330
Total noncurrent assets	10,192	242,724	165,975	69,197	72,508	1,719	3	—	562,318	1,004,321	385,193	1,389,514	1,951,832
Total assets	15,789	307,144	179,207	121,661	95,710	6,045	9,404	(287)	734,673	1,313,017	504,181	1,817,198	2,551,871
Deferred Outflows of Resources													
Pension plan	590	—	—	—	—	—	220	—	810	37	20	57	867
Accumulated decrease in fair value of hedging derivatives	—	2,563	—	542	—	—	—	—	3,105	—	—	—	3,105
Loss on bond refunding	—	—	—	—	—	—	—	—	—	17,183	9,520	26,703	26,703
Total deferred outflows	590	2,563	—	542	—	—	220	—	3,915	17,220	9,540	26,760	30,675
Total assets and deferred outflows	$ 16,379	309,707	179,207	122,203	95,710	6,045	9,624	(287)	738,588	1,330,237	513,721	1,843,958	2,582,546
Liabilities													
Current liabilities:													
Bonds payable, net	$ —	3,355	3,390	1,592	104	—	—	—	8,441	33,980	14,075	48,055	56,496
Accrued interest payable	—	2,556	1,493	327	—	—	—	—	4,376	11,419	3,839	15,258	19,634
Escrow deposits	—	—	—	6,503	—	—	2,328	—	8,831	—	—	—	8,831
Accounts payable and other liabilities	2,298	1,477	70	176	17,211	56	946	(287)	21,947	524	335	859	22,806
Total current liabilities	2,298	7,388	4,953	8,598	17,315	56	3,274	(287)	43,595	45,923	18,249	64,172	107,767
Noncurrent liabilities:													
Bonds payable, net	—	149,622	156,378	45,272	446	—	—	—	351,718	715,248	239,458	954,706	1,306,424
Reserves for claims	—	—	—	—	463	—	304	—	767	—	—	—	767
Other liabilities	5,409	6,192	(1)	542	744	(1)	725	—	13,610	180	89	269	13,879
Total noncurrent liabilities	5,409	155,814	156,377	45,814	1,653	(1)	1,029	—	366,095	715,428	239,547	954,975	1,321,070
Total liabilities	7,707	163,202	161,330	54,412	18,968	55	4,303	(287)	409,690	761,351	257,796	1,019,147	1,428,837
Deferred Inflows of Resources													
Pension plan	1,261	—	—	—	—	—	276	—	1,537	94	61	155	1,692
Net Position													
Net investment in capital assets	2,788	—	—	—	—	—	3	—	2,791	17	8	25	2,816
Restricted net position:													
Per bond resolutions	—	146,505	17,877	67,791	—	—	—	—	232,173	449,456	229,552	679,008	911,181
Per legislation	—	—	—	—	76,742	—	5,042	—	81,784	—	—	—	81,784
Per other agreements	—	—	—	—	—	5,464	—	—	5,464	119,319	26,304	145,623	151,087
Total restricted net position	—	146,505	17,877	67,791	76,742	5,464	5,042	—	319,421	568,775	255,856	824,631	1,144,052
Unrestricted net position	4,623	—	—	—	—	526	—	—	5,149	—	—	—	5,149
Total net position	7,411	146,505	17,877	67,791	76,742	5,990	5,045	—	327,361	568,792	255,864	824,656	1,152,017
Total liabilities, deferred inflows, and net position	$ 16,379	309,707	179,207	122,203	95,710	6,045	9,624	(287)	738,588	1,330,237	513,721	1,843,958	2,582,546

See accompanying independent auditors’ report.

Schedule 2

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

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

Year ended June 30, 2015

(Dollars in thousands)

	Housing Agency Fund									State Revolving Fund			Combined
	General Operating Account	Single Family 1991 MB	Single Family 2009 MRB	Multi Family Housing Bonds	Federal and State Programs	Agricultural Development Division	Iowa Title Guaranty Division	Eliminations	Total Housing Agency	Clean Water Programs	Drinking Water Programs	Total SRF	Totals IFA
Operating revenues:													
Interest on mortgage-backed securities	$ 309	11,583	6,582	—	—	—	—	—	18,474	—	—	—	18,474
Interest on loans	60	115	—	3,083	246	84	—	—	3,588	26,749	10,252	37,001	40,589
Interest on other investments	44	1,194	—	2,785	110	19	—	—	4,152	820	508	1,328	5,480
Gain on sale of mortgage-backed securities	—	4,746	—	—	—	—	—	—	4,746	—	—	—	4,746
Net (decrease) increase in fair value of investments and mortgage-backed securities	(19)	(3,847)	158	(316)	(2)	—	—	—	(4,026)	3	82	85	(3,941)
Fee income	4,222	178	—	—	1	358	5,434	—	10,193	2,981	1,274	4,255	14,448
Other income	175	3	—	—	—	—	75	—	253	—	—	—	253
Total operating revenues	4,791	13,972	6,740	5,552	355	461	5,509	—	37,380	30,553	12,116	42,669	80,049
Operating expenses:													
Interest on bonds	—	6,634	4,728	1,743	—	—	—	—	13,105	24,140	8,959	33,099	46,204
General and administrative	8,493	253	54	48	1,217	438	4,667	—	15,170	4,697	4,330	9,027	24,197
Provision (recoveries) of losses	—	(1)	—	(150)	560	(1)	(4,726)	—	(4,318)	—	(5)	(5)	(4,323)
Total operating expenses	8,493	6,886	4,782	1,641	1,777	437	(59)	—	23,957	28,837	13,284	42,121	66,078
Net operating income (loss)	(3,702)	7,086	1,958	3,911	(1,422)	24	5,568	—	13,423	1,716	(1,168)	548	13,971
Non-operating revenue (expense):													
Grant income	2,117	2,189	—	512	28,552	—	—	(1,524)	31,846	15,041	6,852	21,893	53,739
Grants and aid	(2,114)	(5,234)	(451)	—	(26,609)	—	(1,012)	1,524	(33,896)	(1,763)	(4,394)	(6,157)	(40,053)
Net non-operating revenue (expense)	3	(3,045)	(451)	512	1,943	—	(1,012)	—	(2,050)	13,278	2,458	15,736	13,686
Change in net position	(3,699)	4,041	1,507	4,423	521	24	4,556	—	11,373	14,994	1,290	16,284	27,657
Net position at June 30, 2014, as restated	11,110	142,464	16,370	63,368	76,221	5,966	489	—	315,988	553,798	254,574	808,372	1,124,360
Net position at June 30, 2015	$ 7,411	146,505	17,877	67,791	76,742	5,990	5,045	—	327,361	568,792	255,864	824,656	1,152,017

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, 2015

(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	$	56,294
Emergency Shelter Grants Program	14.231		2,244
Home Investment Partnerships Program (HOME)	14.239		10,236
Housing Opportunities for Persons with AIDS (HOPWA)	14.241		484
Total United States Department of Housing and Urban Development direct programs			69,258
United States Department of the Treasury Direct programs:			
National Foreclosure Mitigation Counseling Program	21.000		409
Total federal awards expenditures for year ended June 30, 2015		$	69,667

See accompanying independent auditors' report and notes to schedule of expenditures of federal awards.

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)
Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2015

(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, 2015, 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 applicable cost accounting principles.

(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	$	56,294
Emergency Shelter Grants Program	14.231		2,149
HOME	14.239		9,255
HOPWA	14.241		452
National Foreclosure Mitigation Counseling Program	21.000		349
Total		$	68,499

(3) Outstanding Loan Principal Balances

The following is the outstanding principal balance of the Tax Credit Assistance Program at June 30, 2015 (dollars in thousands):

Tax Credit Assistance Program	$	18,978

The following is the outstanding principal balance of the HOME Program at June 30, 2015 (dollars in thousands):

HOME Program	$	125,536

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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 and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 18, 2015.

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 of this section 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
November 18, 2015

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Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance

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 the Authority's major federal program for the year ended June 30, 2015. The Authority's major federal program is 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 the Authority's major federal program 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 the 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 its major federal program for the year ended June 30, 2015.

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
November 18, 2015

IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

(1) Summary of Auditors' Results

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

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

(c) Material weaknesses in internal control over financial reporting: ***None***

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

(e) Significant deficiencies in internal control over major programs were reported: ***None Reported***

(f) Material weaknesses in internal control over major programs were reported: ***None***

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

(h) Audit finding that is required to be reported under Section 510(a) of OMB Circular A-133: ***None***

(i) Major program:

	CFDA #
Section 8 Housing Assistance Payments Program, U.S. Department of Housing and Urban Development	14.195

(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: ***Yes***

(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