



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

Basic Financial Statements

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

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

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KPMG LLP  
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## Independent Auditors' Report

The Board of Directors  
Iowa Finance Authority:

We have audited the accompanying financial statements of each major fund and the total business-type activities of the Iowa Finance Authority (the Authority), a component unit of the State of Iowa, as of and for the years ended June 30, 2011 and 2010, which collectively comprise the Authority's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the total business-type activities of the Iowa Finance Authority as of June 30, 2011 and 2010, and the respective changes in financial position and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2011 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

Des Moines, Iowa  
October 10, 2011

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

Management's Discussion and Analysis

June 30, 2011 and 2010

Management's discussion and analysis provides an overview of the financial activities of the Iowa Finance Authority (the Authority) for the fiscal years ended June 30, 2011 and 2010. Please read it in conjunction with the Authority's financial statements and accompanying notes.

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

**Authority General Obligation Rating**

The unsecured general obligation of the Authority is rated AA by Standard and Poor's Rating Services and Aa3 by Moody's Investors Services as of June 30, 2011 and 2010. These ratings take into account the amount of unrestricted net assets maintained by the Authority, as well as certain contingent obligations to which the general obligation of the Authority is pledged. While there is no assurance that these ratings will remain in effect for any period of time, management is committed to maintaining an investment-grade general obligation rating for the Authority.

**Authority Bond Ratings**

Iowa Finance Authority bonds historically have earned the highest ratings given by the rating agencies: Standard and Poor's - AAA, Moody's - Aaa, and Fitch - AAA. These ratings are based on the unique characteristics of each bond series. Recently, Standard and Poor's, in conjunction with the downgrade of the federal government credit rating, announced a downgrade of all mortgage revenue bonds where the underlying security (the mortgages) are guaranteed by the federal government. This affects the Authority's single family bonds totaling \$915 million on June 30, 2011. It is uncertain at this time what effect, if any, this will have on the Authority's ability to issue bonds in the future.

**Overview of the Financial Statements**

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

- Housing Agency Fund
- State Revolving Fund (SRF)

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

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

Management's Discussion and Analysis

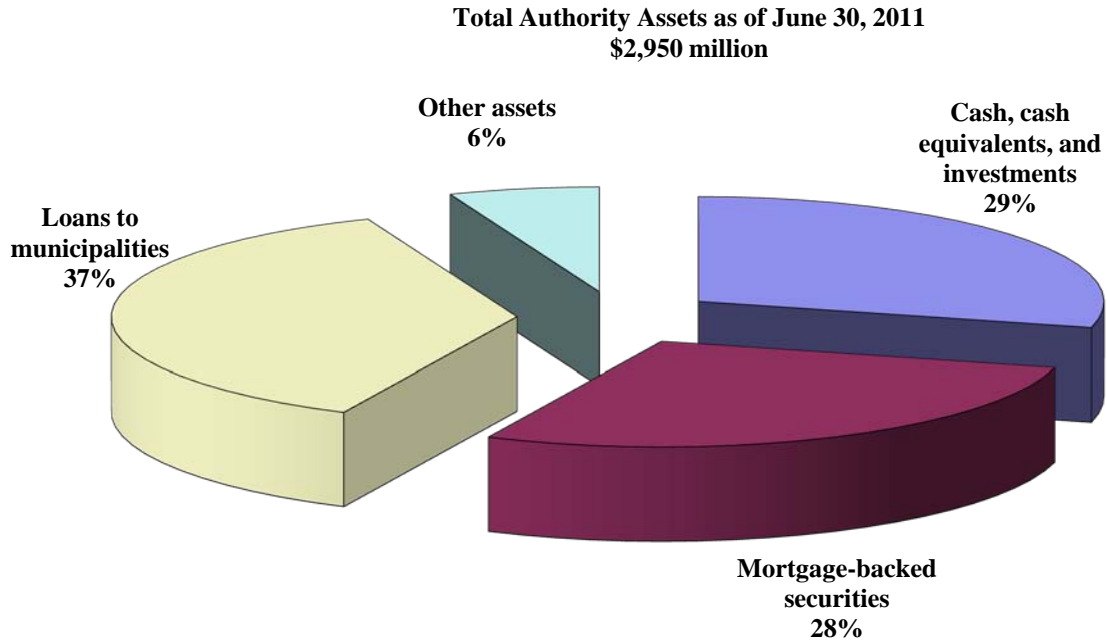
June 30, 2011 and 2010

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

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

**Condensed Financial Information**

The following charts and tables present condensed financial information for fiscal year 2011 and fiscal year 2010.

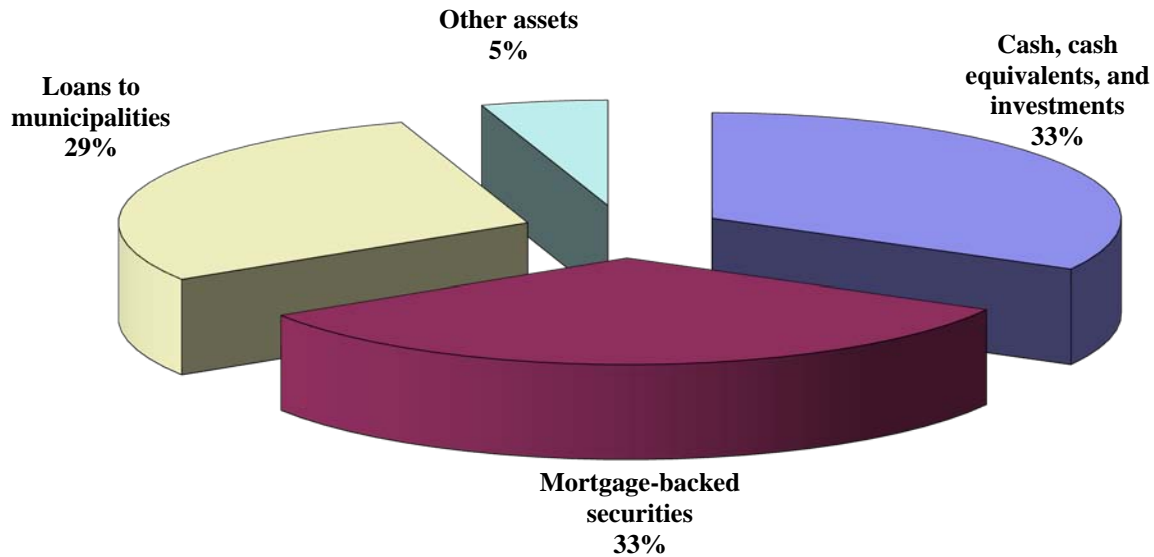


**IOWA FINANCE AUTHORITY**  
(A Component Unit of the State of Iowa)

Management's Discussion and Analysis

June 30, 2011 and 2010

**Total Authority Assets as of June 30, 2010**  
**\$2,914 million**



**Table 1 – Total Condensed Information of the Authority**

**Net Assets**

(Dollars in millions)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Assets:</b>			
Cash, cash equivalents, and investments	\$ 856.9	965.5	657.4
Mortgage-backed securities	840.4	951.2	1,045.6
Loans to municipalities or water systems	1,079.1	859.4	724.7
Other assets	173.9	138.1	111.4
<b>Total assets</b>	<u>2,950.3</u>	<u>2,914.2</u>	<u>2,539.1</u>
<b>Liabilities:</b>			
Bonds payable, net	1,757.7	1,849.7	1,620.7
Other liabilities	200.2	179.4	96.8
<b>Total liabilities</b>	<u>1,957.9</u>	<u>2,029.1</u>	<u>1,717.5</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	0.8	1.0	1.0
Restricted net assets	979.0	875.6	809.1
Unrestricted net assets	12.6	8.5	11.5
<b>Total net assets</b>	<u>\$ 992.4</u>	<u>885.1</u>	<u>821.6</u>

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

Management's Discussion and Analysis

June 30, 2011 and 2010

**Revenues, Expenses, and Changes in Net Assets**

(Dollars in millions)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating revenues:			
Interest income	\$ 86.3	87.4	94.6
Net increase (decrease) in fair value	(3.2)	33.2	45.6
Fee and other income	19.4	17.1	15.8
Grant income	234.7	136.9	72.6
Total operating revenues	<u>337.2</u>	<u>274.6</u>	<u>228.6</u>
Operating expenses:			
Interest on bonds	68.6	71.8	74.0
General and administrative	22.3	21.1	19.4
Grants and aid	138.8	117.3	50.2
Provision for losses	0.2	0.9	—
Total operating expenses	<u>229.9</u>	<u>211.1</u>	<u>143.6</u>
Change in net assets	107.3	63.5	85.0
Net assets at beginning of year	<u>885.1</u>	<u>821.6</u>	<u>736.6</u>
Net assets at end of year	<u>\$ 992.4</u>	<u>885.1</u>	<u>821.6</u>

**Financial Analysis – Combined 2011**

- The Authority's assets increased \$36.1 million, to \$2,950.3 million in FY11 compared to \$2,914.2 million in FY10. Cash, cash equivalents, and investments declined 11%, or \$108.6 million. Mortgage-backed securities (MBS) declined 12%, or \$110.8 million. Loans to municipalities or water systems (SRF loans) grew 26%, or \$219.7 million.
- Bonds payable declined 5%, or \$92.0 million, to \$1,757.7 million in FY11 compared to \$1,849.7 million in FY10.



**IOWA FINANCE AUTHORITY**  
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Management's Discussion and Analysis

June 30, 2011 and 2010

The Authority issued one new single family bond series totaling \$20.8 million and converted \$31.2 million of new issue bond program escrow bonds to program bonds to purchase MBS under the FirstHome Program and issued one SRF bond series totaling \$292.9 million to originate SRF loans. The Authority also arranged short-term financing of \$23.1 million to fund multifamily construction projects. The Authority made bond payments of \$428.8 million.

<u>Series</u>	<u>Date</u>	<u>Amount (In millions)</u>	<u>Rating</u>
SF 2010 1	11/02/10	\$ 20.8	Aaa by Moody's
SRF 2010	12/01/10	292.9	AAA by Standard & Poor's; Aaa by Moody's; AAA by Fitch Ratings
MF LOC	Various	<u>23.1</u>	Not Rated
Total		<u>\$ 336.8</u>	

- Interest income declined 1% to \$86.3 million as a result of market interest rates and the reduction of the MBS portfolio for the year.
- The fair value of investments and MBS declined \$3.2 million as a result of the reduction of the MBS portfolio.
- Grant income increased \$97.8 million to \$234.7 million due to state funding for disaster relief, water quality, and infrastructure projects; and federal funding relating to EPA capitalization grants, HUD's Home program and the American Recovery and Reinvestment Act (ARRA).
- General and administrative expenses grew 6%, or \$1.2 million, to \$22.3 million as expected due to increasing grant administration costs.
- Grant and aid expense increased \$21.5 million to \$138.8 million, a direct result of the increased funding mentioned above.

**IOWA FINANCE AUTHORITY**  
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Management's Discussion and Analysis

June 30, 2011 and 2010

**Financial Analysis – Combined 2010**

- The Authority's assets increased 15%, or \$375.1 million, to \$2,914.2 million in FY10 compared to \$2,539.1 million in FY09. Cash, cash equivalents, and investments grew 47%, or \$308.1 million. Mortgage-backed securities (MBS) declined 9%, or \$94.4 million. Loans to municipalities or water systems (SRF loans) grew 19%, or \$134.7 million.
- Bonds payable increased 14%, or \$229.0 million, to \$1,849.7 million in FY10 compared to \$1,620.7 million in FY09.

The Authority issued single family bonds totaling \$80.0 million to purchase MBS under the FirstHome Program and \$169.1 million to facilitate participation in the U.S. Treasury's New Issue Bond Program; and issued one SRF bond series totaling \$143.9 million to originate SRF loans. The Authority also arranged short-term financing of \$61.5 million to preserve single family bond cap and \$17.5 million to fund multifamily construction projects. The Authority made bond payments of \$243.5 million.

<u>Series</u>	<u>Date</u>	<u>Amount (In millions)</u>	<u>Rating</u>
SF 2009 A	08/19/09	\$ 40.0	AAA by Standard & Poor's; Aaa by Moody's
SF 2009 1 & 2	12/11/09	40.0	Aaa by Moody's
SF 2009 3	12/30/09	169.1	Aaa by Moody's
SRF 2009	12/02/09	143.9	AAA by Standard & Poor's; Aaa by Moody's; AAA by Fitch Ratings
SF Advance	Various	61.5	Not Rated
MF LOC	Various	17.5	Not Rated
MacArthur Loan	08/07/09	0.5	Not Rated
Total		<u>\$ 472.5</u>	

- Interest income declined 8% to \$87.4 million as a result of declining market interest rates and a reduction in the MBS portfolio for the year.
- The fair value of investments and MBS increased \$33.2 million as a result of declining market interest rates for the year.
- Grant income increased \$64.3 million to \$136.9 million. Housing Agency grant income increased \$38.6 million due to increased state funding for disaster relief, water quality, and infrastructure projects; and due to increased federal funding relating to ARRA. SRF grant income increased by \$25.7 million due to ARRA funding.
- General and administrative expenses grew 9%, or \$1.7 million, to \$21.1 million as expected due to increasing grant administration costs and volume-related cost increases for the Title Guaranty division.
- Grant and aid expense increased \$67.1 million to \$117.3 million as a result of grants for disaster relief, water quality, infrastructure, and ARRA projects.

**IOWA FINANCE AUTHORITY**  
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Management's Discussion and Analysis  
June 30, 2011 and 2010

**Additional Information**

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

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

Statement of Net Assets

June 30, 2011

(Dollars in thousands)

Assets	Housing Agency Fund	State Revolving Fund	Totals
Current assets (substantially restricted):			
Cash and cash equivalents	\$ 431,431	209,625	641,056
Investments:			
Other investments	39,842	150,437	190,279
Mortgage-backed securities	15,044	—	15,044
Total current investments	54,886	150,437	205,323
Loans to municipalities or water systems	—	64,885	64,885
Housing Agency loans, net	11,425	—	11,425
Accrued interest receivable	4,497	3,886	8,383
Other assets	2,514	2,488	5,002
Total current assets	504,753	431,321	936,074
Noncurrent assets (substantially restricted):			
Investments:			
Other investments	19,974	5,580	25,554
Mortgage-backed securities	825,357	—	825,357
Total noncurrent investments	845,331	5,580	850,911
Loans to municipalities or water systems	—	1,014,180	1,014,180
Housing Agency loans, net	113,951	—	113,951
Capital assets, net of accumulated depreciation	2,991	—	2,991
Other assets	30,912	1,248	32,160
Total noncurrent assets	993,185	1,021,008	2,014,193
Total assets	1,497,938	1,452,329	2,950,267

**IOWA FINANCE AUTHORITY**  
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Statement of Net Assets

June 30, 2011

(Dollars in thousands)

<b>Liabilities</b>	<b>Housing Agency Fund</b>	<b>State Revolving Fund</b>	<b>Totals</b>
Current liabilities:			
Bonds payable, net	\$ 211,819	33,970	245,789
Accrued interest payable	15,817	15,759	31,576
Accounts payable and other liabilities	120,788	3,997	124,785
Total current liabilities	<u>348,424</u>	<u>53,726</u>	<u>402,150</u>
Noncurrent liabilities:			
Bonds payable, net	810,972	700,974	1,511,946
Reserves for claims	4,839	—	4,839
Other liabilities	26,951	11,983	38,934
Total noncurrent liabilities	<u>842,762</u>	<u>712,957</u>	<u>1,555,719</u>
Total liabilities	<u>1,191,186</u>	<u>766,683</u>	<u>1,957,869</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	848	—	848
Restricted net assets:			
Per bond resolutions	233,397	558,121	791,518
Per legislation	59,938	—	59,938
Per other agreements	—	127,525	127,525
Total restricted net assets	<u>293,335</u>	<u>685,646</u>	<u>978,981</u>
Unrestricted net assets	<u>12,569</u>	—	12,569
Total net assets	<u>\$ 306,752</u>	<u>685,646</u>	<u>992,398</u>

See accompanying notes to financial statements.

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

Statement of Net Assets

June 30, 2010

(Dollars in thousands)

Assets	Housing Agency Fund	State Revolving Fund	Totals
Current assets (substantially restricted):			
Cash and cash equivalents	\$ 577,088	212,133	789,221
Investments:			
Other investments	58,193	95,020	153,213
Mortgage-backed securities	16,157	—	16,157
Total current investments	74,350	95,020	169,370
Loans to municipalities or water systems	—	43,921	43,921
Housing Agency loans, net	1,678	—	1,678
Accrued interest receivable	4,896	3,414	8,310
Other assets	2,569	743	3,312
Total current assets	660,581	355,231	1,015,812
Noncurrent assets (substantially restricted):			
Investments:			
Other investments	20,499	2,522	23,021
Mortgage-backed securities	935,024	—	935,024
Total noncurrent investments	955,523	2,522	958,045
Loans to municipalities or water systems	—	815,516	815,516
Housing Agency loans, net	81,461	—	81,461
Capital assets, net of accumulated depreciation	3,261	—	3,261
Other assets	39,122	955	40,077
Total noncurrent assets	1,079,367	818,993	1,898,360
Total assets	1,739,948	1,174,224	2,914,172

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

Statement of Net Assets

June 30, 2010

(Dollars in thousands)

<b>Liabilities</b>	<b>Housing Agency Fund</b>	<b>State Revolving Fund</b>	<b>Totals</b>
Current liabilities:			
Bonds payable, net	\$ 321,850	29,955	351,805
Accrued interest payable	20,385	11,329	31,714
Accounts payable and other liabilities	93,435	1,707	95,142
Total current liabilities	<u>435,670</u>	<u>42,991</u>	<u>478,661</u>
Noncurrent liabilities:			
Bonds payable, net	1,002,420	495,521	1,497,941
Reserves for claims	5,592	—	5,592
Other liabilities	35,486	11,364	46,850
Total noncurrent liabilities	<u>1,043,498</u>	<u>506,885</u>	<u>1,550,383</u>
Total liabilities	<u>1,479,168</u>	<u>549,876</u>	<u>2,029,044</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	960	—	960
Restricted net assets:			
Per bond resolutions	226,891	366,631	593,522
Per legislation	24,381	—	24,381
Per other agreements	—	257,717	257,717
Total restricted net assets	<u>251,272</u>	<u>624,348</u>	<u>875,620</u>
Unrestricted net assets	<u>8,548</u>	—	<u>8,548</u>
Total net assets	<u>\$ 260,780</u>	<u>624,348</u>	<u>885,128</u>

See accompanying notes to financial statements.

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

Statement of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2011

(Dollars in thousands)

	<b>Housing Agency Fund</b>	<b>State Revolving Fund</b>	<b>Totals</b>
Operating revenues:			
Interest income	\$ 54,841	31,488	86,329
Net increase (decrease) in fair value of investments and mortgage-backed securities	(3,225)	26	(3,199)
Fee income	14,989	3,705	18,694
Grant income	162,874	71,785	234,659
Other income	632	—	632
Total operating revenues	<u>230,111</u>	<u>107,004</u>	<u>337,115</u>
Operating expenses:			
Interest on bonds	43,083	25,467	68,550
General and administrative	13,892	8,365	22,257
Grants and aid	127,320	11,477	138,797
Provision (recoveries) of losses	(156)	397	241
Total operating expenses	<u>184,139</u>	<u>45,706</u>	<u>229,845</u>
Operating income/change in net assets	45,972	61,298	107,270
Net assets at June 30, 2010	<u>260,780</u>	<u>624,348</u>	<u>885,128</u>
Net assets at June 30, 2011	<u>\$ 306,752</u>	<u>685,646</u>	<u>992,398</u>

See accompanying notes to financial statements.



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

Statement of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2010

(Dollars in thousands)

	<b>Housing Agency Fund</b>	<b>State Revolving Fund</b>	<b>Totals</b>
Operating revenues:			
Interest income	\$ 61,192	26,186	87,378
Net increase (decrease) in fair value of investments and mortgage-backed securities	33,295	(46)	33,249
Fee income	13,528	2,888	16,416
Grant income	84,437	52,419	136,856
Other income	739	—	739
	<hr/>	<hr/>	<hr/>
Total operating revenues	193,191	81,447	274,638
Operating expenses:			
Interest on bonds	50,908	20,934	71,842
General and administrative	13,367	7,680	21,047
Grants and aid	87,333	29,960	117,293
Provision of losses	552	396	948
	<hr/>	<hr/>	<hr/>
Total operating expenses	152,160	58,970	211,130
Operating income/change in net assets	41,031	22,477	63,508
Net assets at June 30, 2009	<hr/>	<hr/>	<hr/>
	219,749	601,871	821,620
Net assets at June 30, 2010	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ 260,780	624,348	885,128

See accompanying notes to financial statements.

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

Statement of Cash Flows

Year ended June 30, 2011

(Dollars in thousands)

	<b>Housing Agency Fund</b>	<b>State Revolving Fund</b>	<b>Totals</b>
Cash flows from operating activities:			
Cash receipts for fees	\$ 14,606	6,127	20,733
Interest received on loans and mortgage-backed securities	48,636	28,411	77,047
Principal payments on loans and mortgage-backed securities	226,998	81,463	308,461
Purchases of loans and mortgage-backed securities	(123,374)	(301,091)	(424,465)
Grants and other income	144,048	71,786	215,834
Cash payments to employees	(7,894)	(808)	(8,702)
Cash payments to suppliers and grantees	(124,788)	(21,355)	(146,143)
Net cash provided by (used in) operating activities	<u>178,232</u>	<u>(135,467)</u>	<u>42,765</u>
Cash flows from capital and related financing activities:			
Proceeds from issuance of bonds	43,944	292,890	336,834
Payment of bonds	(345,423)	(83,422)	(428,845)
Interest paid	(47,650)	(21,038)	(68,688)
Net cash provided by (used in) capital and related financing activities	<u>(349,129)</u>	<u>188,430</u>	<u>(160,699)</u>
Cash flows from investing activities:			
Purchases of investments	(259,862)	(528,163)	(788,025)
Interest received on investments	6,702	2,979	9,681
Sales/maturities of investments	278,418	469,713	748,131
Purchase of capital assets	(16)	—	(16)
Net cash provided by (used in) investing activities	<u>25,242</u>	<u>(55,471)</u>	<u>(30,229)</u>
Decrease in cash and cash equivalents	(145,655)	(2,508)	(148,163)
Cash and cash equivalents, beginning of year	<u>577,088</u>	<u>212,133</u>	<u>789,221</u>
Cash and cash equivalents, end of year	<u>\$ 431,433</u>	<u>209,625</u>	<u>641,058</u>

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

Statement of Cash Flows

Year ended June 30, 2011

(Dollars in thousands)

	<b>Housing Agency Fund</b>	<b>State Revolving Fund</b>	<b>Totals</b>
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income	\$ 45,972	61,298	107,270
Interest income on investments and bank deposits	(6,713)	(2,979)	(9,692)
Rebate expense	—	373	373
Interest expense on bonds	43,083	25,467	68,550
Net increase (decrease) in fair value of investments and mortgage-backed securities	3,225	(26)	3,199
Depreciation of capital assets	286	—	286
Principal payments on loans and mortgage-backed securities	226,998	81,463	308,461
Purchases of loans and mortgage-backed securities	(161,358)	(301,091)	(462,449)
(Increase) decrease in interest receivable on loans and mortgage-backed securities	507	(471)	36
(Increase) decrease in other assets	8,266	(2,038)	6,228
Increase in accounts payable and other liabilities	3,746	114	3,860
Increase in deferred income	14,220	2,423	16,643
	<u>\$ 178,232</u>	<u>(135,467)</u>	<u>42,765</u>
Supplemental disclosure of noncash financial information:			
Loans transferred from the State of Iowa	\$ 34,059,910	—	34,059,910

See accompanying notes to financial statements.

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

Statement of Cash Flows

Year ended June 30, 2010

(Dollars in thousands)

	<b>Housing Agency Fund</b>	<b>State Revolving Fund</b>	<b>Totals</b>
Cash flows from operating activities:			
Cash receipts for fees	\$ 82,092	4,896	86,988
Interest received on loans and mortgage-backed securities	55,574	23,946	79,520
Principal payments on loans and mortgage-backed securities	226,448	100,947	327,395
Purchases of loans and mortgage-backed securities	(116,435)	(235,701)	(352,136)
Grants and other income	85,176	52,419	137,595
Cash payments to employees	(7,273)	(593)	(7,866)
Cash payments to suppliers and grantees	(92,272)	(38,020)	(130,292)
Net cash provided by (used in) operating activities	<u>233,310</u>	<u>(92,106)</u>	<u>141,204</u>
Cash flows from noncapital financing activities:			
Proceeds from issuance of bonds	328,641	143,895	472,536
Payment of bonds	(229,273)	(14,229)	(243,502)
Interest paid	(53,912)	(18,458)	(72,370)
Net cash provided by noncapital financing activities	<u>45,456</u>	<u>111,208</u>	<u>156,664</u>
Cash flows from investing activities:			
Purchases of investments	(259,796)	(97,954)	(357,750)
Interest received on investments	6,351	3,732	10,083
Sales/maturities of investments	237,253	11,434	248,687
Purchase of capital assets	(78)	—	(78)
Net cash used in investing activities	<u>(16,270)</u>	<u>(82,788)</u>	<u>(99,058)</u>
Increase (decrease) in cash and cash equivalents	262,496	(63,686)	198,810
Cash and cash equivalents, beginning of year	<u>314,592</u>	<u>275,819</u>	<u>590,411</u>
Cash and cash equivalents, end of year	<u>\$ 577,088</u>	<u>212,133</u>	<u>789,221</u>

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Statement of Cash Flows

Year ended June 30, 2010

(Dollars in thousands)

	<u>Housing Agency Fund</u>	<u>State Revolving Fund</u>	<u>Totals</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income	\$ 41,031	22,477	63,508
Interest income on investments and bank deposits	(6,282)	(3,798)	(10,080)
Rebate expense	—	1,486	1,486
Interest expense on bonds	50,908	20,934	71,842
Net increase (decrease) in fair value of investments and mortgage-backed securities	(33,295)	46	(33,249)
Depreciation of capital assets	324	—	324
Principal payments on loans and mortgage-backed securities	226,468	100,947	327,415
Purchases of loans and mortgage-backed securities	(116,435)	(235,701)	(352,136)
Decrease in interest receivable on loans and mortgage-backed securities	644	71	715
Increase in other assets	(9,789)	(395)	(10,184)
(Decrease) increase in accounts payable and other liabilities	11,172	(181)	10,991
Increase in deferred income	68,564	2,008	70,572
	<u>68,564</u>	<u>2,008</u>	<u>70,572</u>
Net cash provided by (used in) operating activities	\$ <u>233,310</u>	<u>(92,106)</u>	<u>141,204</u>

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2011 and 2010

**(1) Organization and Summary of Significant Accounting Policies**

**(a) Organization**

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

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

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

Chapter 16 of the Code of Iowa authorizes the Small Business Loan Program and the Economic Development Loan Program. The Authority is authorized and has issued revenue bonds under these programs, the proceeds of which have been used to provide limited types of financing for qualified small businesses, manufacturing facilities, group homes for citizens who are mentally or physically handicapped, nonprofit entities, multifamily housing, and economic development. The bonds are payable solely from repayments of the loans, which have been assigned, without recourse, to participating financial institutions or to the trustee on behalf of bondholders. These obligations are limited obligations of the Authority payable solely from certain revenues. Neither the Authority nor the State is obligated to pay debt service on such bonds, except from the specifically pledged revenues. Therefore, the loans and bonds are not recorded in the Authority's financial statements. Prior to July 1, 1996, the Authority issued approximately \$1.0 billion of these conduit debt obligations, for which the aggregate amount outstanding as of June 30, 2011 is not determinable and cannot be reasonably estimated. The Authority issued approximately \$4.5 billion in fiscal years 1997 through 2011, of which approximately \$2.0 billion is outstanding at June 30, 2011.

Chapter 16 of the Code of Iowa authorizes the Iowa Finance Authority Title Guaranty Division (the Division). The purposes of the Division are to supplement the abstract-attorney's title opinion system by providing a low-cost mechanism for guarantees of real-property titles, to facilitate mortgage lenders' participation in the secondary market, and to add to the integrity of the land-title transfer system in the State. A title guaranty certificate is an obligation of the Division, and claims are payable solely out of the assets and revenues of the Title Guaranty Division Program Account. The title guarantees do not constitute a debt of the State, and consequently, the State is not liable for

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any repayments. The Division also executes and records mortgage releases for Iowa real estate properties if more than 30 days have elapsed since payment in full was made by the respective mortgagor and certain requirements have been met in accordance with the related laws and administrative rules. The State, and not the Authority or the Division, is liable for any claims arising as the result of releasing a mortgage in error.

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

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

Chapter 16 of the Code of Iowa authorizes the Authority to issue bonds for the purpose of financing the construction or renovation of correctional facilities in the State. The Iowa Department of Corrections administers the State's correctional institutions and authorizes expenditures under the program. The bonds are payable solely from monies deposited in the Iowa Prison Infrastructure Fund, maintained by the State Treasurer, currently required by State law to be the first \$9.5 million of monies remitted to the State Treasurer each fiscal year from certain fees and fines collected by the clerks of the district court in criminal cases, investment earnings on monies in the Iowa Prison Infrastructure Fund, and from other amounts pledged therefore under the bond indenture. These obligations do not constitute a general obligation of the Authority or the State but are a pledge of future revenues of the State. Therefore, the bonds are not recorded in the Authority's financial statements. As of June 30, 2011 and 2010, approximately \$30.1 million and \$36.5 million, respectively, of these conduit debt obligations are outstanding.

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

**(b) Basis of Presentation**

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

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

(c) ***Fund Accounting***

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

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

**Housing Agency Fund – consists of:**

- a. General Operating Accounts – account for the administrative operations of the Authority. Receipts of various program fees, HUD contract administration fees, transfers to or from various bond accounts in accordance with applicable bond resolutions, and administrative expenses of the Authority.
- b. Single Family Bond Programs – account for the proceeds from single family mortgage and housing bonds, the debt service requirements of the bonds, the investment of monies held within the bond accounts, the related loans, and mortgage-backed securities. Single family mortgage and housing bonds are general obligations of the Authority, but are primarily payable from certain assets and revenues pledged under the bond resolutions.
- c. Multifamily Bond Program – accounts for the proceeds from multifamily mortgage bonds, the debt service requirements of the bonds, the investment of monies held within the bond accounts, and the related loans. Multifamily bonds are a general obligation of the Authority, but are primarily payable from certain assets and revenues pledged under the bond resolutions.
- d. Miscellaneous Restricted Funds – accounts for federal grants or State appropriations received and monies transferred from the Division, all specifically restricted or committed for uses in accordance with applicable legislation or grant agreements.
- e. Title Guaranty Division Program – accounts for the administrative costs of the Division, proceeds from title guaranty fees, and payments for claims made against the title guaranties. Monies in this account, after providing for adequate reserves and operating expenses, are transferred to the Housing Assistance Programs.

**State Revolving Fund – consists of:**

- a. Clean Water Program Accounts – account for the proceeds of Clean Water Program revenue bonds, the debt service requirements of the bonds, the investment of monies held within the bond accounts and the equity account, receipt of EPA capitalization grants, the related



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wastewater treatment facility loans to municipalities, and administrative costs of the program. The bonds are secured by certain loan agreements and other assets and revenues pledged under the applicable bond indentures for the State Revolving Fund.

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

**(d) Cash Equivalents**

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

**(e) Investments**

Under the various bond resolutions, State statutes, and the Authority’s Investment Policy, the Authority may invest in U.S. government and agency, and municipal obligations directly or through repurchase agreements secured by such obligations, certificates of deposit in qualified financial institutions, pooled money funds with the State, and investment agreements with U.S. government agencies, qualified financial institutions, or qualified corporations.

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

**(f) Loans to Municipalities or Water Systems**

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

**(g) Housing Loans made with Federal Funds**

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

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**(h) Other Loans**

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

**(i) Provision for Housing Agency Loan Losses**

An evaluation of possible credit losses relating to Housing Agency loans is made and a provision for losses is charged to expense. An allowance for losses of \$2.1 million and \$1.8 million, respectively, was netted against other loans at June 30, 2011 and 2010. The accrued interest on loans that become more than three months delinquent is charged to income. Subsequent interest income is not recognized on such loans until collected or until the loans are three months or less in arrears.

**(j) Capital Assets**

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

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

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

**(k) Bond Issuance Costs, Premiums, and Discounts**

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

**(l) Reserves for Title Guaranty Division Losses**

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

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**(m) *Rebates Owed***

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

**(n) *Deferred Income***

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

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

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

**(o) *Net Assets***

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

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

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

**(p) *Operating Revenues and Expenses***

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

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**(q) Fee Income**

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

**(r) 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 Opportunities Made Easy (HOME), Housing Opportunities for Persons with Aids, and Emergency Shelter 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.

**(s) Derivatives**

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

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

**(t) 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.

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Notes to Financial Statements

June 30, 2011 and 2010

(2) **Deposits and Investments**

(a) **Deposits**

At June 30, 2011 and 2010, the Authority had uninsured bank balances of \$4.4 million and \$23.3 million, respectively. Deposits of \$301.8 million and \$411.4 million, respectively, were covered by collateralized trust agreements (dollars in thousands).

<b>June 30, 2011</b>				
	<b>Housing Agency Fund</b>	<b>State Revolving Fund</b>	<b>Total</b>	<b>Percentage of total</b>
Type:				
Cash in bank	\$ 4,890	53,574	58,464	14.2%
Cash in trust accounts	17	—	17	—
Certificates of deposit	50,000	—	50,000	12.2
Money market trust accounts	197,949	103,847	301,796	73.6
Total	\$ 252,856	157,421	410,277	100.0%
<b>June 30, 2010</b>				
	<b>Housing Agency Fund</b>	<b>State Revolving Fund</b>	<b>Total</b>	<b>Percentage of total</b>
Type:				
Cash in bank	\$ 964	45,462	46,426	8.0%
Cash in trust accounts	1,206	—	1,206	0.2
Certificates of deposit	122,297	—	122,297	21.1
Money market trust accounts	324,181	85,985	410,166	70.7
Total	\$ 448,648	131,447	580,095	100.0%

(b) **Investments**

The investment of funds is restricted by the Authority's board of directors; the Authority's various bond indentures; and the State. 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.

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Notes to Financial Statements

June 30, 2011 and 2010

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

<b>June 30, 2011</b>					
	<b>Housing Agency Fund</b>	<b>State Revolving Fund</b>	<b>Total</b>	<b>Percentage of total</b>	<b>Average maturity (years)</b>
Type:					
GNMA mortgage-backed securities	\$ 462,854	—	462,854	36 %	25.0
FNMA mortgage-backed securities	362,491	—	362,491	28	25.2
FHLMC mortgage-backed securities	15,056	—	15,056	1	26.3
Agency notes	42,258	155,767	198,025	15	2.1
Treasury bonds	5,704	—	5,704	1	6.2
Treasury strips	7,861	—	7,861	1	4.1
Corporate bonds	2,001	—	2,001	—	1.1
Municipal securities	1,992	250	2,242	—	1.8
State of Iowa pooled money funds	109,634	—	109,634	9	Less than 1
Guaranteed investment contracts	68,941	52,204	121,145	9	Less than 1
Total	<u>\$ 1,078,792</u>	<u>208,221</u>	<u>1,287,013</u>	<u>100 %</u>	
<b>June 30, 2010</b>					
	<b>Housing Agency Fund</b>	<b>State Revolving Fund</b>	<b>Total</b>	<b>Percentage of total</b>	<b>Average maturity (years)</b>
Type:					
GNMA mortgage-backed securities	\$ 476,275	—	476,275	36 %	25.3
FNMA mortgage-backed securities	456,318	—	456,318	34	25.8
FHLMC mortgage-backed securities	18,588	—	18,588	1	27.3
Agency notes	62,633	97,542	160,175	12	1.0
Treasury bonds	5,849	—	5,849	1	11.1
Treasury strips	8,870	—	8,870	1	7.2
Corporate bonds	1,341	—	1,341	—	4.5
State of Iowa pooled money funds	97,776	—	97,776	7	Less than 1
Guaranteed investment contracts	30,664	80,686	111,350	8	Less than 1
Total	<u>\$ 1,158,314</u>	<u>178,228</u>	<u>1,336,542</u>	<u>100 %</u>	

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June 30, 2011 and 2010

As of June 30, 2011 and 2010, the Authority had derivative investments with the following maturities (dollars in thousands):

		<b>June 30, 2011</b>			
		<b>Investment maturities (in years)</b>			
<b>Investment type</b>	<b>Fair value</b>	<b>Less than 1</b>	<b>1 – 5</b>	<b>6 – 10</b>	<b>More than 10</b>
Investment derivative instruments	\$ (392)	—	(1)	(93)	(298)

		<b>June 30, 2010</b>			
		<b>Investment maturities (in years)</b>			
<b>Investment type</b>	<b>Fair value</b>	<b>Less than 1</b>	<b>1 – 5</b>	<b>6 – 10</b>	<b>More than 10</b>
Investment derivative instruments	\$ (2,404)	(1,500)	(2)	(294)	(608)

**(c) Credit Risk**

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

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

**(d) Concentration Risk**

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

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

Provider	Credit ratings		June 30, 2011			
	Standard & Poor's	Moody's	Housing Agency Fund	State Revolving Fund	Total	Percentage of total
Money market funds:						
Wells Fargo Bank, N.A.	AA-/A1+	A1/P1	\$ 55,739	103,847	159,586	33%
US Bank, N.A.	AA-/A1+	Aa2/P1	137,900	—	137,900	29
Goldman Sachs	A+/A1	Aa3/P1	4,310	—	4,310	1
Certificates of deposit:						
Federal Home Loan Bank	AAA/A1+	Aaa/P1	50,000	—	50,000	10
Guaranteed investment contracts:						
AIG, Inc.	A-/A2	Baa1/P2	1,133	—	1,133	—
Bayerische Landesbank	not rated	A1/P1	6,269	—	6,269	2
Credit Agricole	A+/A1	Aa1/P1	8,072	—	8,072	2
FSA International, Ltd	AA+/none	Aa3/none	6,236	—	6,236	1
Natixis Funding Corp	A+/A1	Aa3/P1	—	8,284	8,284	2
Royal Bank of Canada	AA-/A1+	Aa1/P1	2,073	—	2,073	1
Societe Generale	A+/A1	Aa2/P1	22,050	43,920	65,970	14
TransAmerica Life						
Ins. Co.	AA-/A1+	A1/P1	18,825	—	18,825	4
Trinity Funding	AA+/A1+	Aa2/P1	4,283	—	4,283	1
Corporate bonds:						
General Electric Capital Co.	AA+/A1+	Aa2/P1	675	—	675	—
General Electric Co.	AA+/A1+	Aa2/P1	1,326	—	1,326	—
Municipal Bonds						
City of Bloomington, MN	AAA-	Aaa/-	102	—	102	—
City of Coralville, IA	not rated	Aa2	113	—	113	—
City of Omaha, NE	AAA	Aaa	101	—	101	—
City of St Paul, MN	AAA	Aa1	105	—	105	—
City of West Des Moines, IA	AAA	not rated	150	—	150	—
Iowa State University	AA	Aa2	100	—	100	—
Kirkwood Community Coll	AA-	Aa2	101	—	101	—
Missouri Highway & Trans	AAA	Aaa	105	—	105	—
Northern Iowa ACC	not rated	Aa2	200	—	200	—
Polk County, IA	AAA	Aaa	157	—	157	—
State of TX Public Finance	AA+	Aaa	100	—	100	—
State of Hawaii	AA	Aa2	103	—	103	—
University of Iowa	A+	Aa1	305	250	555	—
Waukee Comm School Dist	not rated	Aa2	250	—	250	—
Total			\$ 320,883	156,301	477,184	100%



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Notes to Financial Statements

June 30, 2011 and 2010

June 30, 2010						
Provider	Credit ratings		Housing Agency Fund	State Revolving Fund	Total	Percentage of total
	Standard & Poor's	Moody's				
Money market funds:						
Wells Fargo Bank, N.A.	AA/A1+	Aa2/P1	\$ 321,005	85,985	406,990	63%
Goldman Sachs	A/A-1	A1/P1	3,176	—	3,176	1
Certificates of deposit						
Federal Home Loan Bank	AAA/A1+	Aaa/P1	122,297	—	122,297	19
Guaranteed investment contracts:						
AIG, Inc.	A-/A1	A3/P1	98	—	98	—
Bayerische Landesbank	not rated	A1/P1	1,781	—	1,781	—
Credit Agricole (Formerly, Calyon)	AA-/A1+	Aa3/P1	153	—	153	—
FSA International, Ltd	AAA/none	Aa3/none	2,785	—	2,785	—
Natixis Funding Corp	A+/A1	Aa3/P1	—	24,109	24,109	4
Royal Bank of Canada	AA-/A1+	Aaa/P1	17	—	17	—
Societe Generale	A+/A1	Aa2/P1	20,472	56,577	77,049	12
TransAmerica Life Ins. Co.	AA-/A1+	A1/P1	2,396	—	2,396	—
Trinity Funding	AA+/A1+	Aa2/P1	2,962	—	2,962	1
Corporate bonds:						
General Electric	AA+/A1+	Aa2/P1	1,341	—	1,341	—
Total			\$ 478,483	166,671	645,154	100%

(e) **Interest Rate Risk**

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

(f) **Foreign Currency Risk**

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

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June 30, 2011 and 2010

**(3) Housing Agency Loans**

Housing Agency loans at June 30, 2011 and 2010 are as follows (dollars in thousands):

	<b>2011</b>		
	<b>Cost</b>	<b>Allowance for losses</b>	<b>Net</b>
Loans secured with first mortgages	\$ 80,291	(480)	79,811
Loans secured with second mortgages, other collateral, or unsecured	9,056	(1,577)	7,479
Federal program loans*	53,413	(15,327)	38,086
Total	\$ 142,760	(17,384)	125,376
	<b>2010</b>		
	<b>Cost</b>	<b>Allowance for losses</b>	<b>Net</b>
Loans secured with first mortgages	\$ 73,357	(266)	73,091
Loans secured with second mortgages, other collateral, or unsecured	11,584	(1,536)	10,048
Federal program loans	8,896	(8,896)	—
Total	\$ 93,837	(10,698)	83,139

\* The State Department of Economic Development (DED) transferred responsibility to monitor the federal HOME Investment Partnership Program to the Authority as of July 1, 2010. The fair value of the loans transferred to the Authority was \$34,059,910 and was reported as grant income.

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June 30, 2011 and 2010

**(4) Bonds and Notes Payable**

Bonds and notes payable at June 30, 2011 and 2010 are as follows (dollars in thousands):

Description	Original amount	Due dates		Interest rate		Balance	
		From	To	From	To	2011	2010
Housing Agency Bonds and Notes:							
Single Family Mortgage Bonds							
SF 2001 A – Serial Bonds	\$ 6,905	07/01/02	01/01/11	3.100%	4.600%	\$ —	\$ 100
SF 2001 A – Term Bonds	4,680		07/01/16		5.100	—	560
SF 2001 B – Serial Bonds	1,495	07/01/11	07/01/12	5.000	5.100	—	95
SF 2001 B – Term Bonds	10,310		07/01/23		4.700	—	1,315
SF 2001 C – Term bonds	15,445		07/01/33		5.500	—	5,735
SF 2001 D – Serial Bonds	3,950	07/01/04	07/01/13	3.250	4.850	—	555
SF 2001 D – Term Bonds	3,700		07/01/21		5.250	—	1,780
SF 2001 D – Term Bonds	11,100		01/01/34		5.375	—	4,745
SF 2002 A – Serial Bonds	6,500	07/01/04	07/01/14	2.900	5.150	435	680
SF 2002 A – Term Bonds	1,665		01/01/22		5.300	120	295
SF 2002 A – Term Bonds	3,930		07/01/22		5.300	285	710
SF 2002 A – Term Bonds	5,190		07/01/27		5.300	4,685	4,685
SF 2002 A – Term Bonds	4,565		07/01/32		5.400	220	550
SF 2002 A – Term Bonds	4,400		07/01/33		5.400	290	740
SF 2002 B – Serial Bonds	10,925	07/01/03	07/01/14	2.000	4.850	1,095	1,755
SF 2002 C – Term bonds	6,425		07/01/21		5.500	1,540	1,850
SF 2002 C – Term bonds	5,240		01/01/22		5.500	1,300	1,580
SF 2002 C – Term bonds	9,250		07/01/24		4.500	—	1,550
SF 2002 D – Term Bonds	7,050		01/01/28		5.500	7,050	7,050
SF 2002 D – Term Bonds	6,000		07/01/32		5.600	1,490	1,780
SF 2002 D – Term Bonds	6,340		07/01/33		5.600	1,510	1,820
SF 2002 F – Serial Bonds	2,670	07/01/04	07/01/14	1.750	4.000	360	475
SF 2002 F – Term Bonds	765		01/01/16		4.250	425	440
SF 2002 G – Serial Bonds	1,310	07/01/10	07/01/13	3.750	4.100	595	705
SF 2002 G – Term Bonds	4,685		01/01/23		4.900	2,455	2,525
SF 2002 G – Term Bonds	635		01/01/24		4.900	340	350
SF 2002 H – Term Bonds	7,855		01/01/31		5.000	4,080	4,255
SF 2002 H – Term Bonds	10,000		07/01/33		3.500	—	1,155
SF 2002 H – Term Bonds	5,830		01/01/34		5.000	3,020	3,155
SF 2002 I – Term Bonds	11,250		07/01/32	Variable*	0.090	5,545	6,210
SF 2003 A – Serial Bonds	5,175	01/01/06	07/01/16	2.250	4.750	1,890	2,290
SF 2003 A – Term Bonds	3,675		07/01/22		5.000	2,330	2,390
SF 2003 A – Term Bonds	1,200		01/01/23		5.000	875	890
SF 2003 A – Term Bonds	8,950		01/01/34		5.125	5,720	5,955
SF 2003 A – Term Bonds	9,000		07/01/35		5.125	5,765	6,100
SF 2003 B – Term Bonds	10,000		07/01/34	Variable*	0.653	1,855	3,740
SF 2003 D – Term Bonds	10,270		01/01/25		4.250	1,170	2,265
SF 2003 F – Term Bonds	20,000		01/01/33	Variable*	0.090	14,540	18,980
SF 2003 G – Term Bonds	10,000		07/01/25	Variable*	0.603	3,275	4,300
SF 2003 H – Serial Bonds	3,670	01/01/09	07/01/15	3.000	4.300	1,050	1,690
SF 2003 I – Term Bonds	5,450		07/01/22		4.900	3,220	3,600
SF 2003 J – Serial Bonds	4,620	07/01/05	01/01/14	1.650	4.450	1,335	1,490
SF 2003 J – Term Bonds	9,500		07/01/29		5.000	5,440	6,080
SF 2003 J – Term Bonds	11,000		07/01/34		5.000	855	3,115
SF 2003 J – Term Bonds	10,760		01/01/35		5.100	5,995	6,700
SF 2004 A – Serial Bonds	6,120	07/01/05	07/01/14	1.750	4.450	1,040	1,730

\* Variable rates are as of June 30, 2011

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Description	Original amount	Due dates		Interest rate		Balance	
		From	To	From	To	2011	2010
SF 2004 A – Term Bonds	\$ 3,855		07/01/24		4.900%	\$ 1,140	\$ 1,505
SF 2004 A – Term Bonds	12,270		01/01/34		5.000	1,460	3,390
SF 2004 A – Term Bonds	2,585		07/01/34		5.100	605	820
SF 2004 A – Term Bonds	5,170		01/01/35		5.100	1,545	2,035
SF 2004 B – Term Bonds	15,000		07/01/34	Variable*	0.100	14,115	15,000
SF 2004 C – Serial Bonds	3,395	01/01/06	01/01/14	2.500%	4.700	470	960
SF 2004 C – Term Bonds	1,400		07/01/12		4.280	405	830
SF 2004 C – Term Bonds	610		07/01/14		4.700	230	355
SF 2004 C – Term Bonds	7,400		07/01/25		5.125	2,845	4,370
SF 2004 C – Term Bonds	2,680		01/01/30		5.200	1,045	1,575
SF 2004 C – Term Bonds	2,680		07/01/30		5.200	1,030	1,575
SF 2004 C – Term Bonds	5,650		01/01/34		5.250	905	2,150
SF 2004 C – Term Bonds	9,030		07/01/35		5.250	3,355	5,180
SF 2004 D – Term Bonds	17,000		07/01/34	Variable*	0.090	11,520	12,520
SF 2004 E – Serial Bonds	10,825	01/01/06	01/01/16	1.950	3.950	2,355	3,265
SF 2004 F – Term Bonds	2,375		07/01/24		4.550	1,070	1,250
SF 2004 F – Term Bonds	10,400		01/01/35		5.000	2,265	4,450
SF 2004 F – Term Bonds	6,400		07/01/35		4.800	2,775	3,260
SF 2004 G – Term Bonds	20,000		07/01/34	Variable*	0.100	15,605	20,000
SF 2005 A – Serial Bonds	5,885	07/01/07	07/01/16	2.900	4.300	1,010	2,150
SF 2005 B – Serial Bonds	2,925	01/01/07	01/01/15	3.200	4.500	765	1,120
SF 2005 B – Term Bonds	15,350		07/01/25		4.600	4,440	6,765
SF 2005 B – Term Bonds	17,300		07/01/30		5.000	5,275	8,755
SF 2005 C – Term Bonds	24,000		01/01/36	Variable*	0.090	21,465	24,000
SF 2005 D – Serial Bonds	5,995	01/01/07	01/01/16	3.000	4.250	280	1,080
SF 2005 D – Term Bonds	2,565		07/01/13		4.000	770	1,285
SF 2005 D – Term Bonds	8,340		01/01/36		4.450	2,530	4,210
SF 2005 D – Term Bonds	19,100		01/01/36		5.000	6,245	9,830
SF 2005 E – Term Bonds	24,000		01/01/36	Variable*	0.100	17,400	24,000
SF 2005 F – Serial Bonds	3,075	07/01/14	07/01/16	4.000	4.200	865	1,300
SF 2005 G – Serial Bonds	6,810	07/01/07	01/01/14	3.250	4.300	910	1,760
SF 2005 G – Term Bonds	1,510		07/01/26		4.700	480	735
SF 2005 G – Term Bonds	240		07/01/31		4.750	100	150
SF 2005 G – Term Bonds	19,800		01/01/36		5.000	7,070	11,325
SF 2005 G – Term Bonds	4,565		01/01/37		4.875	1,210	1,880
SF 2005 H – Term Bonds	24,000		07/01/36	Variable*	0.090	19,565	24,000
SF 2006 A – Serial Bonds	1,385	07/01/14	01/01/15	3.800	3.900	475	890
SF 2006 B – Serial Bonds	10,655	07/01/07	07/01/16	3.400	4.300	2,105	4,745
SF 2006 B – Term Bonds	4,535		01/01/26		4.750	1,630	3,015
SF 2006 B – Term Bonds	14,425		01/01/36		4.900	5,075	9,530
SF 2006 B – Term Bonds	17,000		01/01/36		5.000	6,570	10,355
SF 2006 C – Term Bonds	12,000		01/01/36	Variable*	0.100	12,000	12,000
SF 2006 D – Serial Bonds	1,575	07/01/14	07/01/15	4.100	4.150	15	695
SF 2006 E – Serial Bonds	6,965	07/01/07	07/01/14	3.700	4.500	40	1,955
SF 2006 E – Term Bonds	1,270		07/01/16		4.650	10	555
SF 2006 E – Term Bonds	3,925		07/01/26		4.850	40	1,785
SF 2006 E – Term Bonds	245		07/01/31		4.950	—	100
SF 2006 E – Term Bonds	25,250		07/01/36		5.500	13,425	17,900
SF 2006 E – Term Bonds	8,770		01/01/37		5.000	80	3,930
SF 2006 F – Term Bonds	12,000		07/01/36	Variable*	0.090	12,000	12,000
SF 2006 G – Serial Bonds	2,720	07/01/07	07/01/16	3.750	4.500	845	1,420
SF 2006 G – Term Bonds	12,975		01/01/26		4.875	6,005	8,870

\* Variable rates are as of June 30, 2011

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Description	Original amount	Due dates		Interest rate		Balance	
		From	To	From	To	2011	2010
SF 2006 G – Term Bonds	\$ 8,265		07/01/30		5.000%	\$ 3,805	\$ 5,630
SF 2006 G – Term Bonds	14,620		07/01/36		5.000	6,720	9,975
SF 2006 G – Term Bonds	8,420		07/01/36		5.750	4,360	5,920
SF 2006 H – Term Bonds	23,000		07/01/36		5.868	11,715	16,165
SF 2006 I – Term Bonds	5,405		07/01/21		4.700	3,400	4,630
SF 2006 I – Term Bonds	7,385		07/01/26		4.800	4,635	6,315
SF 2006 I – Term Bonds	10,085		07/01/31		4.900	6,300	8,600
SF 2006 I – Term Bonds	17,125		07/01/37		4.950	10,685	14,575
SF 2006 J – Term Bonds	40,000		07/01/37		5.745	20,635	28,610
SF 2007 A – Serial Bonds	3,855	01/01/08	07/01/17	3.500%	3.950	1,650	2,905
SF 2007 B – Term Bonds	4,935		07/01/22		4.600	2,300	3,880
SF 2007 B – Term Bonds	5,175		07/01/26		4.700	2,340	4,035
SF 2007 B – Term Bonds	10,560		07/01/32		4.750	4,820	8,215
SF 2007 B – Term Bonds	10,475		01/01/37		4.800	3,605	8,140
SF 2007 C – Term Bonds	35,000		07/01/37	Variable*	0.150	25,070	28,740
SF 2007 D – Serial Bonds	1,215	07/01/11	01/01/17	3.950	4.400	705	1,025
SF 2007 E – Term Bonds	5,770		07/01/22		5.050	3,295	4,820
SF 2007 E – Term Bonds	7,215		07/01/27		5.100	4,110	5,995
SF 2007 E – Term Bonds	9,675		07/01/32		5.150	5,505	8,040
SF 2007 E – Term Bonds	5,000		07/01/37		5.750	3,075	3,630
SF 2007 E – Term Bonds	14,750		01/01/38		5.200	8,405	12,275
SF 2007 F – Serial Bonds	7,000	07/01/08	07/01/14	5.341	5.752	1,915	3,435
SF 2007 G – Term Bonds	33,000		01/01/38	Variable*	0.150	23,290	27,590
SF 2007 H – Serial Bonds	7,875	07/01/08	07/01/17	3.650	4.500	3,250	5,255
SF 2007 I – Term Bonds	2,805		07/01/22		5.200	1,480	2,170
SF 2007 I – Term Bonds	16,295		07/01/32		5.350	8,520	12,705
SF 2007 I – Term Bonds	22,725		07/01/37		5.400	11,655	17,715
SF 2007 I – Term Bonds	10,065		07/01/37		5.500	6,410	8,100
SF 2007 J – Term Bonds	30,000		07/01/30		5.770	17,435	24,465
SF 2007 K – Serial Bonds	2,905	07/01/09	07/01/17	3.700	4.450	—	2,025
SF 2007 K – Term Bonds	7,545		07/01/28		5.125	—	5,770
SF 2007 L – Serial Bonds	2,395	07/01/09	07/01/14	4.390	4.810	—	1,505
SF 2007 M – Term Bonds	25,450		01/01/39	Variable*	0.150	19,855	22,815
SF 2007 N – Term Bonds	14,550		01/01/39	Variable*	0.090	14,550	14,550
SF 2008 A – Serial Bonds	2,465	07/01/09	07/01/17	3.000	4.900	—	2,190
SF 2008 B – Term Bonds	28,070		01/01/39	Variable*	0.100	21,565	25,935
SF 2008 C – Term Bonds	29,465		01/01/39	Variable*	0.150	23,415	26,805
SF 2008 D – Serial Bonds	4,670	01/01/10	01/01/13	2.450	3.450	1,455	3,365
SF 2008 E – Serial Bonds	8,605	07/01/13	07/01/18	3.450	4.350	4,545	7,180
SF 2008 E – Term Bonds	7,140		07/01/23		5.000	3,765	5,955
SF 2008 E – Term Bonds	7,050		07/01/28		5.250	3,730	5,885
SF 2008 E – Term Bonds	7,705		07/01/32		5.400	4,005	6,335
SF 2008 F – Term Bonds	17,330		01/01/39	Variable*	0.100	17,330	17,330
SF 2008 G – Term Bonds	22,500		01/01/39	Variable*	0.150	19,050	21,345
SF 2009 A – Serial Bonds	13,510	07/01/10	07/01/20	1.000	4.200	11,500	13,510
SF 2009 A – Term Bonds	5,660		07/01/24		4.800	4,900	5,660
SF 2009 A – Term Bonds	5,970		07/01/28		5.000	5,130	5,970
SF 2009 A – Term Bonds	6,835		01/01/33		5.300	5,845	6,835
SF 2009 A – Term Bonds	8,025		01/01/38		5.000	7,335	8,025
SF 2009 I – Serial Bonds	7,370	01/01/11	07/01/21	0.700	4.100	6,775	7,370
SF 2009 I – Term Bonds	4,230		01/01/26		4.550	4,000	4,230
SF 2009 I – Term Bonds	4,400		07/01/28		5.000	4,155	4,400
SF 2009 2 – Term Bonds	24,000		07/01/40		4.050	22,870	24,000

\* Variable rates are as of June 30, 2010.

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Description	Original amount	Due dates		Interest rate		Balance	
		From	To	From	To	2011	1010
SF 2009 3 - Term Bonds	\$ 169,100		12/31/11		3.010%	\$ 137,900	\$ 169,100
SF 2010 1 - Serial Bonds	10,410	01/01/12	01/01/22	0.750%	3.550	10,410	—
SF 2010 1 - Term Bonds	4,150		07/01/27		4.000	4,150	—
SF 2010 1 - Term Bonds	6,240		01/01/28		4.375	6,240	—
SF 2009 3A - Term Bonds	31,200		07/01/41		3.010	31,200	—
Multi Family Housing Bonds							
MF 1978 A – Term Bonds	22,050		04/01/21		6.000	11,790	12,690
MF 2006 A – Term Bonds	6,475		07/01/41		4.600	5,755	5,935
MF 2007 A – Term Bonds	12,700		08/01/37	Variable*	3.000	12,700	12,700
MF 2007 B – Term Bonds	9,300		08/01/37	Variable*	3.000	9,300	9,300
MF 2008 A – Term Bond	3,750		06/01/24	Variable*	3.250	3,750	3,750
G.O. Notes and Credit Facilities							
Chase Equipment Leasing Note	2,801		10/02/21		4.111	2,144	2,301
FHLB Credit Facility FY10	122,297		12/31/10	Variable*	0.100	50,000	122,297
Wells Fargo MF Credit Facility	14,301		10/31/12	Variable*	2.440	11,205	13,980
MacArthur Foundation note	500		07/01/19		2.000	500	500
Total Housing Agency	\$ 1,830,149					\$ 1,022,539	1,324,193
State Revolving Fund Revenue Bonds							
2001 - Serial Bonds	210,395	08/01/02	08/01/14	4.000	5.500	51,205	80,665
2001 - Term Bonds	5,995		08/01/16		5.500	2,650	5,995
2001 - Term Bonds	6,230		08/01/18		5.500	2,650	6,230
2001 - Term Bonds	6,525		08/01/20		5.000	2,765	6,525
2001 - Term Bonds	4,080		08/01/23		5.000	1,715	4,080
2003 - Serial Bonds	56,100	08/01/03	08/01/24	2.000	5.250	8,325	42,960
2005 - Serial Bonds	17,775	08/01/06	08/01/12	3.250	5.000	5,215	7,875
2007 - Serial Bonds	64,160	08/01/08	08/01/24	4.000	5.000	60,245	61,825
2008 - Serial Bonds	148,435	08/01/09	08/01/28	3.500	6.000	143,635	146,785
2009 - Serial Bonds	143,895	08/01/10	08/01/29	2.000	5.000	142,445	143,895
2010 - Serial Bonds	215,725	08/01/11	08/01/25	2.000	5.000	215,725	—
2010 - Term Bonds	77,165		08/01/30		5.272	77,165	—
Total State Revolving Fund	\$ 956,480					\$ 713,740	506,835
Total Bonds and Notes	\$ 2,786,629					\$ 1,736,279	1,831,028
Premium / discount, net						21,456	18,718
Total Authority						\$ 1,757,735	1,849,746

\* Variable rates are as of June 30, 2010.

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The following tables summarize the bonds and notes payable (net of premium and discount) activity for the Authority for the years ended June 30, 2011 and 2010 (dollars in thousands):

	<u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2011</u>	<u>Due within one year</u>
Housing Agency	\$ 1,324,270	43,944	345,423	1,022,791	211,819
State Revolving Fund	<u>525,476</u>	<u>292,890</u>	<u>83,422</u>	<u>734,944</u>	<u>33,970</u>
Total	<u>\$ 1,849,746</u>	<u>336,834</u>	<u>428,845</u>	<u>1,757,735</u>	<u>245,789</u>
	<u>June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2010</u>	<u>Due within one year</u>
Housing Agency	\$ 1,224,902	328,641	229,273	1,324,270	321,850
State Revolving Fund	<u>395,810</u>	<u>143,895</u>	<u>14,229</u>	<u>525,476</u>	<u>29,955</u>
Total	<u>\$ 1,620,712</u>	<u>472,536</u>	<u>243,502</u>	<u>1,849,746</u>	<u>351,805</u>

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			State Revolving Fund			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 211,819	24,222	236,041	33,970	34,250	68,220	245,789	58,472	304,261
2013	13,847	23,795	37,642	37,750	30,550	68,300	51,597	54,345	105,942
2014	14,675	23,284	37,959	40,195	28,850	69,045	54,870	52,134	107,004
2015	16,302	22,734	39,036	40,600	27,088	67,688	56,902	49,822	106,724
2016	17,086	22,167	39,253	36,570	25,423	61,993	53,656	47,590	101,246
2017 – 2021	106,384	101,082	207,466	192,980	103,530	296,510	299,364	204,612	503,976
2022 – 2026	136,756	81,665	218,421	197,525	57,682	255,207	334,281	139,347	473,628
2027 – 2031	179,915	56,605	236,520	134,150	15,294	149,444	314,065	71,899	385,964
2032 – 2036	220,410	28,884	249,294	—	—	—	220,410	28,884	249,294
2037 – 2041	104,730	4,226	108,956	—	—	—	104,730	4,226	108,956
2042 – 2046	615	10	625	—	—	—	615	10	625
Total	<u>\$ 1,022,539</u>	<u>388,674</u>	<u>1,411,213</u>	<u>713,740</u>	<u>322,667</u>	<u>1,036,407</u>	<u>1,736,279</u>	<u>711,341</u>	<u>2,447,620</u>

Under the bond resolutions, the Authority has the option to redeem bonds at initial prices ranging from 103% to 100%, and subsequently at prices declining to par. Generally, the redemption option cannot be exercised prior to the time the bonds have been outstanding for 10 years; however, certain special redemptions, as governed by the bond resolutions, are permitted prior to such time. Term bonds are subject to mandatory redemptions, without premium, through sinking fund installments subsequent to the scheduled completion of retirement of the serial bonds of the same issue. The schedule of bond maturities includes the sinking fund installments for the term bonds. Capital accumulator bonds and future income growth bonds are included in the schedule of bond maturities at their respective values at the time of maturity or sinking fund installment. Bond maturities and interest rates are based on those in effect as of June 30, 2011.

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

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

***Defeased Debt***

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

The amount of defeased debt outstanding at June 30, 2011 and 2010 is shown below (dollars in thousands):

	<b>Balance</b>	
	<b>June 30, 2011</b>	<b>June 30, 2010</b>
State Revolving Fund Defeased Bonds:		
Series 2000A	—	3,180
Series 2001	23,995	—
Series 2003	32,035	—
Total State Revolving Fund Defeased Bonds	56,030	3,180
Total Authority	\$ 56,030	3,180



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***Derivative Instrument Payments and Variable-Rate Debt***

As of June 30, 2011, 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).

<b>Fiscal year ending June 30</b>	<b>Variable-rate bonds principal</b>	<b>Variable-rate bonds interest</b>	<b>Interest rate swaps, net</b>	<b>Total</b>
2012	\$ 1,770	492	12,227	14,489
2013	1,375	471	11,405	13,251
2014	1,605	466	10,646	12,717
2015	2,780	461	9,935	13,176
2016	3,805	457	9,234	13,496
2017 – 2021	32,650	2,155	37,678	72,483
2022 – 2026	49,700	1,683	28,021	79,404
2027 – 2031	74,315	1,032	19,049	94,396
2032 – 2036	104,565	513	10,704	115,782
2037 – 2041	39,065	58	967	40,090
Total	\$ <u>311,630</u>	<u>7,788</u>	<u>149,866</u>	<u>469,284</u>

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**(5) Derivative Instruments**

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

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

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, 2011 and 2010 (dollars in thousands):

Bond Series	2011		2010		Effective date	Termination date	Terms		Counterparty Rating *
	Notional amount	Notional amount	Pay	Receive					
SF 2002 I	\$ 5,545	6,210	10/30/02	07/01/32	3.365%	SIFMA Swap Index + 0.10%		Aa3	
SF 2003 F	14,540	18,980	06/25/03	01/03/33	3.615	.65*LIBOR + .23%		Aa3	
SF 2004 B	14,115	15,000	12/02/04	07/01/34	4.086	enhanced LIBOR		Aa3	
SF 2004 D	11,520	12,520	02/03/05	07/01/20	4.007	SIFMA Swap Index + 0.10% or Various LIBOR + Spread		Aa3	
SF 2004 G	15,605	20,000	06/01/05	07/01/34	3.867	enhanced LIBOR		Aa3	
SF 2005 C	21,465	24,000	11/01/05	01/01/36	4.140	SIFMA +0.10% or Various LIBOR + Spread		Aa3	
SF 2005 E	17,400	24,000	01/01/11	01/01/36	3.817	enhanced LIBOR		Aa3	
SF 2005 H	19,565	24,000	01/01/11	07/01/36	3.843	SIFMA +0.10% or Various LIBOR + Spread		Aa3	
SF 2006 C	12,000	12,000	09/01/06	01/01/36	3.760	enhanced LIBOR		Aa3	
SF 2006 F	12,000	12,000	11/01/06	07/01/36	4.632	SIFMA Swap Index + 0.10%		Aa3	
SF 2007 C	25,070	28,740	03/08/07	07/01/25	5.289	USD - LIBOR		Aa3	
SF 2007 G	23,290	27,590	07/12/07	01/01/19	5.493	USD - LIBOR		Aa3	
SF 2007 M	19,855	22,815	12/12/07	07/01/21	4.373	USD - LIBOR		Aa3	
SF 2007 N	14,550	14,550	12/12/07	01/01/39	4.364	SIFMA Swap Index + 0.06%		Aa3	
MF 2008 A	3,750	3,750	04/17/08	06/01/24	3.971	SIFMA Swap Index + 0.08%		Aa3	
SF 2008 C	23,415	26,805	04/16/08	01/01/26	3.880	USD - LIBOR		Aa3	
SF 2008 F	17,330	17,330	10/01/08	01/01/39	4.529	SIFMA Swap Index + 0.08%		Aa3	
SF 2008G	19,050	21,345	10/01/08	07/01/18	4.173	USD - LIBOR		Aa3	
SF 2008 B	21,565	25,935	01/01/11	01/01/39	4.470	SIFMA Swap Index + 0.06%		Aa3	

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Interest rate caps derivatives in where the Authority receives payments at the end of each period, based on a notional amount, when the interest rate exceeds the agreed upon strike rate. A corridor agreement is an interest rate cap with an upper limit, or ceiling, where the cap ceases to pay above the ceiling rate. The following table displays the terms of the Authority's cap and corridor derivative instruments outstanding at June 30, 2011 and 2010 (dollars in thousands):

<b>Bond Series</b>	<b>2011 Notional amount</b>	<b>2010 Notional amount</b>	<b>Effective date</b>	<b>Maturity date</b>	<b>Strike Rate</b>	<b>Ceiling Rate</b>
SF 2003 B	\$ 1,855	3,740	03/19/2003	07/02/2012	6% 3 mo LIBOR	11% 3 mo LIBOR
SF 2003 G	3,275	4,300	06/25/2003	07/01/2013	5% 3 mo LIBOR	10% 3 mo LIBOR
MF 2007 A	12,700	12,700	06/14/2007	07/01/2012	4.5% SIFMA	n/a
					4.5 % SIFMA until 07/14/2014	
MF 2007 B	9,300	9,300	06/14/2007	01/01/2024	5.0% SIFMA until 07/01/2019	n/a
					5.5% SIFMA thereafter	

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The fair value balances of derivative instruments outstanding at June 30, 2011 and 2010, classified by type, and changes in the fair value of such derivative instruments for the years then ended as reported in the 2011 and 2010 financial statements are as follows (dollars in thousands):

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

The fair values of the interest rate swaps (including the corridor agreements) 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

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using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the interest rate swaps. Fair values of options are based on option pricing models such as the Black-Scholes-Merton model, or any of the short-rate models of interest rate, or other market standard models consistent with accepted practices in the market for interest rate products. The models would consider probabilities, volatilities, time, settlement prices, and other variables pertinent to the transactions.

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

**(a) 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, 2011 and 2010 was \$787,112 and \$850,450, respectively. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted.

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

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

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

*Basis risk.* Basis risk refers to a mismatch between the interest rate received from the derivative counterparty and the interest rate actually owed on the Authority's bonds. Specifically, the Authority's basis risk is that the variable interest payment received from counterparty will be less than the actual variable interest payments owed on the Authority's variable rate bonds. The mismatch between the Authority's actual bond rate and the derivative rate is the Authority's basis risk. As of June 30, 2011 and 2010, the weighted average interest rate of the Authority's hedged variable-rate debt is 4.38% and 4.20%, while the SIFMA swap index rate is .09% and 0.25%, respectively. LIBOR is .19% and 0.35% at June 30, 2011 and 2010, respectively.

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

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

**(6) Retirement System**

The Authority participates in the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State. IPERS provides retirement and death benefits, which are established by State statute, to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117. Details of the plan are provided on a system-wide basis. The Authority's portion is not separately determinable. The unfunded actuarial accrued liability of the plan at June 30, 2010 (latest information available) was \$4.9 billion.

Plan members are required to contribute 4.30% of their annual covered salary, and the Authority is required to contribute 6.65% of annual covered salaries. Contribution requirements are established by State statute. The Authority's contributions to IPERS for the years ended June 30, 2011 and 2010 were \$450,629 and \$393,616, respectively, equal to the required contribution for each year.

**(7) Commitments and Contingencies**

**(a) *Housing Agency Commitments***

The Authority has assumed certain guarantees of the former Iowa Housing Corporation (IHC) in conjunction with the assets received from the IHC on July 1, 2003. The maximum amount of these guarantees as of June 30, 2011 was \$1.4 million for which a \$0.5 million reserve for claims liability is recorded.

The Authority has committed to purchase \$30.0 million in mortgage-backed securities under its FirstHome program as of June 30, 2011.

The Authority has committed to loan agreements under various housing assistance programs for which \$9.8 million has not been disbursed as of June 30, 2011.

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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, 2011 and 2010 is as follows (dollars in thousands):

<u>Description</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Project-based housing grants	\$ 846	620
Local housing trust fund grants	1,731	1,064
Capacity building grants	7	81
Wastewater treatment financial assistance grants	140	4,015
Jumpstart housing assistance	2,180	3,546
Iowans helping Iowans	4,064	—
IJOBS – housing assistance	1,427	1,896
IJOBS – affordable housing assistance	5,520	13,906
IJOBS – public service shelter grant	3,671	8,019
IJOBS – water quality financial assistance	33,346	18,713
IJOBS - local disaster prevention competitive	28,286	—
IJOBS - targeted disaster relief	25,674	—
ARRA – section 1602	153	30,860
ARRA – tax credit assistance program	—	9,561
ARRA – homeless prevention and rapid re-housing program	4,129	9,414
Total outstanding commitments	<u>\$ 111,174</u>	<u>101,695</u>

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**(b) State Revolving Fund Commitments**

The Authority has signed loan agreements under the State Revolving Fund for which \$291.4 million have not been disbursed as of June 30, 2011.

**(8) Related-Party Transactions**

On July 1, 2010, administration of the Home Investment Partnerships Program CFDA number 14.239 (HOME) was transferred from the Iowa Department of Economic Development to the Iowa Finance Authority along with associated loans valued at \$34,059,910.

**(9) Subsequent Events**

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

On August 8, 2011, Standard & Poor's Ratings Services lowered to 'AA+' from 'AAA' the ratings on certain public finance debt issues that have credit enhancement guarantees by the Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), and Governmental National Mortgage Association (Ginnie Mae) that make mortgage payments in the event of a mortgage default. This downgrade applies to all of our outstanding single family bond issues.