IOWA FINANCE AUTHORITY
(A Component Unit of the State of Iowa)
Basic Financial Statements and Schedule of Expenditures of Federal Awards

June 30, 2016
(With Independent Auditors' Report Thereon)

IOWA FINANCE
AUTHORITY

IowaFinanceAuthority.gov

Executive Director Letter (Unaudited)

The Iowa Finance Authority (The Authority) works every day to enhance the quality of life for Iowans. This goal is at the forefront of everything we do.

Affordable financing needs for housing developers, beginning famers, home buyers and cities in Iowa are constantly evolving. Therefore we are constantly looking for ways to innovate and improve so we can better meet those needs and enhance the quality of life for Iowans. The Authority's innovation to meet needs was strong in FY16:

Workforce Housing Loan Program: Many Iowa communities were seeing an increase in workforce due to new and expanding businesses. The Authority created a new Workforce Housing Loan Program (WHLP) to offer cities and counties low-interest loans to help meet the demands of local employment growth. The program awarded a combined total of $1.3 million in low-interest loans to the cities of Chariton and Forest City for the development of 48 new workforce rental housing units. WHLP remains as a new resource for cities to advance housing initiatives.

Homelessness Set-Aside: To target a need for permanent supportive housing, the Authority introduced a new homelessness set-aside in the 2016 Housing Tax Credit Qualified Allocation Plan to provide affordable housing for persons experiencing homelessness. This program adjustment translated to $8 million in federal housing tax credits being awarded to assist in the construction of 41 affordable rental units for families including five units dedicated to currently homeless households in Cedar Rapids.

100% Name Awareness: The Authority has a goal of having 100 percent name awareness by the year 2025. This goal is central to our mission because the more Iowans are aware of available programs, the more we will be able to assist Iowans, their families and communities. This goal has already been fruitful, as indicated below - our programs are assisting many Iowans and in some cases, more than ever in recent history.

FY16 Accomplishments:

Financial Management: Restructuring Single Family Mortgage Bonds Resolution

In FY16 the Authority embarked on a plan that would use existing resources in conjunction with new tax-exempt bonds to achieve the following:

- Rejuvenate the FirstHome program to help Iowans with lower incomes buy a home by offering a mortgage rate 0.125% lower than the Homes for Iowans program;
- Improve the Authority's risk profile by reducing variable rate debt from 73% (FY15) to 30% (FY16) while adding new forward interest rate swaps to hedge future interest rate risk;
- Strengthen the long-term financial health of the Authority by profitably growing single-family mortgage backed security assets by 13% within the Resolution after years of decline. S&P Global raised its rating of the Resolution from AA+ to AAA in FY16.

Financial Strength: The Authority maintained its issuer credit rating of Aa3 from Moody's. S&P Global Ratings improved the Authority's outlook from AA to AA/Positive.

Homeownership

- Assisted **1,959 Iowa home buyers** in fulfilling their homeownership dreams, **the most in any single year since 2008** and an increase of **37 percent** over the previous fiscal year.
- More than **1,200** of these home buyers also utilized down payment assistance.
- Supported the Branstad/Reynolds Administration's Home Base Iowa effort to recruit military service members and veterans to live and work in Iowa. In FY16, **492 military service members or veterans** received up to $5,000 in down payment assistance to purchase a home.
- The Take Credit! Program provided **456 first-time home buyers** a federal income tax credit of up to $2,000 per year for the life of their mortgage.

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.

Housing Tax Credits: The Authority allocated more than **$68 million** in Federal Housing Tax Credits in calendar year 2016 which will create and preserve **549** safe and affordable units to benefit Iowa families. These awards leveraged an additional **$5.3 million** in local contributions.

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: The program reached a milestone in FY16, by assisting more than **20,000 affordable housing units** for low-income Iowans since the program's creation by the Iowa Legislature in 2003. This year more than **2,400 families** gained access to affordable housing through more than **$6.5 million in funding**. An additional **$3.5 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 Contract currently covers **213** properties providing affordable housing to approximately **12,000** low-income Iowa households in **71** counties throughout the state.

State Revolving Fund (SRF): Since its inception in 1988, the Iowa SRF has loaned out almost **$3 billion** in low-interest loans to Iowa communities and landowners. A total of **$187 million** was committed in loans executed during FY16.

- **$133 million** to design and construct wastewater treatment upgrades, sewer rehabilitation, combined sewer overflow correction, and new collector and interceptor sewers.
- **$33 million** to design and construct water treatment, storage, and water supply projects.
- **$21 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 (IADD): IADD's programs assisted beginning farmers in purchasing nearly **4,400 acres** to begin their farming operations in CY15. In total, more than **$24 million** in low-interest loans and tax credits assisted beginning farmers over the last year**, the most since the Authority has administered the programs.**

Iowa Title Guaranty (ITG): ITG issued residential and commercial title certificates covering more than **$13.3 billion** worth of Iowa real estate in FY16 and provided more than **$1 million to support affordable housing in Iowa**. ITG Commercial had a record-breaking year, with **$853.8 million** in coverage for commercial projects.

The Authority staff and Board of Directors look forward to serving many more Iowans in the years to come.

Sincerely,

David Jamison | Executive Director

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, 2016. This section provides additional information regarding the activities of the Authority 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.* Please use this information 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's task was 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 the sale of mortgage-backed securities (MBS). 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, 2016. 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 management's discussion and analysis (this section), the independent auditor's report, 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.

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 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 equity or the issuance of bonds.

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.

Iowa Agricultural Development Division

The Iowa Agricultural Development Division (IADD) 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 Division

Iowa Title Guaranty Division (ITG) 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 which adds to the integrity of Iowa's land-title transfer system. ITG is 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.

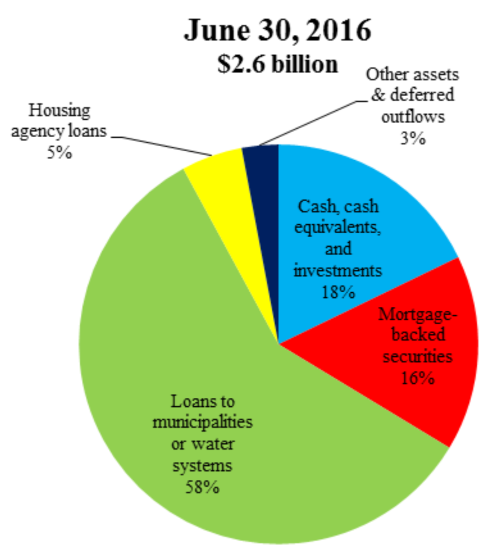
The Clean Water SRF funds wastewater treatment, sewer rehabilitation, and storm water quality improvements, as well as non-point source projects. The Drinking Water SRF funds water treatment plants or improvements to existing facilities, water line extensions to existing properties, water storage facilities, 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.

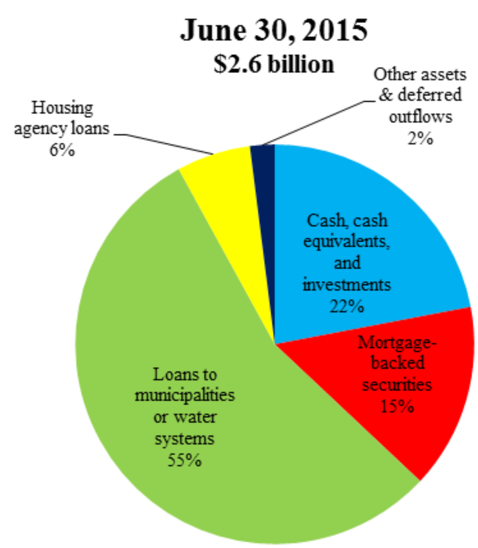
More information regarding these programs is provided in the Notes to Financial Statements.

Condensed Financial Information

The following charts and tables present condensed financial information for fiscal year 2016 and 2015.

Iowa Finance Authority Total Assets and Deferred Outflows as of:





Iowa Finance Authority
Net Position
(Dollars in thousands)

	2016	2015	Change	%
Assets:				
Cash, cash equivalents, and investments	$ 467,698	$ 562,826	$ (95,128)	-16.9%
Mortgage-backed securities	399,530	400,887	(1,357)	-0.3%
Loans to municipalities or water systems	1,505,569	1,422,797	82,772	5.8%
Housing agency loans	117,546	146,581	(29,035)	-19.8%
Line of credit	22,172	-	22,172	100.0%
Other assets	21,811	18,780	3,031	16.1%
Total assets	2,534,326	2,551,871	(17,545)	-0.7%
Deferred outflows	31,554	34,481	(2,927)	-8.5%
Total assets and deferred outflows	$ 2,565,880	$ 2,586,352	$ (20,472)	-0.8%
Liabilities:				
Bonds payable, net	$ 1,312,919	$ 1,362,920	$ (50,001)	-3.7%
Other liabilities	53,788	65,917	(12,129)	-18.4%
Total liabilities	1,366,707	1,428,837	(62,130)	-4.3%
Deferred inflows	4,656	5,498	(842)	-15.3%
Total liabilities and deferred inflows	1,371,363	1,434,335	(62,972)	-4.4%
Net position:				
Net investment in capital assets	2,685	2,816	(131)	-4.7%
Restricted net position	1,187,341	1,144,052	43,289	3.8%
Unrestricted net position	4,491	5,149	(658)	-12.8%
Total net position	1,194,517	1,152,017	42,500	3.7%
Total liabilities, deferred inflows, and net position	$ 2,565,880	$ 2,586,352	$ (20,472)	-0.8%

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

	2016	2015	Change	%
Operating revenues:				
Interest income	$ 61,564	$ 64,543	$ (2,979)	-4.6%
Gain on sale of mortgage-backed securities	4,294	4,746	(452)	-9.5%
Net (decrease) increase in fair value of investments and mortgage-backed securities	1,823	(3,941)	5,764	146.3%
Fee income	17,725	14,448	3,277	22.7%
Other income	266	253	13	5.1%
Total operating revenues	85,672	80,049	5,623	7.0%
Operating expenses:				
Interest on bonds	41,110	46,204	(5,094)	-11.0%
General and administrative	25,122	24,197	925	3.8%
Provision (recoveries) for losses	4,883	(4,323)	9,206	213.0%
Total operating expenses	71,115	66,078	5,037	7.6%
Net operating income	14,557	13,971	586	4.2%
Non-operating revenue (expense):				
Grant income	129,746	110,033	19,713	17.9%
Grants and aid	(101,803)	(96,347)	(5,456)	-5.7%
Net non-operating revenue	27,943	13,686	14,257	104.2%
Change in net position	42,500	27,657	14,843	53.7%
Net position at beginning of year	1,152,017	1,124,360	27,657	2.5%
Net position at end of year	$ 1,194,517	$ 1,152,017	$ 42,500	3.7%

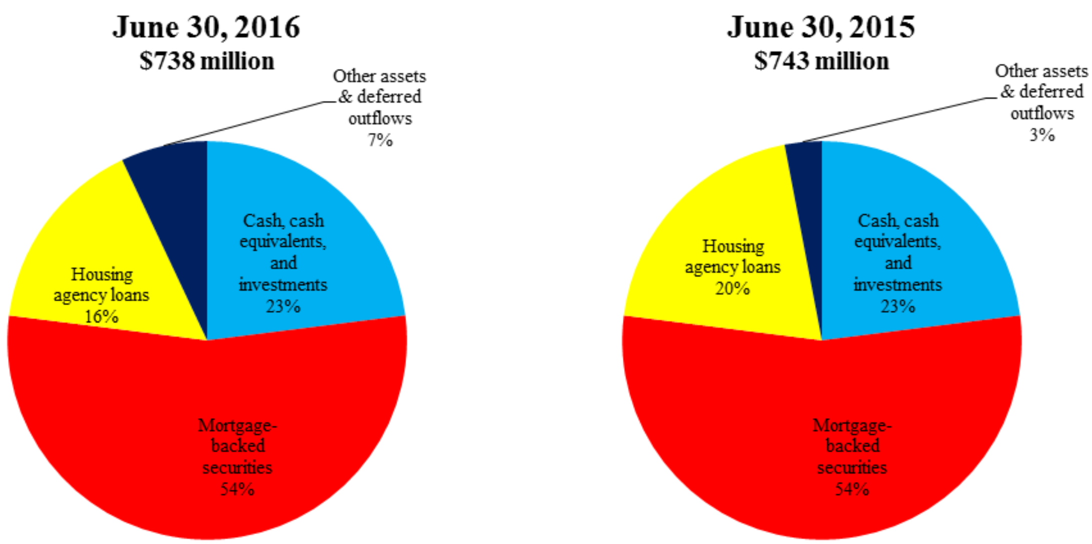
Financial Analysis – Iowa Finance Authority 2016 (dollars in thousands)

- The Authority's assets and deferred outflows declined 0.6% or $16,666 to $2,565,880 in FY16 due primarily to the transfer of $17,661 of loans to the Iowa Economic Development Authority and the decline of MBS by 0.3%, or $1,357. Loans to municipalities or water systems (SRF loans) increased 5.8%, or $82,772.
- The Authority's liabilities and deferred inflows declined 4.1% or $59,166 to $1,371,363 in FY16. Bonds payable declined 3.7%, or $50,001 and other liabilities declined 18.4% or $12,129 relating primarily to the loan transfer mentioned above.
- The Authority's net position increased 3.7% or $42,500 to $1,194,517 in FY16.
- In 2016, the Authority issued two single-family bond series totaling $196,517 to purchase MBS and retire prior debt. The Authority made bond payments of $237,871.

Series	Date		Amount	Rating
SF 2015 ABC	09/28/15		123,989	AA+ by Standard & Poor's; Aaa by Moody's
SF 2016 ABC	03/30/16		72,528	AAA by Standard & Poor's; Aaa by Moody's
Total		$	196,517	

- Interest income declined 4.6% to $61,564 due to the low interest rate environment.
- Gain on sale of MBS declined 9.5% to $4,294 due to lower margins on the sales.
- Fair value of investments and MBS increased by $5,764 due to the low interest rate environment.
- Fee income increased by 22.7% to $17,725 due primarily to increased volume of transactions in ITG and increased fee revenues from all sources.
- Interest on bonds declined 11.0% to $41,110 due to the reduction in outstanding bonds.
- General and administrative expenses increased 3.8% to $25,122, a direct result of the increased fee income and corresponding field issuer fees in ITG.
- Provisions for losses increased 213.0% to $4,883 due in part to a one-time adjustment to ITG claim reserves in FY15 and increased provision for loan losses in FY16.
- Grant income increased 17.9% to $129,746 due to the planned termination of the State's IJOB's program and a $24,133 increase in capitalization grants in SRF.
- Grants and aid expense increased 5.7% to $101,803 due to increases in reserves for HOME program loans and disbursements of SRF loans with forgivable portions during the year.
- As a result, the Authority's net position increased 3.7% or $42,500 to $1,194,517.

Housing Agency Fund Assets and Deferred Outflows as of:



Housing Agency Fund
Net Position
(Dollars in thousands)

	2016	2015	Change	%
Assets:				
Cash, cash equivalents, and investments	$ 171,969	$ 172,377	$ (408)	-0.2%
Mortgage-backed securities	399,530	400,887	(1,357)	-0.3%
Housing agency loans	117,546	146,581	(29,035)	-19.8%
Line of credit	22,172	-	22,172	100.0%
Other assets	17,734	14,828	2,906	19.6%
Total assets	728,951	734,673	(5,722)	-0.8%
Deferred outflows	8,764	7,721	1,043	13.5%
Total assets and deferred outflows	$ 737,715	$ 742,394	$ (4,679)	-0.6%
Liabilities:				
Bonds payable, net	370,307	360,159	10,148	2.8%
Other liabilities	36,731	49,531	(12,800)	-25.8%
Total liabilities	407,038	409,690	(2,652)	-0.6%
Deferred inflows	4,567	5,343	(776)	-14.5%
Total liabilities and deferred inflows	$ 411,605	$ 415,033	$ (3,428)	-0.8%
Net position:				
Net investment in capital assets	2,685	2,791	(106)	-3.8%
Restricted net position	318,934	319,421	(487)	-0.2%
Unrestricted net position	4,491	5,149	(658)	-12.8%
Total net position	326,110	327,361	(1,251)	-0.4%
Total liabilities, deferred inflows, and net position	$ 737,715	$ 742,394	$ (4,679)	-0.6%

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

	2016	2015	Change	%
Operating revenues:				
Interest income	$ 23,425	$ 26,214	$ (2,789)	-10.6%
Gain on sale of mortgage-backed securities	4,294	4,746	(452)	-9.5%
Net (decrease) increase in fair value of investments and mortgage-backed securities	1,241	(4,026)	5,267	130.8%
Fee income	13,199	10,193	3,006	29.5%
Other income (loss)	266	253	13	5.1%
Total operating revenues	42,425	37,380	5,045	13.5%
Operating expenses:				
Interest on bonds	12,046	13,105	(1,059)	-8.1%
General and administrative	16,739	15,170	1,569	10.3%
Provision (recoveries) for losses	4,908	(4,318)	9,226	213.7%
Total operating expenses	33,693	23,957	9,736	40.6%
Net operating income	8,732	13,423	(4,691)	-34.9%
Non-operating revenue (expense):				
Grant income	83,720	88,140	(4,420)	-5.0%
Grants and aid	(93,703)	(90,190)	(3,513)	-3.9%
Net non-operating revenue (expense)	(9,983)	(2,050)	(7,933)	-387.0%
Change in net position	(1,251)	11,373	(12,624)	-111.0%
Net position at beginning of year	327,361	315,988	11,373	3.6%
Net position at end of year	$ 326,110	$ 327,361	$ (1,251)	-0.4%

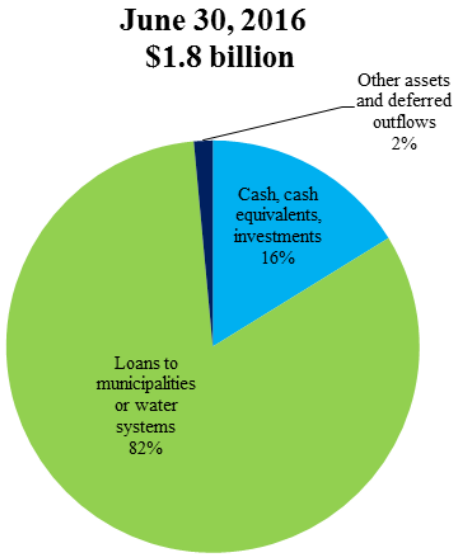
Financial Analysis – Housing Agency Fund 2016 (dollars in thousands)

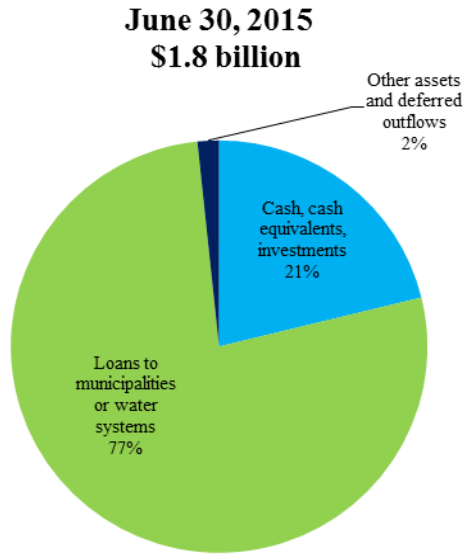
- Assets and deferred outflows declined 0.6% or $4,679 to $737,715 due primarily to the transfer of $17,661 of loans to the Iowa Economic Development Authority. In addition, loan reserves were evaluated and increased $7,623 primarily on our HOME program loans. MBS declined by 0.3%, or $1,357.
- Liabilities and deferred inflows declined 0.7% or $3,428 to $411,605 due primarily to the loan transfer mentioned above.
- In 2016, the Authority issued two single-family bond series totaling $196,517 to purchase MBS and retire prior debt. The Housing Agency made bond payments of $189,816.

Series	Date	Amount	Rating
SF 2015 ABC	09/28/15	123,989	AA+ by Standard & Poor's; Aaa by Moody's
SF 2016 ABC	03/30/16	72,528	AAA by Standard & Poor's; Aaa by Moody's
Total		$ 196,517	

- Interest income declined 10.6% to $23,425 due to a combination of prepayments and lower interest rates in the MBS portfolio.
- Gain on sale of MBS declined 9.5% to $4,294 due to lower margins on the sales.
- The fair value of investments and MBS increased 131% to $1,241 due to changing interest rates.
- Fee income increased 29.5% to $13,199 due primarily to increased volume of transactions in ITG and increased fee revenues from most other sources.
- Interest on bonds declined 8.1% to $12,046 due to refunding of prior debt and lower bond balances for most of the year.
- General and administrative expenses increased 10.3% to $16,739 a direct result of the increased fee income in ITG.
- Provisions for losses increased 213.7% to $4,908 due in part to a one-time adjustment to ITG claim reserves in FY15 and increased provision for loan losses in FY16.
- Grant income decreased 5.0% to $83,720 due to the planned termination of the State's IJOB's program.
- Grants and aid expense increased 3.9% to $93,703 due to increases in reserves for HOME program loans.
- As a result, net position decreased .4% or $1,251 to $326,110.

State Revolving Fund Assets and Deferred Outflows as of:





State Revolving Fund
Net Position
(Dollars in thousands)

	2016	2015	Change	%
Assets:				
Cash, cash equivalents, and investments	$ 295,729	$ 390,449	$ (94,720)	-24.3%
Loans to municipalities or water systems	1,505,569	1,422,797	82,772	5.8%
Other assets	4,077	3,952	125	3.2%
Total assets	1,805,375	1,817,198	(11,823)	-0.7%
Deferred outflows	22,790	26,760	(3,970)	-14.8%
Total assets and deferred outflows	$ 1,828,165	$ 1,843,958	$ (15,793)	-0.9%
Liabilities:				
Bonds payable, net	$ 942,612	$ 1,002,761	$ (60,149)	-6.0%
Other liabilities	17,057	16,386	671	4.1%
Total liabilities	959,669	1,019,147	(59,478)	-5.8%
Deferred inflows	89	155	(66)	-42.6%
Total liabilities and deferred inflows	959,758	1,019,302	(59,544)	-5.8%
Net position:				
Net investment in capital assets	-	25	(25)	-100.0%
Restricted net position	868,407	824,631	43,776	5.3%
Total net position	868,407	824,656	43,751	5.3%
Total liabilities, deferred inflows, and net position	$ 1,828,165	$ 1,843,958	$ (15,793)	-0.9%

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

	2016	2015	Change	%
Operating revenues:				
Interest income	$ 38,139	$ 38,329	$ (190)	-0.5%
Net (decrease) increase in fair value of investments and mortgage-backed securities	582	85	497	584.7%
Fee income	4,526	4,255	271	6.4%
Total operating revenues	43,247	42,669	578	1.4%
Operating expenses:				
Interest on bonds	29,064	33,099	(4,035)	-12.2%
General and administrative	8,383	9,027	(644)	-7.1%
Provision (recoveries) for losses	(25)	(5)	(20)	-400.0%
Total operating expenses	37,422	42,121	(4,699)	-11.2%
Net operating income	5,825	548	5,277	963.0%
Non-operating revenue (expense):				
Grant income	46,026	21,893	24,133	110.2%
Grants and aid	(8,100)	(6,157)	(1,943)	-31.6%
Net non-operating revenue (expense)	37,926	15,736	22,190	141.0%
Change in net position	43,751	16,284	27,467	168.7%
Net position at beginning of year, as restated	824,656	808,372	16,284	2.0%
Net position at end of year	$ 868,407	$ 824,656	$ 43,751	5.3%

Financial Analysis – State Revolving Fund 2016 (dollars in thousands)

- Assets and deferred outflows declined 0.9% or $15,793 to $1,828,165 due to the use of cash and cash equivalents to reduce debt during the year.
- Liabilities and deferred inflows declined 5.8% or $59,544 to $959,758 due to reduction of debt during the year.
- Interest income declined 0.5% to $38,139 due to lower interest rates on outstanding loans.
- Fee income increased 6.4% to $4,526 due to the higher loan balances.
- Interest on bonds declined 12.2% to $29,064 due to the lower bond balances and refunding in FY15 which provided debt service savings.
- General and administrative expenses declined 7.1% to $8,383 due to lower DNR set-aside expenses.
- Grant income increased 110.2% to $46,026 due to the availability of capitalization grants from the Environmental Protection Agency.
- Grants and aid expense increased 31.6% to $8,100, due to the disbursement of SRF loans with forgivable portions during the year.
- As a result, net position increased 5.3% or $43,751 to $868,407.

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Directors
Iowa Finance Authority
Des Moines, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of Iowa Finance Authority (the Authority), a component unit of the State of Iowa, as of and for the year ended June 30, 2016, 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 accounting principles generally accepted in the United States of America; 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.

Auditor's 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 auditor's 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 the business-type activities and each major fund of the Iowa Finance Authority, as of June 30, 2016, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion on pages 3 through 17, and 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 through 56, 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.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements. The combining financial schedules on pages 57 through 58 are presented for purposes of additional analysis and are not a required part of the basic financial statements' The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the financial statements.

The combining financial schedules on pages 57 through 58 and schedule of expenditures of federal awards on page 59 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 the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 basis 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 a report dated Septembr 30, 2016 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, 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* in considering the Authority's internal control over financial reporting and compliance.

Eide Bailly LLP

Aberdeen, South Dakota
September 30, 2016

(Dollars in thousands)

Assets	Housing Agency Fund	State Revolving Fund	Total
Current assets			
Cash and cash equivalents	$ 146,489	$ 240,501	$ 386,990
Investments in mortgage-backed securities	9,389	-	9,389
Other investments	8,641	17,630	26,271
Loans to municipalities or water systems, net	-	85,910	85,910
Housing Agency loans, net	6,987	-	6,987
Line of credit receivable	22,172	-	22,172
Accrued interest receivable	2,437	3,432	5,869
Other current assets	1,175	645	1,820
Total current assets	197,290	348,118	545,408
Noncurrent assets			
Investments in mortgage-backed securities	390,141	-	390,141
Other investments	16,839	37,598	54,437
Loans to municipalities or water systems	-	1,419,659	1,419,659
Housing Agency loans, net	110,559	-	110,559
Capital assets, net of accumulated depreciation	2,685	-	2,685
Other noncurrent assets	11,437	-	11,437
Total noncurrent assets	531,661	1,457,257	1,988,918
Total assets	728,951	1,805,375	2,534,326
Deferred Outflows of Resources			
Pension Plan	1,428	104	1,532
Accumulated decrease in fair value of hedging derivatives	2,740	-	2,740
Loss on refunding	4,596	22,686	27,282
Total deferred outflows of resources	8,764	22,790	31,554
Liabilities			
Current liabilities:			
Bonds payable, net	8,024	50,980	59,004
Accrued interest payable	4,299	15,503	19,802
Escrow deposits	12,776	-	12,776
Accounts payable and other liabilities	4,628	1,208	5,836
Total current liabilities	29,727	67,691	97,418
Noncurrent liabilities:			
Bonds payable, net	362,283	891,632	1,253,915
Reserves for claims	1,171	-	1,171
Other liabilities	13,857	346	14,203
Total noncurrent liabilities	377,311	891,978	1,269,289
Total liabilities	407,038	959,669	1,366,707
Deferred Inflows of Resources			
Pension Plan	1,225	89	1,314
Accumulated increase in fair value of hedging derivatives	3,342	-	3,342
Total deferred inflows of resources	4,567	89	4,656
Net Position			
Net investment in capital assets	2,685	-	2,685
Restricted net position:			
Per bond resolutions	242,863	721,594	964,457
Per legislation	31,420	-	31,420
Per other agreements	44,651	146,813	191,464
Total restricted net position	318,934	868,407	1,187,341
Unrestricted net position	4,491	-	4,491
Total net position	$ 326,110	$ 868,407	$ 1,194,517

(Dollars in thousands)

	Housing Agency Fund	State Revolving Fund	Total
Operating revenues:			
Interest on mortgage-backed securities	$ 16,430	$ -	$ 16,430
Interest on loans	3,466	36,919	40,385
Interest on investments	3,529	1,220	4,749
Gain on the sale of mortgage-backed securities	4,294	-	4,294
Net (decrease) increase in fair value of investments and mortgage-backed securities	1,241	582	1,823
Fee income	13,199	4,526	17,725
Other income	266	-	266
Total operating revenues	42,425	43,247	85,672
Operating expenses:			
Interest on bonds	12,046	29,064	41,110
General and administrative	16,739	8,383	25,122
Provision (recoveries) of losses	4,908	(25)	4,883
Total operating expenses	33,693	37,422	71,115
Net operating income	8,732	5,825	14,557
Non-operating revenue (expense):			
Grant income	83,720	46,026	129,746
Grants and aid	(93,703)	(8,100)	(101,803)
Net non-operating revenue (expense)	(9,983)	37,926	27,943
Change in net position	(1,251)	43,751	42,500
Net position at June 30, 2015	327,361	824,656	1,152,017
Net position at June 30, 2016	$ 326,110	$ 868,407	$ 1,194,517

(Dollars in thousands)

	Housing Agency Fund	State Revolving Fund	Totals
Cash flows from operating activities:			
Cash receipts for fees and other income	$ 13,019	$ 4,488	$ 17,507
Interest received on loans and mortgage-backed securities	19,941	36,943	56,884
Gain on sale of mortgage-backed securities	4,294	-	4,294
Principal payments on loans and mortgage-backed securities	177,445	83,313	260,758
Purchase of loans and mortgage-backed securities	(312,903)	(173,059)	(485,962)
Sale of mortgage-backed securities	138,039	-	138,039
Cash payments for salaries and related benefits	(9,999)	(733)	(10,732)
Cash payments to suppliers	(25,635)	(7,663)	(33,298)
Net cash provided by (used by) operating activities	4,201	(56,711)	(52,510)
Cash flows from noncapital financing activities:			
Proceeds from issuance of bonds	196,517	-	196,517
Repayment of bonds	(189,816)	(48,055)	(237,871)
Interest paid	(7,024)	(36,896)	(43,920)
Payments for cost of issuance	(1,711)	-	(1,711)
Receipts for grant programs	83,941	46,266	130,207
Payments for grant programs	(85,609)	(1,126)	(86,735)
Net cash used in capital and related financing activities	(3,702)	(39,811)	(43,513)
Cash flows from investing activities:			
Purchases of investments	(6,910)	(26,059)	(32,969)
Interest received on investments	(670)	1,220	550
Sales/maturities of investments	3,084	99,536	102,620
Net cash provided by (used in) investing activities	(4,496)	74,697	70,201
Cash flows from capital financing activities:			
Purchase of capital assets	(186)	-	(186)
Increase (decrease) in cash and cash equivalents	(4,183)	(21,825)	(26,008)
Cash and cash equivalents, beginning of year	150,672	262,326	412,998
Cash and cash equivalents, end of year	$ 146,489	$ 240,501	$ 386,990
Reconciliation of operating income/change in net position to net cash provided by (used in) operating activities:			
Operating income	$ 8,732	$ 5,825	$ 14,557
Interest income on investments and bank deposits	(3,529)	(1,220)	(4,749)
Interest expense on bonds	10,393	29,064	39,457
Payments for cost of issuance	1,653	-	1,653
Net decrease in fair value of investments and mortgage-backed securities	434	(582)	(148)
Change in fair value of investment derivatives	(1,675)	-	(1,675)
Depreciation of capital assets	290	26	316
Principal payments on loans and mortgaged backed securities	177,445	83,313	260,758
Sales of mortgage-backed securities	138,039	-	138,039
Purchases of loans and mortgage-backed securities	(312,903)	(173,059)	(485,962)
(Increase) decrease in interest receivable on loans and mortgage-backed securities	108	(13)	95
(Increase) decrease in other assets and deferred outflows	(1,423)	(425)	(1,848)
Increase (decrease) in accounts payable, other liabilities, and deferred inflows	(12,934)	360	(12,574)
Increase (decrease) in unearned income	(429)	-	(429)
Net cash provided by (used in) operating activities	$ 4,201	$ (56,711)	$ (52,510)

Note 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, 2016, the Authority issued $377.8 million of these conduit obligations, $10.3 billion since the inception of the program.

The Iowa Legislature created Iowa Title Guaranty (ITG) as a Division of the Iowa Finance Authority in 1986 within 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 guaranties of real-property titles, to facilitate mortgage lenders' participation in the secondary market, and to add to the integrity of the land-title transfer system in the State of Iowa. A title guaranty certificate is an obligation of ITG, and claims are payable solely out of the assets and revenues of the ITG. The title guaranties do not constitute a debt of the State of Iowa, and consequently, the State is not liable for any repayments. However, relating to the mortgage release program, 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.

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, 2016, the IADD issued $22.6 million of these conduit obligations, and $544.6 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 (SRF).

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 Programs – account for the proceeds from bonds issued under the Multi-Family Bond resolution and the Multi-Family 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 Multi-Family programs are general obligations of the Authority, but are primarily payable from assets and revenues pledged under the bond resolutions.

d. Federal and State Programs – account 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 (SRF) – 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 SRF

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 SRF.

(d) Substantially Restricted Assets

Virtually all assets of the Authority are either specifically pledged to bondholders, held on 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 given 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 statements of net position, with the change in the fair value recorded in the statements of revenues, expenses, and changes in net position. Guaranteed investment contracts are nonparticipating and, therefore, recorded at carrying value.

(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 loans losses, within the SRF. 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 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 $102.5 million was netted against housing loans made with federal funds at June 30, 2016.

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 $7.0 million was netted against other Housing Agency loans at June 30, 2016.

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 $17.7 million was netted against loans to municipalities or water systems at June 30, 2016.

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) Line of Credit Receivable

Effective January 1, 2016 the Authority entered into a $30.0 million line of credit with its master servicer. The master servicer will draw on the line of credit to purchase qualified mortgage loans from the Authority's participating lenders. The Authority receives a first security position on the qualified mortgage loans as collateral. Unpaid balances on the line of credit bear interest at a rate equal to that of the qualified mortgage loans purchased less a small spread. The line of credit expires on December 31, 2016. As of June 30, 2016, the balance outstanding was $22.2 million.

(k) 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.

(l) Bond Issuance Costs

Bond issuance costs are expensed in the period incurred.

(m) Bond Premiums, Discounts, and Losses on 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.

(n) Escrow Deposits

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

(o) 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 claim reserves are $209 thousand at June 30, 2016 and are reported on the statement of net position as reserves for claims. Estimated incurred but not reported claims are $498 thousand at June 30, 2016 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 as a reserve for claims.

In addition, the Authority assumed certain guaranties 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 guaranties as of June 30, 2016 was $1.3 million for which a $464 thousand reserve for claims liability is recorded within reserve for claims on the statement of net position.

(p) 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, 2016, $40,209 of such excess earnings are recorded as other liabilities on the statement of net position.

(q) 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 deferred and used to defray the administrative expenses of the Authority for annually monitoring the project's continued compliance with federal regulations. These fees are amortized over the 15-year compliance period. At June 30, 2016, $2.0 million of such unearned income is recorded as other liabilities on the statement of net position

(r) 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.

(s) 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 (MBS), assets held for placement into loans or MBS, 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 ITG and the Federal and State Programs. It is the Authority's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

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."

(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, MBS, and investments; gain on the sale of MBS; change in fair value of investments, MBS, and investment derivative instruments; and fees received in connection with ITG, administration of the U.S. Department of Housing and Urban Development's Section 8 Housing Assistance Payments 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 non-operating revenues and expenses consist primarily of the U.S. Environmental Protection Agency's capitalization grants for the SRF programs; 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, Emergency Solutions Grant programs, and Section 8 Project Housing Assistance Payments Program; and pass-through grants from the Iowa legislature for down-payment assistance to returning active duty military personnel, homeless shelter operating grants, and rent subsidy programs.

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

The Authority participates in the GNMA and FNMA MBS programs whereby GNMA or FNMA guaranties 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 ITG fees, SRF loan fees, Section 8 Housing Assistance Payments program administration fees, low-income housing tax credit fees, and service acquisition fees in connection with the Authority's single-family programs.

(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, Section 8 Project Housing Assistance Payments Program, 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 MBS 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.

(z) Income Taxes

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

Note 2 - Cash, Cash Equivalents and Investments

The following table presents the detail of cash and cash equivalents, investments, and investments in MBS (dollars in thousands):

	June 30, 2016				
	Housing Agency Fund	State Revolving Fund	Total	% of total	Average Maturity (years)
Cash and cash equivalents					
Cash in banks	$ 19,220	$ 56,566	$ 75,786	9%	
Cash in the State Treasurer's pooled money account	24,969	-	24,969	3%	
Guaranteed Investment Contracts	32,659	-	32,659	4%	
Money market funds	69,641	183,935	253,576	29%	
Total	146,489	240,501	386,990	45%	
Investments					
Certificates of Deposit	1,216	1,496	2,712	0%	2.00
U.S. government agency securities	12,238	26,523	38,761	5%	2.44
Municipal securities	345	8,517	8,862	1%	2.71
U.S. Treasury securities	11,681	18,190	29,871	3%	2.95
Corporate bonds	-	502	502	0%	0.17
Total	25,480	55,228	80,708	9%	
Investments in MBS					
GNMA mortgage-backed securities	259,999	-	259,999	30%	22.07
FNMA mortgage-backed securities	136,483	-	136,483	16%	22.33
FHLMC mortgage-backed securities	3,048	-	3,048	0%	21.22
Total	399,530	-	399,530	46%	
Total	$ 571,499	$ 295,729	$ 867,228	100%	

(a) Deposits

The deposits held in banks are in excess of the FDIC limit. In addition to federal deposit insurance, public deposits in Iowa are secured by collateral pledged by banks and further protected by assessments paid by banks if collateral is insufficient to cover losses pursuant to Chapters 12C and 13 of the Iowa Code. Uninsured and uncollateralized bank balances totaled $8.7 million as of June 30, 2016.

(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) MBS securities; corporate bonds issued or guaranteed by a domestic U.S. corporation meeting certain credit rating standards; State pooled money funds; money market funds; and guaranteed investment contracts with financial institutions meeting certain credit rating standards.

(c) Credit Risk

Credit risk is if an issuer or counterparty will not fulfill their obligation to the Authority. Custodial credit risk is if a depository institution fails it may not return the Authority's deposits.

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 whom the Authority does business.

(d) Concentration Risk

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

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

	June 30, 2016								
	Credit ratings								
Type/Provider	Standard & Poor's	Moody's		Housing Agency Fund	% of total		State Revolving Fund	% of total
Guaranteed investment contracts:								
Societe Generale*	A/A-1	A2/P-1	$	32,659	5.9%	$	-	0.0%
State Treasurer's pooled account	NR	NR		24,969	4.5%		—	0.0%
Money market funds:								
Morgan Stanley	AAAm	Aaa-mf		2,114	0.4%		—	0.0%
Black Rock	AAAm	Aaa-mf		-	0.0%		163,107	68.2%
Wells Fargo Bank, N.A.	AAAm	Aaa-mf		140	0.0%		253	0.1%
Goldman Sachs Group	AAAm to AAAm-G	Aaa-mf		67,387	12.2%		20,575	8.6%
Certificates of deposit	NR	NR		1,216	0.2%		1,496	0.6%
US government securities	AA+	Aaa		12,238	2.2%		26,523	11.1%
US Treasury securities	AA+	Aaa		11,681	2.1%		18,190	7.6%
Municipal securities	AA to AAA	Aa3 to Aaa		345	0.1%		8,517	3.6%
Corporate and bonds	AA+	A1		-	0.0%		502	0.2%
Mortgage backed securities:								
GNMA	NR	NR		259,999	47.1%		—	0.0%
FNMA	NR	NR		136,483	24.7%		—	0.0%
FHLMC	NR	NR		3,048	0.6%		—	0.0%
Total			$	552,279	100.0%	$	239,163	100.0%

* Collateralized with U.S. government securities

(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.

Note 3 - Loans

Loans at June 30, 2016 are as follows (dollars in thousands):

	2016		
	Cost	Allowance for losses	Net
Housing Agency Loans			
Loans secured with first mortgages	$ 62,282	$ (944)	$ 61,338
Loans secured with second mortgages, other collateral, or unsecured	4,354	(472)	3,882
State program loans	18,509	(5,560)	12,949
Federal program loans	141,934	(102,557)	39,377
Total Housing Agency Fund Loans	$ 227,079	$ (109,533)	$ 117,546
State Revolving Fund Loans			
Loans backed by municipal bonds	$ 1,465,392	$ (1,413)	$ 1,463,979
Unsecured planning and design loans	16,773	-	16,773
Unsecured nonpoint source loans	24,817	-	24,817
Forgivable portion of SRF loans	16,252	(16,252)	-
Total State Revolving Fund Loans	$ 1,523,234	$ (17,665)	$ 1,505,569

Note 4 - Bonds Payable

(a) Outstanding Bonds Payable at June 30, 2016 are as follows (dollars in thousands):

Description	Original amount	Due dates From	Due dates To	Interest rate From	Interest rate To	Balance 2016
Housing Agency Bonds						
SF 1991 Mortgage Bonds						
SF 2014 B-1 - Term Bonds	$ 1,525.00		02/01/44		3.590	$ 956
SF 2014 B-2 - Term Bonds	11,895		09/01/36		3.050	8,923
SF 2015 A - Serial Bonds	5,230	01/01/16	07/01/19	0.500	1.850	2,500
SF 2015 A - Term Bonds	13,170		01/01/39		3.500	11,395
SF 2015 A - Term Bonds	40,610		01/01/40		3.500	37,180
SF 2015 B - Term Bonds	40,000		01/01/46	Variable*	0.440	40,000
SF 2015 C - Serial Bonds	22,245	01/01/16	01/01/22	0.540	3.047	21,095
SF 2016 A -Term Bonds	7,395		01/01/34		3.200	7,395
SF 2016 A -Term Bonds	20,615		07/01/46		4.000	20,615
SF 2016 B - Term Bonds	20,000		07/01/46	Variable*	0.410	20,000
SF 2016 C - Serial Bonds	19,095	07/01/16	07/01/27	0.500	2.900	19,095
SF 2016 C - Term Bonds	3,435		01/01/29		3.125	3,435
Premium						4,297
Total SF 1991 Mortgage Bonds	205,215					196,886
SF 2009 Mortgage Revenue Bonds						
SF 2009 1 – Serial Bonds	7,370	01/01/11	07/01/21	0.700	4.100	1,530
SF 2009 1 – Term Bonds	4,400		07/01/28		5.000	1,270
SF 2010 1 - Serial Bonds	10,410	01/01/12	01/01/22	0.750	3.550	2,085
SF 2010 1 - Term Bonds	6,240		01/01/28		4.375	2,245
SF 2009 3A - Term Bonds	31,200		07/01/41		3.010	15,230
SF 2011 1 Serial Bonds	14,315	07/01/12	07/01/23	0.500	4.000	7,235
SF 2011 1 Term Bonds	3,920		07/01/26		4.375	-
SF 2011 1 Term Bonds	5,765		01/01/29		4.500	2,510
SF 2011 2 Serial Bonds	9,650	01/01/13	07/01/22	0.700	3.600	5,410
SF 2011 2 Term Bonds	4,185		07/01/26		4.000	2,590
SF 2011 2 Term Bonds	4,365		07/01/28		4.500	2,175
SF 2011 3C Term Bonds	30,000		07/01/41		2.320	21,040
SF 2012 1 Term Bonds	17,756		09/01/40		2.300	9,837
SF 2013 1 Term Bonds	20,000		02/01/43		2.150	13,689
SF 2013 2 Term Bonds	15,000		07/01/43		2.800	12,596
SF 2013 3 Term Bonds	32,430		02/01/42		2.900	20,880
SF 2013 4 Term Bonds	10,000		08/01/43		2.800	7,696
Premium						381
Total SF 2009 Mortgage Revenue Bonds	227,006					128,399
Multi Family Bonds						
MF 1978 A – Term Bonds	22,050		04/01/21		6.000	6,390
MF 2006 A – Term Bonds	6,475		07/01/41		4.600	4,675
MF 2007 A – Term Bonds	12,700		08/01/37	Variable*	0.450	11,305
MF 2007 B – Term Bonds	9,300		08/01/37	Variable*	0.450	8,285
MF 2008 A – Term Bond	3,750		06/01/24	Variable*	0.490	3,550
MF FHLB B1 - Term Bonds	11,500		02/01/26	Variable**	1.577	10,817
Total MF Housing Bonds	65,775					45,022
Total Housing Agency	497,996					370,307
State Revolving Fund Revenue Bonds						
2010 - Serial Bonds	215,725	08/01/11	08/01/24	2.000	5.000	160,560
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	204,235
2013 - Serial Bonds	115,450	02/01/14	08/01/33	1.500	5.000	108,375
2015 - Serial Bonds	321,530	08/01/15	08/01/35	1.000	5.000	301,530
Premium						90,747
Total State Revolving Fund Revenue Bonds	950,305					942,612
Total bonds	$ 1,448,301					$ 1,312,919

* Variable rates are as of June 30, 2016, remarketed weekly at prevailing interest rates.
** Variable rates are as of June 30, 2016, revised monthly at LIBOR plus 1.12%.

(b) *Rollforward*

The following tables summarize the bonds and notes payable (net of premium and discount) activity for the Authority for the years ended June 30, 2016 (dollars in thousands):

	June 30, 2015	Additions	Reductions	June 30, 2016	Due within one year
Housing Agency Fund					
SF 1991 Mortgage Bonds	$ 152,977	$ 196,517	$ (152,608)	$ 196,886	$ 4,325
SF 2009 Mortgage Revenue Bonds	159,768	-	(31,369)	128,399	2,015
MF Bonds	46,864	-	(1,842)	45,022	1,684
Credit Facilities	550	-	(550)	-	-
Total Housing Agency Fund	360,159	196,517	(186,369)	370,307	8,024
State Revolving Fund	1,002,761	-	(60,149)	942,612	50,980
Total	$ 1,362,920	$ 196,517	$ (246,518)	$ 1,312,919	$ 59,004

(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 Principal	Housing Agency Interest	Housing Agency Total	State Revolving Fund Principal	State Revolving Fund Interest	State Revolving Fund Total	Total Principal	Total Interest	Total Total
2017	$ 8,024	$ 8,413	$ 16,437	$ 50,980	$ 36,316	$ 87,296	$ 59,004	$ 44,729	$ 103,733
2018	11,706	8,580	20,286	51,770	34,389	86,159	63,476	42,969	106,445
2019	10,495	8,296	18,791	53,575	32,218	85,793	64,070	40,514	104,584
2020	10,419	7,994	18,413	50,095	29,998	80,093	60,514	37,992	98,506
2021	10,474	7,658	18,132	56,980	27,659	84,639	67,454	35,317	102,771
2022-2026	50,979	34,182	85,161	284,940	100,539	385,479	335,919	134,721	470,640
2027-2031	44,270	28,008	72,278	210,095	47,381	257,476	254,365	75,389	329,754
2032-2036	53,675	22,070	75,745	93,430	7,576	101,006	147,105	29,646	176,751
2037-2041	81,705	13,732	95,437	-	-	-	81,705	13,732	95,437
2042-2046	80,097	3,658	83,755	-	-	-	80,097	3,658	83,755
2047-2051	3,785	44	3,829	-	-	-	3,785	44	3,829
Total	$ 365,629	$ 142,635	$ 508,264	$ 851,865	$ 316,076	$ 1,167,941	$ 1,217,494	$ 458,711	$ 1,676,205

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, 2016.

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.

(d) Derivative Instrument Payments and Variable-Rate Debt

As of June 30, 2016, 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
2017	$ -	$ 283	$ 1,580	$ 1,863
2018	-	286	1,572	1,858
2019	-	288	1,753	2,041
2020	-	285	1,762	2,047
2021	-	286	1,786	2,072
2022-2026	9,180	1,341	8,133	18,654
2027-2031	10,335	1,106	6,375	17,816
2032-2036	15,820	786	4,288	20,894
2037-2041	10,925	507	1,620	13,052
2042-2046	15,685	197	401	16,283
2047-2051	1,605	1	-	1,606
Total	$ 63,550	$ 5,366	$ 29,270	$ 98,186

(e) Defeased Debt

On February 25, 2015, the Authority issued SRF 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 SRF 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.

The amount of defeased debt outstanding at June 30, 2016 is shown below (dollars in thousands):

	2016
State Revolving Fund defeased bonds:	
Series 2007	$ 45,695
Series 2008	112,425
Series 2009	120,365
Total State Revolving Fund defeased bonds	$ 278,485

(f) Current Refunding

On September 28, 2015, the Authority issued $81.255 million of Single Family Mortgage Bonds series 2015 A and C fixed rate bonds at a premium and refunded $83.990 million of prior bonds. The purpose of the refunding was to reduce the Authority's borrowing costs and to reduce outstanding variable rate debt. Assuming mortgage prepayment speeds consistent with the current 26% OTS; interest rates of 0.02% SIFMA and 0.20% LIBOR continuing; cost of issuance of $216 thousand; the estimated economic gain is $4.684 million.

On March 30, 2016, the Authority issued $22.530 million of Single Family Mortgage Bonds series 2016 C fixed rate bonds and refunded $22.530 million of prior bonds. The purpose of the refunding was to reduce the Authority's borrowing costs and to reduce outstanding variable rate debt. Assuming mortgage prepayment speeds consistent with the current 32% OTS; interest rates of 0.10% SIFMA and 0.43% LIBOR continuing; cost of issuance of $230 thousand; the estimated economic gain is $273 thousand.

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Note 5 - Derivative Instruments

(a) Hedging Derivatives - swaps

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, 2016 (dollars in thousands):

Bond series	2016 Notional amount	Effective date	Termination date	Terms: Pay	Terms: Receive	Counterparty
SF 2015 B	$ 470	01/01/15	01/01/36	4.140%	SIFMA + 0.10% or Various LIBOR + Spread	The Bank of New York Mellon
SF 2015 B	$ 1,210	01/01/15	07/01/36	3.843%	SIFMA + 0.10% or Various LIBOR + Spread	The Bank of New York Mellon
SF 2015 B	$ 8,215	09/01/06	01/01/36	3.766%	Enhanced LIBOR	Goldman Sachs Bank USA
SF 2015 B	$ 1,140	01/01/15	07/01/36	4.632%	SIFMA + 0.10%	The Bank of New York Mellon
SF 2016 B	$ 6,135	07/12/07	01/01/19	5.493%	LIBOR	The Bank of New York Mellon
SF 2015 B	$ 4,780	01/01/14	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 2015 B	$ 14,020	10/01/08	01/01/39	4.529%	SIFMA + 0.08%	Goldman Sachs Bank USA
SF 2015 B	$ 5,210 *	01/01/17	01/01/46	2.518%	67% of USD LIBOR	Royal Bank of Canada
SF 2016 B	$ 845 *	07/01/16	07/01/46	2.206%	67% of USD LIBOR	Royal Bank of Canada

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
* Notional value as of the effective date of the swap

(b) *Hedging Derivatives - Caps*

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, 2016 (dollars in thousands):

Bond Series	2016 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, 5.5% SIFMA thereafter	N/A	The Bank of New York Mellon
MF 2007 A	11,450	07/01/2015	07/01/2018	3% SIFMA	N/A	Royal Bank of Canada
MF FHLB B-1	10,817	07/01/2018	07/01/2018	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

(c) *Investment Derivatives*

As of June 30, 2016 the Authority had investment derivative instruments with the following maturities (dollars in thousands):

Investment type	Notional value	Fair value	Investment maturities (in years) Less than 1	1–5	6–10	More than 10
Investment derivative instruments - swaps	$ 57,565	$ (2,407)	$ -	$ (100)	$ (2,274)	$ (33)
Investment derivative instrument – forward MBS sales	56,815	(528)	(528)	-	-	-
Investment derivative instruments - MBS purchase commitments	39,610	2,565	2,565	-	-	-
Total	$ 153,990	$ (370)	$ 2,037	$ (100)	$ (2,274)	$ (33)

(d) Fair Values of Derivatives

The fair value balances of derivative instruments outstanding at June 30, 2016, classified by type, and changes in the fair value of such derivative instruments as reported in the 2016 financial statements are as follows (dollars in thousands):

Bond series	Type	Fair Value June 30, 2016	Change in fair value
Hedging derivatives:			
SF 2015 B	Swap	$ (37)	$ 93
SF 2015 B	Swap	(49)	174
SF 2015 B	Swap	(535)	102
SF 2015 B	Swap	(129)	156
SF 2016 B	Swap	(249)	319
SF 2015 B	Swap	(235)	150
SF 2015 B	Swap	(651)	(68)
SF 2015 B	Swap	(1,271)	(1,271)
SF 2016 B	Swap	(368)	(368)
MF 2007 B	Cap	14	(59)
MF 2008 A	Swap	(736)	(121)
Total hedging derivatives		$ (4,246)	$ (893)
Investment derivatives:			
SF 2004 G	Swap	$ -	$ 18
SF 2005 E	Swap	(32)	173
SF 2007 C	Swap	(1,586)	49
SF 2007 C	Basis Swap	16	(40)
SF 2007 G	Basis Swap	4	(42)
SF 2007 M	Swap	(371)	168
SF 2008 B	Swap	(1)	225
SF 2008 C	Swap	(333)	168
SF 2008G	Swap	(104)	152
MF 2007 A	Cap	-	-
MF FHLB B-1	Cap	-	-
Forward MBS sales	Forward	(528)	(828)
MBS purchase comittments	Comittment	2,565	2,082
Total investment derivatives		$ (370)	$ 2,125

(e) Methodology

The fair values of the interest rate derivative transactions 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 expected transaction cash flows are calculated using the zero-coupon discounting method which takes into consideration the prevailing benchmark interest rate environment, the specific terms and conditions of a given transaction, and assumes that the current forward rates implied by the benchmark yield curve are the market's best estimate of future spot interest rates. The income approach is then used to obtain the fair value of the transactions, where future amounts (the expected transaction cash flows) are converted to a single current (discounted) amount, using a rate of return that takes into account the relative risk of nonperformance associated with the cash flows and time value of money. Where applicable under the income approach (which takes into consideration the risk of nonperformance) an option pricing model technique is applied such as the Black-Scholes-Merton model, the Black-Derman-Toy model, one of the short-rate models, or other market standard models consistent with accepted practices in the market for interest rate option products. The option models would consider probabilities, volatilities, time, settlement prices, and other variables pertinent to the transactions. This valuation technique is applied consistently across all the transactions.

The fair value of the forward MBS 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 MBS 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, 2016 was 71%.

(f) 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, 2016 was $34 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 with its counterparties to ensure that the Authority's exposure to any 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, 2016 the SIFMA swap index rate is 0.41% and US 1-month LIBOR is 0.465%.

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 additional costs at that time. The Authority minimizes this risk by matching the term of the swaps with the maturity of the related bonds.

Note 6 - Fair Value

GASB Statement No. 72, *Fair Value Measurement and Application*, specifies a hierarchy of valuation classifications based on whether the inputs to the valuation techniques used in each valuation classification are observable or unobservable. GASB 72 was implemented by the Authority effective July 1, 2015. The Authority categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. These classifications are summarized in the three broad levels below.

Level 1 – Unadjusted quoted prices for identical instruments in active markets

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable.

Level 3 – Valuations derived from valuation techniques in which significant inputs or significant value drivers are unobservable.

The Authority has the following recurring fair value measurements as of June 30, 2016:

Investments and Derivative Instruments Measured at Fair Value
($ in thosuands)

		Fair Value Measurments Using:		
	2016	**(Level 1)**	**(Level 2)**	**(Level 3)**
Investments by fair value level				
U.S. Treasury Securities				
Housing Agency Fund	$ 11,681	$ -	$ 11,681	$ -
State Revolving Fund	18,190	-	18,190	-
U.S. Agency Securities				
Housing Agency Fund	12,238	-	12,238	-
State Revolving Fund	26,523	-	26,523	-
GNMA, FNMA and FHLMC Mortgage-Backed Securities				
Housing Agency Fund	399,530	-	399,530	-
Municipal Bonds				
Housing Agency Fund	345	-	345	-
State Revolving Fund	8,517	-	8,517	-
Corporate Bonds				
State Revolving Fund	502	-	502	-
Negotiable Certificates of Deposit				
Housing Agency Fund	1,216	-	1,216	-
State Revolving Fund	1,496		1,496	-
Total investments by fair value level	480,238	$ -	$ 480,238	$ -
Investments valued using cost based measures				
Governmental Money Market Mutual Funds				
Housing Agency Fund	69,641			
State Revolving Fund	183,935			
Guaranteed Investment Contracts				
Housing Agency Fund	32,659			
State of Iowa Treasurer Pooled Money Fund				
Housing Agency Fund	24,969			
Total investments measured using cost based measures	311,204			
Total investments	$ 791,442			
Investment derivative instruments				
Basis swaps (SIFMA vs. LIBOR)	$ 20	$ -	$ 20	$ -
Fixed-to-Floating Interest Rate Swaps	(2,427)	-	(2,427)	-
MBS purchase commitments	2,565	-	-	2,565
Forward MBS sales	(528)	-	(528)	-
Total investment derivative instruments	$ (370)	$ -	$ (2,935)	$ 2,565
Hedging derivative instruments				
Fixed-to-Floating Interest Rate Swaps	$ (4,260)	$ -	$ (4,260)	$ -
Interest Rate Caps	14	-	14	-
Total hedging derivative instruments	$ (4,246)	$ -	$ (4,246)	$ -

The Authority obtains its fair value pricing on fixed income investments from its third party custodian. There are multiple pricing methodologies which are used to value the Authority's U.S. Treasury securities, U.S. Agency securities, Mortgage-Backed Securities, Municipal Bonds, Corporate Bonds and Negotiable Certificates of Deposit. These methods include, but are not limited to, gathering pricing from multiple market sources and vendor credit information, observed market movements, sector news into the pricing applications and models, or manual methods. Since none of the Authority's fixed income investments are actively traded on an exchange, yet rely on significant observable inputs for fair value pricing, these securities are classified as Level 2.

The Authority also holds investments in Governmental Money Market Mutual Funds, Guaranteed Investment Contracts and the State of Iowa Treasurer Pooled Money Fund. These investments are valued using cost based measures. The State Treasurer manages the investments and all accepts all risks with respect to the investments in the pool. The pool has no limitations or restrictions on withdrawals and transacts with the Authority at a value of $1 per share.

The Authority obtains its fair value pricing on interest rate swaps and cap derivative instruments from a third party vendor. The fair value of the forward MBS sales and MBS purchase commitments are estimated based on internal valuation models. See Note 5(e) for further description of the fair value methodology for derivative instruments.

Note 7 - 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, any time 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

Contribution rates are established by IPERS following the completion of the annual actuarial valuation using IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State 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 2016, 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, 2016, 2015, and 2014 was $603, $633, and $631 thousand, respectively.

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

At June 30, 2016, the Authority reported a liability of $5.1 million for its proportionate share of the net pension liability and is recorded within other liabilities in the statement of net position, of which $4.8 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, 2015, 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, 2015, the Authority's collective proportion was 0.102439 percent, which was a decrease of 0.00002987 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Authority recognized pension expense of $384 thousand. At June 30, 2016, 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	$ 72	$ -	$ 5	$ -	$ 77	$ -
Changes of assumptions	131	-	9	-	140	-
Net difference between projected and actual earnings on pension plan investments	710	1,105	52	81	762	1,186
Changes in proportion and differences between Authority contributions and proportionate share of contributions	(47)	120	(3)	8	(50)	128
Authority contributions subsequent to the measurement date	562	-	41	-	603	-
Total	$ 1,428	$ 1,225	$ 104	$ 89	$ 1,532	$ 1,314

$603 thousand reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

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,	
2017	$ (187)
2018	(187)
2019	(187)
2020	181
2021	(5)
Total	$ (385)

There were no nonemployer contributing entities at IPERS.

(f) Actuarial Assumptions

The total pension liability in the June 30, 2015 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
Wage growth (effective June 30, 1990)	4.00 percent per annum, based on 3.00% inflation and 1.00% real wage inflation

The actuarial assumptions used in the June 30, 2015 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	24%	6.29%
Non-U.S. Equity	16%	6.75%
Private Equity	11%	11.32%
Real Estate	8%	3.48%
Core Plus Fixed Income	28%	2.04%
Credit Opportunities	5%	3.63%
TIPS	5%	1.91%
Other Real Assets	2%	6.24%
Cash	1%	-0.71%
Total	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	$ 8,916	$ 5,093	$ 1,865

(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, 2016, the Authority had no legally required employer or employee contributions not yet remitted to IPERS.

Note 8 - Segment Information

The Authority issues bonds to finance the purchase of MBS and multifamily developments. The bond programs are accounted for in a single enterprise fund but investors rely on the revenue generated by the activities within the individual bond indentures. Summary financial information as of and for the year ended June 30, 2016 is presented below:

	Single Family 1991 MB	Single Family 2009 MRB	Multi Family Housing Bonds
Condensed Statement of Net Position			
Current assets	$ 83,924	$ 10,446	$ 55,886
Noncurrent assets	273,098	138,996	65,762
Total Assets	357,022	149,442	121,648
Deferred Outflows of Resources	6,236	-	735
Total Assets and Deferred Outflows	$ 363,258	$ 149,442	$ 122,383
Current liabilities	$ 8,274	$ 3,173	$ 8,861
Noncurrent liabilities	198,127	126,384	44,059
Total Liabilities	206,401	129,557	52,920
Deferred Inflows of Resources	3,328	-	14
Restricted Net Position	153,529	19,885	69,449
Total Liabilities, Deferred Inflows and Net Position	$ 363,258	$ 149,442	$ 122,383
Condensed Statement of Revenues, Expenses, and Change in Net Position			
Operating revenues	$ 16,997	$ 6,287	$ 5,481
Operating expenses	8,286	3,828	2,623
Operating income	8,711	2,459	2,858
Non-operating expense	1,687	451	1,200
Change in net position	7,024	2,008	1,658
Beginning net position	146,505	17,877	67,791
Ending net position	$ 153,529	$ 19,885	$ 69,449
Condensed Statement of Cash Flows			
Net cash provided (used) by:			
Operating activities	$ (37,354)	$ 33,286	$ 3,699
Noncapital financing activities	36,838	(35,556)	(4,675)
Investing activities	(9,453)	4	4,160
Net change	(9,969)	(2,266)	3,184
Beginning cash and cash equivalents	57,848	9,187	49,130
Ending cash and cash equivalents	$ 47,879	$ 6,921	$ 52,314

Note 9 - Commitments and Contingencies

(a) Housing Agency Commitments

The Authority has assumed certain guaranties 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 guaranties as of June 30, 2016 was $1.3 million for which a $.5 million reserve for claims liability is recorded.

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, 2016 is as follows (dollars in thousands):

Description		
Project-based housing grants	$	350
Local housing trust fund grants		8,971
Shelter assistance grants		650
Total outstanding commitments	$	9,971

(b) State Revolving Fund Commitments

The Authority has signed loan agreements under the SRF for which $196.5 million have not been disbursed as of June 30, 2016.

Note 10 - Risk Management

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2016 the Authority managed its risks as follows:

- The Authority participated in the State of Iowa employee benefit program for health, dental, long-term disability, and life insurance coverage which are fully insured.
- The Authority is covered by the State of Iowa's fidelity bond for up to $2.0 million.
- The Authority participates in the State of Iowa's self-insured Workers' Compensation Fund. The liability for unpaid claims is estimated based on the average cost per claim-type determined from an actuarial review.
- The Authority purchases insurance for its vehicle fleet.
- The Authority is insured for $5.4 million for its buildings and contents.

Note 11 - Subsequent Events

On October 25, 2016, the Authority will issue $58,670,000 of Single Family Mortgage Bonds to purchase mortgage-backed securities under the Authority's FirstHome program. In conjunction with this issuance, the Authority has entered into an interest rate swap agreement with Wells Fargo Bank, N.A. that will become effective January 1, 2018 with an initial notional amount of $970,000 then increase to $11,250,000 by July 1, 2025.

Required Supplementary Information
June 30, 2016

Iowa Finance Authority

(A Component Unit of the State of Iowa)

(Dollars in thousands)

(1) Schedule of Authority's Proportionate Share of the Net Pension Liability

	2016	2015
Authority's proportion of the net pension liability	0.102439%	0.105426%
Authority's proportionate share of the net pension liability	$ 5,093	$ 4,267
Authority's covered-employee payroll	$ 7,088	$ 7,066
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	71.85%	60.39%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

* The amounts presented were determined as of June 30.

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.

(Dollars in thousands)

(2) Schedule of Authority Contributions

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contribution	$ 603	$ 633	$ 631	$ 600	$ 534	$ 451	$ 394	$ 383	$ 345	$ 302
Contibutions in relation to the statutorily required contribution	$ (603)	$ (633)	$ (631)	$ (600)	$ (534)	$ (451)	$ (394)	$ (383)	$ (345)	$ (302)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Authority's covered-employee payroll	$ 6,753	$ 7,088	$ 7,066	$ 6,920	$ 6,617	$ 6,489	$ 5,925	$ 6,031	$ 5,702	$ 5,252
Contribution as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%

(3) Notes to Required Supplementary Information

(a) 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.

Legislative action in 2008 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.

(b) 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.
- 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.

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.

Other Supplementary Information
June 30, 2016

Iowa Finance Authority

(A Component Unit of the State of Iowa)

	Housing Agency									State Revolving Fund			Combined
Assets	**General Operating Account**	**Single Family 1991 MB**	**Single Family 2009 MRB**	**Multi Family 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	$ 5,389	$ 47,879	$ 6,921	$ 52,314	$ 17,309	$ 2,864	$ 13,813	$ -	$ 146,489	$ 168,827	$ 71,674	$ 240,501	$ 386,990
Investments in mortgage-backed securities	254	6,028	3,107	-	-	-	-	-	9,389	-	-	-	9,389
Other investments	333	6,498	-	1,560	-	250	-	-	8,641	8,953	8,677	17,630	26,271
Loans to municipalities or water systems, net	-	-	-	-	-	-	-	-	-	58,978	26,932	85,910	85,910
Housing Agency loans, net	56	342	-	1,060	5,246	283	-	-	6,987	-	-	-	6,987
Line of credit	-	22,172	-	-	-	-	-	-	22,172	-	-	-	22,172
Accrued interest receivable	25	1,005	418	916	57	16	-	-	2,437	2,391	1,041	3,432	5,869
Other current assets	1,626	-	-	36	4	-	283	(774)	1,175	248	397	645	1,820
Total current assets	7,683	83,924	10,446	55,886	22,616	3,413	14,096	(774)	197,290	239,397	108,721	348,118	545,408
Noncurrent assets (substantially restricted):													
Investments in mortgage-backed securities	2,626	251,074	136,441	-	-	-	-		390,141	-	-	-	390,141
Other investments	749	9,827	-	6,033	-	230	-		16,839	21,264	16,334	37,598	54,437
Loans to municipalities or water systems, net	-	-	-	-	-	-	-	-	-	1,036,619	383,040	1,419,659	1,419,659
Housing Agency loans, net	717	3,315	-	59,729	44,297	2,501	-		110,559	-	-	-	110,559
Capital assets, net of accumulated depreciation	2,682	-	-		-		3		2,685	-	-	-	2,685
Other noncurrent assets	-	8,882	2,555	-	-	-	-	-	11,437	-	-	-	11,437
Total noncurrent assets	6,774	273,098	138,996	65,762	44,297	2,731	3	-	531,661	1,057,883	399,374	1,457,257	1,988,918
Total assets	14,457	357,022	149,442	121,648	66,913	6,144	14,099	(774)	728,951	1,297,280	508,095	1,805,375	2,534,326
Deferred Outflows of Resources													
Pension plan	1,186	-	-	-	-	-	242	-	1,428	72	32	104	1,532
Accumulated decrease in fair value of hedging derivatives	-	1,640	-	735	365	-	-	-	2,740	-	-	-	2,740
Loss on bond refunding	-	4,596	-	-	-	-	-	-	4,596	14,717	7,969	22,686	27,282
Total deferred outflows	1,186	6,236		735	365		242	-	8,764	14,789	8,001	22,790	31,554
Total assets and deferred outflows	$ 15,643	$ 363,258	$ 149,442	$ 122,383	$ 67,278	$ 6,144	$ 14,341	$ (774)	$ 737,715	$ 1,312,069	$ 516,096	$ 1,828,165	$ 2,565,880
Liabilities													
Current liabilities:													
Bonds payable, net	$ -	$ 4,325	$ 2,015	$ 1,684	$ -	$ -	$ -	$ -	$ 8,024	$ 36,620	$ 14,360	$ 50,980	$ 59,004
Accrued interest payable	-	2,803	1,149	347	-	-	-	-	4,299	11,578	3,925	15,503	19,802
Escrow deposits	-	-	-	6,640	-	-	6,136	-	12,776	-	-	-	12,776
Accounts payable and other liabilities	2,405	1,146	9	190	432	55	1,165	(774)	4,628	620	588	1,208	5,836
Total current liabilities	2,405	8,274	3,173	8,861	432	55	7,301	(774)	29,727	48,818	18,873	67,691	97,418
Noncurrent liabilities:													
Bonds payable, net	-	192,561	126,384	43,338	-	-	-	-	362,283	669,938	221,694	891,632	1,253,915
Reserves for claims	-	-	-	-	464	-	707	-	1,171	-	-	-	1,171
Other liabilities	5,662	5,566	-	721	1,104	-	804	-	13,857	238	108	346	14,203
Total noncurrent liabilities	5,662	198,127	126,384	44,059	1,568	-	1,511	-	377,311	670,176	221,802	891,978	1,269,289
Total liabilities	8,067	206,401	129,557	52,920	2,000	55	8,812	(774)	407,038	718,994	240,675	959,669	1,366,707
Deferred Inflows of Resources													
Pension plan	1,018	-	-	-	-	-	207	-	1,225	61	28	89	1,314
Accumulated increase in fair value of hedging derivatives	-	3,328	-	14	-	-	-	-	3,342	-	-	-	3,342
Total deferred inflows	1,018	3,328	-	14	-	-	207	-	4,567	61	28	89	4,656
Net Position													
Net investment in capital assets	2,682	-	-	-	-	-	3	-	2,685	-	-	-	2,685
Restricted net position:													
Per bond resolutions	-	153,529	19,885	69,449	-	-	-	-	242,863	473,123	248,471	721,594	964,457
Per legislation	-	-	-	-	26,101	-	5,319	-	31,420	-	-	-	31,420
Per other agreements	-	-	-	-	39,177	5,474	-	-	44,651	119,891	26,922	146,813	191,464
Total restricted net position	-	153,529	19,885	69,449	65,278	5,474	5,319	-	318,934	593,014	275,393	868,407	1,187,341
Unrestricted net position	3,876	-	-	-	-	615	-	-	4,491	-	-	-	4,491
Total net position	6,558	153,529	19,885	69,449	65,278	6,089	5,322	-	326,110	593,014	275,393	868,407	1,194,517
Total liabilities, deferred inflows, and net position	$ 15,643	$ 363,258	$ 149,442	$ 122,383	$ 67,278	$ 6,144	$ 14,341	$ (774)	$ 737,715	$ 1,312,069	$ 516,096	$ 1,828,165	$ 2,565,880

Combining Schedules of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2016

	Housing Agency									State Revolving Fund			Combined
	General Operating Account	Single Family 1991 MB	Single Family 2009 MRB	Multi Family 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	$ 205	$ 10,738	$ 5,487	$ -	$ -	$ -	$ -	$ -	$ 16,430	$ -	$ -	$ -	$ 16,430
Interest on loans	47	312	-	2,802	233	72	-	-	3,466	26,648	10,271	36,919	40,385
Interest on investments	38	430	4	2,899	98	30	30	-	3,529	699	521	1,220	4,749
Gain on sale of mortgage-backed securites	31	4,263	-	-	-	-	-	-	4,294	-	-	-	4,294
Net (decrease) increase in fair value of investments and mortgage-backed securities	(89)	754	796	(220)	-	-	-	-	1,241	354	228	582	1,823
Fee income	6,084	500	-	-	2	573	7,265	(1,225)	13,199	3,346	1,180	4,526	17,725
Other income	148	-	-	-	-	-	118	-	266	-	-	-	266
Total operating revenues	6,464	16,997	6,287	5,481	333	675	7,413	(1,225)	42,425	31,047	12,200	43,247	85,672
Operating expenses:													
Interest on bonds	-	6,607	3,785	1,653	1	-	-	-	12,046	21,460	7,604	29,064	41,110
General and administrative	8,491	1,677	43	260	1,472	491	5,530	(1,225)	16,739	4,246	4,137	8,383	25,122
Provision (recoveries) of losses	-	2	-	710	3,811	9	376	-	4,908	-	(25)	(25)	4,883
Total operating expenses	8,491	8,286	3,828	2,623	5,284	500	5,906	(1,225)	33,693	25,706	11,716	37,422	71,115
Net operating income (loss)	(2,027)	8,711	2,459	2,858	(4,951)	175	1,507	-	8,732	5,341	484	5,825	14,557
Non-operating revenue (expense):													
Grant income	59,883	3,231	-	-	24,086	-	-	(3,480)	83,720	22,814	23,212	46,026	129,746
Grants and aid	(58,709)	(4,918)	(451)	(1,200)	(30,599)	(76)	(1,230)	3,480	(93,703)	(3,933)	(4,167)	(8,100)	(101,803)
Net non-operating revenue (expense)	1,174	(1,687)	(451)	(1,200)	(6,513)	(76)	(1,230)	-	(9,983)	18,881	19,045	37,926	27,943
Change in net position	(853)	7,024	2,008	1,658	(11,464)	99	277	-	(1,251)	24,222	19,529	43,751	42,500
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
Net position at June 30, 2016	$ 6,558	$ 153,529	$ 19,885	$ 69,449	$ 65,278	$ 6,089	$ 5,322	$ -	$ 326,110	$ 593,014	$ 275,393	$ 868,407	$ 1,194,517

Schedule of Expenditure of Federal Awards

Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures	Amounts Passed-Through to Subrecipients
U.S. Department of Housing & Urban Development				
Section 8 Project-Based Cluster:				
Section 8 Housing Assistance Payments Program	14.195	N/A	$ 57,508,256	$ 57,508,256
Emergency Solutions Grant Program	14.231	N/A	2,707,974	2,602,471
Home Investment Partnership Program (HOME)	14.239	N/A	135,987,630	110,153,543
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	N/A	406,730	406,730
ARRA - Tax Credit Assistance Program Loans	14.258	N/A	18,978,542	-
Total U.S. Department of Housing & Urban Development			215,589,132	170,671,000
U.S. Department of Treasury				
National Foreclosure Mitigation Counseling Program	21.000	N/A	135,913	124,410
Total Expenditures of Federal Awards			$ 215,725,045	$ 170,795,410

See Notes to Schedule of Expenditures of Federal Awards

Note 1 – Basis of Presentation and Significant Accounting Policies

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, 2016, 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. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient. 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. The Authority's summary of significant accounting policies is presented in Note 1 in the Authority's basic financial statements.

The Iowa Finance Authority has not elected to use the 10% de minimis cost rate.

Note 2 – Outstanding Loan Principal Balances

The following is the outstanding principal balance of the Tax Credit Assistance Program at June 30, 2016 (dollars in thousands):

Tax Credit Assistance Program	$ 18,978

The following is the outstanding principal balance of the HOME Program at June 30, 2016 (dollars in thousands):

HOME Program	$ 122,955

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

The Board of Directors
Iowa Finance Authority
Des Moines, Iowa

We have audited, 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, the financial statements of the business-type activities and each major fund of Iowa Finance Authority as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Iowa Finance Authority's basic financial statements, and have issued our report thereon dated September 30, 2016.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered Iowa Finance 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 Iowa Finance Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Iowa Finance 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 a 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 over financial reporting 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 financial reporting 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 Iowa Finance 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Aberdeen, South Dakota
September 30, 2016

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Independent Auditor's Report on Compliance for the Major Federal Program;
Report on Internal Control over Compliance Required by the Uniform Guidance

The Board of Directors
Iowa Finance Authority
Des Moines, Iowa

Report on Compliance for the Major Federal Program

We have audited Iowa Finance Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Iowa Finance Authority's major federal program for the year ended June 30, 2016. Iowa Finance Authority's major federal program is identified in the summary of auditor's 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.

Auditor's Responsibility
Our responsibility is to express an opinion on the compliance of Iowa Finance 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 Iowa Finance 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 Iowa Finance Authority's compliance.

Opinion on the Major Federal Program

In our opinion, Iowa Finance Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of Iowa Finance Authority is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Iowa Finance Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Iowa Finance 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 compliance requirement 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Aberdeen, South Dakota
September 30, 2016

(1) Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major program:

Name of Federal Program	CFDA number
HOME Investment Partnership Program	14.239

Dollar threshold used to distinguish bbetween Type A and Type B programs	$ 3,000,000
Auditee qualified as low-risk auditee	Yes

(2) Financial Statement Findings

None noted

(3) Federal Award Findings and Questioned Costs

None noted

No findings reported in the prior year.