



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

April 15, 2008

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Iowa Water Pollution Control Works Financing Program (Clean Water Program) and the Iowa Drinking Water Facilities Financing Program (Drinking Water Program), joint programs of the Iowa Finance Authority and the Iowa Department of Natural Resources. The Clean Water Program provides financing for the construction of waste water treatment facilities through loans to eligible municipalities and waste water systems. The Drinking Water Program provides financing for the construction of drinking water facilities through loans to municipalities and drinking water systems.

The Clean Water Program reported operating revenues of \$19,104,889 for the year ended June 30, 2007, including interest income of \$10,178,766 on loans and investment income of \$7,969,543. Non operating revenue consisted of \$22,248,470 in federal grants. The Drinking Water Program reported operating revenues of \$9,415,561, including interest income of \$5,424,579 on loans and investment income of \$3,567,298, net of rebate expense of \$105,948. Non operating revenue consisted of \$15,049,034 in federal grants.

Operating expenses of the Clean Water Program for the year ended June 30, 2007 totaled \$8,364,627, including \$5,476,564 for bond interest expense, \$1,766,969 for general and administrative expenses and \$923,213 for amortization of loss on bond redemption. The Program loaned \$41,088,926 to municipalities and water systems and collected loan repayments of \$18,072,386 during the year. At June 30, 2007, the Clean Water Program had loans receivable from municipalities and waste water systems totaling \$311,823,509.

Operating expenses of the Drinking Water Program for the year ended June 30, 2007 totaled \$8,045,967, including \$4,558,569 for bond interest expense, \$2,048,748 for general and administrative expenses, \$1,078,886 for source water protection and \$275,726 for small community technical assistance. The Program loaned \$33,409,045 to drinking water systems and collected loan repayments of \$8,071,065 during the year. At June 30, 2007, the Drinking Water Program had loans receivable from drinking water systems totaling \$184,363,226.

A copy of the report is available for review at the Iowa Finance Authority, at the Iowa Department of Natural Resources, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

#

**IOWA WATER POLLUTION CONTROL WORKS AND
DRINKING WATER FACILITIES FINANCING PROGRAMS
(JOINT PROGRAMS OF THE IOWA FINANCE AUTHORITY
AND THE IOWA DEPARTMENT OF NATURAL RESOURCES)**

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2007

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Basic Financial Statements:	<u>Exhibit</u>	
Statements of Net Assets	A	9
Statements of Revenues, Expenses and Changes in Fund Net Assets	B	10
Statements of Cash Flows	C	11-12
Notes to Financial Statements		13-23
Supplementary Information:	<u>Schedule</u>	
Schedule of Loan Activity – Clean Water Program	1	26-30
Schedule of Loan Activity – Drinking Water Program	2	31-33
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		35-36
Independent Auditor's Report on Compliance with Requirements Applicable to Environmental Protection Agency's State Revolving Fund Programs in Accordance with the <u>Environmental Protection Agency Clean Water State Revolving Fund - Audit Guide and Drinking Water State Revolving Fund Program Guidelines</u>		37-38
Schedule of Findings		39
Staff		40

**Iowa Water Pollution Control Works
and Drinking Water Facilities Financing Programs**

Officials

<u>Name</u>	<u>Title</u>
	State
Honorable Chester J. Culver	Governor
Charles J. Krogmeier	Director, Department of Management
Dennis C. Prouty	Director, Legislative Services Agency

Iowa Finance Authority Board

Kay Anderson	Chairperson
Roger Caudron	Vice Chairperson
Carmela Brown	Treasurer
Steven Adams	Member
Heather Armstrong	Member
Virginia Bordwell	Member
David Erickson	Member
Douglas Walter	Member

Environmental Protection Commission

Darrell Hanson	Chairperson
Mary Gail Scott	Vice Chairperson
Suzanne Morrow	Secretary
Susan Heathcote	Member
Charlotte Hubbell	Member
Paul Johnson	Member
Ralph Klemme	Member
Henry Marquard	Member
David Petty	Member

Iowa Finance Authority

Bret Mills	Executive Director
------------	--------------------

Iowa Department of Natural Resources

Richard Leopold	Director
-----------------	----------

**Iowa Water Pollution Control Works
and Drinking Water Facilities Financing Programs**



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Officials of the Iowa Finance Authority and
the Iowa Department of Natural Resources:

We have audited the accompanying financial statements of the business type activities and each major fund of the Iowa Water Pollution Control Works and Drinking Water Facilities Financing Programs as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements listed in the table of contents. These financial statements are the responsibility of the Iowa Water Pollution Control Works and Drinking Water Facilities Financing Programs' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

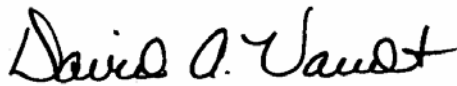
As discussed in Note 1, the financial statements of the Iowa Water Pollution Control Works and Drinking Water Facilities Financing Programs are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business type activities and each major fund of the State of Iowa that is attributable to the transactions of the Iowa Water Pollution Control Works and Drinking Water Facilities Financing Programs. They do not purport to, and do not, present fairly the financial position of the State of Iowa as of June 30, 2007, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

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 Water Pollution Control Works and Drinking Water Facilities Financing Programs as of June 30, 2007, and the respective changes in financial position and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated April 3, 2008 on our consideration of the Iowa Water Pollution Control Works and Drinking Water Facilities Financing Programs' internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Authority and the Department have not presented Management's Discussion and Analysis to introduce the basic financial statements by presenting certain financial information and management's analytical insights on information the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 3, 2008

Basic Financial Statements

**Iowa Water Pollution Control Works
and Drinking Water Facilities Financing Programs**

Iowa Water Pollution Control Works and
Drinking Water Facilities Financing Programs

Statements of Net Assets

June 30, 2007

	Clean Water Program	Drinking Water Program	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 110,637,236	71,440,013	182,077,249
Restricted cash	489,895	-	489,895
Investments	51,181,984	691,155	51,873,139
Loans receivable	20,646,000	9,412,000	30,058,000
Accrued interest receivable	2,356,253	1,569,915	3,926,168
Other assets	236,579	274,425	511,004
Due from Clean Water Program	-	30,930	30,930
Total current assets	185,547,947	83,418,438	268,966,385
Noncurrent assets:			
Restricted cash	2,019,273	-	2,019,273
Investments	16,740,030	-	16,740,030
Loans receivable	291,177,509	174,951,226	466,128,735
Total noncurrent assets	309,936,812	174,951,226	484,888,038
Total assets	495,484,759	258,369,664	753,854,423
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	286,797	482,790	769,587
Accrued bond interest payable	2,580,389	1,950,398	4,530,787
Rebates payable	59,401	-	59,401
Deferred initiation fees	237,306	116,143	353,449
Due to Iowa Finance Authority	25,236	23,212	48,448
Due to Drinking Water Program	30,930	-	30,930
Bonds payable, net	16,005,000	5,585,000	21,590,000
Total current liabilities	19,225,059	8,157,543	27,382,602
Noncurrent liabilities:			
Rebates payable	-	263,815	263,815
Deferred initiation fees	2,939,955	1,777,792	4,717,747
Bonds payable, net	105,282,976	95,581,301	200,864,277
Total noncurrent liabilities	108,222,931	97,622,908	205,845,839
Total liabilities	127,447,990	105,780,451	233,228,441
Net Assets			
Restricted net assets:			
Per bond resolutions	233,165,000	102,357,000	335,522,000
Per other agreements	134,871,769	50,232,213	185,103,982
Total net assets	\$ 368,036,769	152,589,213	520,625,982

See notes to financial statements.

Exhibit B

Iowa Water Pollution Control Works and
Drinking Water Facilities Financing Programs

Statements of Revenues, Expenses and Changes in Fund Net Assets

Year ended June 30, 2007

	Clean Water Program	Drinking Water Program	Total
Operating revenues:			
Interest on loans	\$ 10,178,766	5,424,579	15,603,345
Investment income	7,969,543	3,567,298	11,536,841
Rebate expense	127,500	(105,948)	21,552
Initiation fees	829,080	529,632	1,358,712
Total operating revenues	<u>19,104,889</u>	<u>9,415,561</u>	<u>28,520,450</u>
Operating expenses:			
Bond interest expense	5,476,564	4,558,569	10,035,133
Amortization of loss on bond redemption	923,213	84,038	1,007,251
General and administrative	1,766,969	2,048,748	3,815,717
Source water protection	197,881	1,078,886	1,276,767
Small community technical assistance	-	275,726	275,726
Total operating expenses	<u>8,364,627</u>	<u>8,045,967</u>	<u>16,410,594</u>
Operating income	10,740,262	1,369,594	12,109,856
Non operating revenue:			
Federal grants	22,248,470	15,049,034	37,297,504
Income before transfers	32,988,732	16,418,628	49,407,360
Transfers between funds	15,700	(15,700)	-
Change in net assets	33,004,432	16,402,928	49,407,360
Net assets beginning of year	<u>335,032,337</u>	<u>136,186,285</u>	<u>471,218,622</u>
Net assets end of year	<u>\$ 368,036,769</u>	<u>152,589,213</u>	<u>520,625,982</u>

See notes to financial statements.

Iowa Water Pollution Control Works and
Drinking Water Facilities Financing Programs

Statements of Cash Flows

Year ended June 30, 2007

	Clean Water Program	Drinking Water Program	Total
Cash flows from operating activities:			
Initiation and service fees received	\$ 920,223	718,705	1,638,928
Interest received on investments	8,143,507	3,653,937	11,797,444
Interest received on loans to municipalities and waste water systems	10,136,775	5,352,852	15,489,627
Principal received on loans to municipalities and waste water systems	18,072,386	8,071,065	26,143,451
Loans disbursed to municipalities and waste water systems	(41,088,926)	(33,409,045)	(74,497,971)
Interest on debt paid	(6,644,558)	(4,788,080)	(11,432,638)
Rebates paid	(24,392)	(1,814,908)	(1,839,300)
Cash paid to suppliers and grantees	(1,805,174)	(3,240,053)	(5,045,227)
Net cash used for operating activities	(12,290,159)	(25,455,527)	(37,745,686)
Cash flows from non-capital financing activities:			
Draws on capitalization grants from EPA	22,248,470	15,049,034	37,297,504
Transfers between funds	15,700	(15,700)	-
Repayment of debt principal	(15,650,000)	(5,300,000)	(20,950,000)
Net cash provided by non-capital financing activities	6,614,170	9,733,334	16,347,504
Cash flows from investing activities:			
Sale of investments	167,679,921	-	167,679,921
Investments purchased	(172,886,827)	(667,748)	(173,554,575)
Net cash used for investing activities	(5,206,906)	(667,748)	(5,874,654)
Net decrease in cash and cash equivalents	(10,882,895)	(16,389,941)	(27,272,836)
Cash and cash equivalents beginning of year	124,029,299	87,829,954	211,859,253
Cash and cash equivalents end of year	\$ 113,146,404	71,440,013	184,586,417

Exhibit C

Iowa Water Pollution Control Works and
Drinking Water Facilities Financing Programs

Statements of Cash Flows

Year ended June 30, 2007

	Clean Water Program	Drinking Water Program	Total
Reconciliation of operating income to net cash used for operating activities:			
Operating income	\$ 10,740,262	1,369,594	12,109,856
Adjustments to reconcile operating income to net cash used for operating activities:			
Amortization of loss on bond redemption	923,213	84,038	1,007,251
Amortization of bond issue costs	52,884	30,509	83,393
Amortization of bond issuance discount/premium	(904,524)	(177,728)	(1,082,252)
Amortization of interest income	-	(23,378)	(23,378)
Change in fair market value of investments	(16,307)	(29)	(16,336)
(Increase) in loans receivable	(23,016,540)	(25,337,980)	(48,354,520)
(Increase) decrease in accrued interest receivable	134,896	(5,188)	129,708
(Increase) decrease in other assets	6,569	(17,026)	(10,457)
(Increase) in due from Clean Water Program	-	(30,930)	(30,930)
(Decrease) in bond interest payable	(316,354)	(82,292)	(398,646)
(Decrease) in deferred rebates	(138,508)	(1,665,453)	(1,803,961)
Increase in due to Iowa Finance Authority	763	2,487	3,250
Increase in due to Drinking Water Program	30,930	-	30,930
Increase in deferred revenue	84,574	206,099	290,673
Increase in accounts payable and accrued expenses	127,983	191,750	319,733
Total adjustments	(23,030,421)	(26,825,121)	(49,855,542)
Net cash used for operating activities	\$ (12,290,159)	(25,455,527)	(37,745,686)

See notes to financial statements.

Iowa Water Pollution Control Works and
Drinking Water Facilities Financing Programs

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

Description of the Iowa Water Pollution Control Works Financing Program

Chapter 455B of the Code of Iowa authorizes the Iowa Finance Authority (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, hereinafter referred to as the Clean Water Program. The Clean Water Program was created by the state in 1988 to implement provisions of the Water Pollution Control Act of 1972, as amended by the Water Quality Act of 1987 (the Clean Water Act). The Clean Water Act and subsequent annual federal legislative appropriation bills authorize the U.S. Environmental Protection Agency (EPA) to make annual capitalization grants to states for the purpose of establishing a water pollution revolving fund to be used in financing the construction of waste water treatment facilities. Funding for the Clean Water Program is provided from the federal capitalization grants and bonding activity of the Authority, which provides state matching funds. The state matching funds must be at least equal to 20% of the federal capitalization grants. The Clean Water Program is to be established, maintained and credited with loan repayments and the funds of the Clean Water Program are to be available in perpetuity for providing such financial assistance.

Loans are made to municipalities and waste water systems from the Clean Water Program for eligible project costs as defined in Chapter 567, section 92, of the Iowa Administrative Code. The DNR administers the aspects of the Clean Water Program relating to project selection, loan eligibility and monitoring of construction progress. The Authority administers the aspects of the Clean Water Program relating to arranging financing and accounting for the loans, their repayments and investment activity. 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 Iowa municipalities and waste water systems to finance all or part of the construction of waste water treatment facilities. The bonds are payable solely from repayments of the loans and other assets and revenues pledged under the applicable bond resolution for the Clean Water Program. The obligations do not constitute a debt of the State or a general obligation of the Authority.

The Clean Water Program also provides funds to various lending institutions to buy down the interest rate on loans made by these institutions to individuals. The funds are deposited at the various institutions in non interest bearing accounts and certificates of deposit.

During the year ended June 30, 2003, the DNR was awarded an On-Site Septic System Grant under the Clean Water Program. This program provides funding to various lending institutions to provide loans to individuals to make improvements to old septic systems. Individuals apply for this program through participating lending institutions. The loans may not exceed a maximum of \$10,000. Funds are deposited at various institutions in non interest bearing savings accounts. The lending institution is responsible for repayment of the loan if the individual defaults on the loan. The DNR contracted with Williams and Company, CPA, P.C. to be the fiscal agent for this portion

of the Clean Water Program. The contract with Williams and Company, CPA, P.C. ended June 30, 2007. DNR has contracted with the Iowa Finance Authority to be fiscal agent for the program beginning in fiscal year 2008.

Description of the Iowa Drinking Water Facilities Financing Program

Chapter 455B of the Code of Iowa also authorizes the Authority, jointly and in cooperation with the DNR, to undertake the creation, administration and financing of the Iowa Drinking Water Facilities Financing Program, hereinafter referred to as the Drinking Water Program. The Drinking Water Program was created by the state in 1997, and amended in 1998, to implement provisions of the Safe Drinking Water Act Amendments of 1996. Section 1452 of the Safe Drinking Water Act authorizes the EPA to make capitalization grants to states for the purpose of establishing a drinking water revolving fund to be used in financing the construction of drinking water facilities. Funding for the Drinking Water Program is provided from the federal capitalization grants and bonding activity of the Authority, which provides state matching funds. The state matching funds must be at least equal to 20% of the federal capitalization grants. Standard loans made by the Drinking Water Program must be repaid within 20 years. Disadvantaged loans made by the Drinking Water Program may have a repayment period of up to 30 years. The Drinking Water Program is to be established, maintained and credited with loan repayments and the funds of the Drinking Water Program are to be available in perpetuity for providing such financial assistance.

Loans are made to municipalities and drinking water facilities from the Drinking Water Program for eligible project costs as defined in Chapter 567, section 44, of the Iowa Administrative Code. The DNR administers the aspects of the Drinking Water Program relating to project selection, loan eligibility and monitoring of construction progress. The Authority administers the aspects of the Drinking Water Program relating to arranging financing and accounting for the loans, their repayments and investment activity. 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 Iowa municipalities and drinking water facilities to finance all or part of the construction of drinking water treatment facilities. The bonds are payable solely from repayments of the loans and other assets and revenues pledged under the applicable bond resolution for the Drinking Water Program. The obligations do not constitute a debt of the State or general obligation of the Authority.

Chapter 455B of the Code of Iowa was amended by legislation, which became effective July 1, 2002, to change the formal name of the Clean Water Program to the Iowa Water Pollution Control Works Financing Program and to include authorization of non-point source financing under the Clean Water Program. The Authority restructured the Clean Water Program and Drinking Water Program in December 2001 to include an equity account for each program under a Master Trust Agreement from which loans may also be made in accordance with the provisions of the Clean Water Act and the Drinking Water Act. The equity accounts are not pledged to the bonds outstanding under the respective programs. As part of the restructuring of both programs, the Authority issues bonds which consist of a Clean Water Program portion and a Drinking Water Program portion. While the bonds were issued on a combined basis for convenience and cost savings, the Clean Water Program and Drinking Water Program are separate and distinct programs in accordance with the federal regulations.

The Clean Water and Drinking Water Programs' financial statements are included in the State of Iowa's Comprehensive Annual Financial Report.

The financial statements of the Clean Water and Drinking Water Programs have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The more significant of the Programs' accounting policies are described below:

A. Reporting Entity

For financial reporting purposes, the Clean Water and Drinking Water Programs have included all funds, organizations, agencies, boards, commissions and authorities. The Programs have also considered all potential component units for which they are financially accountable and other organizations for which the nature and significance of their relationship with the Programs are such that exclusion would cause the Programs' financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria included appointing a voting majority of an organization's governing body and (1) the ability of the Programs to impose their will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Programs. The Programs have no component units which meet the Governmental Accounting Standards Board criteria.

B. Fund Accounting

The accounts of the Clean Water Program and the Drinking Water Program are reported as Enterprise Funds. The operations of the funds are accounted for with separate sets of self-balancing accounts which comprise their assets, liabilities, net assets, revenues and expenses. Enterprise Funds are used to report activities for which fees are charged to external users for goods or services.

The Programs account for the proceeds of the revenue bonds, the debt service requirements on the bonds, the investment of monies held within the bond funds and accounts and the equity account, receipt of EPA capitalization grants, the Clean Water Program loans to municipalities and waste water systems, the Drinking Water Program loans to municipalities and drinking water systems and administrative costs of the Programs. The Authority and the State are not obligated for the repayment of the bonds, which are secured by certain loan agreements with the municipalities and water systems and other assets and revenues pledged under the applicable bond resolutions. Separate accounts are maintained under the various bond resolutions and for the equity account, and while the accounts are combined in the accompanying financial statements, the combined assets are available only in accordance with the applicable bond resolution and the Master Trust Agreement.

C. Measurement Focus

Enterprise Funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means all assets and liabilities, whether current or non-current, associated with their activity are included on the statement of net assets, with the difference reported as net assets. Enterprise Fund operating statements present increases (revenue) and decreases (expenses) in net total assets.

In reporting the financial activity of their Enterprise Funds, the Programs apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial

Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Enterprise Funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The Programs record revenues and expenses derived from loans and investments as operating revenues and expenses since these are generated from the Programs' operations and are needed to carry out its statutory purposes and to provide debt service coverage on its various bonds. Non operating revenue includes federal grants and state appropriations.

E. Assets, Liabilities and Net Assets

The following accounting policies are followed in preparing the basic financial statements:

Cash Equivalents

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

Investments

Under the various bond resolutions and State statutes, the Programs may invest in United States government and agency obligations directly or through repurchase agreements secured by such obligations, certificates of deposit in qualified financial institutions, pooled money funds with the State and investment agreements with United States government agencies, qualified financial institutions or qualified corporations.

Investments are recorded at fair value in the Statements of Net Assets, with changes in the fair value of investments recorded in the Statements of Revenues, Expenses and Changes in Fund Net Assets.

Loans to Municipalities, Waste Water Systems and Drinking Water Systems

The Clean Water Program and Drinking Water Program are operated as direct loan programs. Loan funds are disbursed to municipalities, waste water systems and drinking water systems as they expend funds for the purposes of the loan and request reimbursement from the Clean Water Program and Drinking Water Program.

Loans to municipalities, waste water systems and drinking water systems are recorded at their unpaid principal balance. The loans are intended to be held to maturity of up to 30 years. Certain loans are pledged as

collateral for particular bonds outstanding. Disadvantaged loans for drinking water systems are intended to be held for 30 years. Each municipality, waste water system or drinking water system has entered into a loan agreement with the Authority, DNR and the trustee and has evidenced its commitment to repay the loan by issuing a sewer revenue obligation, a water revenue obligation or a general obligation to the Authority. No provision for uncollectible accounts has been made as all loans are current and management believes all loans will be repaid according to the loan terms.

Bond Issuance Costs, Net Premium and Amortization of Loss on Defeasance of Refunded Bonds

Bond issuance costs and net premiums are deferred and amortized as an adjustment to interest expense over the life of the related bond issues, using the bonds outstanding method. The loss on defeasance of refunded bonds is amortized over the life of the new debt.

Rebates Payable

The amount of investment income the Programs may earn on the proceeds from bonds issued is limited by federal legislation. Earnings in excess of the allowable amount must be rebated to the United States Treasury. Earnings in excess of the allowable amount are reported as rebates payable on the statements of net assets and are offset against investment income on the statements of revenues, expenses and changes in fund net assets.

Deferred Initiation Fees

Initiation fees are received at the time of origination of loans to municipalities and waste water systems or drinking water facilities. The initiation fee is amortized over the life of the loan using the straight-line method, which approximates the interest method.

Net Assets

The Clean Water and Drinking Water Programs report restrictions of net assets for amounts legally restricted by outside parties for use for a specific purpose.

F. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

G. Totals

The "total" columns contain the totals of the similar accounts of the various funds. Due to restrictions created by federal and Iowa law and the various bond resolutions and agreements, the totaling of the accounts, including assets therein, is for convenience only and does not indicate the combined assets are available in any manner other than provided by Federal and Iowa law and the bond resolutions or agreements.

(2) Cash, Cash Equivalents and Investments

At June 30, 2007, the Clean Water and Drinking Water Programs' investments include \$51.4 million in federal government agency notes and \$17.2 million in certificates of deposit and demand deposit accounts at Iowa banks. The certificates of deposits are considered linked deposits. Linked deposits are defined as a deposit in an account with a financial institution to induce that institution's support for one or more projects (loans). The following table (expressed in thousands) displays the types of investments, amounts and the average duration of the investment:

Type	Fair Value	% of Total	Average Duration
Money market accounts	\$ 84,072	33%	N/A
Guaranteed investment contracts	100,515	40	<1 year
Agency notes	51,400	20	1.4 years
Certificates of deposit and demand deposit	17,213	7	8.4 years
Total	<u>\$ 253,200</u>	<u>100%</u>	

Investment portfolio management is the responsibility of the Authority's management and staff. The Authority's board of directors has established a general investment policy and specific bond indentures direct investment policy for assets restricted under those bond indentures.

- Qualified investments under the general investment policy include investments in U.S. Treasury, agency and instrumentality obligations; interest bearing time and demand deposits and certificates of deposits with any financial institution provided such funds are fully insured by an agency of the federal government or to the extent such deposits exceed federal deposit insurance are fully collateralized by U.S. Treasury, agency or instrumentality obligations; repurchase agreements fully collateralized and secured by U.S. Treasury, agency and instrumentality obligations, or government-backed mortgage loan pools; obligations of any state or political subdivision of the state which at time of purchase are rated in either of the two highest rating categories of at least two nationally recognized rating agencies; public housing bond or notes fully secured by a contract with the United States; and program-type investments that further the purposes and goals of the Authority, provided such investments are only permitted to the extent the aggregate amount invested therein does not exceed five percent (5.00%) of the Authority's General Fund's total asset balance at the time such investment is made.
- Qualified investments allowed under the Clean Water and Drinking Water Programs indentures include direct general obligations of the United States Treasury and agencies, general obligations of any state within the United States or political subdivision of Iowa rated AA or higher, repurchase agreements, certificates of deposit fully insured by the FDIC, money market funds, guaranteed investment contracts issued by rated corporations and financial institutions, obligations of insurance companies rated in the highest category, and other permitted investments that do not cause the rating of the State Revolving Fund bonds to be lowered.

Credit Risk

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligation to the Authority. 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 intuitions, brokers, dealers, and advisers with which the Authority does business.

Cash and cash equivalents at June 30, 2007 total \$184.6 million and include \$84.1 million invested in money market funds in collateralized trust accounts and \$100.5 million in investment agreements associated with bond indentures.

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. The tables below (expressed in thousands) list the money market accounts and guaranteed investment contracts by provider at June 30, 2007.

Provider	Money Market	Investment Contract	Total	% of Total
IXIS Funding Corp	\$ -	24,836	24,836	14%
Societe Generale	-	75,679	75,679	41
Wells Fargo Trust	81,555	-	81,555	44
Various financial institutions	2,517	-	2,517	1
Total	\$ 84,072	100,515	184,587	100%

Interest Rate Risk

Interest rate risk is the risk changes in interest rates may adversely affect the fair value of the portfolio. The Authority does not have a formal investment policy which limits investment maturities as a means of managing its exposure to changing interest rates. It is the intent and practice of the Authority to hold investments to maturity, which mitigates interest rate risk.

Foreign Currency Risk

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

(3) Loans Receivable

The Clean Water and Drinking Water Programs make loans to municipalities, waste water systems and drinking water systems for projects meeting the eligibility requirements of the Clean Water Act and the Safe Drinking Water Act. Loans are financed by capitalization grants, bond proceeds, the state match and revolving funds. Effective interest rates on loans vary between 3.00% and 5.02% and loans are generally repaid over 20 years, starting one year after the project is completed.

The Clean Water Program has made commitments to municipalities and waste water systems to provide loans for financing the construction of publicly owned water pollution control facilities. Each of the loan recipients has established a dedicated source of revenue for the repayment of the loans, including general obligation bonds or sewer revenue bonds issued at the recipient level.

Amounts committed, disbursed and loans receivable consisted of the following at June 30, 2007:

	Loan Commitment	Funds Disbursed	Loans Receivable
Completed projects	\$ 345,267,097	327,894,746	187,467,763
Projects in progress	210,106,472	155,932,149	124,355,746
Total	\$ 555,373,569	483,826,895	311,823,509

The Drinking Water Program has made commitments to municipalities and drinking water systems to provide loans for financing the construction of drinking water facilities. Each of the loan recipients has established a dedicated source of revenue for the repayment of the loans, including general obligation bonds or water revenue bonds. Amounts committed, disbursed and loans receivable consisted of the following at June 30, 2007:

	Loan Commitment	Funds Disbursed	Loans Receivable
Completed projects	\$ 174,098,000	166,639,307	140,235,307
Projects in progress	66,548,555	45,946,919	44,127,919
Total	<u>\$ 240,646,555</u>	<u>212,586,226</u>	<u>184,363,226</u>

A schedule of loan repayments by year is not included because repayment schedules are not finalized until projects are complete.

(4) Bonds Payable

Iowa State Revolving Fund Revenue Bonds, Series 2001, of \$233,225,000 were issued on December 20, 2001, as follows: \$210,395,000 due serially from August 1, 2002 to 2021 at interest rates of 4.00% to 5.25%; \$5,995,000 of term bonds due August 1, 2016 at 5.50%; \$6,230,000 of term bonds due August 1, 2018 at 5.50%; \$6,525,000 of term bonds due August 1, 2020 at 5.00%; and \$4,080,000 of term bonds due August 1, 2023 at 5.00%. Iowa State Revolving Fund Revenue Bonds, Series 2003, of \$56,100,000 were issued on January 23, 2003 and are due serially from August 1, 2003 to 2024 at interest rates of 2.00% to 5.00%. Iowa State Revolving Fund Revenue Bonds, Series 2005, of \$17,775,000 were issued on September 28, 2005 and are due serially from August 1, 2006 to 2012 at interest rates of 3.25% to 5.00%.

Clean Water Program Portion	\$ 121,390,000
Add unamortized discount/premium	2,966,864
Less unamortized loss on defeasance of refunded bonds	<u>(3,068,888)</u>
Total Clean Water Program revenue bonds	<u>\$ 121,287,976</u>
Drinking Water Program Portion	\$ 100,605,000
Add unamortized discount/premium	1,185,624
Less unamortized loss on defeasance of refunded bonds	<u>(624,323)</u>
Total Drinking Water Program revenue bonds	<u>\$ 101,166,301</u>

A portion of the proceeds from the issuance of the Iowa State Revolving Fund Revenue Bonds, Series 2001, in the par amount of \$233,225,000, with interest rates of 4.00% to 5.50%, were used to refund and defease previously issued State Revolving Fund Revenue Bonds. Funds were deposited in an irrevocable trust with an escrow agent to provide for the February 1, 2001 through February 1, 2011 redemption of all Refunded Bonds.

A summary of scheduled bond maturities and interest follows:

Year Ending June 30,	Clean Water Program		Drinking Water Program		Total
	Principal	Interest	Principal	Interest	
2008	\$ 16,005,000	5,855,678	5,585,000	4,577,655	32,023,333
2009	16,590,000	5,024,396	6,230,000	4,336,424	32,180,820
2010	16,925,000	4,198,065	6,330,000	4,080,286	31,533,351
2011	17,375,000	3,335,606	6,400,000	3,817,271	30,927,877
2012	16,920,000	2,452,927	6,630,000	3,536,477	29,539,404
2013-2017	37,060,000	2,704,510	29,715,000	13,393,974	82,873,484
2018-2022	475,000	55,510	29,975,000	6,030,443	36,535,953
2023-2025	40,000	940	9,740,000	572,899	10,353,839
Total	\$ 121,390,000	23,627,632	100,605,000	40,345,429	285,968,061

(5) Federal Capitalization Grants

The Clean Water and Drinking Water Programs are capitalized by grants from the EPA authorized by Title VI of the Clean Water Act and matching funds from the State. All funds drawn are recorded as federal grants. At June 30, 2007, the EPA has awarded capitalization grants of \$327,708,777 to the State for the Clean Water Program, of which \$315,857,091 has been drawn for loans and administrative expenses. In addition, the State has provided matching funds of \$65,541,755 through bond issuances for the Clean Water Program. The following summarizes the capitalization grants awarded, amounts drawn on each grant at June 30, 2007 and balances available for future loans or administrative expenses for the Clean Water Program.

Grant Award Year	EPA Grant	Total Draws Beginning of Year	2007 Draws	Total Draws End of Year	Remaining Grant
					Available at June 30, 2007
1989	\$ 12,765,654	12,765,654	-	12,765,654	-
1990	13,204,422	13,204,422	-	13,204,422	-
1991	26,574,138	26,574,138	-	26,574,138	-
1992	25,650,000	25,650,000	-	25,650,000	-
1993	27,861,714	27,861,714	-	27,861,714	-
1994	16,140,960	16,140,960	-	16,140,960	-
1995	16,670,100	16,670,100	-	16,670,100	-
1996	27,306,080	27,306,080	-	27,306,080	-
1997	8,420,100	8,420,100	-	8,420,100	-
1998	18,381,432	18,381,432	-	18,381,432	-
1999	18,226,098	18,226,098	-	18,226,098	-
2000	18,164,322	18,164,322	-	18,164,322	-
2001	18,002,853	18,002,853	-	18,002,853	-
2002	18,042,900	18,042,900	-	18,042,900	-
2003	17,925,732	17,925,732	-	17,925,732	-
2004	17,936,500	10,272,116	7,664,384	17,936,500	-
2005	14,584,086	-	14,584,086	14,584,086	-
2006	11,851,686	-	-	-	11,851,686
Total	\$ 327,708,777	293,608,621	22,248,470	315,857,091	11,851,686

At June 30, 2007, the EPA has awarded capitalization grants of \$134,599,500 to the State for the Drinking Water Program, of which \$118,799,320 has been drawn for loans and administrative expenses. In addition, the State has provided matching funds of \$26,919,000. The following summarizes the capitalization grants awarded, amounts drawn on each grant at June 30, 2007 and balances available for future loans or administrative expenses for the Drinking Water Program.

Grant Award Year	EPA Grant	Total Draws Beginning of Year	2007 Draws	Total Draws End of Year	Remaining Grant Available at June 30, 2007
1997	\$ 16,857,300	16,857,300	-	16,857,300	-
1998	11,238,700	11,238,700	-	11,238,700	-
1999	11,779,300	11,779,300	-	11,779,300	-
2000	12,242,100	12,242,100	-	12,242,100	-
2001	12,292,700	11,973,752	318,948	12,292,700	-
2002	14,784,600	14,193,774	520,058	14,713,832	70,768
2003	14,695,700	14,023,650	85,125	14,108,775	586,925
2004	15,244,700	11,441,710	2,730,614	14,172,324	1,072,376
2005	15,212,400	-	11,394,289	11,394,289	3,818,111
2006	10,252,000	-	-	-	10,252,000
Totals	\$ 134,599,500	103,750,286	15,049,034	118,799,320	15,800,180

During the year, federal capitalization draws from EPA increased by the following amounts:

	Clean Water Program	Drinking Water Program
Balance at July 1, 2006	\$ 293,608,621	103,750,286
Federal capitalization draws from EPA	22,248,470	15,049,034
Balance at June 30, 2007	\$ 315,857,091	118,799,320

(6) Commitments

The Clean Water Program has loan agreements with municipalities, waste water systems and individuals totaling \$555,373,569, of which \$483,826,895 had been disbursed at June 30, 2007. The loan commitments, by revenue bond series, are as follows:

	Loan Commitments	Amount Disbursed
Series 2001	\$ 252,482,751	240,214,313
Series 2003	18,564,098	17,095,021
Equity Fund	202,456,902	158,896,899
Planning and Design	13,287,069	3,219,027
	486,790,820	419,425,260
Projects completed and paid in full	68,582,749	64,401,635
Balance at June 30, 2007	\$ 555,373,569	483,826,895

The Drinking Water Program has loan agreements with drinking water systems totaling \$240,646,555 of which \$212,586,226 had been disbursed at June 30, 2007. The loan commitments, by revenue bond series, are as follows:

	Loan Commitments	Amount Disbursed
Series 2001	\$ 64,422,460	61,991,119
Series 2003	52,813,540	49,729,407
Equity Fund	116,801,000	99,192,454
Planning and Design	6,609,555	1,673,246
Balance at June 30, 2007	\$ 240,646,555	212,586,226

(7) Risk Management

State employee benefits for health, dental, long-term disability and life insurance coverage are insured through commercial insurers. There were no significant reductions in insurance coverage from the prior year and settlements have not exceeded coverage for the past three fiscal years.

**Iowa Water Pollution Control Works
and Drinking Water Facilities Financing Programs**

Supplementary Information

Schedule 1**Iowa Water Pollution Control Works and
Drinking Water Facilities Financing Programs****Schedule of Loan Activity – Clean Water Program**

June 30, 2007

Loan Recipient	Total Loan Commitment	Cummulative Amount Disbursed	Cummulative Loan Payments Received	June 30, 2007 Outstanding Loan Balance
Adair	\$ 1,058,000	924,000	159,000	765,000
Adel	1,000,000	309,000	174,000	135,000
Afton	515,000	462,000	210,000	252,000
Agency	234,000	224,000	154,000	70,000
Allerton	75,000	21,270	-	21,270
Anamosa	40,000	37,500	-	37,500
Anita	225,000	225,000	148,000	77,000
Ankeny	7,054,000	7,054,000	2,996,000	4,058,000
Arcadia	243,000	200,000	7,000	193,000
Armstrong	500,000	455,000	216,000	239,000
Asbury	3,800,000	3,795,000	220,000	3,575,000
Audubon	2,666,000	2,595,000	409,000	2,186,000
Aurelia	900,000	721,000	237,000	484,000
Avoca	415,000	219,000	163,000	56,000
Bancroft	1,030,000	850,416	45,000	805,416
Battle Creek	338,000	170,000	40,000	130,000
Baxter	303,000	293,000	12,000	281,000
Beacon	600,000	546,000	109,000	437,000
Blencoe	73,000	73,000	29,000	44,000
Bondurant	1,975,000	619,931	184,000	435,931
Boone	8,488,800	8,400,180	4,001,000	4,399,180
Boyden	196,000	188,000	29,000	159,000
Brayton	25,000	19,482	-	19,482
Breda	686,000	686,000	224,000	462,000
Bronson	361,000	230,000	55,000	175,000
Brooklyn	1,325,000	1,315,000	287,000	1,028,000
Burt	656,000	650,000	128,000	522,000
Calmar	2,300,000	2,054,000	245,000	1,809,000
Camanche	336,000	323,000	250,000	73,000
Cambridge	448,000	374,000	94,000	280,000
Cantril	452,000	365,000	17,000	348,000
Carroll	11,000,000	10,998,000	832,000	10,166,000
Carson	1,000,000	995,000	66,000	929,000
Charles City	3,000,000	2,909,776	345,000	2,564,776
Cherokee	6,463,000	5,560,000	1,066,000	4,494,000
Clarence	477,000	468,000	206,000	262,000
Clayton	31,000	-	-	-
Clear Lake	11,100,000	11,100,000	7,575,000	3,525,000
Clearfield	135,000	109,282	1,000	108,282
Clinton	5,559,000	4,885,603	1,614,000	3,271,603
Coleburg	140,000	49,181	-	49,181
Colfax	1,984,000	1,984,000	393,000	1,591,000
Columbus City	232,000	232,000	52,000	180,000
Columbus Junction	606,000	606,000	134,000	472,000
Conrad	1,461,000	1,461,000	454,000	1,007,000
Coralville	3,775,000	3,034,000	558,000	2,476,000
Corning	3,075,000	3,032,000	348,000	2,684,000
Correctionville	1,000,000	850,000	231,000	619,000
Corydon	910,000	884,000	154,000	730,000
Cresco	1,000,000	853,000	189,000	664,000
Creston	4,022,000	4,020,000	1,619,000	2,401,000

Iowa Water Pollution Control Works and
Drinking Water Facilities Financing Programs

Schedule of Loan Activity – Clean Water Program

June 30, 2007

Loan Recipient	Total Loan Commitment	Cummulative Amount Disbursed	Cummulative Loan Payments Received	June 30, 2007 Outstanding Loan Balance
Dallas Center	1,000,000	857,000	209,000	648,000
Dayton	765,000	744,000	147,000	597,000
Decorah	825,000	825,000	137,000	688,000
Delhi	144,000	-	-	-
Denmark	500,000	500,000	276,000	224,000
Des Moines	27,302,000	26,447,585	9,248,000	17,199,585
Dewitt	5,599,000	5,359,820	1,941,000	3,418,820
DNR State Parks	3,918,000	3,780,502	1,040,000	2,740,502
Dows	310,000	310,000	205,000	105,000
Dubuque	2,143,371	-	-	-
Durant	2,113,000	2,113,000	818,000	1,295,000
Dyersville	2,269,000	2,267,000	413,000	1,854,000
Eagle Grove	2,604,000	2,468,000	359,000	2,109,000
Earlham	1,450,000	1,370,000	277,000	1,093,000
Earling	133,000	129,000	69,000	60,000
Early	105,000	32,751	-	32,751
Eldora	7,202,751	5,815,751	446,751	5,369,000
Elkader	1,150,000	1,084,217	-	1,084,217
Elma	94,000	62,505	-	62,505
Ely	3,000,000	902,162	-	902,162
Emmetsburg	1,210,000	1,210,000	253,000	957,000
Exira	425,000	425,000	84,000	341,000
Fairfax	2,400,000	1,977,561	-	1,977,561
Farley	2,270,000	2,185,000	174,000	2,011,000
Fertile	200,000	143,764	7,000	136,764
Fort Dodge	19,122,000	17,919,113	3,812,000	14,107,113
Fort Madison	1,120,000	1,120,000	357,000	763,000
Fredonia	196,000	196,000	44,000	152,000
Fremont	601,000	601,000	237,000	364,000
George	1,120,000	820,734	-	820,734
Gladbrook	706,000	481,000	138,000	343,000
Gowrie	700,000	627,955	26,000	601,955
Graettinger	705,000	699,000	183,000	516,000
Grand Mound	130,000	130,000	93,000	37,000
Grandview	300,000	300,000	35,000	265,000
Granger	665,000	655,000	205,000	450,000
Grimes	5,372,000	5,372,000	1,168,000	4,204,000
Griswold	750,000	750,000	199,000	551,000
Hamburg	369,000	358,246	89,000	269,246
Hartley	1,732,000	1,730,000	131,000	1,599,000
Hazelton	730,000	618,000	199,000	419,000
Holstein	1,041,000	1,036,000	366,000	670,000
Hubbard	800,000	8,000	-	8,000
Hudson	500,000	356,923	19,000	337,923
Hull	750,000	750,000	199,000	551,000
Humboldt	4,847,000	4,619,000	1,243,000	3,376,000
Humeston	168,000	130,848	13,000	117,848
Huxley	475,000	-	-	-
Indianola	383,000	383,000	187,000	196,000
Inwood	529,000	529,000	127,000	402,000
Iowa Falls	5,045,000	3,739,000	1,725,000	2,014,000
Ireton	100,000	46,878	-	46,878

Schedule 1**Iowa Water Pollution Control Works and
Drinking Water Facilities Financing Programs****Schedule of Loan Activity – Clean Water Program**

June 30, 2007

Loan Recipient	Total Loan Commitment	Cummulative Amount Disbursed	Cummulative Loan Payments Received	June 30, 2007 Outstanding Loan Balance
Irwin	243,000	99,792	18,000	81,792
Jefferson	4,951,000	4,591,000	554,000	4,037,000
Johnston	6,335,000	6,330,000	371,000	5,959,000
Kalona	1,093,000	992,000	300,000	692,000
Kanawha	338,000	338,000	204,000	134,000
Keystone	600,000	504,000	118,000	386,000
Lake Park	1,740,000	1,700,000	410,000	1,290,000
Lake View	1,138,000	1,138,000	297,000	841,000
Lamoni	1,108,000	1,108,000	219,000	889,000
Lamotte	319,000	271,127	24,000	247,127
Lansing	205,900	204,400	-	204,400
Larchwood	700,000	634,000	139,000	495,000
Laurens	972,000	711,214	73,000	638,214
Lawler	1,040,000	106,236	-	106,236
Le Grand	500,000	455,000	305,000	150,000
Le Mars	7,900,000	7,898,000	640,000	7,258,000
Leclaire	720,000	126,816	-	126,816
Lester	374,000	187,000	7,000	180,000
Lisbon	1,200,000	1,198,000	138,000	1,060,000
Logan	1,257,000	1,210,000	266,000	944,000
Lone Tree	1,021,000	786,000	269,000	517,000
Lovillia	554,000	554,000	86,000	468,000
Maharishi Vedic City	135,000	68,238	-	68,238
Malvern	799,000	778,000	91,000	687,000
Manning	800,000	165,223	61,000	104,223
Manson	1,813,000	1,813,000	189,000	1,624,000
Mapleton	312,000	312,000	12,000	300,000
Maquoketa	4,546,000	4,487,687	1,967,000	2,520,687
Marcus	1,375,000	1,339,000	481,000	858,000
Marengo	360,000	360,000	238,000	122,000
Marshalltown	4,349,000	4,349,000	3,000	4,346,000
Martensdale	210,000	176,000	109,000	67,000
Mason City	5,116,400	4,283,200	3,022,000	1,261,200
Mc Causland	90,000	90,000	-	90,000
Melbourne	682,000	589,000	51,000	538,000
Melcher-Dallas	405,000	382,000	116,000	266,000
Minburn	657,000	653,000	361,000	292,000
Minden	700,000	577,000	22,000	555,000
Missouri Valley	337,000	329,000	218,000	111,000
Mitchellville	1,200,000	1,200,000	91,000	1,109,000
Monroe	520,000	447,000	113,000	334,000
Montour	149,000	96,000	56,000	40,000
Morning Sun	242,000	242,000	107,000	135,000
Moulton	400,000	400,000	140,000	260,000
Mount Auburn	49,200	9,500	-	9,500
Mount Ayr	3,990,000	3,518,510	149,000	3,369,510
Moville	500,000	500,000	99,000	401,000
Mt. Pleasant	12,767,000	12,767,000	2,469,000	10,298,000
Nashua	201,500	185,316	-	185,316
Nevada	1,114,000	1,114,000	609,000	505,000

Iowa Water Pollution Control Works and
Drinking Water Facilities Financing Programs

Schedule of Loan Activity – Clean Water Program

June 30, 2007

Loan Recipient	Total Loan Commitment	Cummulative Amount Disbursed	Cummulative Loan Payments Received	June 30, 2007 Outstanding Loan Balance
New London	727,000	727,000	55,000	672,000
New Sharon	546,000	388,000	89,000	299,000
New Vienna	500,000	366,000	19,000	347,000
Newton	4,983,000	2,288,220	352,000	1,936,220
North Liberty	6,122,000	5,304,547	1,650,000	3,654,547
Norwalk	2,903,000	2,903,000	817,000	2,086,000
Oelwein	8,954,000	8,759,363	333,000	8,426,363
Ogden	2,000,000	1,790,000	142,000	1,648,000
Osceola	4,550,000	4,522,000	1,216,000	3,306,000
Oskaloosa	8,203,000	8,198,000	2,285,000	5,913,000
Ottumwa	19,750,000	17,399,325	7,330,000	10,069,325
Oxford	266,000	262,000	131,000	131,000
Oxford Junction	1,425,000	127,989	-	127,989
Palo	262,000	203,826	-	203,826
Panora	265,000	265,000	20,000	245,000
Parkersburg	1,176,000	900,060	307,000	593,060
Paullina	612,000	455,961	368,000	87,961
Pella	6,515,000	5,045,000	1,201,000	3,844,000
Perry	2,682,000	2,682,000	1,124,000	1,558,000
Pleasantville	876,000	744,000	232,000	512,000
Pocahontas	1,200,000	554,801	91,000	463,801
Polk County	1,000,000	-	-	-
Pomeroy	128,500	-	-	-
Preston	715,000	715,000	503,000	212,000
Primghar	1,133,000	961,000	119,000	842,000
Quasqueton	650,000	614,000	122,000	492,000
Radcliffe	783,000	663,941	59,000	604,941
Reinbeck	2,990,000	2,970,000	225,000	2,745,000
Rockwell City	1,766,000	1,766,000	536,000	1,230,000
Rolfe	635,000	630,000	48,000	582,000
Royal	520,000	515,000	22,000	493,000
Russell	350,000	334,000	39,000	295,000
Ruthven	900,000	900,000	33,000	867,000
Ryan	510,000	480,000	54,000	426,000
Sac City	300,000	44,880	-	44,880
Sanborn	916,000	916,000	69,000	847,000
Scranton	773,000	733,000	57,000	676,000
Sergeant Bluff	200,000	-	-	-
Sheffield	1,600,000	424,902	-	424,902
Sheldon	875,000	814,000	223,000	591,000
Shellsburg	1,982,000	1,948,000	310,000	1,638,000
Sherrill	110,000	11,500	-	11,500
Sibley	294,000	274,000	21,000	253,000
Sigourney	1,546,000	1,395,000	470,000	925,000
Sioux Center	2,164,000	2,164,000	867,000	1,297,000
Sioux City	41,785,000	18,014,523	2,571,000	15,443,523
Slater	1,500,000	1,410,000	225,000	1,185,000
Sloan	83,898	-	-	-
Solon	250,000	220,000	38,000	182,000
Springbrook	283,000	283,000	33,000	250,000
Stanley	50,000	50,000	6,000	44,000
Stanton	275,000	275,000	181,000	94,000

Schedule 1

Iowa Water Pollution Control Works and
Drinking Water Facilities Financing Programs

Schedule of Loan Activity – Clean Water Program

June 30, 2007

Loan Recipient	Total Loan Commitment	Cummulative Amount Disbursed	Cummulative Loan Payments Received	June 30, 2007 Outstanding Loan Balance
Stanwood	294,000	294,000	237,000	57,000
Storm Lake	1,454,000	1,044,450	-	1,044,450
Stratford	350,000	350,000	230,000	120,000
Strawberry Point	1,500,000	1,495,000	56,000	1,439,000
Sully	607,000	607,000	260,000	347,000
Sumner	3,100,000	2,913,233	356,000	2,557,233
Sutherland	670,000	600,000	48,000	552,000
Swisher	220,000	-	-	-
Tabor	1,000,000	950,000	490,000	460,000
Tama	1,828,000	1,784,000	916,000	868,000
Tiffin	1,600,000	1,570,000	488,000	1,082,000
Tipton	3,200,000	3,128,000	362,000	2,766,000
Toledo	278,000	-	-	-
Traer	858,000	858,000	151,000	707,000
Tripoli	825,000	716,000	118,000	598,000
Troy Mills Ssd	170,000	1,700	6,000	(4,300)
Truro	213,000	176,301	24,000	152,301
Urbandale Ssd	3,400,000	3,400,000	1,865,000	1,535,000
Van Horne	1,750,000	1,725,000	323,000	1,402,000
Van Meter	559,000	457,000	304,000	153,000
Victor	1,000,000	995,000	37,000	958,000
Wadena	170,000	167,832	6,000	161,832
Walford	2,505,000	2,430,000	364,000	2,066,000
Wapello	503,000	447,000	17,000	430,000
Warren	94,000	20,138	-	20,138
Waukee	2,579,000	2,568,000	909,000	1,659,000
Wayland	400,000	347,000	144,000	203,000
Webster City	3,900,000	3,900,000	1,040,000	2,860,000
Wellman	1,339,000	1,317,000	358,000	959,000
Welton	26,000	1,125	-	1,125
West Bend	825,000	699,000	247,000	452,000
West Des Moines	6,558,000	6,558,000	3,291,000	3,267,000
West/High Amana	715,000	715,000	61,000	654,000
West Point	665,000	569,000	293,000	276,000
Wheatland	2,000,000	1,225,605	-	1,225,605
Whiting	398,000	366,000	43,000	323,000
Williams	659,000	659,000	71,000	588,000
Williamsburg	1,200,000	1,074,843	90,000	984,843
Wilton	1,794,000	1,794,000	479,000	1,315,000
Winterset	1,100,000	1,100,000	293,000	807,000
Woodward	600,000	500,000	84,000	416,000
Worthington	350,000	304,000	88,000	216,000
Wyoming	404,000	396,000	70,000	326,000
Zearing	42,500	-	-	-
	486,790,820	419,425,260	107,601,751	311,980,561
Projects completed and paid in full	68,582,749	64,401,635	64,401,635	-
Total	\$ 555,373,569	483,826,895	172,003,386	311,980,561

See accompanying independent auditor's report.

Iowa Water Pollution Control Works and
Drinking Water Facilities Financing Programs

Schedule of Loan Activity – Drinking Water Program

June 30, 2007

Loan Recipient	Total Loan Commitment	Cummulative Amount Disbursed	Cummulative Loan Payments Received	June 30, 2007 Outstanding Loan Balance
Ainsworth	\$ 530,000	417,659	61,000	356,659
Albia	1,250,000	1,127,844	10,000	1,117,844
Alden	850,000	476,000	98,000	378,000
Alleman	693,000	691,000	42,000	649,000
Alton	125,000	125,000	20,000	105,000
Andrew	552,000	527,000	132,000	395,000
Ankeny	925,000	908,000	219,000	689,000
Asbury	3,081,000	3,081,000	500,000	2,581,000
Bancroft	783,000	764,000	114,000	650,000
Bayard	1,200,000	298,227	-	298,227
Blairstown	1,344,000	1,344,000	305,000	1,039,000
Bondurant	972,000	972,000	276,000	696,000
Boone	275,000	-	-	-
Boyden	700,000	700,000	130,000	570,000
Breda	655,000	655,000	71,000	584,000
Brooklyn	300,000	239,219	11,000	228,219
Burds Green Acres HOA	84,000	84,000	3,000	81,000
Burlington	2,600,000	2,597,000	-	2,597,000
Calamus	460,000	427,490	17,000	410,490
Cambridge	1,250,000	1,052,913	70,000	982,913
Chariton	800,000	731,424	35,000	696,424
Charlotte	200,000	158,548	20,000	138,548
Clarinda	6,500,000	5,714,709	210,000	5,504,709
Collins	550,000	527,000	20,000	507,000
Corning	4,008,000	4,008,000	792,000	3,216,000
Corydon	1,193,000	1,193,000	91,000	1,102,000
Crescent	500,000	495,000	23,000	472,000
Defiance	250,000	-	-	-
Delhi	116,000	116,000	13,000	103,000
Deloit	315,000	31,725	-	31,725
Delta	560,000	447,000	67,000	380,000
De Soto	190,000	178,000	49,000	129,000
Denison	4,808,000	4,808,000	1,156,000	3,652,000
Des Moines	2,492,000	2,403,000	378,000	2,025,000
Dewitt	1,200,000	1,200,000	234,000	966,000
Donahue	1,570,000	70,000	-	70,000
Dow City	144,000	144,000	33,000	111,000
Dunlap	160,000	84,056	6,000	78,056
Dyersville	849,000	847,000	168,000	679,000
Edgewood	250,000	174,000	17,000	157,000
Eldridge	1,650,000	1,650,000	61,000	1,589,000
Elkader	2,033,000	1,926,964	154,000	1,772,964
Elk Horn	950,000	945,000	123,000	822,000
Elma	425,000	358,282	16,000	342,282
Emmetsburg	2,750,000	2,745,000	102,000	2,643,000
Fairfield	5,900,000	5,796,319	591,000	5,205,319
Farley	1,533,000	1,006,023	-	1,006,023
Farmersburg	560,000	416,000	37,000	379,000
Farmington	360,000	360,000	27,000	333,000
Farragut	475,000	470,000	55,000	415,000
Fort Dodge	8,633,000	8,161,800	534,000	7,627,800

Schedule 2**Iowa Water Pollution Control Works and
Drinking Water Facilities Financing Programs****Schedule of Loan Activity – Drinking Water Program**

June 30, 2007

Loan Recipient	Total Loan Commitment	Cummulative Amount Disbursed	Cummulative Loan Payments Received	June 30, 2007 Outstanding Loan Balance
Fort Madison	1,343,670	246,253	-	246,253
Glidden	1,070,000	804,000	70,000	734,000
Gooselake	564,000	530,000	62,000	468,000
Gowrie	695,000	589,000	71,000	518,000
Grand Junction	80,000	68,256	-	68,256
Grand Mound	480,000	447,000	36,000	411,000
Granger	150,000	12,000	-	12,000
Greene	300,000	54,525	-	54,525
Grimes	5,976,000	5,970,000	1,377,000	4,593,000
Griswold	110,000	109,000	86,000	23,000
Hancock	195,000	178,000	50,000	128,000
Hartford	538,000	446,000	121,000	325,000
Hubbard	145,000	43,043	-	43,043
Hudson	630,000	625,000	23,000	602,000
Humboldt	539,675	221,416	-	221,416
Huxley	2,316,000	2,316,000	459,000	1,857,000
Iowa Amer Water	2,676,000	2,671,000	536,000	2,135,000
Janesville	225,000	225,000	72,000	153,000
Jewell	1,223,000	749,386	93,000	656,386
Joice	600,000	43,581	-	43,581
Kalona	1,067,000	1,067,000	123,000	944,000
Keosauqua	350,000	3,500	-	3,500
Keota	1,244,000	1,093,000	167,000	926,000
Keystone	1,177,000	103,868	-	103,868
Lake View	590,000	529,000	123,000	406,000
Lamoni	300,000	298,000	72,000	226,000
Lansing	550,000	474,215	20,000	454,215
Latimer	435,000	435,000	118,000	317,000
Laurens	356,000	69,268	27,000	42,268
Lemars	9,400,000	8,240,000	1,471,000	6,769,000
Lenox	1,150,000	727,828	-	727,828
Leon	998,000	896,000	71,000	825,000
Lisbon	95,000	-	-	-
Lockridge	380,000	143,309	10,000	133,309
Lone Tree	700,000	700,000	157,000	543,000
Lorhville	390,000	343,000	64,000	279,000
Maquoketa	2,500,000	2,500,000	93,000.00	2,407,000
Marengo	3,200,000	282,217	-	282,217
Mason City	17,565,000	15,657,000	2,647,000	13,010,000
Maynard	414,000	381,043	15,000	366,043
Mechanicsville	595,000	397,000	122,000	275,000
Melcher - Dallas	825,000	739,271	14,000	725,271
Merrill	300,000	185,749	13,000	172,749
Mitchellville	3,280,000	3,139,167	122,000	3,017,167
Morning Sun	365,000	365,000	100,000	265,000
Mt.Pleasant	5,934,000	5,934,000	1,629,000	4,305,000
Mystic	150,000	6,128	-	6,128
Neola	350,000	348,000	40,000	308,000
Nevada	8,438,000	8,410,845	314,000	8,096,845
Newhall	1,054,000	743,000	198,000	545,000
Newton	1,200,000	1,156,000	312,000	844,000

Iowa Water Pollution Control Works and
Drinking Water Facilities Financing Programs

Schedule of Loan Activity – Drinking Water Program

June 30, 2007

Loan Recipient	Total Loan Commitment	Cummulative Amount Disbursed	Cummulative Loan Payments Received	June 30, 2007 Outstanding Loan Balance
North English	590,000	562,000	95,000	467,000
Northwood	1,690,000	1,690,000	464,000	1,226,000
Norwalk	1,175,000	1,175,000	323,000	852,000
Norway	125,000	95,000	20,000	75,000
Odebolt	688,000	504,000	149,000	355,000
Osceola	4,066,000	4,066,000	633,000	3,433,000
Ossian	600,000	600,000	106,000	494,000
Ottumwa	8,800,000	7,591,478	328,000	7,263,478
Oxford	495,000	495,000	136,000	359,000
Panora	405,000	393,000	133,000	260,000
Perry	625,000	600,000	193,000	407,000
Pocahontas	1,615,000	1,615,000	186,000	1,429,000
Polk County	800,000	800,000	219,000	581,000
Poweshiek Water Association	435,000	304,767	-	304,767
Prairie City	1,175,000	1,175,000	264,000	911,000
Princeton	129,500	124,000	-	124,000
Rockwell City	466,000	458,000	53,000	405,000
Scranton	861,000	861,000	236,000	625,000
Sergeant Bluffs	90,000	-	-	-
Shelby	800,000	800,000	186,000	614,000
Shellsburg	350,000	297,000	11,000	286,000
Sigourney	440,000	440,000	106,000	334,000
Sioux City	31,500,000	28,761,375	3,434,000	25,327,375
Slater	50,000	27,602	-	27,602
Somers	56,000	56,000	12,000	44,000
Spencer	1,525,000	1,500,000	344,000	1,156,000
Spirit Lake	6,161,000	5,303,420	563,000	4,740,420
Stanton	420,000	420,000	115,000	305,000
Storm Lake	7,500,000	7,497,228	863,000	6,634,228
Sully	550,000	550,000	176,000	374,000
Tiffin	1,650,000	1,650,000	257,000	1,393,000
Treynor	300,000	228,000	37,000	191,000
Van Horne	420,000	374,000	45,000	329,000
Vinton	40,000	40,000	9,000	31,000
Wahpeton	1,536,000	1,513,000	175,000	1,338,000
Walnut	71,500	-	-	-
Welton	85,000	78,469	-	78,469
West Branch	2,725,000	2,625,505	106,000	2,519,505
West Burlington	404,000	95,933	-	95,933
Winfield	1,475,000	1,475,000	57,000	1,418,000
Winterset	196,210	126,818	-	126,818
Wyoming	100,000	7,054	-	7,054
Xenia	1,700,000	241,507	-	241,507
Total	\$ 240,646,555	212,586,226	28,223,000	184,441,752

See accompanying independent auditor's report.

**Iowa Water Pollution Control Works
and Drinking Water Facilities Financing Programs**



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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

To the Officials of the Iowa Finance Authority and
the Iowa Department of Natural Resources:

We have audited the financial statements of the Iowa Water Pollution Control Works and Drinking Water Facilities Financing Programs as of and for the year ended June 30, 2007, and have issued our report thereon dated April 3, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Iowa Water Pollution Control Works and Drinking Water Facilities Financing Programs' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Iowa Water Pollution Control Works and Drinking Water Facilities Financing Programs internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Iowa Water Pollution control Works and Drinking Water Facilities Financing Program's internal control over financial reporting.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Iowa Water Pollution Control Works and Drinking Water Facilities Financing Programs' ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the Iowa Water Pollution Control Works and Drinking Water Facilities Financing Programs' financial statements that is more than inconsequential will not be prevented or detected by Iowa Water Pollution Control Works and Drinking Water Facilities Financing Programs' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the Iowa Water Pollution Control Works and Drinking Water Facilities Financing Programs' internal control.

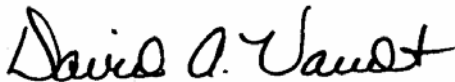
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

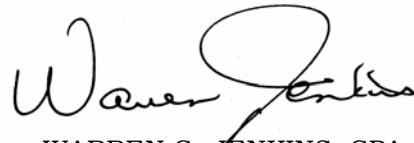
As part of obtaining reasonable assurance about whether the Iowa Water Pollution Control Works and Drinking Water Facilities Financing Programs' financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under Government Auditing Standards.

This report, a public record by law, is intended solely for the information and use of the officials of the Iowa Finance Authority, the Iowa Department of Natural Resources, citizens of the State of Iowa and other parties to whom the Programs may report, including federal awarding agencies. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Iowa Water Pollution Control Works and Drinking Water Facilities Financing Programs during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 3, 2008



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Compliance with Requirements
Applicable to Environmental Protection Agency's State Revolving Fund
Programs and on Internal Control over Compliance in Accordance with
the Environmental Protection Agency Clean Water State Revolving Fund -
Audit Guide and Drinking Water State Revolving Fund Program Guidelines

To the Officials of the Iowa Finance Authority and
the Iowa Department of Natural Resources:

Compliance

We have audited the compliance of the Iowa Water Pollution Control Works and Drinking Water Facilities Financing Programs with the types of compliance requirements described in the Environmental Protection Agency Clean Water State Revolving Fund – Audit Guide and Drinking Water State Revolving Fund Program Guidelines. The management of the Iowa Water Pollution Control Works and Drinking Water Facilities Financing Programs is responsible for the Programs' compliance with those requirements. Our responsibility is to express an opinion on the Iowa Water Pollution Control Works and Drinking Water Facilities Financing Programs' compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the Environmental Protection Agency Clean Water State Revolving Fund – Audit Guide and Drinking Water State Revolving Fund Program Guidelines. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect occurred. An audit includes examining, on a test basis, evidence about the Iowa Water Pollution Control Works and Drinking Water Facilities Financing Programs' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Iowa Water Pollution Control Works and Drinking Water Facilities Financing Programs' compliance with those requirements.

In our opinion, the Iowa Water Pollution Control Works and Drinking Water Facilities Financing Programs complied, in all material respects, with the requirements referred to above that are applicable to its federal financial assistance programs for the year ended June 30, 2007.

Internal Control Over Compliance

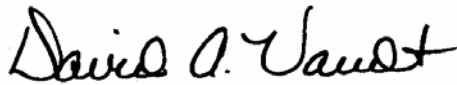
The management of the Iowa Water Pollution Control Works and Drinking Water Facilities Financing Programs is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the Iowa Water Pollution Control Works and Drinking Water Facilities Financing Programs' internal control over compliance with requirements that could have a direct and material effect on federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 Water Pollution Control Works and Drinking Water Facilities Financing Programs' internal control over compliance.

A control deficiency in the Programs' internal control over compliance 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 non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Programs' ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Department's internal control.

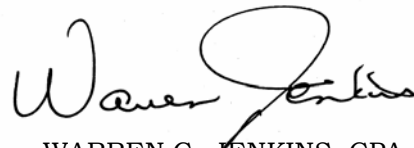
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the Programs' internal control.

Our consideration of the internal control over compliance was for a limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the Programs' internal control that might be significant deficiencies or material weaknesses as defined above. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials of the Iowa Finance Authority, the Iowa Department of Natural Resources, citizens of the State of Iowa and other parties to whom the Programs may report, including federal awarding agencies. This report is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 3, 2008

Iowa Water Pollution Control Works and
Drinking Water Facilities Financing Programs

Schedule of Findings

Year ended June 30, 2007

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

No material weaknesses in internal control over financial reporting were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Findings for Federal Programs:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No material weaknesses in internal control over compliance were noted.

Findings Related to Required Statutory Reporting:

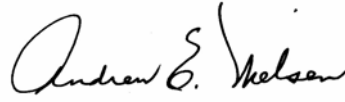
No matters were noted.

Iowa Water Pollution Control Works and
Drinking Water Facilities Financing Programs

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Deborah J. Moser, CPA, Senior Auditor II
Tracy L. Haronik, Staff Auditor
Marta M. Sobieszkoda, Staff Auditor
Lori M. Dinville, Assistant Auditor
Michael D. Eckard, Assistant Auditor
Michael R. Field, Assistant Auditor
Brett M. Zeller, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State