



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____

April 17, 2009

Contact: Andy Nielsen
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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 other qualifying entities. The Drinking Water Program provides financing for the construction of drinking water facilities through loans to municipalities and other qualifying entities.

The Clean Water Program reported operating revenues of \$18,397,616 for the year ended June 30, 2008, including interest income of \$10,916,600 on loans and investment income of \$6,376,134. Non operating revenue consisted of \$26,095,181 in federal grants. The Drinking Water Program reported operating revenues of \$9,955,969, including interest income of \$6,038,111 on loans and investment income of \$3,431,177, net of rebate expense of \$208,294. Non operating revenue consisted of \$10,659,957 in federal grants.

Operating expenses of the Clean Water Program for the year ended June 30, 2008 totaled \$8,665,388, including \$5,859,777 for bond interest expense, \$1,701,996 for general and administrative expenses and \$806,816 for amortization of loss on bond redemption. The Program loaned \$95,691,946 to municipalities and other qualifying entities and collected loan repayments of \$24,381,919 during the year. At June 30, 2008, the Clean Water Program had loans receivable from municipalities and other qualifying entities totaling \$383,133,536.

Operating expenses of the Drinking Water Program for the year ended June 30, 2008 totaled \$8,851,116, including \$5,230,551 for bond interest expense, \$903,857 for general and administrative expenses, \$1,250,552 for source water protection and \$1,187,515 for small community technical assistance. The Program loaned \$36,525,812 to municipalities and other qualifying entities and collected loan repayments of \$9,740,237 during the year. At June 30, 2008, the Drinking Water Program had loans receivable from municipalities and other qualifying entities totaling \$211,148,801.

A copy of the audit 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>.

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**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, 2008

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

Officials

<u>Name</u>	<u>State</u>	<u>Title</u>
Honorable Chester J. Culver		Governor
Charles J. Krogmeier		Director, Department of Management
Glen P. Dickinson		Director, Legislative Services Agency

Iowa Finance Authority Board

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

Environmental Protection Commission

Henry Marquard		Chairperson
Charlotte Hubbell		Vice Chairperson
Suzanne Morrow		Secretary
Susan Heathcote		Member
Paul Johnson		Member
Ralph Klemme		Member
David Patty		Member
Martin Stimson		Member

Iowa Finance Authority

Bret Mills		Executive Director
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Iowa Department of Natural Resources

Richard Leopold		Director
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**Iowa Water Pollution Control Works
and Drinking Water Facilities Financing Programs**



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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, 2008, 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.

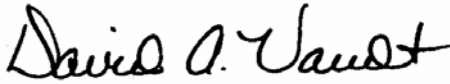
As discussed in Note 1, the financial statements of the Iowa Water Pollution Control Works and Drinking Water Facilities Financing Programs are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business type activities and each 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, 2008, 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, 2008, and the respective changes in financial position and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

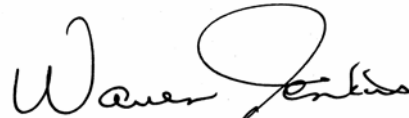
In accordance with Government Auditing Standards, we have also issued our report dated April 3, 2009 on our consideration of the Iowa Water Pollution Control Works and Drinking Water Facilities Financing Programs' internal control over financial reporting and our tests of compliance with certain provisions 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, 2009

Basic Financial Statements

Exhibit A

Iowa Water Pollution Control Works and
Drinking Water Facilities Financing Programs

Statements of Net Assets

June 30, 2008

	Clean Water Program	Drinking Water Program	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 105,467,254	81,880,077	187,347,331
Cash - linked deposits	24,029,052	-	24,029,052
Investments	8,661,000	698,091	9,359,091
Loans receivable	25,727,493	12,181,362	37,908,855
Accrued interest receivable	2,492,338	1,522,313	4,014,651
Other assets	326,975	333,823	660,798
Due from Drinking Water Program	6,693	-	6,693
Total current assets	166,710,805	96,615,666	263,326,471
Noncurrent assets:			
Investments	28,942,671	-	28,942,671
Loans receivable	357,406,043	198,967,439	556,373,482
Total noncurrent assets	386,348,714	198,967,439	585,316,153
Total assets	553,059,519	295,583,105	848,642,624
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	268,785	605,770	874,555
Accrued bond interest payable	2,921,751	2,414,007	5,335,758
Rebates payable	-	63,159	63,159
Deferred initiation fees	293,384	145,296	438,680
Due to Iowa Finance Authority	82,342	74,151	156,493
Due to Clean Water Program	-	6,693	6,693
Bonds payable, net	17,105,000	6,590,000	23,695,000
Total current liabilities	20,671,262	9,899,076	30,570,338
Noncurrent liabilities:			
Rebates payable	-	426,320	426,320
Deferred initiation fees	3,744,221	2,200,121	5,944,342
Bonds payable, net	124,815,111	118,668,312	243,483,423
Total noncurrent liabilities	128,559,332	121,294,753	249,854,085
Total liabilities	149,230,594	131,193,829	280,424,423
Net Assets			
Restricted net assets:			
Per bond resolutions	244,767,000	147,600,000	392,367,000
Per other agreements	159,061,925	16,789,276	175,851,201
Total net assets	\$ 403,828,925	164,389,276	568,218,201

See notes to financial statements.

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, 2008

	Clean Water Program	Drinking Water Program	Total
Operating revenues:			
Interest on loans	\$ 10,916,600	6,038,111	16,954,711
Investment income	6,376,134	3,431,177	9,807,311
Rebates	8,728	(208,294)	(199,566)
Initiation fees	1,096,154	694,975	1,791,129
Total operating revenues	18,397,616	9,955,969	28,353,585
Operating expenses:			
Bond interest expense	5,859,777	5,230,551	11,090,328
Amortization of loss on bond redemption	806,816	79,225	886,041
General and administrative	1,701,996	903,857	2,605,853
Source water protection	296,799	1,250,552	1,547,351
Small community technical assistance	-	199,416	199,416
Small program management administrative	-	1,187,515	1,187,515
Total operating expenses	8,665,388	8,851,116	17,516,504
Operating income	9,732,228	1,104,853	10,837,081
Non operating revenue:			
Federal grants	26,095,181	10,659,957	36,755,138
Income before transfers	35,827,409	11,764,810	47,592,219
Transfers between funds	(35,253)	35,253	-
Change in net assets	35,792,156	11,800,063	47,592,219
Net assets beginning of year	368,036,769	152,589,213	520,625,982
Net assets end of year	\$ 403,828,925	164,389,276	568,218,201

See notes to financial statements.

Exhibit C

Iowa Water Pollution Control Works and
Drinking Water Facilities Financing Programs

Statements of Cash Flows

Year ended June 30, 2008

	Clean Water Program	Drinking Water Program	Total
Cash flows from operating activities:			
Initiation and service fees received	\$ 1,930,314	1,145,951	3,076,265
Interest received on investments	5,355,490	3,494,930	8,850,420
Interest received on loans to municipalities and other qualifying entities	10,822,051	6,005,959	16,828,010
Principal received on loans to municipalities and other qualifying entities	24,381,919	9,740,237	34,122,156
Loans disbursed to municipalities and other qualifying entities	(95,691,946)	(36,525,812)	(132,217,758)
Interest paid on debt	(6,362,023)	(4,986,309)	(11,348,332)
Rebates paid	(62,158)	-	(62,158)
Cash paid to suppliers and grantees	(1,959,701)	(3,367,421)	(5,327,122)
Net cash used for operating activities	(61,586,054)	(24,492,465)	(86,078,519)
Cash flows from non-capital financing activities:			
Draws on capitalization grants from EPA	26,095,181	10,659,957	36,755,138
Issuance of debt	35,360,000	28,800,000	64,160,000
Premium on bonds issued	1,370,527	1,054,506	2,425,033
Bond issue costs	(120,812)	(96,245)	(217,057)
Transfers between funds	(72,876)	72,876	-
Repayment of debt principal	(16,005,000)	(5,585,000)	(21,590,000)
Net cash provided by non-capital financing activities	46,627,020	34,906,094	81,533,114
Cash flows from investing activities:			
Sale of investments	107,364,936	694,000	108,058,936
Investments purchased	(76,056,000)	(667,565)	(76,723,565)
Net cash provided by investing activities	31,308,936	26,435	31,335,371
Net increase in cash and cash equivalents	16,349,902	10,440,064	26,789,966
Cash and cash equivalents beginning of year	113,146,404	71,440,013	184,586,417
Cash and cash equivalents end of year	\$ 129,496,306	81,880,077	211,376,383

Iowa Water Pollution Control Works and
Drinking Water Facilities Financing Programs

Statements of Cash Flows

Year ended June 30, 2008

	Clean Water Program	Drinking Water Program	Total
Reconciliation of operating income to net cash used for operating activities:			
Operating income	\$ 9,732,228	1,104,853	10,837,081
Adjustments to reconcile operating income to net cash used for operating activities:			
Amortization of loss on bond redemption	806,816	79,225	886,041
Amortization of bond issue costs	56,600	37,353	93,953
Amortization of bond issuance discount/premium	(900,208)	(256,720)	(1,156,928)
Accretion of interest income	(1,049,643)	(32,384)	(1,082,027)
Change in fair market value of investments	59,050	(987)	58,063
(Increase) in loans receivable	(71,310,027)	(26,785,575)	(98,095,602)
(Increase) decrease in accrued interest receivable	(136,085)	47,602	(88,483)
(Increase) in other assets	(26,184)	(506)	(26,690)
Increase in bond interest payable	341,362	463,609	804,971
Increase (decrease) in deferred rebates	(59,401)	225,664	166,263
Increase in due to Iowa Finance Authority	57,106	50,939	108,045
Increase in deferred revenue	860,344	451,482	1,311,826
Increase (decrease) in accounts payable and accrued expenses	(18,012)	122,980	104,968
Total adjustments	(71,318,282)	(25,597,318)	(96,915,600)
Net cash used for operating activities	\$ (61,586,054)	(24,492,465)	(86,078,519)

See notes to financial statements.

Iowa Water Pollution Control Works and
Drinking Water Facilities Financing Programs

Notes to Financial Statements

June 30, 2008

(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. Loans made by the Clean Water program must be repaid within 30 years. 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 other qualifying entities 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 eligibility and monitoring of construction progress. The Authority administers the aspects of the Clean Water Program relating to loan eligibility, 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 other qualifying entities 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 has contracted with the Iowa Finance Authority to be fiscal agent for the program.

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. Loans made by the Drinking Water Program must be repaid within 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 other qualifying entities 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 eligibility and monitoring of construction progress. The Authority administers the aspects of the Drinking Water Program relating to loan eligibility, 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 other qualifying entities 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 other qualifying entities, the Drinking Water Program loans to municipalities and other qualifying entities and administrative costs of the Programs. The Authority and the State are not obligated for repayment of the bonds, which are secured by certain loan agreements with the municipalities and other qualifying entities 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 their statutory purposes and to provide debt service coverage on their various bonds. Non operating revenue includes federal grants.

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.

Cash equivalents also includes \$24,029,052 of 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).

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 and Other Qualifying Entities

The Clean Water Program and Drinking Water Program are operated as direct loan programs. Loan funds are disbursed to municipalities and other qualifying entities 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 and other qualifying entities 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 or other qualifying entity 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, 2008, the Clean Water and Drinking Water Programs' investments include approximately \$38.3 million in federal government agency notes. 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	\$ 117,497	47.0%	N/A
Guaranteed investment contracts	93,880	37.6	<1 year
Agency notes	38,302	15.4	1.9 years
Total	<u>\$ 249,679</u>	<u>100.0%</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, 2008 total \$211.4 million and include \$93.5 million invested in money market funds in collateralized trust accounts, \$93.9 million in investment agreements associated with bond indentures and \$24 million in cash.

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, 2008.

Provider	Money Market Accounts	Guaranteed Investment Contracts	Total	Credit Ratings		% of Total
				Standard and Poor's	Moody's	
Nataxis (formerly IXIS)	\$ -	22,958	22,958	AAA/A1+	Aaa/P1	12.3%
Societe Generale	-	70,922	70,922	AA-/A2+	Aa2/P1	37.8
Wells Fargo Trust	93,456	-	93,456	AA-/A1+	Aa2/P1	49.9
Total	\$ 93,456	93,880	187,336			100.0%

Interest Rate Risk

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

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 and other qualifying entities 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 0% and 4.3% with a term of up to 30 years. Loan are generally repaid over 20 years, starting one year after the project is completed.

Each loan recipient has established a dedicated source of revenue for the repayment of the loans, including general obligation bonds or revenue bonds issued at the recipient level.

A summary of changes in loans receivable for the year ended June 30, 2008 is as follows:

	Clean Water	Drinking Water	Total
Loans receivable beginning of year	\$ 311,823,509	184,363,226	496,186,735
Additions	95,691,946	36,525,812	132,217,758
Deletions	24,381,919	9,740,237	34,122,156
Loans receivable end of year	\$ 383,133,536	211,148,801	594,282,337
Current	\$ 25,727,493	12,181,362	37,908,855
Noncurrent	357,406,043	198,967,439	556,373,482
Total	\$ 383,133,536	211,148,801	594,282,337

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

(4) Bonds Payable

Bonds payable at June 30, 2008 are as follows (dollars in thousands):

Description	Original Amount	Due Dates		Interest Rates		Jun 30, 2008 Balance
		From	To	From	To	
Clean Water:						
Serial Bonds	\$ 37,340	08/01/02	08/01/11	4.00%	5.25%	\$ 10,605
Serial Bonds	138,810		08/01/21	4.00	5.25	84,625
Total bonds outstanding	<u>176,150</u>					<u>95,230</u>
Unamortized (disc)/prem/other	-					(148)
Clean Water 2001	<u>176,150</u>					<u>95,082</u>
Total bonds outstanding	3,350	08/01/03	08/01/22	2.00%	4.70%	2,205
Unamortized (disc)/prem/other	-					(10)
Clean Water 2003	<u>3,350</u>					<u>2,195</u>
Total bonds outstanding	11,090	08/01/06	08/01/12	3.25%	5.00%	7,950
Unamortized (disc)/prem/other	-					74
Clean Water 2005	<u>11,090</u>					<u>8,024</u>
Serial Bonds	5,660	08/01/08	08/01/21	4.00%	5.00%	5,660
Serial Bonds	29,700		08/01/24	4.00	5.00	29,700
Total bonds outstanding	<u>35,360</u>					<u>35,360</u>
Unamortized (disc)/prem/other	-					1,259
Clean Water 2007	<u>35,360</u>					<u>36,619</u>
Bonds outstanding	225,950					140,745
Unamortized (disc)/prem/other	-					1,175
Total Clean Water	<u>\$ 225,950</u>					<u>\$ 141,920</u>
Drinking Water:						
Serial Bonds	\$ 12,900	08/01/02	08/01/11	4.00%	5.25%	\$ 6,845
Term Bonds	1,100		08/01/16		5.50	1,100
Term Bonds	480		08/01/18		5.50	480
Term Bonds	405		08/01/20		5.00	405
Term Bonds	120		08/01/23		5.00	120
Serial Bonds	21,345		04/01/21	4.00	5.25	14,020
Term Bonds	4,895		08/01/16		5.50	4,895
Term Bonds	5,750		08/01/18		5.50	5,750
Term Bonds	6,120		08/01/20		5.00	6,120
Term Bonds	3,960		08/01/23		5.00	3,960
Total bonds outstanding	<u>57,075</u>					<u>43,695</u>
Unamortized (disc)/prem/other	-					433
Drinking Water 2001	<u>57,075</u>					<u>44,128</u>
Serial Bonds	3,240	08/01/04	08/01/17	2.00%	4.30%	2,250
Serial Bonds	49,510		08/01/24	2.00	5.00	43,665
Total bonds outstanding	<u>52,750</u>					<u>45,915</u>
Unamortized (disc)/prem/other	-					(11)
Drinking Water 2003	<u>52,750</u>					<u>45,904</u>
Total bonds outstanding	6,685	08/01/06	08/01/12	3.25%	5.00%	5,410
Unamortized (disc)/prem/other	-					52
Drinking Water 2005	<u>6,685</u>					<u>5,462</u>
Serial Bonds	4,435	08/01/08	08/01/21	4.00%	5.00%	4,435
Serial Bonds	24,365	08/01/09	08/01/24	4.00	5.00	24,365
Total bonds outstanding	<u>28,800</u>					<u>28,800</u>
Unamortized (disc)/prem/other	-					964
Drinking Water 2007	<u>28,800</u>					<u>29,764</u>
Bonds outstanding	145,310					123,820
Unamortized (disc)/prem/other	-					1,438
Total Drinking Water	<u>\$ 145,310</u>					<u>\$ 125,258</u>

A portion of the proceeds from the issuance of the 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	
2009	\$ 17,105,000	6,544,049	7,165,000	5,655,136	36,469,185
2010	17,440,000	5,824,296	7,420,000	5,358,499	36,042,795
2011	17,890,000	4,941,237	7,545,000	5,050,783	35,427,020
2012	17,435,000	4,037,959	7,860,000	4,719,690	34,052,649
2013	16,725,000	3,162,159	8,105,000	4,366,306	32,358,465
2014-2018	32,645,000	7,637,733	37,650,000	16,538,941	94,471,674
2019-2023	15,230,000	3,412,108	40,345,000	6,661,230	65,648,338
2024-2025	6,275,000	315,281	7,730,000	271,325	14,591,606
Total	\$ 140,745,000	35,874,822	123,820,000	48,621,910	349,061,732

(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, 2008, the EPA has awarded capitalization grants of \$342,194,259 to the State for the Clean Water Program, of which \$341,952,272 has been drawn for loans and administrative expenses. In addition, the State has provided matching funds of \$68,438,852 through bond issuances for the Clean Water Program. The following summarizes the capitalization grants awarded, amounts drawn on each grant at June 30, 2008 and balances available for future loans or administrative expenses for the Clean Water Program.

Grant Award Year	EPA Grants Awarded	Total Draws Beginning of Year	2008		Total Draws End of Year	Remaining Grant Available at June 30, 2008
			Draws	Draws		
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	17,936,500	-	-	17,936,500	-
2005	14,584,086	14,584,086	-	-	14,584,086	-
2006	11,851,686	-	11,851,686	-	11,851,686	-
2007	14,485,482	-	14,243,495	-	14,243,495	241,987
Total	\$ 342,194,259	315,857,091	26,095,181	-	341,952,272	241,987

At June 30, 2008, the EPA has awarded capitalization grants of \$144,851,500 to the State for the Drinking Water Program, of which \$129,459,277 has been drawn for loans and administrative expenses. In addition, the State has provided matching funds of \$28,970,300. The following summarizes the capitalization grants awarded, amounts drawn on each grant at June 30, 2008 and balances available for future loans or administrative expenses for the Drinking Water Program.

Grant Award Year	EPA Grants Awarded	Total Draws Beginning of Year	2008 Draws	Total Draws End of Year	Remaining Grant Available at June 30, 2008
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	12,292,700	-	12,292,700	-
2002	14,784,600	14,713,832	70,768	14,784,600	-
2003	14,695,700	14,108,775	586,925	14,695,700	-
2004	15,244,700	14,172,324	1,072,376	15,244,700	-
2005	15,212,400	11,394,289	3,818,111	15,212,400	-
2006	10,252,000	-	4,481,809	4,481,809	5,770,191
2007	10,252,000	-	629,968	629,968	9,622,032
Totals	\$ 144,851,500	118,799,320	10,659,957	129,459,277	15,392,223

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

	Clean Water Program	Drinking Water Program
Balance at July 1, 2007	\$ 315,857,091	118,799,320
Federal capitalization draws from EPA	26,095,181	10,659,957
Balance at June 30, 2008	\$ 341,952,272	129,459,277

(6) Commitments

The Clean Water and Drinking Water Programs have entered into loan agreements with municipalities and other qualifying entities for which \$93,051,097 and \$48,944,569, respectively, have not been disbursed as of June 30, 2008.

Loan commitments as of the year ended June 30, 2008 are as follows:

	Loan Commitments	Funds Disbursed	Unused Funds	Undisbursed Loan Commitments
Clean Water	\$ 618,705,104	509,575,883	16,078,124	93,051,097
Drinking Water	305,210,580	249,112,038	7,153,973	48,944,569
Total	\$ 923,915,684	758,687,921	23,232,097	141,995,666

(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, 2008

Loan Recipient	Total Loan Commitment	Cummulative Amount Disbursed	Cummulative Loan Payments Received	6/30/2008 Outstanding Loan Balance
Adair	\$ 1,058,000	924,000	197,000	727,000
Adel	1,000,000	309,000	185,000	124,000
Afton	515,000	462,000	233,000	229,000
Agency	234,000	224,000	168,000	56,000
Allerton	200,000	35,198	-	35,198
Anamosa	2,320,000	1,897,694	-	1,897,694
Anita	225,000	225,000	162,000	63,000
Ankeny	7,054,000	7,054,000	3,749,000	3,305,000
Arcadia	243,000	200,000	15,000	185,000
Armstrong	500,000	455,000	241,000	214,000
Asbury	3,800,000	3,800,000	444,000	3,356,000
Audubon	2,666,000	2,595,000	518,000	2,077,000
Aurelia	900,000	721,000	269,000	452,000
Avoca	415,000	219,000	176,000	43,000
Bancroft	1,030,000	850,416	146,416	704,000
Bank Midwest Minnesota Iowa	3,500,000	3,500,000	-	3,500,000
Battle Creek	338,000	170,000	47,000	123,000
Baxter	1,285,000	811,110	23,000	788,110
Beacon	600,000	546,000	132,000	414,000
Blencoe	73,000	73,000	33,000	40,000
Bondurant	1,975,000	649,028	210,000	439,028
Boone	8,488,800	8,478,720	4,520,180	3,958,540
Boyden	196,000	188,000	37,000	151,000
Brayton	197,000	131,375	7,000	124,375
Breda	686,000	686,000	256,000	430,000
Bronson	361,000	230,000	65,000	165,000
Brooklyn	1,325,000	1,315,000	342,000	973,000
Burt	656,000	650,000	156,000	494,000
Calmar	2,300,000	2,054,000	328,000	1,726,000
Camanche	336,000	323,000	270,000	53,000
Cambridge	448,000	374,000	110,000	264,000
Cantril	452,000	365,000	31,000	334,000
Carroll	11,000,000	10,998,000	1,266,000	9,732,000
Carson	1,059,000	1,059,000	108,000	951,000
Charles City	3,000,000	2,909,776	467,000	2,442,776
Cherokee	6,463,000	5,560,000	1,296,000	4,264,000
Clarence	477,000	468,000	230,000	238,000
Clayton	31,000	-	-	-
Clear Lake	11,100,000	11,100,000	7,870,000	3,230,000
Clearfield	135,000	135,000	7,000	128,000
Clinton	15,457,000	9,468,114	1,879,000	7,589,114
Coleburg	140,000	94,734	-	94,734
Colfax	1,984,000	1,984,000	479,000	1,505,000
Columbus City	232,000	232,000	62,000	170,000
Columbus Junction	606,000	606,000	160,000	446,000
Conrad	1,461,000	1,461,000	522,000	939,000
Coralville	3,775,000	3,034,000	679,000	2,355,000

Iowa Water Pollution Control Works and
Drinking Water Facilities Financing Programs

Schedule of Loan Activity – Clean Water Program

June 30, 2008

Loan Recipient	Total Loan Commitment	Cummulative Amount Disbursed	Cummulative Loan Payments Received	6/30/2008 Outstanding Loan Balance
Corning	3,075,000	3,032,000	471,000	2,561,000
Correctionville	1,050,000	895,000	269,000	626,000
Corydon	910,000	884,000	192,000	692,000
Cresco	1,026,900	855,024	224,000	631,024
Creston	4,022,000	4,020,000	1,820,000	2,200,000
Dallas Center	1,000,000	857,000	247,000	610,000
Dayton	765,000	744,000	179,000	565,000
Decorah	825,000	825,000	186,000	639,000
Delhi	144,000	24,883	-	24,883
Denmark	500,000	500,000	304,000	196,000
Des Moines	27,302,000	26,576,000	10,528,000	16,048,000
Dewitt	5,599,000	5,411,000	2,166,000	3,245,000
DNR State Parks	3,918,000	3,918,000	1,213,000	2,705,000
Dows	310,000	310,000	225,000	85,000
Dubuque	2,143,371	158,641	-	158,641
Durant	2,113,000	2,113,000	929,000	1,184,000
Dyersville	2,269,000	2,267,000	505,000	1,762,000
Eagle Grove	2,604,000	2,468,000	462,000	2,006,000
Earlham	1,450,000	1,370,000	336,000	1,034,000
Earling	133,000	129,000	76,000	53,000
Early	105,000	76,218	-	76,218
Eldora	7,202,751	5,815,751	500,751	5,315,000
Elgin	110,600	28,640	-	28,640
Elkader	1,555,000	1,354,500	39,000	1,315,500
Elliott	300,000	110,509	11,000	99,509
Elma	94,000	71,901	-	71,901
Ely	3,470,000	2,686,488	112,000	2,574,488
Emmetsburg	1,210,000	1,210,000	308,000	902,000
Exira	425,000	425,000	102,000	323,000
Fairfax	2,400,000	2,395,000	5,000	2,390,000
Farley	2,270,000	2,185,000	261,000	1,924,000
Fertile	200,000	188,000	15,000	173,000
Fort Dodge	44,922,000	29,299,316	4,540,000	24,759,316
Fort Madison	1,285,000	1,273,220	432,000	841,220
Fredonia	196,000	196,000	52,000	144,000
Fremont	601,000	601,000	268,000	333,000
George	1,120,000	984,000	37,000	947,000
Gladbrook	706,000	481,000	158,000	323,000
Gowrie	700,000	628,000	53,000	575,000
Graettinger	705,000	699,000	204,000	495,000
Grand Mound	338,000	132,080	102,000	30,080
Grandview	300,000	300,000	47,000	253,000
Granger	665,000	655,000	235,000	420,000
Grimes	5,372,000	5,372,000	1,393,000	3,979,000
Griswold	750,000	750,000	232,000	518,000
Grundy Center	680,000	445,844	-	445,844
Hamburg	369,000	358,246	105,000	253,246

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

June 30, 2008

Loan Recipient	Total Loan Commitment	Cummulative Amount Disbursed	Cummulative Loan Payments Received	6/30/2008 Outstanding Loan Balance
Hartley	1,732,000	1,730,000	199,000	1,531,000
Hazelton	730,000	618,000	228,000	390,000
Hedrick	400,000	-	-	-
Holstein	1,041,000	1,036,000	416,000	620,000
Hubbard	800,000	795,000	30,000	765,000
Hudson	500,000	356,923	38,000	318,923
Hull	750,000	750,000	232,000	518,000
Humboldt	4,847,000	4,619,000	1,447,000	3,172,000
Humeston	168,000	163,278	20,000	143,278
Huxley	475,000	475,000	-	475,000
Indianola	383,000	383,000	208,000	175,000
Inwood	529,000	529,000	150,000	379,000
Iowa Falls	5,045,000	3,739,000	1,931,000	1,808,000
Ireton	283,000	201,340	-	201,340
Irwin	243,000	100,000	28,000	72,000
Jefferson	4,951,000	4,591,000	740,000	3,851,000
Johnston	6,335,000	6,335,000	618,000	5,717,000
Jones County	270,000	227,000	24,000	203,000
Kalona	1,093,000	992,000	346,000	646,000
Kanawha	338,000	338,000	224,000	114,000
Kerndt Brothers Savings Bank	4,217,439	4,217,439	-	4,217,439
Keokuk	670,000	236,919	-	236,919
Keystone	600,000	504,000	148,000	356,000
Lake Park	1,740,000	1,700,000	473,000	1,227,000
Lake View	1,138,000	1,138,000	347,000	791,000
Lamoni	1,108,000	1,108,000	267,000	841,000
Lamotte	319,000	276,000	35,000	241,000
Lansing	2,500,000	1,577,276	52,000	1,525,276
Larchwood	700,000	634,000	165,000	469,000
Laurens	972,000	806,849	111,000	695,849
Lawler	1,040,000	820,000	22,000	798,000
Le Grand	500,000	455,000	332,000	123,000
Le Mars	9,410,000	9,408,000	966,000	8,442,000
Leclaire	720,000	181,840	-	181,840
Lester	374,000	187,000	14,000	173,000
Lisbon	1,200,000	1,198,000	187,000	1,011,000
Logan	1,257,000	1,210,000	317,000	893,000
Lone Tree	1,021,000	786,000	308,000	478,000
Long Grove	2,176,000	1,546,104	-	1,546,104
Lovillia	554,000	554,000	110,000	444,000
Maharishi Vedic City	880,000	831,065	-	831,065
Malcom	61,000	44,114	-	44,114
Malvern	799,000	778,000	123,000	655,000
Manchester	488,000	341,071	-	341,071
Manning	1,000,000	937,221	102,000	835,221
Manson	1,813,000	1,813,000	262,000	1,551,000
Mapleton	312,000	312,000	24,000	288,000

Iowa Water Pollution Control Works and
Drinking Water Facilities Financing Programs

Schedule of Loan Activity – Clean Water Program

June 30, 2008

Loan Recipient	Total Loan Commitment	Cummulative Amount Disbursed	Cummulative Loan Payments Received	6/30/2008 Outstanding Loan Balance
Maquoketa	2,500,000	2,441,687	313,000	2,128,687
Marcus	1,375,000	1,339,000	545,000	794,000
Marengo	360,000	360,000	260,000	100,000
Marshalltown	4,349,000	4,349,000	309,000	4,040,000
Martensdale	210,000	176,000	119,000	57,000
Mason City	5,116,400	5,002,600	3,307,000	1,695,600
Mc Causland	1,700,000	962,031	36,000	926,031
Melbourne	682,000	589,000	74,000	515,000
Melcher-Dallas	405,000	382,000	133,000	249,000
Minburn	657,000	653,000	398,000	255,000
Minden	700,000	577,000	44,000	533,000
Missouri Valley	337,000	329,000	238,000	91,000
Mitchellville	1,200,000	1,200,000	138,000	1,062,000
Monroe	520,000	447,000	131,000	316,000
Montour	149,000	96,000	60,000	36,000
Morning Sun	242,000	242,000	120,000	122,000
Moulton	400,000	400,000	159,000	241,000
Mount Auburn	49,200	27,977	-	27,977
Mount Ayr	3,990,000	3,587,239	304,000	3,283,239
Moville	500,000	500,000	121,000	379,000
Mt. Pleasant	12,767,000	12,767,000	2,912,000	9,855,000
Muscatine	900,000	606,783	-	606,783
Nashua	1,000,000	211,500	-	211,500
Nevada	1,114,000	1,114,000	674,000	440,000
New London	727,000	727,000	84,000	643,000
New Sharon	546,000	388,000	105,000	283,000
New Vienna	500,000	366,000	33,000	333,000
Newton	4,983,000	4,802,178	548,000	4,254,178
North Liberty	11,393,000	10,575,547	1,968,000	8,607,547
Norwalk	2,903,000	2,903,000	948,000	1,955,000
Oelwein	8,954,000	8,949,000	676,000	8,273,000
Ogden	2,000,000	1,790,000	212,000	1,578,000
Olin	140,000	124,750	-	124,750
Orleans	600,000	466,365	60,000	406,365
Osceola	4,550,000	4,522,000	1,460,000	3,062,000
Oskaloosa	8,203,000	8,198,000	3,069,000	5,129,000
Ottumwa	26,865,000	19,101,957	8,340,000	10,761,957
Oxford	266,000	262,000	145,000	117,000
Oxford Junction	1,425,000	1,337,863	30,000	1,307,863
Palo	4,200,000	1,124,363	-	1,124,363
Panora	265,000	265,000	30,000	235,000
Parkersburg	1,176,000	900,060	358,000	542,060
Paullina	520,000	422,991	1,000	421,991
Pella	6,515,000	5,045,000	1,409,000	3,636,000
Perry	2,682,000	2,682,000	1,252,000	1,430,000
Pleasantville	876,000	744,000	265,000	479,000

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

June 30, 2008

Loan Recipient	Total Loan Commitment	Cummulative Amount Disbursed	Cummulative Loan Payments Received	6/30/2008 Outstanding Loan Balance
Pocahontas	1,200,000	554,801	138,000	416,801
Polk County	1,000,000	496,480	-	496,480
Pomeroy	128,500	72,608	-	72,608
Preston	715,000	715,000	547,000	168,000
Primghar	1,133,000	961,000	152,000	809,000
Princeton	168,800	83,300	-	83,300
Quasqueton	650,000	614,000	148,000	466,000
Radcliffe	783,000	750,000	90,000	660,000
Reasnor	75,000	-	-	-
Regional Utility Service Systems	1,544,000	45,357	-	45,357
Reinbeck	2,990,000	2,970,000	342,000	2,628,000
Remsen	125,000	52,597	-	52,597
Rock Valley	478,500	287,100	-	287,100
Rockwell City	1,766,000	1,766,000	617,000	1,149,000
Rolfe	635,000	630,000	73,000	557,000
Royal	520,000	520,000	44,000	476,000
Russell	350,000	334,000	53,000	281,000
Ruthven	900,000	900,000	67,000	833,000
Ryan	510,000	480,000	68,000	412,000
Sac City	300,000	95,808	-	95,808
Sanborn	916,000	916,000	105,000	811,000
Schaller	83,000	41,307	-	41,307
Scranton	773,000	733,000	86,000	647,000
Security State Bank	508,750	508,750	-	508,750
Sergeant Bluff	200,000	54,775	-	54,775
Sheffield	1,600,000	1,600,000	62,000	1,538,000
Sheldon	875,000	814,000	259,000	555,000
Shellsburg	1,982,000	1,948,000	392,000	1,556,000
Shenandoah	2,700,000	2,082,744	100,000	1,982,744
Sherrill	110,000	22,285	-	22,285
Sibley	294,000	274,000	32,000	242,000
Sigourney	1,546,000	1,395,000	536,000	859,000
Sioux Center	2,164,000	2,164,000	975,000	1,189,000
Sioux City	56,785,000	37,991,843	4,203,000	33,788,843
Slater	1,500,000	1,410,000	284,000	1,126,000
Sloan	83,898	8,365	-	8,365
Solon	250,000	220,000	47,000	173,000
Spencer	1,000,000	-	-	-
Springbrook	283,000	283,000	45,000	238,000
Stanley	50,000	50,000	8,000	42,000
Stanton	275,000	275,000	198,000	77,000
Stanwood	117,000	117,000	85,000	32,000
Storm Lake	1,454,000	1,351,248	54,000	1,297,248
Stratford	350,000	350,000	252,000	98,000
Strawberry Point	1,500,000	1,500,000	113,000	1,387,000
Sully	607,000	607,000	295,000	312,000
Sumner	3,100,000	2,913,233	482,000	2,431,233

Iowa Water Pollution Control Works and
Drinking Water Facilities Financing Programs

Schedule of Loan Activity – Clean Water Program

June 30, 2008

Loan Recipient	Total Loan Commitment	Cummulative Amount Disbursed	Cummulative Loan Payments Received	6/30/2008 Outstanding Loan Balance
Sun Valley Sanitary District	420,000	26,436	-	26,436
Sutherland	670,000	600,000	71,000	529,000
Swisher	220,000	54,761	-	54,761
Tabor	1,000,000	950,000	541,000	409,000
Tama	1,828,000	1,784,000	1,025,000	759,000
Tiffin	1,600,000	1,570,000	560,000	1,010,000
Tipton	3,200,000	3,128,000	489,000	2,639,000
Toledo	278,000	-	-	-
Traer	858,000	858,000	185,000	673,000
Tripoli	825,000	716,000	166,000	550,000
Troy Mills Ssd	300,000	284,470	12,000	272,470
Truro	213,000	176,301	33,000	143,301
Urbandale Ssd	3,400,000	3,400,000	2,061,000	1,339,000
Van Horne	1,750,000	1,725,000	394,000	1,331,000
Van Meter	559,000	457,000	332,000	125,000
Victor	1,000,000	1,000,000	75,000	925,000
Wadena	170,000	167,832	13,000	154,832
Walford	2,505,000	2,430,000	466,000	1,964,000
Wapello	503,000	447,000	34,000	413,000
Warren	94,000	58,042	-	58,042
Wastewater Reclamation Authority	30,806,720	9,734,193	-	9,734,193
Waukee	2,579,000	2,568,000	1,032,000	1,536,000
Wayland	400,000	347,000	160,000	187,000
Webster City	3,900,000	3,900,000	1,213,000	2,687,000
Wellman	1,339,000	1,317,000	418,000	899,000
Wells Fargo	1,820,975	1,820,975	-	1,820,975
Welton	26,000	7,312	-	7,312
West Bend	825,000	699,000	280,000	419,000
West Des Moines	6,558,000	6,558,000	3,646,000	2,912,000
West/High Amana	715,000	715,000	96,000	619,000
West Point	665,000	569,000	324,000	245,000
Westside	550,000	446,627	20,000	426,627
Wheatland	2,000,000	1,525,438	87,000	1,438,438
Whiting	398,000	366,000	58,000	308,000
Williams	659,000	659,000	97,000	562,000
Williamsburg	1,200,000	1,074,843	137,000	937,843
Wilton	1,794,000	1,794,000	559,000	1,235,000
Winterset	1,100,000	1,100,000	342,000	758,000
Woodward	600,000	500,000	105,000	395,000
Worthington	350,000	304,000	102,000	202,000
Wyoming	404,000	396,000	86,000	310,000
Zearing	42,500	42,296	-	42,296
	<u>618,705,104</u>	<u>509,575,883</u>	<u>126,442,347</u>	<u>383,133,536</u>
Projects completed and paid in full	74,752,149	69,942,958	69,942,958	-
Total	<u>\$ 693,457,253</u>	<u>579,518,841</u>	<u>196,385,305</u>	<u>383,133,536</u>

See accompanying independent auditor's report.

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

June 30, 2008

Loan Recipient	Total Loan Commitment	Cummulative Amount Disbursed	Cummulative Loan Payments Received	6/30/2008 Outstanding Loan Balance
Ainsworth	\$ 530,000	500,915	83,000	417,915
Albert City	580,000	505,582	-	505,582
Albia	1,250,000	1,250,000	15,000	1,235,000
Alden	850,000	476,000	118,000	358,000
Alleman	693,000	691,000	71,000	620,000
Alton	125,000	125,000	25,000	100,000
Andrew	552,000	527,000	155,000	372,000
Ankeny	925,000	908,000	259,000	649,000
Asbury	3,081,000	3,081,000	643,000	2,438,000
Bancroft	783,000	764,000	146,000	618,000
Bayard	1,200,000	1,011,040	25,000	986,040
Blairstown	1,344,000	1,344,000	363,000	981,000
Bondurant	972,000	972,000	350,000	622,000
Boone	275,000	-	-	-
Boyden	700,000	700,000	159,000	541,000
Breda	655,000	655,000	98,000	557,000
Brooklyn	300,000	243,000	23,000	220,000
Burds Green Acres HOA	84,000	84,000	6,000	78,000
Burlington	2,600,000	2,600,000	97,000	2,503,000
Calamus	460,000	442,000	35,000	407,000
Cambridge	1,250,000	1,174,000	121,000	1,053,000
Cedar Rapids	39,390,000	11,366,061	-	11,366,061
Central Water System	1,749,000	49,089	-	49,089
Chariton	800,000	796,732	70,000	726,732
Charles City	1,149,000	155,271	-	155,271
Charlotte	200,000	158,548	28,000	130,548
Clarinda	6,500,000	6,337,395	455,000	5,882,395
Collins	550,000	527,000	40,000	487,000
Corning	4,008,000	4,008,000	965,000	3,043,000
Corydon	1,193,000	1,193,000	138,000	1,055,000
Council Bluffs	2,867,000	965,084	-	965,084
Crescent	500,000	500,000	46,000	454,000
Dallas Center	40,000	33,598	-	33,598
Defiance	250,000	246,000	9,000	237,000
Delaware	127,000	101,324	5,000	96,324
Delhi	116,000	116,000	18,000	98,000
Deloit	315,000	299,015	12,000	287,015
Delta	560,000	447,000	83,000	364,000
De Soto	190,000	178,000	57,000	121,000
Denison	4,808,000	4,808,000	1,370,000	3,438,000
Des Moines	2,492,000	2,403,000	478,000	1,925,000
Dewitt	1,200,000	1,200,000	286,000	914,000
Donahue	1,570,000	1,180,928	102,000	1,078,928
Dow City	144,000	144,000	39,000	105,000
Dubuque	1,037,000	463,706	-	463,706
Dunlap	160,000	154,000	12,000	142,000

Iowa Water Pollution Control Works and
Drinking Water Facilities Financing Programs

Schedule of Loan Activity – Drinking Water Program

June 30, 2008

Loan Recipient	Total Loan Commitment	Cumulative Amount Disbursed	Cumulative Loan Payments Received	6/30/2008 Outstanding Loan Balance
Dyersville	849,000	849,000	205,000	644,000
Edgewood	250,000	174,000	24,000	150,000
Eldridge	1,650,000	1,650,000	124,000	1,526,000
Elkader	2,033,000	1,935,000	234,000	1,701,000
Elk Horn	950,000	950,000	161,000	789,000
Ellsworth	2,447,000	1,878,516	-	1,878,516
Elma	425,000	359,146	32,000	327,146
Emerson	800,000	686,968	17,000	669,968
Emmetsburg	2,750,000	2,750,000	207,000	2,543,000
Fairfield	5,900,000	5,796,319	749,000	5,047,319
Farley	1,533,000	1,474,000	1,000	1,473,000
Farmersburg	560,000	416,000	53,000	363,000
Farmington	360,000	360,000	41,000	319,000
Farragut	475,000	470,000	74,000	396,000
Fort Dodge	8,633,000	8,173,000	813,000	7,360,000
Fort Madison	1,343,670	552,131	-	552,131
Garnavillo	700,000	434,876	11,000	423,876
Glidden	1,070,000	978,000	110,000	868,000
Gooselake	564,000	530,000	83,000	447,000
Gowrie	695,000	589,000	95,000	494,000
Grand Junction	980,000	798,801	90,257	708,544
Grand Mound	480,000	452,000	55,000	397,000
Granger	150,000	12,000	-	12,000
Greene	300,000	282,337	26,000	256,337
Grimes	5,976,000	5,970,000	1,636,000	4,334,000
Griswold	110,000	109,000	109,000	-
Hancock	195,000	178,000	58,000	120,000
Hartford	538,000	446,000	141,000	305,000
Hubbard	145,000	98,362	-	98,362
Hudson	630,000	625,000	47,000	578,000
Humboldt	539,675	289,354	-	289,354
Huxley	2,316,000	2,316,000	559,000	1,757,000
Iowa Amer Water	2,676,000	2,676,000	650,000	2,026,000
Janesville	225,000	225,000	83,000	142,000
Jewell	1,223,000	776,000	141,000	635,000
Joice	600,000	527,084	22,000	505,084
Kalona	1,067,000	1,067,000	166,000	901,000
Keosauqua	350,000	254,697	13,000	241,697
Keota	1,721,000	1,097,770	213,000	884,770
Keystone	1,177,000	906,897	44,000	862,897
Lake View	590,000	529,000	146,000	383,000
Lamoni	349,625	298,000	86,000	212,000
Lansing	550,000	503,999	41,000	462,999
Latimer	435,000	435,000	137,000	298,000
Laurens	356,000	69,268	41,000	28,268
Legrand	327,000	121,767	-	121,767

Schedule 2

Iowa Water Pollution Control Works and
Drinking Water Facilities Financing Programs

Schedule of Loan Activity – Drinking Water Program

June 30, 2008

Loan Recipient	Total Loan Commitment	Cummulative Amount Disbursed	Cummulative Loan Payments Received	6/30/2008 Outstanding Loan Balance
Lemars	9,400,000	8,240,000	1,809,000	6,431,000
Lenox	1,150,000	1,050,000	43,000	1,007,000
Leon	998,000	896,000	106,000	790,000
Lisbon	95,000	-	-	-
Liscomb	350,000	94,109	-	94,109
Lockridge	380,000	378,000	24,000	354,000
Lohrville	390,000	343,000	78,000	265,000
Lone Tree	700,000	700,000	199,000	501,000
Maquoketa	2,500,000	2,500,000	189,000	2,311,000
Marengo	3,200,000	2,713,261	172,000	2,541,261
Martelle	763,000	511,363	-	511,363
Mason City	17,565,000	15,657,000	3,292,000	12,365,000
Maynard	414,000	400,000	31,000	369,000
Maysville	415,000	229,369	-	229,369
Mechanicsville	595,000	397,000	139,000	258,000
Melcher - Dallas	825,000	818,000	30,000	788,000
Merrill	300,000	295,000	26,000	269,000
Mitchellville	3,280,000	3,139,167	248,000	2,891,167
Morning Sun	365,000	365,000	116,000	249,000
Mt. Pleasant	5,934,000	5,934,000	1,896,000	4,038,000
Mystic	224,000	12,996	6,128	6,868
Neola	350,000	348,000	54,000	294,000
Nevada	8,438,000	8,433,000	637,000	7,796,000
Newhall	1,054,000	743,000	239,000	504,000
Newton	1,200,000	1,156,000	363,000	793,000
Nora Springs	800,000	62,236	0	62,236
North English	590,000	562,000	128,000	434,000
Northwood	1,690,000	1,690,000	540,000	1,150,000
Norwalk	1,175,000	1,175,000	376,000	799,000
Norway	125,000	95,000	24,000	71,000
Odebolt	688,000	504,000	171,000	333,000
Osceola	4,066,000	4,066,000	803,000	3,263,000
Ossian	600,000	600,000	162,000	438,000
Ottumwa	8,800,000	8,795,000	665,000	8,130,000
Oxford	495,000	495,000	158,000	337,000
Panora	405,000	393,000	162,000	231,000
Perry	625,000	600,000	221,000	379,000
Pocahontas	1,615,000	1,615,000	252,000	1,363,000
Polk County	800,000	800,000	255,000	545,000
Poweshiek Water Association	721,800	688,323	-	688,323
Prairie City	1,175,000	1,175,000	314,000	861,000
Princeton	1,374,500	478,587	128,307	350,280
Rathbun Area Water Association	1,405,600	728,082	-	728,082
Riverton	310,000	229,550	12,000	217,550
Rock Valley	248,000	172,185	-	172,185
Rockwell City	466,000	458,000	72,000	386,000

Iowa Water Pollution Control Works and
Drinking Water Facilities Financing Programs

Schedule of Loan Activity – Drinking Water Program

June 30, 2008

Loan Recipient	Total Loan Commitment	Cummulative Amount Disbursed	Cummulative Loan Payments Received	6/30/2008 Outstanding Loan Balance
Salix	40,000	17,240	-	17,240
Scranton	861,000	861,000	275,000	586,000
Sergeant Bluffs	90,000	-	-	-
Shelby	800,000	800,000	221,000	579,000
Shellsburg	350,000	297,000	22,000	275,000
Shenandoah	45,000	31,779	-	31,779
Sigourney	1,190,000	859,005	125,000	734,005
Sioux City	31,500,000	30,870,814	4,723,000	26,147,814
Slater	850,000	63,204	27,602	35,602
Somers	56,000	56,000	15,000	41,000
Spencer	1,525,000	1,500,000	408,000	1,092,000
Spirit Lake	6,161,000	5,572,485	710,000	4,862,485
Stacyville	1,350,000	644,606	28,000	616,606
Stanton	420,000	420,000	134,000	286,000
Storm Lake	7,500,000	7,497,228	1,168,000	6,329,228
Sully	550,000	550,000	202,000	348,000
Tiffin	1,650,000	1,650,000	326,000	1,324,000
Treynor	300,000	228,000	46,000	182,000
Van Horne	420,000	374,000	60,000	314,000
Vinton	40,000	40,000	11,000	29,000
Wahpeton	1,536,000	1,513,000	237,000	1,276,000
Walnut	1,371,500	308,532	-	308,532
Welton	1,534,000	186,740	86,125	100,615
West Branch	2,725,000	2,683,000	213,000	2,470,000
West Burlington	404,000	232,197	-	232,197
Willow Stream Estates	203,000	153,602	-	153,602
Winfield	1,475,000	1,475,000	115,000	1,360,000
Winterset	196,210	126,818	126,818	-
Woodbine	90,000	8,300	-	8,300
Wyoming	100,000	21,054	-	21,054
Xenia	1,700,000	1,381,626	-	1,381,626
Total	\$ 305,210,580	249,112,038	37,963,237	211,148,801

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, 2008, and have issued our report thereon dated April 3, 2009. 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 opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the 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 the 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 the 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.

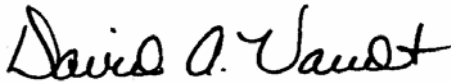
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify 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, 2009



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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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, 2008.

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.

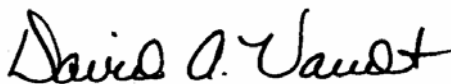
Our consideration of the internal control over compliance was for a limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Programs' internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a significant deficiency.

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 noncompliance 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 noncompliance with a type of compliance requirement of a federal program 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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings to be a significant deficiency.

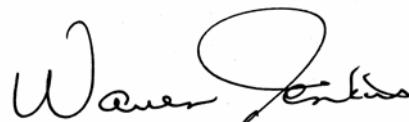
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Programs' internal control. However, we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

The Iowa Water Pollution Control Works and Drinking Water Facilities Financing Programs' response to the finding identified in our audit is described in the accompanying Schedule of Findings. While we have expressed our conclusion on the Programs' response, we did not audit the Iowa Water Pollution Control Works and Drinking Water Facilities Financing Programs' response and, accordingly, we express no opinion on it.

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, 2009

Iowa Water Pollution Control Works and
Drinking Water Facilities Financing Programs

Schedule of Findings

Year ended June 30, 2008

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.

Iowa Water Pollution Control Works and
Drinking Water Facilities Financing Programs

Schedule of Findings

Year ended June 30, 2008

SIGNIFICANT DEFICIENCY:

CFDA Number: 66.458 – Capitalization Grants for Clean Water State Revolving Funds
Agency Number: C519000107
Federal Award Year: 2008

CFDA Number: 66.468 – Capitalization Grants for Drinking Water State Revolving Funds
Agency Number: F599759307
Federal Award Year: 2008

State of Iowa Single Audit Comment - 08-III-EPA-542-1

Federal Financial Reports – Per Title VI, Section 606 of the Clean Water and Safe Water Drinking Acts, states are required to submit an annual report each fiscal year not later than 90 days after the end of the fiscal year. The Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF) report was submitted 52 days late.

Recommendation – The Department should develop procedures to ensure annual reports are submitted within 90 days after the end of the reporting period.

Response and Corrective Action Planned – The Department and Iowa Finance Authority (IFA) are both keenly aware the state revolving fund annual report is due to the United States Environmental Protection Agency (USEPA) within 90 days of the close of the fiscal year and it is the Department's intent to comply. The financial exhibits are provided by IFA and reviewed by the Department. This year, USEPA Region VII asked state administration expenses paid from fees collected outside the State Revolving Fund be included in the financial reporting, contrary to a position taken at the onset of the program. This required IFA to go back several years to adjust the balance brought forward from 2007 and was the significant reason for the delay in the submittal of this year's annual report. The Department received the initial CWSRF financial exhibits from IFA on September 17, 2008 and DWSRF financials on September 26, 2008 and had numerous comments on subsequent versions of the documents over the next several months before agreement was finally reached and the report was submitted on November 21, 2008. The Department could not have envisioned reconciliation would have taken so long but remains committed to complying with the deadline going forward.

Conclusion – Response accepted.

Findings Related to Required Statutory Reporting:

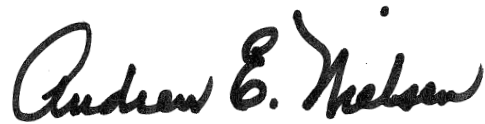
No matters were noted.

Iowa Water Pollution Control Works and
Drinking Water Facilities Financing Programs

Staff

This audit was performed by:

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