

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE October 19, 2016

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Auditor of State Mary Mosiman 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 wastewater 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 \$29,730,198 for the year ended June 30, 2015, including interest income on loans of \$26,749,048 and administrative fees of \$2,981,150. Non-operating revenues included \$15,040,918 of federal grants and investment income of \$822,775. The Drinking Water Program reported operating revenues of \$11,525,272, including interest income on loans of \$10,251,910 and administrative fees of \$1,273,362. Non-operating revenues included \$6,851,732 of federal grants and investment income of \$590,878.

Operating expenses of the Clean Water Program for the year ended June 30, 2015 totaled \$5,684,868 including \$2,817,141 for general and administrative expenses, \$1,830,898 for source water protection, \$987,633 for amortization of loss on bond redemption and \$49,196 for non-program expenses. Non-operating expenses of the Clean Water Program included \$23,152,534 for bond interest expense and grant expense of \$1,762,977. The Program loaned \$103,573,339 to municipalities and other qualifying entities and collected loan repayments of \$78,774,060 during the year. At June 30, 2015, the Clean Water Program had loans receivable from municipalities and other qualifying entities totaling \$1,034,394,338, net of forgivable loan reserves of \$3,235,662.

Operating expenses of the Drinking Water Program for the year ended June 30, 2015 totaled \$5,234,201, including \$2,178,609 for source water protection expenses, \$996,628 for general and administrative expenses, \$759,892 for state program management administrative expenses, \$909,035 for amortization of loss on bond redemption, \$370,571 for small community technical assistance and \$24,466 for non-program expenses. Non-operating expenses of the Drinking Water Program included \$8,049,647 for bond interest expense and grant expense of \$4,393,863. The Program loaned \$45,115,409 to municipalities and other qualifying entities and collected loan repayments of \$36,246,093 during the year. At June 30, 2015, the Drinking Water Program had loans receivable from municipalities and other qualifying entities totaling \$388,402,178, net of forgivable loan and loan loss reserves of \$7,456,043.

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 <https://auditor.iowa.gov/reports/1660-5420-A000>.

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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
SCHEDULE OF FINDINGS**

JUNE 30, 2015

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

Officials

State

<u>Name</u>	<u>Title</u>
Honorable Terry E. Branstad	Governor
David Roederer	Director, Department of Management
Glen P. Dickinson	Director, Legislative Services Agency

Iowa Finance Authority Board

Ruth Randleman	Chairperson
David Greenspon	Vice Chairperson
Michel Nelson	Treasurer
Jane Bell	Member
Jeff Heil	Member
Joan Johnson	Member
Shaner Magalhaes	Member
Eric Peterson	Member
Darlys Baum	Member

Environmental Protection Commission

Mary Boote	Chairperson
Nancy Couser	Member
Cindy Greiman	Member
LaQuanda Hoskins	Member
Chad Ingels	Member
Bob Sinclair	Member
Gene Ver Steeg	Member
Ralph Lents	Member
Joe Riding	Member

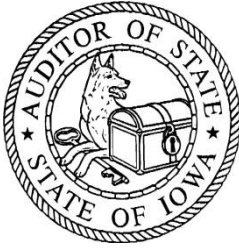
Iowa Finance Authority

Dave Jamison	Executive Director
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Iowa Department of Natural Resources

Chuck Gipp	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:

Report on the Financial Statements

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, 2015, and the related Notes to Financial Statements, which collectively comprise the basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Programs' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Programs' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities and each major fund of the Iowa Water Pollution Control Works and the Drinking Water Facilities Financing Programs as of June 30, 2015, and the respective changes in their financial position and, where applicable, their cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 9, the Programs adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters


Required Supplementary Information

U.S. generally accepted accounting principles require the Schedule of the Program's Proportionate Share of the Net Pension Liability and the Schedule of Program Contributions on pages 35 through 40 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted Management's Discussion and Analysis which U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such omitted information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinions on the basic financial statements are not affected by this omitted information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 4, 2016 on our consideration of the Iowa Water Pollution Control Works and the Drinking Water Facilities Financing Programs' internal control over financial reporting and on 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 the audit performed in accordance with Government Auditing Standards in considering the Iowa Water Pollution Control Works and the Drinking Water Facilities Financing Programs' internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

October 4, 2016

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 Position

June 30, 2015

	Clean Water Program	Drinking Water Program	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 130,351,778	72,510,260	202,862,038
Cash - linked deposits	59,463,983	-	59,463,983
Investments	64,510,357	21,151,512	85,661,869
Loans receivable, net	51,697,714	24,071,100	75,768,814
Accrued interest receivable	2,402,232	1,053,944	3,456,176
Accounts receivable	52,809	50,875	103,684
Other assets	217,182	150,083	367,265
Total current assets	308,696,055	118,987,774	427,683,829
Noncurrent assets:			
Investments	21,606,764	20,854,541	42,461,305
Loans receivable	982,696,624	364,331,078	1,347,027,702
Capital assets, net of accumulated depreciation	16,894	8,870	25,764
Total noncurrent assets	1,004,320,282	385,194,489	1,389,514,771
Total assets	1,313,016,337	504,182,263	1,817,198,600
Deferred Outflows of Resources			
Pension related deferred outflows	38,110	18,971	57,081
Loss on refunding	17,182,817	9,520,169	26,702,986
Total Deferred Outflows of Resources	17,220,927	9,539,140	26,760,067
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	523,128	335,818	858,946
Accrued bond interest payable	11,419,494	3,838,409	15,257,903
Bonds payable, net	33,980,000	14,075,000	48,055,000
Total current liabilities	45,922,622	18,249,227	64,171,849
Noncurrent liabilities:			
Bonds payable, net	715,248,440	239,457,201	954,705,641
Pension liability	179,201	90,454	269,655
Total noncurrent liabilities	715,427,641	239,547,655	954,975,296
Total liabilities	761,350,263	257,796,882	1,019,147,145
Deferred Inflows of Resources			
Pension related deferred inflows	94,647	60,414	155,061
Net Position			
Net investment in capital assets	16,894	8,870	25,764
Restricted:			
Per bond resolutions	449,456,000	229,552,000	679,008,000
Per other agreements	119,319,460	26,303,237	145,622,697
Total net position	\$ 568,792,354	255,864,107	824,656,461

See notes to 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 Revenues, Expenses and Changes in Fund Net Position

Year ended June 30, 2015

	Clean Water Program	Drinking Water Program	Total
Operating revenues:			
Interest on loans	\$ 26,749,048	10,251,910	37,000,958
Administrative fees	2,981,150	1,273,362	4,254,512
Total operating revenues	29,730,198	11,525,272	41,255,470
Operating expenses:			
Amortization of loss on bond redemption	987,633	909,035	1,896,668
Provision for loan losses	-	(5,000)	(5,000)
General and administrative	2,817,141	996,628	3,813,769
Source water protection	1,830,898	2,178,609	4,009,507
Small community technical assistance	-	370,571	370,571
State program management administrative Non program	- 49,196	759,892 24,466	759,892 73,662
Total operating expenses	5,684,868	5,234,201	10,919,069
Operating income	24,045,330	6,291,071	30,336,401
Non operating revenues (expenses):			
Federal grants	15,040,918	6,851,732	21,892,650
Grant expense	(1,762,977)	(4,393,863)	(6,156,840)
Investment income	822,775	590,878	1,413,653
Bond interest expense	(23,152,534)	(8,049,647)	(31,202,181)
Total non-operating revenues (expenses)	(9,051,818)	(5,000,900)	(14,052,718)
Change in net position	14,993,512	1,290,171	16,283,683
Net position beginning of year, as restated	553,798,842	254,573,936	808,372,778
Net position end of year	\$ 568,792,354	255,864,107	824,656,461

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, 2015

	Clean Water Program	Drinking Water Program	Total
Cash flows from operating activities:			
Administrative fees received	\$ 2,979,226	1,259,075	4,238,301
Interest received on loans to municipalities and other qualifying entities	26,793,249	10,245,613	37,038,862
Principal received on loans to municipalities and other qualifying entities	78,774,060	36,246,093	115,020,153
Loans disbursed to municipalities and other qualifying entities	(103,573,339)	(45,115,409)	(148,688,748)
Cash paid to suppliers and grantees	(4,656,038)	(4,672,541)	(9,328,579)
Net cash provided by (used for) operating activities	317,158	(2,037,169)	(1,720,011)
Cash flows from non-capital financing activities:			
Draws on capitalization grants from EPA	14,988,109	7,144,981	22,133,090
Issuance of debt	237,030,000	84,500,000	321,530,000
Premium on bonds issued	44,219,055	15,300,454	59,519,509
Interest paid on debt	(29,204,845)	(11,050,212)	(40,255,057)
Loss on refinancing	(26,218,482)	(11,309,078)	(37,527,560)
Bond issue costs	(1,150,025)	(398,038)	(1,548,063)
Repayment of debt principal	(235,575,000)	(105,110,000)	(340,685,000)
Net cash provided by (used for) non-capital financing activities	4,088,812	(20,921,893)	(16,833,081)
Cash flows from investing activities:			
Sale of investments	76,584,917	53,700,668	130,285,585
Interest received on investments	889,218	583,763	1,472,981
Investments purchased	(103,596,234)	(43,844,299)	(147,440,533)
Net cash provided by (used for) investing activities	(26,122,099)	10,440,132	(15,681,967)
Net change in cash and cash equivalents	(21,716,129)	(12,518,930)	(34,235,059)
Cash and cash equivalents beginning of year	211,531,890	85,029,190	296,561,080
Cash and cash equivalents end of year	\$ 189,815,761	72,510,260	262,326,021

Iowa Water Pollution Control Works and
Drinking Water Facilities Financing Programs

Statements of Cash Flows

Year ended June 30, 2015

	Clean Water Program	Drinking Water Program	Total
Reconciliation of operating income to net cash used for operating activities:			
Operating income	\$ 24,045,330	6,291,071	30,336,401
Adjustments to reconcile operating income to net cash used for operating activities:			
Depreciation expense	31,358	12,809	44,167
Amortization of loss on bond redemption	987,633	909,035	1,896,668
Change in provision for loan losses	-	(5,000)	(5,000)
Change in allowance for forgivable loans	(1,762,977)	(4,084,376)	(5,847,353)
Increase in loans receivable	(23,036,302)	(4,784,940)	(27,821,242)
(Increase) /decrease in accrued interest receivable	44,201	(6,297)	37,904
Increase in other assets	(1,924)	(14,287)	(16,211)
Decrease in due from Iowa Finance Authority	7,827	4,171	11,998
Increase/(decrease) in accounts payable and accrued expenses	23,029	(346,059)	(323,030)
Decrease in net pension liability	(103,958)	(68,067)	(172,025)
Increase in deferred outflows of resources	(11,706)	(5,643)	(17,349)
Increase in deferred inflows of resources	94,647	60,414	155,061
Total adjustments	(23,728,172)	(8,328,240)	(32,056,412)
Net cash provided by (used for) operating activities	\$ 317,158	(2,037,169)	(1,720,011)

See notes to financial statements.

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

Iowa Water Pollution Control Works and
Drinking Water Facilities Financing Programs

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

Description of the Iowa Water Pollution Control Works Financing Program

Chapter 455B and Chapter 16 of the Code of Iowa authorize 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 and Chapter 265, section 26 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 wastewater 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 for water quality projects. The funds are deposited at the various institutions in non-interest bearing accounts.

Description of the Iowa Drinking Water Facilities Financing Program

Chapter 455B and Chapter 16 of the Code of Iowa also authorize 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 and Chapter 265, section 26, 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 the 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. In fiscal year 2010, the Authority amended the Master Trust Agreement. Bonds issued in 2010 and after are under an open indenture which consists of all loans and equity account funds not pledged to prior bond issues. As prior bonds are retired, any loans and funds pledged to those bonds will be transferred to the new Master Trust funds. New bonds issued will no longer be secured by distinct loans, but will be secured by the entire Master Trust so all loans are available to repay all bonds. The only funds not pledged to the Master Trust are the program funds to be used for administration expenses, planning and design loans and non-point source loans.

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

A. Reporting Entity

For financial reporting purposes, the Clean Water and the 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, deferred outflows of resources, liabilities, deferred inflows of resources, net position, 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, deferred outflows of resources, liabilities and deferred inflows of resources, whether current or non-current, associated with their activity are included in the Statement of Net Position, with the difference reported as net position. Enterprise Fund operating statements present increases (revenue) and decreases (expenses) as changes in net position.

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 administrative fees, including initiation fees, 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 bonds. Non-operating revenues and expenses include federal grants and related grant expense, investment income and related rebates and bond interest expense.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

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 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 include \$59,463,983 of linked deposits. Linked deposits are defined as a deposit in an account with a financial institution to induce the institution's support for one or more projects (loans).

Investments

Under the 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 Position, with changes in the fair value of investments recorded in the Statements of Revenues, Expenses and Changes in Fund Net Position.

Loans to Municipalities and Other Qualifying Entities

The Clean Water Program and the Drinking Water Program are operated as direct loan programs. Loan funds are disbursed to municipalities and other qualifying entities as they incur costs for the purposes of the loan and request reimbursement from the Clean Water Program and the 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 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. A provision for loan losses for the Drinking Water Program was established during the year ended June 30, 2009. Additionally, during the years ended June 30, 2010 through June 30, 2015, a reserve was established for the Clean Water and the Drinking Water Programs for forgivable loans with funds appropriated from the American Recovery and Reinvestment Act (ARRA) of 2009 and capitalization grants awarded beginning with the 2010 grant year.

Loans to municipalities and other qualifying entities consist of three types of loans, which include wastewater infrastructure construction loans, planning and design loans and non-point source loans. The wastewater infrastructure construction loans are described in the preceding paragraphs. The planning and design loans are loans which reimburse the initial costs for an infrastructure program, which eventually roll into one of the other types of loans. Non-point source pollution loans are non-infrastructure loans used to restore habitat and wetlands, urban storm water management, landfill closures, lake restoration and watershed planning through either a direct loan with a municipality, a participation loan through a qualifying entity or linked deposits. All non-point source loans are reported as a binding commitment of the Authority, except for linked deposits.

Capital Assets

Capital assets exceeding \$2,500 are recorded at cost. Depreciation of all exhaustible capital assets is charged as an expense against operations using the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future year(s) which will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense, contributions from the employer after the measurement date but before the end of the employer's reporting period and losses on bond refunding which will be recognized as an adjustment to interest expense over the shorter of the remaining life of the refunded bonds or the new bonds using the bonds outstanding method.

Bond Issuance Costs and Bond Premiums and Discounts

Bond issuance costs are recognized in the period incurred. Bond premiums and discounts are deferred and amortized as an adjustment to interest expense over the life of the related bond issues using the bonds outstanding method.

Pensions

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

Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of the unamortized portion of the net difference between projected and actual earnings on IPERS' plan investments.

Net Position

The Clean Water and the Drinking Water Programs report restrictions of net position 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 which 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, 2015, the Clean Water and the Drinking Water Programs' investments include approximately \$106 million of U.S. government agency securities. 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	\$ 262,326	67.19%	N/A
Certificates of deposit	1,485	0.38	>1 year
US Treasury securities	12,363	3.16	3.8 years
U.S. government agency securities	105,658	27.06	2.5 years
Corporate bonds	1,511	0.39	<1 year
Municipal securities	7,106	1.82	2.6 years
Total	<u>\$ 390,449</u>	<u>100.00%</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 bonds 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 5.00% of the Authority's general operating account's total asset balance at the time such investment is made.
- Qualified investments allowed under the Clean Water and the 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 which 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, 2015 total approximately \$262.3 million and include approximately \$202.8 million invested in money market funds in collateralized trust accounts and approximately \$ 59.5 million in cash.

Concentration of Credit Risk

Concentration of risk is the risk of loss which may be attributed to the magnitude of an investment in a single type of security. The table below (expressed in thousands) lists the money market accounts by provider at June 30, 2015.

Provider	Certificates of Deposit and Money Market Accounts	U.S. Government Securities	Corporate and Municipal Bonds	Total	Credit Ratings		% of Total
					Standard and Poor's	Moody's	
Freddie Mac	\$ -	1,750	-	1,750	A+/A-1+	Aa3/P1	0.55%
Farmer Mac	-	1,252	-	1,252	AA+	AAA	0.39%
Federal Farm Credit Bank	-	3,364	-	3,364	AA+	AAA	1.06%
Federal Home Loan Bank	-	79,722	-	79,722	AA+	AAA	25.02%
Federal Home Loan Mortgage Corp.	-	5,265	-	5,265	AA+	AAA	1.65%
Federal National Mortgage Assoc.	-	14,305	-	14,305	AA+	AAA	4.49%
Corporate and Municipal Bonds	-	-	8,617	8,617	AA to AAA	A1 to Aaa	2.70%
Certificate of Deposits	1,485	-	-	1,485	NR to AA+	NR to Aa2	0.47%
Wells Fargo Bank, N.A.	202,862	-	-	202,862	NR to AAAM-G	NR to Aaa-mf	63.67%
Total	\$ 204,347	105,658	8,617	318,622			100.00%

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 the 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 3.25% per annum with a term of up to 30 years. Loans are generally repaid over 20 years, starting one year after the project is completed.

A provision for loan losses was established during the year ended June 30, 2009 for the Drinking Water program.

A reserve was established during the years ended June 30, 2010 through June 30, 2015 for the Clean Water and the Drinking Water programs for forgivable loans with funds appropriated from the American Recovery and Reinvestment Act (ARRA) of 2009 and capitalization grants beginning with the 2010 grant year.

Each loan recipient has established a dedicated source of revenue for 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, 2015 is as follows:

	Clean Water Program	Drinking Water Program	Total
Loans receivable beginning of year	\$ 1,015,237,957	391,073,281	1,406,311,238
Additions	103,573,339	45,115,409	148,688,748
Deletions:			
Payments received on program loans	78,774,060	36,246,093	115,020,153
Forgivable loans meeting requirements	2,407,236	4,084,376	6,491,612
Loans receivable end of year	1,037,630,000	395,858,221	1,433,488,221
Less: Provision for loan losses	-	1,438,169	1,438,169
Less: Reserve for forgivable loans	3,235,662	6,017,874	9,253,536
Net loans receivable end of year	<u>\$ 1,034,394,338</u>	<u>388,402,178</u>	<u>1,422,796,516</u>

Net loans receivable at June 30, 2015 are classified as follows:

	Clean Water Program	Drinking Water Program	Total
Current	\$ 51,697,714	24,071,100	75,768,814
Noncurrent	982,696,624	364,331,078	1,347,027,702
Total	<u>\$ 1,034,394,338</u>	<u>388,402,178</u>	<u>1,422,796,516</u>

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, 2015 are as follows (dollars in thousands):

Description	Original Amount	Due Dates		Interest Rates		June 30, 2015 Balance
		From	To	From	To	
Clean Water:						
Serial Bonds	\$ 130,670	08/01/11	08/01/25	2.00%	5.00%	\$ 105,565
Term Bonds	11,755		08/01/26		5.27	11,755
Term Bonds	12,315		08/01/27		5.27	12,315
Term Bonds	12,985		08/01/28		5.27	12,985
Term Bonds	12,970		08/01/29		5.27	12,970
Term Bonds	9,915		08/01/30		5.27	9,915
Total bonds outstanding	190,610					165,505
Unamortized (disc)/prem/other	-					2,068
Clean Water 2010	190,610					167,573
Serial Bonds	2,220	08/01/12	08/01/21	2.00%	5.00%	1,435
Serial Bonds	162,560		08/01/31	2.00	5.00	157,375
Total bonds outstanding	164,780					158,810
Unamortized (disc)/prem/other	-					18,998
Clean Water 2011	164,780					177,808
Serial Bonds	3,140	08/01/14	08/01/33	1.50%	5.00%	2,885
Serial Bonds	109,780		08/01/33	1.50	5.00	107,780
Total bonds outstanding	112,920					110,665
Unamortized (disc)/prem/other	-					14,141
Clean Water 2013	112,920					124,806
Serial Bonds	13,640	08/01/15	08/01/35	1.00%	5.00%	13,640
Serial Bonds	223,390	08/01/15	08/01/35	1.00%	5.00	223,390
Total bonds outstanding	237,030					237,030
Unamortized (disc)/prem/other	-					42,011
Clean Water 2015	237,030					279,041
Bonds outstanding	705,340					672,010
Unamortized (disc)/prem/other	-					77,218
Total Clean Water	\$ 705,340					\$ 749,228

Description	Original Amount	Due Dates		Interest Rates		June 30, 2015 Balance
		From	To	From	To	
Drinking Water:						
Serial Bonds	\$ 85,055	08/01/11	08/01/25	2.00%	5.00%	\$ 70,380
Term Bonds	3,250		08/01/26		5.27	3,250
Term Bonds	3,350		08/01/27		5.27	3,350
Term Bonds	3,530		08/01/28		5.27	3,530
Term Bonds	3,695		08/01/29		5.27	3,695
Term Bonds	3,400		08/01/30		5.27	3,400
Total bonds outstanding	102,280					87,605
Unamortized (disc)/prem/other	-					4,274
Drinking Water 2010	102,280					91,879
Serial Bonds	1,610	08/01/10	08/01/23	2.00%	5.00%	1,045
Serial Bonds	54,045		08/01/29	2.00	5.00	52,435
Total bonds outstanding	55,655					53,480
Unamortized (disc)/prem/other	-					6,652
Drinking Water 2011	55,655					60,132
Serial Bonds	2,530	08/01/14	08/01/33	1.50%	5.00%	2,325
Total bonds outstanding	2,530					2,325
Unamortized (disc)/prem/other	-					267
Drinking Water 2013	2,530					2,592
Serial Bonds	10,530	08/01/15	08/01/25	1.50%	5.00%	10,530
Serial Bonds	73,970		08/01/35	1.50	5.00	73,970
Total bonds outstanding	84,500					84,500
Unamortized (disc)/prem/other	-					14,429
Drinking Water 2015	84,500					98,929
Bonds outstanding	244,965					227,910
Unamortized (disc)/prem/other	-					25,622
Total Drinking Water	\$244,965					\$ 253,532

A summary of changes in bonds payable for the year ended June 30, 2015 is as follows:

	Clean Water Program	Drinking Water Program	Total
Balance beginning of the year	\$ 718,584,024	265,063,723	983,647,747
Increases	281,249,055	99,800,454	381,049,509
Decreases	(250,604,639)	(111,331,976)	(361,936,615)
Balance end of year	\$ 749,228,440	253,532,201	1,002,760,641
Due within one year	\$ 33,980,000	14,075,000	48,055,000

A summary of scheduled bond maturities and interest follows:

Year Ending June 30,	Clean Water Program		Drinking Water Program		Total
	Principal	Interest	Principal	Interest	
2016	\$ 33,980,000	27,533,492	14,075,000	9,369,061	84,957,553
2017	36,620,000	27,165,139	14,360,000	9,164,956	87,310,095
2018	36,470,000	25,807,151	15,300,000	8,595,386	86,172,537
2019	38,015,000	24,291,193	15,560,000	7,786,630	85,652,823
2020	35,535,000	22,739,610	14,560,000	7,270,952	80,105,562
2021-2025	201,710,000	88,259,501	85,550,000	25,051,002	400,570,503
2026-2030	164,900,000	47,807,095	52,455,000	9,075,401	274,237,496
2031-2035	118,315,000	11,570,811	14,670,000	1,450,014	146,005,825
2036	6,465,000	161,625	1,380,000	34,500	8,041,125
Total	\$ 672,010,000	275,335,617	227,910,000	77,797,902	1,253,053,519

Bonds Defeased

On February 25, 2015, the Authority issued State Revolving Fund bonds with a face value of \$237,030,000 and \$84,500,000 for the Clean Water and Drinking Water Programs, respectively, to provide resources to purchase investment securities which were placed into an irrevocable trust to provide funds for future debt service payments on \$206,590,000 and \$91,745,000 for the Clean Water and Drinking Water Programs, respectively, of State Revolving Fund bonds. The funds required for this transaction exceeded the net carrying value of the defeased debt by \$17,696,678 and \$7,735,732 for the Clean Water and Drinking Water Programs, respectively. This refunding was undertaken to take advantage of the low interest rate environment and resulted in an economic gain of \$32.9 million.

As a result, the irrevocable trust account assets and the liabilities for these defeased bonds are not included in the Clean Water and Drinking Water Programs basic financial statements.

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

	Clean Water	Drinking Water	Total
State Revolving Fund defeased bonds:			
Series 2007	\$ 28,430,000	21,195,000	49,625,000
Series 2008	86,235,000	35,690,000	121,925,000
Series 2009	91,925,000	34,860,000	126,785,000
Total State Revolving Fund defeased bonds	\$ 206,590,000	91,745,000	298,335,000

(5) Federal Capitalization Grants

The Clean Water and the 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, 2015, the EPA has awarded capitalization grants of \$517,372,459 to the State for the Clean Water Program, of which \$513,384,568 has been drawn for loans and administrative expenses. In addition, the State has provided matching funds of \$92,566,492 through bond issuances for the Clean Water Program. The following summarizes the capitalization grants awarded and amounts drawn on each grant at June 30, 2015.

Grant Award Year	EPA Grants Awarded	Total Draws Beginning of Year	2015 Draws	Total Draws End of Year	Remaining Grant Available at June 30, 2015
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	14,485,482	-	14,485,482	-
2008	9,202,600	9,202,600	-	9,202,600	-
2009	62,242,600	62,242,600	-	62,242,600	-
2010	27,575,000	27,575,000	-	27,575,000	-
2011	19,985,000	19,985,000	-	19,985,000	-
2012	19,128,000	19,128,000 *	-	19,128,000	-
2013	18,069,000	18,069,000	-	18,069,000	-
2014	18,976,000	-	14,988,109	14,988,109	3,987,891
Total	\$ 517,372,459	498,396,459	14,988,109	513,384,568	3,987,891

* Draws include \$86,000 paid directly by EPA for the Senior Environmental Employment Program.

At June 30, 2015, the EPA has awarded capitalization grants of \$271,612,500 to the State for the Drinking Water Program, of which \$258,600,615 has been drawn for loans and administrative expenses. In addition, the State has provided matching funds of \$49,463,900. The following summarizes the capitalization grants awarded, amounts drawn on each grant at June 30, 2015 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	2015 Draws	Total Draws End of Year	Remaining Grant Available at June 30, 2015
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	14,784,600	-	14,784,600	-
2003	14,695,700	14,695,700	-	14,695,700	-
2004	15,244,700	15,244,700	-	15,244,700	-
2005	15,212,400	15,212,400	-	15,212,400	-
2006	10,252,000	10,252,000	-	10,252,000	-
2007	10,252,000	10,252,000	-	10,252,000	-
2008	10,148,000	10,148,000	-	10,148,000	-
2009	34,441,000	34,441,000	-	34,441,000	-
2010	23,169,000	23,169,000	-	23,169,000	-
2011	16,077,000	15,929,484	147,516	16,077,000	-
2012	15,322,000	12,992,900	2,212,544	15,205,444	116,556
2013	14,375,000	9,923,750	2,488,061	12,411,811	1,963,189
2014	13,229,000	-	2,296,860	2,296,860	10,932,140
Total	\$ 271,612,500	251,455,634	7,144,981	258,600,615	13,011,885

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

	Clean Water Program	Drinking Water Program
Balance at July 1, 2014	\$ 498,214,459	251,455,634
Federal capitalization draws from EPA	14,988,109	7,144,981
Balance at June 30, 2015	\$ 513,202,568 **	258,600,615

** Balance does not include \$182,000 paid directly by EPA for the Senior Environmental Employment Program.

(6) Commitments

The Clean Water and the Drinking Water Programs have entered into loan agreements with municipalities and other qualifying entities for which \$96,264,292 and \$100,652,367, respectively, have not been disbursed as of June 30, 2015.

The funds disbursed is the cumulative amount disbursed on loans classified as binding commitments and causes a reduction of the amount of net loan commitments. The unused proceeds are funds which the recipient did not draw down, thereby reducing the net loan commitments.

Loan commitments as of June 30, 2015 are as follows:

Program	Loan Commitments	Funds Disbursed	Unused Proceeds	Net Loan Commitments
Clean Water	\$ 1,800,419,960	1,616,158,801	87,996,867	96,264,292
Drinking Water	787,066,212	650,440,493	35,973,352	100,652,367
Total	\$ 2,587,486,172	2,266,599,294	123,970,219	196,916,659

(7) Pension Plan

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

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

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

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

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

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

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

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

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

The Authority's contributions to IPERS for the Clean Water and Drinking Water Programs for the year ended June 30, 2015 were \$28,254 and \$13,996, respectively.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the Authority reported a liability of \$4,266,682 for its proportionate share of the net pension liability of which \$179,201 and \$90,454 are reported for the Clean Water and Drinking Water Programs, respectively. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Programs' proportion of the net pension liability was based on the Programs' share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2014, the Programs' collective proportion was 0.0067993%, which was a decrease of 0.000893% from its collective proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Clean Water and Drinking Water Programs recognized pension expense of \$7,237 and \$700, respectively. At June 30, 2015, the Program reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Clean Water		Drinking Water	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,948	-	983	-
Changes of assumptions	7,908	-	3,992	-
Net difference between projected and actual earnings on IPERS' investments	-	68,342	-	34,496
Changes in proportion and differences between contributions and its proportionate share of contributions	-	26,305	-	25,918
Contributions subsequent to the measurement date	28,254	-	13,996	-
Total	\$ 38,110	94,647	18,971	60,414

\$28,254 and \$13,996 for the Clean Water and Drinking Water Programs, respectively, reported as deferred outflows of resources related to pensions resulting from the Program's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2016	\$ (34,446)
2017	(34,446)
2018	(34,446)
2019	(34,446)
2020	(2,446)
Total	<u>\$ (140,230)</u>

There were no non-employer contributing entities to IPERS.

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

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

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

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31%
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Program will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Clean Water and Drinking Water Program's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Clean Water and Drinking Water Program's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Clean Water and Drinking Water Program's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Clean Water and Drinking Water Program's proportionate share of the net pension liability	\$ 509,504	269,655	67,196

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(8) 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.

(9) Accounting Change/Restatement

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

	Clean Water Program	Drinking Water Program	Total
Net position June 30, 2014, as previously reported	\$ 554,055,597	254,719,129	808,774,726
Net pension liability at June 30, 2014	(283,159)	(158,521)	(441,680)
Deferred outflows of resources related to prior year contributions made after the June 30, 2013 measurement date.	26,404	13,328	39,732
Net position July 1, 2014, as restated	<u>\$ 553,798,842</u>	<u>254,573,936</u>	<u>808,372,778</u>

Required Supplementary Information

Iowa Water Pollution Control Works and
Drinking Water Facilities Financing Programs
Schedule of the Programs' Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*

Other Information

	<u>2015</u>
Programs' proportion of the net pension liability	0.0067993%
Programs' proportionate share of the net pension liability	\$ 269,655
Program's covered-employee payroll	\$ 444,916
Programs' proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.61%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

See accompanying independent auditor's report.

Iowa Water Pollution Control Works and
Drinking Water Facilities Financing Programs
Schedule of Program Contributions

Iowa Public Employees' Retirement System
Last Ten Fiscal Years

Other Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 42,250	39,732	39,866	37,641
Contributions in relation to the statutorily required contribution	<u>(42,250)</u>	<u>(39,732)</u>	<u>(39,866)</u>	<u>(37,641)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Programs' covered-employee payroll	\$ 473,124	444,916	459,815	466,431
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

* The programs' contributions and covered employee payroll information was not readily available.
Therefore, contributions as a percentage of payroll could not be calculated.

2011	2010	2009	2008	2007	2006
35,435	*	*	*	*	*
(35,435)	*	*	*	*	*
-	-	-	-	-	-
509,856	*	*	*	*	*
6.95%	*	*	*	*	*

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

Iowa Water Pollution Control Works and
Drinking Water Facilities Financing Programs

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

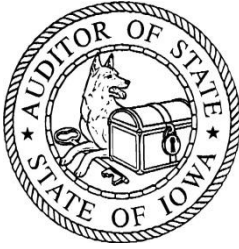
The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

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

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

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

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



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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 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, the financial statements of the Iowa Water Pollution Control Works and the Drinking Water Facilities Financing Programs as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the basic financial statements, and have issued our report thereon dated October 4, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Iowa Water Pollution Control Works and the Drinking Water Facilities Financing Programs' internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Iowa Water Pollution Control Works and the Drinking Water Facilities Financing Programs' internal control. Accordingly, we do not express an opinion on the effectiveness of the Iowa Water Pollution Control Works and the Drinking Water Facilities Financing Programs' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Iowa Water Pollution Control Works and the Drinking Water Facilities Financing Program's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Iowa Water Pollution Control Works and the Drinking Water Facilities Financing Program's financial statements are free of material misstatement, we performed tests of their 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 which are required to be reported under Government Auditing Standards.

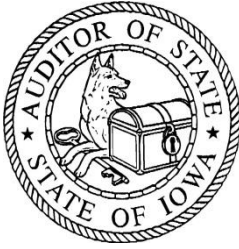
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Programs' internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Programs' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Iowa Water Pollution Control Works and the 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.


MARY MOSIMAN, CPA
Auditor of State

October 4, 2016



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STATE OF IOWA

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Independent Auditor's Report on Compliance for the Environmental
Protection Agency's State Revolving Fund Programs and on Internal Control
over Compliance Required by the Environmental Protection Agency Audit Guide for Clean
Water and Drinking Water State Revolving Fund Programs

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

Report on Compliance for the Environmental Protection Agency's State Revolving Fund Programs

We have audited the Iowa Water Pollution Control Works and the Drinking Water Facilities Financing Programs' compliance with the types of compliance requirements described in the Environmental Protection Agency Audit Guide for Clean Water and Drinking Water State Revolving Fund Programs that could have a direct and material effect on the Environmental Protection Agency's State Revolving Fund Programs for the year ended June 30, 2015.

Management's Responsibility

Management of the Iowa Water Pollution Control Works and the Drinking Water Facilities Financing Programs is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Iowa Water Pollution Control Works and the Drinking Water Facilities Financing Programs' based on our audit of the types of compliance requirements referred to above. 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 Audit Guide for Clean Water and Drinking Water State Revolving Fund Programs. 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 on the Environmental Protection Agency's State Revolving Fund Programs occurred. An audit includes examining, on a test basis, evidence about the Iowa Water Pollution Control Works and the 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 on compliance for the Environmental Protection Agency's State Revolving Fund Programs. However, our audit does not provide a legal determination of the Iowa Water Pollution Control Works and the Drinking Water Facilities Financing Programs' compliance.

Opinion on the Environmental Protection Agency's State Revolving Fund Programs

In our opinion, the Iowa Water Pollution Control Works and the Drinking Water Facilities Financing Programs complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Environmental Protection Agency's State Revolving Fund Programs for the year ended June 30, 2015.


Report on Internal Control Over Compliance

Management of the Iowa Water Pollution Control Works and the Drinking Water Facilities Financing Programs is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Iowa Water Pollution Control Works and the Drinking Water Facilities Financing Programs' internal control over compliance with the types of requirements that could have a direct and material effect on the Environmental Protection Agency's State Revolving Fund Programs to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Environmental Protection Agency's State Revolving Fund Programs and to test and report on internal control over compliance in accordance with the Environmental Protection Agency Audit Guide for Clean Water and Drinking Water State Revolving Fund Programs, 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 the Drinking Water Facilities Financing Programs' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist with have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Environmental Protection Agency Audit Guide for Clean Water and Drinking Water State Revolving Fund Programs. Accordingly, this report is not suitable for any other purpose.


MARY MOSIMAN, CPA
Auditor of State

October 4, 2016

Iowa Water Pollution Control Works and
Drinking Water Facilities Financing Programs

Schedule of Findings

Year ended June 30, 2015

Findings Related to the Financial Statements:

INTERNAL CONTROL 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.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the programs 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:

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Premnarayan Gobin, Assistant Auditor
Preston R. Grygiel, Assistant Auditor
Cole L. Hocker, Assistant Auditor
Alex M. Kawamura, Assistant Auditor
Tyler A. Propst, Assistant Auditor
Tara H. Williams, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, stylized initial "A".

Andrew E. Nielsen, CPA
Deputy Auditor of State