McGladrey & Pullen
Certified Public Accountants

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

Financial Statements

June 30, 2008

(With Independent Auditors' Report Thereon)

Performed as Special Assistant Auditors for the
Auditor General, State of Illinois

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

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The single audit report will be issued under separate cover.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

Agency Officials

Executive Director	DeShana L. Forney
General Counsel	Mary R. Kenney
Chief Financial Officer	Robert W. Kugel
Controller	James J. Kregor

Agency Officials are located at:

401 North Michigan Avenue, Suite 700
Chicago, Illinois 60611

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

Financial Statement Report

Summary

The audit of the accompanying financial statements of the Illinois Housing Development Authority (A Component Unit of the State of Illinois) was performed by McGladrey & Pullen, LLP.

Based on their audit, the auditors expressed an unqualified opinion on the Agency's basic financial statements.

Summary of Findings

The auditors identified matters involving the Agency's internal control over financial reporting that they considered to be significant deficiencies. The significant deficiencies are described in the accompanying Schedule of Findings on pages 63 - 65, as finding 08-1 (Inadequate Reconciliation Procedures for Deposits Held in Escrow), 08-2 (Inconsistencies in the Loan Monitoring and Loan Rating System) and 08-3 (Loan Receivable Balance and Allowance for Loan Loss Balance Overstated).

Exit Conference

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on October 16, 2008. Attending were:

<u>Illinois Housing Development Authority</u>
DeShana L. Forney
Robert W. Kugel
James J. Kregor
William Kazan

<u>McGladrey & Pullen, LLP</u>
Joseph Evans
Sean Hickey
Chuck Stewart

<u>Office of the Auditor General</u>
Karen Appelbaum

The responses to the recommendations were provided by DeShana L. Forney in a letter dated October 21, 2008.

McGladrey & Pullen
Certified Public Accountants

Independent Auditors' Report

The Honorable William G. Holland, Auditor
General of the State of Illinois, and the Members of the
Illinois Housing Development Authority:

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the nonmajor governmental fund of the Illinois Housing Development Authority (the Authority), a component unit of the State of Illinois, as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the nonmajor governmental fund of the Authority as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2008 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5 through 13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Combining Mortgage Loan Program Fund Schedules and the Combining Single Family Program Fund Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Combining Mortgage Loan Program Fund Schedules and the Combining Single Family Program Fund Schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

Schaumburg, Illinois
October 24, 2008

This section of the Illinois Housing Development Authority's (Authority) annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- Net assets of the Authority increased $31.1 million, to $542.0 million as of June 30, 2008, from an increase in the Authority's business-type ($23.3 million) and governmental ($7.8 million) activities.
- The increase in net assets, before transfers, of the Authority's business-type activities decreased $11.0 million from the prior year due primarily to increases ($1.9 million) in the estimated losses on program loans receivables, compared to $11.5 million of reversals in the prior year, and lower investment income ($2.8 million, primarily from lower investment yields), partially offset by increases in interest earned on program loans ($5.5 million), from increased loans outstanding in the Single Family Program Fund. During fiscal year 2007, the Authority adopted a revised loan loss rating policy, which included allowance for estimated loss provision percentages assigned for certain grades of loans, based primarily upon the Authority's experience with such loans. The implementation of the policy resulted in a change of estimate in fiscal year 2007 of its allowances for estimated losses on program loans receivable.
- The Authority's debt outstanding (net of discounts and premiums) of $1,645.0 million as of June 30, 2008 was $57.5 million above the amount outstanding as of June 30, 2007. Debt issuances, net of discounts and deferred gains and losses for the year totaled $404.7 million.
- Loan originations for the year totaled $45.6 million and $340.5 million in the Authority's governmental and business-type activities, respectively.

Overview of the Financial Statements

The financial statements consist of three parts – management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the Authority:

- The first two statements are government-wide financial statements that provide information about the Authority's overall financial position and operations. These statements, which are presented on the accrual basis, consist of the statement of net assets and the statement of activities.
- The remaining statements are fund financial statements of the Authority's three governmental funds, for which activities are funded primarily from State appropriations and for which the Authority follows the modified accrual basis of accounting, and three proprietary funds, which operate similar to business activities and for which the Authority follows the accrual basis of accounting.
- The basic financial statements also include the notes to the financial statements that explain some of the information in the Authority-wide and fund financial statements and provide more detailed data.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of these statements. The prior year results referred to throughout this section for comparison purposes are as previously reported.

The government-wide statements report information about the Authority as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the Authority's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. Most of the Authority's activities are business-type and are reported in its proprietary funds.

The fund financial statements provide more detailed information about the Authority's most significant funds and not the Authority as a whole. The Authority has two kinds of funds:

- Governmental funds – The Authority has three governmental funds. The Authority is the administrator of these funds, the revenues of which are appropriated annually to the Illinois Department of Revenue for the purpose of making housing grants and loans. These fund statements focus on how cash and other financial assets flowing into the funds have been used. Revenues converted to long-term loans comprise a substantial portion of the funds' net assets.
- Proprietary funds – The Authority's primary activities are in its three enterprise funds, which activities are accounted for in a manner similar to businesses operating in the private sector. Funding has primarily arisen through the issuances of bonds, both tax-exempt and taxable, the proceeds of which are primarily used to make various types of loans to finance low and moderate-income housing. The net assets of these funds represent accumulated earnings since their inception and are generally restricted for program purposes.

(Continued)

Financial Analysis of the Authority as a Whole

Net Assets – The combined net assets of the Authority increased by $31.1 million, or 6.1%, from the June 30, 2007 amount. The following table shows a summary of changes from prior year amounts.

Net Assets
(In millions of dollars)

	Governmental activities		Business-type activities		Total		Inc./(Dec.)	
	2008	2007	2008	2007	2008	2007	Amount	%
Current assets:								
Cash and investments – unrestricted	$ 63.6	$ 58.0	$ 90.1	$ 99.6	$ 153.7	$ 157.6	$ (3.9)	(2.5) %
Program loans receivable	8.0	5.7	55.1	44.4	63.1	50.1	13.0	25.9
Other current assets	0.3	2.0	9.0	9.6	9.3	11.6	(2.3)	(19.8)
Total current assets	71.9	65.7	154.2	153.6	226.1	219.3	6.8	3.1
Investments – restricted	-	-	630.9	635.8	630.9	635.8	(4.9)	(0.8)
Net program loans receivable	445.4	413.0	1,437.9	1,322.2	1,883.3	1,735.2	148.1	8.5
Capital assets, net	-	-	29.2	29.4	29.2	29.4	(0.2)	(0.7)
Other assets	-	-	23.9	20.7	23.9	20.7	3.2	15.5
Total assets	517.3	478.7	2,276.1	2,161.7	2,793.4	2,640.4	153.0	5.8
Current liabilities:								
Due to State of Illinois	68.4	62.2		-	68.4	62.2	6.2	10.0
Bonds and notes payable	-	-	106.7	102.2	106.7	102.2	4.5	4.4
Deposits held in escrow	-	-	166.1	159.0	166.1	159.0	7.1	4.5
Other current liabilities	1.5	-	93.1	66.6	94.6	66.6	28.0	42.0
Total current liabilities	69.9	62.2	365.9	327.8	435.8	390.0	45.8	11.7
Noncurrent liabilities								
Due to State of Illinois	277.3	254.2	-	-	277.3	254.2	23.1	9.1
Bonds and notes payable	-	-	1,538.3	1,485.3	1,538.3	1,485.3	53.0	3.6
Total noncurrent liabilities	277.3	254.2	1,538.3	1,485.3	1,815.6	1,739.5	76.1	4.4
Total liabilities	347.2	316.4	1,904.2	1,813.1	2,251.4	2,129.5	121.9	5.7
Net assets:								
Invested in capital assets, net of related debt	-	-	(8.7)	0.2	(8.7)	0.2	(8.9)	(4,450.0)
Restricted	170.1	162.3	296.0	262.8	466.1	425.1	41.0	9.6
Unrestricted	-	-	84.6	85.6	84.6	85.6	(1.0)	(1.2)
Total net assets	$ 170.1	$ 162.3	$ 371.9	$ 348.6	$ 542.0	$ 510.9	$ 31.1	6.1 %

Governmental Activities

Net assets of the Authority's governmental activities increased $7.8 million, or 4.8%, to $170.1 million from an increase in the HOME program, due to the conversion of grant revenues to program loans receivable. No net assets of the Authority's other two governmental activities are recorded on the Authority's financial statements. The equity of the Affordable Housing Trust Fund (Housing Program) is recorded as due to the State of Illinois. All revenues of the Rental Housing Support Program are ultimately disbursed as grant or administrative expenses, and therefore no equity is recorded on the Authority's financial statements.

Total program loans receivable (current and non-current), increased by $34.7 million, or 8.3%, to $453.4 million due mainly to continued strong demand in both the Housing Program and the HOME Program for loans to support low and very low income housing. Cash and investments increased by $5.6 million, or 9.2%, as the Authority was holding slightly higher amounts pending disbursement of funds for loans and grants to Housing Program recipients plus $1.5 million of Rental Housing Support Program Funds pending their disbursements as grants. State statute and federal regulations restrict the use of the Housing Program, the HOME program and the Rental Housing Support Program to program activities.

Due to the State of Illinois (current and non-current) increased $29.3 million. This item reflects a liability for the State of Illinois' interest in the equity of the Housing Program as the Authority acts only as the administrator of the Housing Program and accounts for the interest in the equity to be that of the State of Illinois.

Business-type Activities

Net assets of the Authority's business-type activities increased $23.3 million, to $371.9 million consisting of an increase in net assets before transfers of $18.1 million and the annual transfer ($5.2 million) from the Affordable Housing Trust Fund. Program loans receivable (current and non-current) increased $126.4 million, or 9.4%, to $1,493.0 million due primarily to increases in the Authority's Single Family Program Fund ($91.9 million), and the inclusion of Mortgage Participation Certificate Program Loans acquired by the Administrative Funds ($33.9 million). The increase in program loans receivable in the Single Family Program was the fourth straight year-to-year increase following a three year period of decreases caused by declining interest rates, which resulted in loan principal payments and loan prepayments exceeding originations. Interest rate increases over the past several years have resulted in a slowing of the prepayment rate to the extent that program loans receivable are again increasing. In addition, the fiscal year 2008 increase in program loans receivable was favorably impacted by increased Authority marketing efforts.

Cash and investments (current and non-current) decreased $14.4 million, or 2.0% due primarily to decreases within the Single Family and Mortgage Loan Programs in funds being held to purchase mortgage loans. Total bonds and notes payable (current and non-current) increased $57.5 million, or 3.6%, primarily from a $73.9 million increase in the Single Family Program, as demand for the Authority's mortgage products remained strong throughout most of the year while prepayments of existing loans remained at lower levels, thus reducing redemption activity.

Deposits held in escrow increased $7.1 million, or 4.5% due to increases in funding levels and the addition of escrow accounts for originated loans.

Other current liabilities increased $26.5 million due primarily to the recognition of a liability to re-purchase mortgage participation certificate loans with an outstanding principal balance of approximately $33.9 million, partially offset by a decline in funds held for future disbursement under the Authority's Mortgage Participation Certificate Program (risk sharing and Ambac) loans that are funded by participating investors.

Net assets invested in capital assets at June 30, 2008 was ($8.7) million compared to $0.2 million at the prior year-end. During fiscal year 2008, the Authority reclassified Lakeshore Plaza (ML-181) to a capital asset from the previous classification as real estate held for sale. The related debt outstanding exceeds the carrying value of ML-181.

Restricted net assets of the Authority's business-type activities increased $33.2 million, or 12.6%. The increases in net assets within the Authority's bond funds were $31.5 million, all of which are classified as restricted. The remaining restricted increases in net assets were from the FAF program, earnings of which are recorded in the Authority's Administrative Fund.

Statement of Activities

The statement of activities shows the sources of the Authority's changes in net assets as they arise through its various programs and functions. Three programs, the Illinois Affordable Housing Trust Fund, the HOME program and the Rental Housing Support Program are shown as governmental activities. The business-type activities consist of two housing lending programs, the results of which are primarily recorded within the funds comprising the two major bond funds (the Mortgage Loan Program Fund and the Single Family Program Fund), federal assistance activities, which involve the allocation of various federal subsidy funds directly to certain of the Authority's borrowers, and the tax credit authorization and monitoring, and FAF lending programs, both of which activities are recorded in the Authority's Administrative Fund.

A condensed summary of changes in net assets for the fiscal year ended June 30, 2008 is shown in the following table.

Changes in Net Assets

(In millions of dollars)

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	$ 4.2	$ 4.6	$ 116.5	$ 114.5	$ 120.7	$ 119.1
Operating/grant/federal revenues	46.9	51.2	139.8	153.9	186.7	205.1
General revenues:						
Investment income	-	-	3.9	3.9	3.9	3.9
Total revenues	51.1	55.8	260.2	272.3	311.3	328.1
Expenses:						
Direct	38.1	32.0	228.5	234.6	266.6	266.6
Administrative	-	-	13.6	8.6	13.6	8.6
Total expenses	38.1	32.0	242.1	243.2	280.2	275.2
Increase in net assets before transfers	13.0	23.8	18.1	29.1	31.1	52.9
Transfers	(5.2)	(5.2)	5.2	5.2	-	-
Increase in net assets	$ 7.8	$ 18.6	$ 23.3	$ 34.3	$ 31.1	$ 52.9

Governmental Activities

Revenues of the Authority's governmental activities decreased by $4.7 million from the prior year. Federal revenues of the HOME Program were $7.2 million below the prior year, due mainly to lower loan disbursements. Revenues arising from the Rental Housing Support Program increased $3.9 million, due to an increased grant amount to a local entity.

Direct expenses of the Authority's governmental activities increased by $6.1 million from the prior year, primarily due to increased expenses of the Rental Housing Support Program ($3.9 million). The Rental Housing Support Program recorded its first activities in fiscal year 2007, and activities will continue to increase as grant awards to additional entities throughout the State are awarded. The transfer ($5.2 million) from the governmental activities to the Authority's business-type activities represents an annual transfer, pursuant to the Illinois Affordable Housing Act, from the Illinois Affordable Housing Trust Fund to the Multi-Family Mortgage Loan Programs.

Business-type Activities

Revenues of the Authority's business-type activities decreased $12.1 million from the prior year from a decrease in federal revenues ($14.1 million), most of which are funds passed through to the recipient, partially offset by an increase in charges for services ($2.0 million). Charges for services consist primarily of interest income on program loans ($78.3 million), program investment income ($19.3 million), servicing fees ($9.7 million), and other income ($8.9 million). Program investment income is that income earned within the Authority's bond funds, the investments and the income of which is restricted to those funds.

Direct expenses of the Authority's business-type activities, which consist primarily of interest expense ($81.4 million) on Authority debt incurred to fund its various lending programs and the pass-through of federal assistance programs' funds ($138.3 million), decreased $6.1 million from the prior year, due mainly to the pass-through of federal assistance programs' funds ($14.1 million), partially offset by $8.3 million increased estimated losses on Multi-Family Mortgage Loan Program loans receivable (a $3.2 million provision in fiscal year 2008, compared to $5.1 million of reversals in fiscal year 2007). The direct expenses also include Administrative Fund allocations of expenses of Authority departments directly involved in the production or monitoring activities associated with the programs, as well as certain costs, both internally and externally incurred, associated with these programs. Administrative expenses, which are incurred within the Authority's Administrative Fund and which include all other administrative and supportive functions and all overhead expenses, were $5.0 million above the prior year due mainly to a $1.3 million reversal in the provisions for estimated losses on program loans receivable and estimated losses on mortgage participation certificate program within the Authority's Administrative Funds, compared to reversals of $6.0 million in the prior year.

The Authority's business-type activities also generated $3.9 million of unrestricted investment income, which was used primarily to partially offset its administrative costs. Program revenues of the Multi-Family Mortgage Loan Programs exceeded direct expenses by $19.1 million (See the Statement of Activities) and thus provided most of the Authority's increase in net assets. Direct revenues of the Single-Family Mortgage Loan Program exceeded program expenses by $4.4 million, or $2.7 million above the prior year, as the size of the program's loan portfolio program continued to increase, following a several year period of declining interest rates, which resulted in high loan pre-payment rates.

(Continued)

Proprietary Fund Results

Net assets of the Authority's proprietary funds increased from the June 30, 2007 amount by $23.5 million, to $371.9 million. The following table summarizes the statement of revenues, expenses, and changes in fund net assets of the Authority's proprietary funds for the fiscal years ended June 30, 2008 and 2007.

(In millions of dollars)

	Administrative Fund		Mortgage Loan Program Fund		Single Family Program Fund	
	2008	2007	2008	2007	2008	2007
Operating revenues:						
Interest earned on program loans	$ 1.5	$ 1.1	$ 32.4	$ 33.0	$ 44.3	$ 38.7
Investment income	3.9	3.9	7.7	10.4	11.6	11.6
Federal assistance programs	133.2	147.4	5.1	5.0	-	-
Service fees	9.7	10.0	-	-	-	-
Development fees	0.2	0.6	-	-	-	-
HUD savings	1.7	1.6	-	-	-	-
Other	4.0	3.8	4.9	5.2	-	-
Total operating revenues	154.2	168.4	50.1	53.6	55.9	50.3
Operating expenses:						
Interest expense	0.1	-	32.0	34.9	49.3	46.0
Federal assistance programs	133.2	147.4	5.1	5.0	-	-
Salaries and benefits	12.6	11.9	-	-	-	-
Professional fees	1.1	1.9	-	-	0.1	0.1
Other general and administrative	3.3	3.5	-	-	0.1	-
Financing costs	0.2	0.4	0.6	0.9	0.8	0.6
Program grant	1.7	1.7	-	-	-	-
Provision for estimated losses on program loans receivable and mortgage certification program	(1.3)	(6.0)	3.2	(5.1)	-	-
Total operating expenses	150.9	160.8	40.9	35.7	50.3	46.7
Operating income	3.3	7.6	9.2	17.9	5.6	3.6
Transfers in (out), net	(2.6)	(1.7)	5.2	5.2	2.6	1.7
Change in net assets	0.7	5.9	14.4	23.1	8.2	5.3
Net assets at beginning of year	113.3	107.4	181.5	158.4	53.8	48.5
Net assets at end of year	$ 114.0	$ 113.3	$ 195.9	$ 181.5	$ 62.0	$ 53.8

Net assets of the Administrative Fund increased $0.7 million, compared to the prior year increase of $5.9 million. Administrative Fund operating income was $3.3 million, a decrease of $4.3 million from the prior year, and net operating transfers out were $2.6 million compared to net transfers out of $1.7 million in the prior year. The fiscal year 2008 decrease in operating earnings was primarily from $1.3 million of reversals of previous provisions for estimated losses on program loans receivable, compared to $6.0 million of reversals in the prior fiscal year.

Operating transfers (out) of $2.6 million were $0.9 million above the prior year operating transfer (out) due to increased transfers to the Single Family Program Fund to fund bond issuance costs.

Net assets of the Mortgage Loan Program Fund increased $14.4 million, or $8.7 million below the prior year's $23.1 million increase. Operating income decreased $8.7 million primarily from a $3.2 million increase in estimated losses on program loans receivable, compared to $5.1 million of reversals of estimated losses on program loans receivable in the prior year. Lower investment income ($2.7 million), due to decreased investments and yields, and interest earned on program loans ($0.6 million), were partially offset by lower interest expense ($2.9 million), due to lower costs of re-financed bonds. Net transfers include only the amount from the Affordable Housing Trust Fund.

Net assets of the Single Family Program Fund increased $8.2 million, or $2.9 million above the prior year increase. Operating income of $5.6 million was $2.0 million above the prior year as interest earned on program loans increased $5.6 million, due to increases in the loan portfolio, partially offset by $3.3 million of increases in interest expense, due to higher bonds outstanding. The fiscal year 2008 operating transfers were $2.6 million, compared to $1.7 million the prior year, and in both years were used primarily to fund bond issuance costs. During fiscal year 2008, operating results continued to increase as mortgage interest rates rose, loan prepayments decelerated, and the Authority's mortgage portfolio grew from the prior year-end amounts.

Authority Debt

Authority debt issuances during fiscal year 2008 totaled $404.7 million (net of discounts and deferred gains and losses), with activity arising from the Single Family Program ($256 million), the Mortgage Loan Program Fund ($145.7 million) and the Administrative Fund ($2.9 million). Debt retirements within the Single Family and Mortgage Loan Program Funds were $182.2 million and $165.0 million, respectively. A substantial portion of the debt issuances and retirements of the Mortgage Loan Program Fund resulted from the refinancing of the loans within the Multi-Family Program Bonds, Multi-Family Variable Rate Demand Bond and Multi-Family Housing Revenue Bond by Housing Bond issuances. In addition, the Authority defeased $13.9 million of Housing Finance Bonds during fiscal year 2008. Total bonds and notes payable increased $57.5 million as the debt within the Authority's Single Family Program grew by $73.9 million, from program expansion. For additional information, see note F, Bonds and Notes Payable in the Notes to Financial Statements.

During fiscal year 2008, the Authority's Issuer Credit Ratings remained at A+/A1/A+ by Fitch Ratings, Moody's Investors Service and Standard & Poor's Ratings Services respectively.

Economic Factors

The general obligation ratings of a number of financial institutions providing insurance, investment guarantees or other assurance services to the Authority declined over the past fiscal year, as a result of the economic disruptions occurring within the mortgage and other credit markets. In some cases, the declines have resulted in the financial institutions no longer being able to meet bond resolution or other contractual requirements for the procurement of new contracts, thus limiting the Authority's supply for services.

Although substantially all mortgage loans funded by the Homeowner Mortgage Revenue Bonds were covered by pool insurance as of June 30, 2008, due to the ratings decreases noted above, accompanied by rate increases of insurers that continue to meet the Authority ratings criteria, the Authority is severely limited in its capacity to originate such loans in a cost effective manner and is developing programs in which it would originate and securitize such loans backed by government sponsored enterprise guarantees.

Contacting the Authority's Financial Management

This financial report is designed to provide the citizens of Illinois, our constituents and investors with a general overview of the Authority's finances and to demonstrate the Authority's financial accountability over its resources. If you have questions about this report or need additional financial information, contact the Controller at the Illinois Housing Development Authority, 401 North Michigan Ave, Suite 700, Chicago, IL 60611 or visit our website at: www.ihda.org.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)
Statement of Net Assets
June 30, 2008

	Governmental activities	Business-type activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	$ 1,866,660	$ 9,671,123	$ 11,537,783
Funds held by State Treasurer	293,401	-	293,401
Investments	61,453,707	80,421,062	141,874,769
Investment income receivable	27,500	237,420	264,920
Investment income receivable – restricted	-	1,970,930	1,970,930
Program loans receivable	8,006,000	55,116,000	63,122,000
Grant receivable	691,629	-	691,629
Interest receivable on program loans	261,591	6,134,389	6,395,980
Internal balances	(691,629)	691,629	-
Total current assets	71,908,859	154,242,553	226,151,412
Noncurrent assets:			
Investments – restricted	-	630,939,289	630,939,289
Program loans receivable, net of current portion	463,719,618	1,455,300,830	1,919,020,448
Less allowance for estimated losses	(18,315,000)	(17,370,000)	(35,685,000)
Net program loans receivable	445,404,618	1,437,930,830	1,883,335,448
Unamortized bond issuance costs	-	17,060,057	17,060,057
Real estate held for sale, net	-	2,811,479	2,811,479
Capital assets, net	-	29,158,414	29,158,414
Other	-	3,953,516	3,953,516
Total noncurrent assets	445,404,618	2,121,853,585	2,567,258,203
Total assets	517,313,477	2,276,096,138	2,793,409,615
Liabilities:			
Current liabilities:			
Due to State of Illinois	68,404,798	-	68,404,798
Bonds and notes payable	-	106,640,000	106,640,000
Accrued interest payable	-	31,492,441	31,492,441
Unearned revenue	1,470,733	50,873	1,521,606
Deposits held in escrow	-	166,077,785	166,077,785
Amounts held on behalf of others	-	2,756,895	2,756,895
Accrued liabilities and other	-	58,858,002	58,858,002
Total current liabilities	69,875,531	365,875,996	435,751,527
Noncurrent liabilities:			
Due to State of Illinois	277,328,902	-	277,328,902
Bonds and notes payable, net of current portion	-	1,538,333,679	1,538,333,679
Total noncurrent liabilities	277,328,902	1,538,333,679	1,815,662,581
Total liabilities	347,204,433	1,904,209,675	2,251,414,108
Net assets:			
Invested in capital assets, net of related debt	-	(8,726,586)	(8,726,586)
Restricted for bond resolution purposes	-	266,831,746	266,831,746
Restricted for loan and grant programs	170,109,044	29,169,764	199,278,808
Unrestricted	-	84,611,539	84,611,539
Total net assets	$ 170,109,044	$ 371,886,463	$ 541,995,507

See accompanying notes to financial statements.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)
Statement of Activities
Year ended June 30, 2008

		Program revenues		Net (expenses) revenues and changes in net assets		
Functions/programs	Expenses	Charges for services and interest income	Operating grant/federal revenues	Governmental activities	Business-type activities	Total
Governmental activities:						
Illinois Affordable Housing Trust Fund	$ 11,386,859	$ 2,586,338	$ 14,000,521	$ 5,200,000	$ -	$ 5,200,000
HOME Program	15,699,914	1,626,500	21,850,617	7,777,203	-	7,777,203
Rental Housing Support Program	11,069,611	-	11,069,611	-	-	-
Total governmental activities	38,156,384	4,212,838	46,920,749	12,977,203	-	12,977,203
Business-type activities:						
Administrative	13,550,194	120,135	-	-	(13,430,059)	(13,430,059)
Multi-Family Mortgage Loan Programs	37,703,282	56,842,669	-	-	19,139,387	19,139,387
Multi-Family Federal Assistance Programs	138,311,146	-	138,311,146	-	-	-
Single-Family Mortgage Loan Programs	51,929,741	56,359,191	-	-	4,429,450	4,429,450
Tax Credit Authorization and Monitoring	571,083	2,993,147	-	-	2,422,064	2,422,064
FAF Lending Program	9,990	201,662	1,496,127	-	1,687,799	1,687,799
Total business-type activities	242,075,436	116,516,804	139,807,273	-	14,248,641	14,248,641
Total Authority	$ 280,231,820	$ 120,729,642	$ 186,728,022	12,977,203	14,248,641	27,225,844
	General revenues:					
	Unrestricted investment income			-	3,871,306	3,871,306
	Transfers			(5,200,000)	5,200,000	-
	Total general revenues and transfers			(5,200,000)	9,071,306	3,871,306
	Change in net assets			7,777,203	23,319,947	31,097,150
	Net assets at beginning of year			162,331,841	348,566,516	510,898,357
	Net assets at end of year			$ 170,109,044	$ 371,886,463	$ 541,995,507

See accompanying notes to financial statements.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)
Governmental Funds
Balance Sheet
June 30, 2008

	Illinois Affordable Housing Trust Fund	HOME Program Fund	Nonmajor Governmental Fund	Total
Assets				
Current assets:				
Cash	$ 1,866,350	$ -	$ 310	$ 1,866,660
Funds held by State Treasurer	-	293,401	-	293,401
Investments	59,983,284	-	1,470,423	61,453,707
Investment income receivable	27,500	-	-	27,500
Program loans receivable	6,376,000	1,630,000	-	8,006,000
Grant receivable	156,755	439,189	95,685	691,629
Interest receivable on program loans	151,664	109,927	-	261,591
Due from other funds	-	9,448	-	9,448
Total current assets	68,561,553	2,481,965	1,566,418	72,609,936
Noncurrent assets:				
Program loans receivable, net of current portion	292,078,902	171,640,716	-	463,719,618
Less allowance for estimated losses	(14,750,000)	(3,565,000)	-	(18,315,000)
Net program loans receivable	277,328,902	168,075,716	-	445,404,618
Total noncurrent assets	277,328,902	168,075,716	-	445,404,618
Total assets	$ 345,890,455	$ 170,557,681	$ 1,566,418	$ 518,014,554
Liabilities and Fund Balances				
Current liabilities:				
Deferred revenue	$ -	$ 109,927	$ 1,470,733	$ 1,580,660
Due to other funds	156,755	448,637	95,685	701,077
Due to State of Illinois	68,404,798	-	-	68,404,798
Total current liabilities	68,561,553	558,564	1,566,418	70,686,535
Noncurrent liabilities:				
Due to State of Illinois	277,328,902	-	-	277,328,902
Total liabilities	345,890,455	558,564	1,566,418	348,015,437
Fund balances:				
Reserved for loans receivable	-	168,075,716	-	168,075,716
Unreserved	-	1,923,401	-	1,923,401
Total fund balances	-	169,999,117	-	169,999,117
Total liabilities and fund balances	$ 345,890,455	$ 170,557,681	$ 1,566,418	
Amounts reported for governmental activities in the statement of net assets are different due to interest receivable on program loans				109,927
Net assets of governmental activities				$ 170,109,044

See accompanying notes to financial statements.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year ended June 30, 2008

	Illinois Affordable Housing Trust Fund	HOME Program Fund	Nonmajor Governmental Fund	Total
Revenues:				
Grant from State of Illinois	$ 14,000,521	$ -	$ 11,069,611	$ 25,070,132
Federal HOME funds	-	21,850,617	-	21,850,617
Interest and investment income	2,586,338	1,623,056	-	4,209,394
Total revenues	16,586,859	23,473,673	11,069,611	51,130,143
Expenditures:				
Grants	6,407,796	12,430,547	10,750,000	29,588,343
General and administrative	2,392,725	1,644,367	319,611	4,356,703
Program income transferred to State of Illinois	2,586,338	-	-	2,586,338
Provision for estimated losses on program loans receivable	-	1,625,000	-	1,625,000
Total expenditures	11,386,859	15,699,914	11,069,611	38,156,384
Excess of revenues over expenditures	5,200,000	7,773,759	-	12,973,759
Other financing uses:				
Transfer out	(5,200,000)	-	-	(5,200,000)
Net change in fund balances	-	7,773,759	-	7,773,759
Fund balances at beginning of year	-	162,225,358	-	
Fund balances at end of year	$ -	$ 169,999,117	$ -	
Amounts reported for governmental activities in the statement of activities are different due to interest on program loans receivable				3,444
Change in net assets of governmental activities				$ 7,777,203

See accompanying notes to financial statements.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)
Proprietary Funds
Statement of Net Assets
June 30, 2008

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	Total
Assets:				
Current assets:				
Cash and cash equivalents	$ 2,510,693	$ 405,140	$ 6,755,290	$ 9,671,123
Investments	80,421,062	-	-	80,421,062
Investment income receivable	237,420	-	-	237,420
Investment income receivable - restricted	422,974	350,978	1,196,978	1,970,930
Program loans receivable	4,060,000	30,283,000	20,773,000	55,116,000
Interest receivable on program loans	78,362	1,649,764	4,406,263	6,134,389
Due from other funds	2,951,687	14,481,827	533	17,434,047
Total current assets	90,682,198	47,170,709	33,132,064	170,984,971
Noncurrent assets:				
Investments – restricted	194,255,548	198,888,626	237,795,115	630,939,289
Program loans receivable, net of current portion	70,269,899	541,572,963	843,457,968	1,455,300,830
Less allowance for estimated losses	(3,860,000)	(13,510,000)	-	(17,370,000)
Net program loans receivable	66,409,899	528,062,963	843,457,968	1,437,930,830
Unamortized bond issuance costs	-	7,412,054	9,648,003	17,060,057
Real estate held for sale, net	-	-	2,811,479	2,811,479
Capital assets, net	148,391	29,010,023	-	29,158,414
Other	3,947,212	6,304	-	3,953,516
Total noncurrent assets	264,761,050	763,379,970	1,093,712,565	2,121,853,585
Total assets	355,443,248	810,550,679	1,126,844,629	2,292,838,556
Liabilities:				
Current liabilities:				
Bonds and notes payable	-	20,455,000	86,185,000	106,640,000
Accrued interest payable	59,011	11,228,577	20,204,853	31,492,441
Deferred revenue	50,873	-	-	50,873
Deposits held in escrow	166,077,785	-	-	166,077,785
Amounts held on behalf of others	2,157,532	599,363	-	2,756,895
Accrued liabilities and other	54,109,878	3,646,276	1,101,848	58,858,002
Due to other funds	14,491,808	1,745,362	505,248	16,742,418
Total current liabilities	236,946,887	37,674,578	107,996,949	382,618,414
Noncurrent liabilities:				
Bonds and notes payable, net of current portion	4,566,667	576,967,278	956,799,734	1,538,333,679
Total liabilities	241,513,554	614,641,856	1,064,796,683	1,920,952,093
Net assets:				
Invested in capital assets, net of related debt	148,391	(8,874,977)	-	(8,726,586)
Restricted for bond resolution purposes	-	204,783,800	62,047,946	266,831,746
Restricted for loan and grant programs	29,169,764	-	-	29,169,764
Unrestricted	84,611,539	-	-	84,611,539
Total net assets	$ 113,929,694	$ 195,908,823	$ 62,047,946	$ 371,886,463

See accompanying notes to financial statements.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Year ended June 30, 2008

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	Total
Operating revenues:				
Interest and other investment income	$ 3,588,411	$ 6,773,203	$ 11,068,445	$ 21,430,059
Net increase in fair value of investments	282,895	886,610	535,269	1,704,774
Total investment income	3,871,306	7,659,813	11,603,714	23,134,833
Interest earned on program loans	1,508,088	32,440,437	44,344,751	78,293,276
Federal assistance programs	133,240,360	5,070,786	-	138,311,146
Service fees	9,660,338	-	-	9,660,338
Development fees	170,780	-	-	170,780
HUD savings	1,687,799	-	-	1,687,799
Other	4,015,765	4,911,456	-	8,927,221
Total operating revenues	154,154,436	50,082,492	55,948,465	260,185,393
Operating expenses:				
Interest expense	91,098	32,023,196	49,317,073	81,431,367
Federal assistance programs	133,240,360	5,070,786	-	138,311,146
Salaries and benefits	12,583,775	-	-	12,583,775
Professional fees	1,065,674	28,500	47,000	1,141,174
Other general and administrative	3,344,317	-	117,515	3,461,832
Financing costs	202,516	552,117	836,852	1,591,485
Program grant	1,666,667	-	-	1,666,667
Reversal of estimated losses on mortgage participation certificate program	(792,000)	-	-	(792,000)
Provision for (reversal of) estimated losses on program loans receivable	(540,000)	3,210,000	-	2,670,000
Total operating expenses	150,862,407	40,884,599	50,318,440	242,065,446
Operating income	3,292,029	9,197,893	5,630,025	18,119,947
Transfers in	18,940	5,204,420	2,622,469	7,845,829
Transfers out	(2,626,585)	(8,273)	(10,971)	(2,645,829)
Total transfers	(2,607,645)	5,196,147	2,611,498	5,200,000
Change in net assets	684,384	14,394,040	8,241,523	23,319,947
Net assets at beginning of year	113,245,310	181,514,783	53,806,423	348,566,516
Net assets at end of year	$ 113,929,694	$ 195,908,823	$ 62,047,946	$ 371,886,463

See accompanying notes to financial statements.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)
Proprietary Funds
Statement of Cash Flows
Year ended June 30, 2008

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	Total
Cash flows from operating activities:				
Receipts for program loans, interest and service fees	$ 31,851,853	$ 192,652,118	$ 120,808,722	$ 345,312,693
Payments for program loans	(7,491,226)	(162,990,904)	(170,834,490)	(341,316,620)
Receipts for federal assistance programs	133,240,360	5,070,786	-	138,311,146
Payments for federal assistance programs	(133,240,360)	(5,070,786)	-	(138,311,146)
Payment for program grant	(1,666,667)	-	-	(1,666,667)
Payments to suppliers	(2,754,357)	(5,201,702)	(1,702,365)	(9,658,424)
Payments to employees	(12,619,701)	-	-	(12,619,701)
Receipts (Payments) for amounts held on behalf of others	(6,398,410)	599,363	-	(5,799,047)
Other receipts	-	4,911,456	-	4,911,456
Net cash provided by (used in) operating activities	921,492	29,970,331	(51,728,133)	(20,836,310)
Cash flows from noncapital financing activities:				
Proceeds from sale of revenue bonds and notes	2,900,000	145,719,750	256,040,928	404,660,678
Principal paid on revenue bonds and notes	-	(165,021,655)	(182,186,243)	(347,207,898)
Interest paid on revenue bonds and notes	(43,286)	(32,596,151)	(47,734,050)	(80,373,487)
Due to other funds	(1,660,007)	(164,855)	154,220	(1,670,642)
Due from other funds	1,054,181	(111,368)	(533)	942,280
Transfers in	18,940	5,204,420	2,622,469	7,845,829
Transfers out	(2,626,585)	(8,273)	(10,971)	(2,645,829)
Net cash provided by (used in) noncapital financing activities	(356,757)	(46,978,132)	28,885,820	(18,449,069)
Cash flows from investing activities:				
Purchase of investment securities	(757,820,611)	(1,212,651,931)	(710,237,430)	(2,680,709,972)
Proceeds from sales and maturities of investment securities	745,452,089	1,219,838,155	722,345,856	2,687,636,100
Interest received on investments	4,364,033	8,223,464	12,397,148	24,984,645
Net cash provided by (used in) investing activities	(8,004,489)	15,409,688	24,505,574	31,910,773
Net increase (decrease) in cash and cash equivalents	(7,439,754)	(1,598,113)	1,663,261	(7,374,606)
Cash and cash equivalents at beginning of year	9,950,447	2,003,253	5,092,029	17,045,729
Cash and cash equivalents at end of year	$ 2,510,693	$ 405,140	$ 6,755,290	$ 9,671,123
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income	$ 3,292,029	$ 9,197,893	$ 5,630,025	$ 18,119,947
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Investment income	(3,871,306)	(7,659,813)	(11,603,714)	(23,134,833)
Interest expense	91,098	32,023,196	49,317,073	81,431,367
Depreciation and amortization	55,141	800,000	-	855,141
Provision for (reversal of) estimated losses on program loans receivable	(540,000)	3,210,000	-	2,670,000
Changes in assets and liabilities:				
Program loans receivable	(34,202,821)	(32,337,620)	(93,801,419)	(160,341,860)
Interest receivable on program loans	91,495	(68,468)	(569,100)	(546,073)
Other liabilities	42,647,645	(4,621,085)	(700,998)	37,325,562
Other assets	(243,379)	28,826,865	-	28,583,486
Held on behalf of others	(6,398,410)	599,363	-	(5,799,047)
Total adjustments	(2,370,537)	20,772,438	(57,358,158)	(38,956,257)
Net cash provided by (used in) operating activities	$ 921,492	$ 29,970,331	$ (51,728,133)	$ (20,836,310)

See accompanying notes to financial statements.

Note A — Authorizing Legislation

The Illinois Housing Development Authority (the Authority) is a body politic and corporate of the State of Illinois (the State) created by the Illinois Housing Development Act, as amended (the Act), for the purposes of assisting in the financing of decent, safe, and sanitary housing for persons and families of low and moderate income in the State and assisting in the financing of residential mortgages in the State. To accomplish its purposes, the Authority is authorized by the Act to make mortgage or other loans to nonprofit corporations and limited-profit entities for the acquisition, construction, or rehabilitation of dwelling accommodations and to acquire, and to contract and enter into advance commitments to acquire, residential mortgage loans from lending institutions. The Act also authorizes the Authority to issue its bonds and notes to fulfill corporate purposes, including the financing of mortgage and construction loans, the acquisition of residential mortgage loans and the making of loans for housing related commercial facilities. The Authority has issued various bonds and notes to finance mortgage loans and construction loans, to purchase residential mortgage loans from lending institutions and to make loans to private lending institutions for making new residential mortgage loans.

The bonds and notes outstanding as of June 30, 2008, as shown on the Authority's financial statements consist of both general and special limited obligations of the Authority (see note G). The full faith and credit of the Authority are pledged for payment of general obligation bonds and notes. The Authority has the power under the Act to have up to $3,600,000,000 of general and special limited obligation bonds and notes outstanding, excluding those issued to refund outstanding bonds and notes. At June 30, 2008, amounts outstanding against this limitation were approximately $1,974,000,000.

Note B — Summary of Significant Accounting Policies

The following summarizes the significant accounting policies of the Authority:

Reporting Entity

As defined by accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

(a) Appointment of a voting majority of the component unit's board, and either a) the ability of the primary government to impose its will, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or

(b) Fiscal dependency on the primary government.

For financial reporting purposes, the Authority is a component unit of the State of Illinois. The Authority has no component units.

Basis of Presentation

Government-Wide Statements – The government-wide statement of net assets and statement of activities report the overall financial activity of the Authority. Eliminations have been made to minimize the double-accounting of internal activities of the Authority. These statements distinguish between the *governmental* and *business-type* activities of the Authority. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Authority and for each function of the Authority's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges paid by the recipients for goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements – The fund financial statements provide information about the Authority's funds. Separate statements for each fund category, governmental and proprietary, are presented. The emphasis on fund financial statements is on major governmental and proprietary (enterprise) funds, each displayed in a separate column. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund including interest income, service fees, and development fees. Exchange transactions are those in which each party receives and gives up essentially equal values.

The Authority reports the following major governmental funds:

Illinois Affordable Housing Trust Fund

The Authority is designated administrator of the Illinois Affordable Housing Program (Housing Program). The program is funded by the Illinois Affordable Housing Trust Fund with funds generated from a portion of the State real estate transfer tax collected by the Illinois Department of Revenue and held within the State Treasury. The funds are appropriated annually to the Illinois Department of Revenue by the General Assembly. In accordance with State statute, the Authority makes grants and low or no interest mortgages or other loans, some with deferred repayment terms, to acquire, construct, rehabilitate, develop, operate, insure, and retain affordable single family and multi-family housing for low and very low income households.

As the administrator of the Housing Program, the Authority considers the interest in equity of the Housing Program to be that of the State of Illinois and the Authority records a liability to the State of Illinois for their equity share. Additionally, the Authority records amounts received to administer the Housing Program as grant revenue.

HOME Program Fund

The Authority is designated program administrator for the HOME Investment Partnerships Program (HOME Program) for the State, the funds of which are appropriated to the Department of Revenue by the General Assembly. Under this program, the Authority seeks applicants and approves funding commitments for federal affordable housing funds made available under the HOME Program provisions of the 1990 National Affordable Housing Act.

Other Nonmajor Governmental Fund

In addition to the above major governmental funds, as a result of the July 2005 enactment of the Rental Housing Support Program Act, the Authority administers the Rental Housing Support Program and awards funds to local administering agencies, which will contract with local landlords to make rental units affordable to households who earn less than 30% of the area median income. The program is funded by a surcharge for the recording of any real estate-related document. The funds are appropriated to the Illinois Department of Revenue by the General Assembly. The Program's fiscal year 2008 activities, as administered by the Authority, consists of the pass-through of grants to one municipality and are included in the Authority's financial statements as a nonmajor governmental fund.

The Authority reports the following major proprietary funds:

Administrative Fund

Development fee and financing fee income related to multi-family mortgage loans, income from service fees, and operating expenses of the Authority are accounted for in the Administrative Fund. In addition, the Administrative Fund has provided for supplemental financing of certain developments through residual income loans and below market financing for various developments through the Authority's Housing Partnership Program (see note E), and its lending program in conjunction with a debt service savings sharing agreement (the FAF Savings Program) with the United States Department of Housing and Urban Development (HUD) (see note L).

The Administrative Fund net assets that are classified as restricted by contractual agreement for loan and grant programs consist of the FAF Savings Program and income from insurance proceeds that was required to be disbursed as a loan to Lake Grove Village (ML-248).

Mortgage Loan Program Fund

The Mortgage Loan Program Fund accounts for the financing of low and moderate income housing developments from the proceeds of Multi-Family Program Bonds, Multi-Family Variable Rate Demand Bonds, Multi-Family Housing Revenue Bonds, Housing Bonds, Housing Finance Bonds, Multi-family Housing Revenue Bonds (Marywood), Multi-family Bonds (Turnberry) and Affordable Housing Program Trust Fund Bonds, and for the retirement of such obligations.

The Authority holds first mortgage liens on such developments. Affordable Housing Program Trust Fund Bond accounts include a transfer of funds from the Illinois Affordable Housing Trust Fund.

Single Family Program Fund

The Single Family Program Fund accounts for the proceeds of Homeowner and Residential Bonds issued to provide funds for the purchase from lending institutions of mortgage loans on owner-occupied, one to four unit dwellings acquired by eligible buyers.

The use of tax exempt financing to provide eligible borrowers with below market-rate mortgage loans involves federal restrictions on expenses chargeable to the program. Any expenses incurred in the program in excess of such maximum amounts are absorbed by the Administrative Fund.

Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Authority receives value without directly giving equal value in exchange, include federal and state grant revenue. Revenue from these sources is recognized in the fiscal year in which all eligibility requirements have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

Separate fund financial statements are provided for governmental and proprietary funds. Major individual governmental funds and proprietary funds are reported as separate columns in the fund financial statements.

The Authority applies all GASB pronouncements for the Authority's proprietary funds, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative plans by the Authority for financial resource utilization in a future period as documented in the minutes or budgeting process for a succeeding year. Such plans are subject to change from original authorizations and may never result in expenditures.

The designations of the Authority's Administrative Fund unrestricted net assets as of June 30, 2008 are as follows:

Housing Partnership Program	$	4,400,000
To pay expenses for planned technology enhancements		1,000,000
To pay possible losses arising in the Multi-Family Bond Fund Program attributable, but not limited to, delinquencies or defaults on uninsured or unsubsidized loans		4,000,000
Provide funds to purchase single family loans which eventually will be purchased with proceeds from future issuances of Authority bonds		35,000,000
Provide funds and reserves to support the Mortgage Participation Certificate Program, including the purchase of loans within the Program		40,000,000
	$	84,400,000

The designations of the Administrative Fund unrestricted net assets may be amended or rescinded by the Members of the Authority.

Net Assets

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Invested in Capital Assets – This consists of capital assets, net of accumulated depreciation and related debt.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, then unrestricted resources when they are needed.

The use of assets of each of the program funds is restricted by the related bond and note resolutions of the Authority. Certain amounts in the above program funds are considered subject to the restriction that they be applied to the financing of housing for the respective program purposes or to the retirement of obligations issued for such purposes; these amounts may include certain investment earnings attributable to the respective fund net assets. Federal regulations restrict the use of the HOME Program. Accordingly, fund balances of the HOME Program are reserved for loans not due within one year, and assets of the Affordable Housing Trust Fund are due to the State. All net assets of the governmental activities column of the Authority-wide financial statements are restricted with respect to the use of cash investments and loan amounts that are to be repaid to the Authority. (See note E for schedules of aging for the loans made under these programs. In addition, see the governmental funds – balance sheet, fund balance).

Unrestricted – This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets."

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and expenditures during the reporting period. Actual results could differ from the estimates.

Risks and Uncertainties

The Authority invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term. Such changes could materially affect the amounts reported in the balance sheet and the statements of net assets.

The allowances for estimated losses are reported based on certain assumptions pertaining to the Authority's periodic review and evaluation of the loan portfolio, which is subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all cash, certificates of deposits, time deposits, and short-term repurchase agreements with original maturity dates of three months or less to be cash equivalents.

Investments

Investments of the Authority, which are generally held to maturity, are reported at fair value, with the exceptions of nonparticipating investment contracts (demand repurchase agreements), which are reported at cost. Fair value is determined by reference to public market prices and quotations from a securities pricing service.

The investment of funds is restricted by various bond and note resolutions of the Authority and the Act, generally, to direct obligations of the United States government; specific bank obligations, certain of which are fully secured as required by the bond and note resolutions; and obligations of other governmental entities which meet defined standards. The type of collateral instruments that secure the demand repurchase agreements held by the Authority is subject to the same restrictions described above. Generally, collateral instruments are held by third party institutions.

Program Loans Receivable

Program loans receivable include mortgage loans receivable, advances receivable, and residual income loans receivable. Mortgage loans receivable include initial development fees and certain amounts of interest and service fees that have been charged by the Authority and added to the loan balance. The due dates for advances and residual income loans receivable are dependent upon future events as specified in the related loan or advance agreements. All loans are reported at undiscounted face value.

(Continued)

Capital Assets

Capital assets in the Administrative Fund consist of investments in furniture, fixtures, and equipment; computer hardware; computer software, and leasehold improvements and are defined by the Authority as assets with an initial, individual cost of $5,000 or more. Depreciation or amortization is on a straight-line basis over a period of five to ten years, depending upon the nature of the asset. Leasehold improvements are amortized over the term of the lease. Depreciation and amortization expenses for fiscal year 2008 were approximately $143,000. Capital assets in the Mortgage Loan Program Fund represents the net carrying value of Lakeshore Plaza (ML-181), which the Authority acquired by deed in lieu of foreclosure on April 27, 1990. The Authority records depreciation against ML-181 on a straight-line basis over forty years, as past market conditions did not allow for a sale of the property. At June 30, 2008, the net carrying value of ML-181 was $29,010,023 and accumulated depreciation was $11,811,000. The Authority will continue to own and operate ML-181 until the sale or other disposition of the development occurs. Depreciation expense for fiscal year 2008 was $800,000.

Real Estate Held for Sale

Real estate held for sale arises from foreclosures or other mortgage default-related actions on properties pledged as collateral on mortgage loans. Real estate held for sale in connection with the Single Family Program Fund is recorded at the unpaid principal balance plus accrued interest on the loans as of the date the loans become real estate owned, plus subsequent expenses incurred less any insurance or other loan related payments received. Since substantially all such loans are covered by pool insurance, based on the Authority's past experience, it is anticipated that the Authority will recover substantially all of the unpaid principal balances of the loans through proceeds arising from the sale of such property and certain insurance proceeds.

Bond Discount, Issuance Costs and Deferred Amounts on Refunding

Discounts on bonds are deferred and amortized using a method approximating the effective interest method. Debt issuance costs are deferred in the corresponding bond accounts and amortized over the life of the related bonds using a method approximating the effective interest method. When these costs exceed the designated amounts per the bond agreements, the excess bond issuance costs are expensed to the Administrative Fund. Deferred amounts on refunding are amortized over the shorter of the life of the old or new debt as a component of interest expense.

Operations

Development fee and financing fee income are deferred and amortized over the contractual life of the loan as a yield adjustment using a method approximating the effective interest method. Such amortized fees are recognized as interest income. Fees earned on loans, which the Authority does not directly originate, such as loans financed through Other Financings (see note G), are recognized as income in the Administrative Fund generally at the time of initial closing.

Annual service fees charged by the Authority to loan recipients, which are deposited in the respective program funds or added to program loans receivable, are recorded as income in the Administrative Fund through interfund accounts.

Operating expenses include general and administrative expenses of the Authority; salaries and benefits; costs and expenses incurred in connection with the amortization, issuance, and sale of certain bonds and notes; fees and expenses of trustees and depository and paying agents; and costs related to analyses, surveys, appraisals, and other matters pertaining to maintenance and evaluation of program loans receivable. Operating costs and expenses are charged to expense as incurred, except those directly related to loan or program originations, which are deferred, netted against fee income for loans originated, and amortized over the contractual life of the related loan or program.

A portion of the Authority's operating expenses of administering the Illinois Affordable Housing Trust Fund, the HOME Program and the Rental Housing Support Program is absorbed by these programs. Similarly, related resolutions of various bonds issued allow for the bond accounts to absorb a certain level of operating expenses. Expenses in excess of the allowable ceilings set forth in the resolutions are charged to the Administrative Fund.

Direct expenses as shown in the statement of activities include allocations of Administrative Fund expenses of Authority departments directly involved in the production or monitoring activities associated with the programs, as well as certain costs, both internally and externally incurred, associated with these programs. Administrative costs include certain administrative and supportive functions and all overhead expenses.

Compensated Absences

The Authority grants vacation and sick leave to all employees and accrues for unused compensated absences. Vacations are allotted on a calendar year basis and are intended to be taken during that year. Unused sick leave allowance is carried forward and accumulated. In the event of termination, employees are paid for all earned but unused vacation time and, within a maximum time limit, for one half of accumulated sick leave earned. At June 30, 2008, unused compensated absences, which are included in current other liabilities, were $423,438. The Authority has no other post-employment benefits.

Provision for Estimated Losses on Program Loans

The Authority provides for estimated losses on program loans in its proprietary and governmental funds based upon the periodic review and evaluation of the loan portfolio and provides additional amounts, if it deems necessary, for estimated losses for individual loans in the funds. In making such review and evaluation, the Authority considers current economic conditions, occupancy and rental level projections, financial statement analyses, on-site inspections, independent appraisals of certain developments, insurance coverage, and such other factors as it deems necessary.

New Accounting Pronouncements

The Governmental Accounting Standards Board has issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2006. The Authority implemented this Statement in fiscal year 2008 (See Note E).

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It will improve financial reporting by requiring governments to measure derivative instruments at fair value in their economic resource measurement focus financial statements and allow the users to more fully understand the government's resources available to provide services. The Authority has yet to determine the impact of implementing this Statement.

Note C—Cash and Investments

The Authority's Financial Management Policy (the Policy) contains the following stated objectives:

- *Safety of principal* – Preservation and safety of principal is the foremost objective of the Authority's investments. Each investment transaction shall seek to ensure that capital losses within the investment portfolio are avoided, whether they be from securities defaults or erosion of market value.
- *Liquidity* – The investments portfolio shall remain sufficiently flexible to enable the Authority to meet all operating requirements which may be reasonably anticipated in any fund. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demand.
- *Maximum rate of return* – The investment portfolio shall be designed with the purpose of regularly exceeding the average return of United States Treasury obligations of comparable maturities. The investment program shall seek to augment returns above this threshold, consistent with risk limitations identified herein and prudent investment principles.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will decrease as a result of an increase in interest rates. The Authority's policy does not limit the maturity of investments as a means of managing its exposure to fair value losses arising from an increasing rate environment.

As of June 30, 2008, the Authority had the following investments:

		Investment maturities (in years)			
Investment	Carrying amount	Less than 1	1-5	6-10	More than 10
Demand repurchase agreements	$ 55,162,378	$ -	$ -	$ 2,674,884	$ 52,487,494
United States agency obligations	650,883,349	619,193,051	24,493,199	4,531,885	2,665,214
United States Government obligations	64,369,188	46,595,384	4,477,309	3,978,926	9,317,569
Municipal obligations and other	2,399,143	-	470,691	1,003,038	925,414
	$ 772,814,058	$ 665,788,435	$ 29,441,199	$ 12,188,733	$ 65,395,691

Demand repurchase agreements are collateralized by obligations of the United States Government or its agencies, or direct investments of such obligations and have one-day demand of funds provisions exercisable at the Authority's option. The market value of securities subject to such agreements must be maintained at least equal to 100% of the principal of and accrued interest on the invested funds by marking to market at least weekly and using an immediate under value cure provision.

Credit Risk

Credit risk is the risk the Authority will not recover its investments due to the inability of the counterparty to fulfill its obligation. Statutes of the State and resolutions of the Authority authorize the Authority to invest in obligations of the United States Government, agencies and instrumentalities of the United States Government, demand repurchase agreements, and other banking arrangements. The Authority may also invest its funds in such investments as may be lawful for fiduciaries in the State. All funds are held outside of the State Treasury in various banks and financial institutions, except for a portion of funds for the HOME program.

The Authority's investments in United States Agency Obligations and municipal obligations are all rated Aaa by Moody's and/or AAA by Standard & Poors.

The counterparties to the demand repurchase agreements are institutions whose unsecured debt securities are rated at least equal to the ratings on the Authority's debt, or in the case of short-term program fund investments, the highest short-term rating category. The counterparties, carrying amount of the repurchase agreements, and ratings as of June 30, 2008 are listed below.

Counterparty	Rating (Outlook) S&P / Moody's	Carrying amount
Bayerische Landesbank (1)	AAA (Stable) / Aaa	$ 9,784,701
Morgan Guaranty Trust	AA- (Negative) / Aa2	2,152,783
Morgan Stanley & Co. Inc.	A+ (Negative) / Aa3	8,261,889
Trinity Plus Funding Co.	AAA (Stable) / --	3,611,688
Westdeutsche Landesbank (1)	AA (Stable) / Aa2	31,351,317
		$ 55,162,378

(1) Ratings are in accordance with a grandfathering arrangement agreed to by the EU Commission and the German authorities.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Authority will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

The Authority's cash and cash equivalents at June 30, 2008, consisted of sweep accounts, held in the Authority's name, with the funds in these accounts invested in money market funds that invest in U.S. Treasury securities, or were held in accounts that were either FDIC insured or collateralized with U.S. government obligations. The Authority's investments at June 30, 2008 were held in the Authority's name in separate Authority custodial accounts. Collateral is pledged in the Authority's name and consists of U.S. Treasury obligations.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in any one single issuer. The Authority's policy does not limit the amounts the Authority may invest in any one issuer. The Authority is considered to have a concentration of credit risk if its investment in any one single issuer is greater than 5% of the total fixed income investments. Investments which comprise more than 5% of the Authority's investments as of June 30, 2008 are as follows:

Investment	Carrying Amount
Federal Home Loan Bank	$ 231,234,885
Federal National Mortgage Corporation	229,494,102
Federal Home Loan Mortgage Corporation	161,048,136

Note D—Interfund Receivables, Payables, and Transfers

Interfund Balances

The Authority reports interfund balances among its funds. These balances generally consist of accruals for various revenues or expenses due to a fund, but received or paid to another, and subsidy transfers between funds. These amounts are generally paid or received within the subsequent fiscal year.

Interfund accounts receivable (payable) balances at June 30, 2008 consisted of the following:

	Payable From						
Receivable To	Illinois Affordable Housing Trust	HOME Program	Nonmajor Governmental Fund	Administrative	Mortgage Loan Program	Single Family Program	Total
HOME Program	$ -	$ -	$ -	$ 9,448	$ -	$ -	$ 9,448
Administrative	156,755	448,637	95,685	-	1,745,362	505,248	2,951,687
Single Family Program	-	-	-	533	-	-	533
Mortgage Loan Program	-	-	-	14,481,827	-	-	14,481,827
	$ 156,755	$ 448,637	$ 95,685	$ 14,491,808	$ 1,745,362	$ 505,248	$17,443,495

The interfund accounts receivable (payable) between the Mortgage Loan Program Fund and the Administrative Fund primarily consists of a fiscal year 2000 operating transfer of $10.4 million to the Multi-Family Housing Revenue Bond Accounts made from the Administrative Fund in conjunction with the issuance of the Multi-Family Housing Revenue Bonds, Series 2000A (Lakeshore Plaza Development) and the corresponding transfer of the carrying value of the real estate investment, ML-181, to these accounts, partially reversed by a $5.4 million fiscal year 2006 transfer to the Administrative Fund. The Authority intends to reverse the remaining amounts of the transfer upon the disposition of the property.

The Authority records transfers between program funds for various purposes including fund closings, earnings transfers, program subsidies, and equity contributions for the initial financing of the Authority's programs.

Transfers

Transfers for the year ended June 30, 2008 consisted of the following:

	Transfers Out				
Transfer in	Illinois Affordable Housing Trust	Administrative	Mortgage Loan Program	Single Family Program	Total
Administrative	$ -	$ -	$ 8,273	$ 10,667	$ 18,940
Mortgage Loan Program	5,200,000	4,116	-	304	5,204,420
Single Family Program	-	2,622,469	-	-	2,622,469
	$ 5,200,000	$ 2,626,585	$ 8,273	$ 10,971	$ 7,845,829

Pursuant to the Illinois Affordable Housing Act, amounts up to $10,000,000 in any fiscal year may be transferred, following an annual Authority certification to the Illinois Department of Revenue of the amounts required to be withdrawn, from the Illinois Affordable Housing Trust Fund to the Affordable Housing Program Trust Fund Bond Accounts. The amounts transferred during the year ended June 30, 2008 totaled $5,200,000. The transfers out from the Administrative Fund were to pay issuance and other costs of certain bond issuances.

Note E—Program Loans Receivable

The Authority has loans throughout the State, of which approximately two-thirds are in the Chicago metropolitan area. The following summarizes the Program Loans Receivable activity for the Authority for the year ended June 30, 2008:

	Net program loans receivable June 30, 2007	Loan disbursements	Loan repayments	Change in loan loss provision	Change in net deferred fees	Net program loans receivable June 30, 2008
Governmental Funds:			(Dollars in thousands)			
Illinois Affordable Housing Trust Fund	$ 258,633	$ 32,771	$ (5,474)	$ (2,225)	$ -	$ 283,705
HOME Program Fund	160,040	12,783	(1,492)	(1,625)	-	169,706
Total Governmental Funds	$ 418,673	$ 45,554	$ (6,966)	$ (3,850)	$ -	$ 453,411
Proprietary Funds:						
Administrative Fund	$ 35,727	$ 37,705	$ (3,433)	$ 540	$ (69)	$ 70,470
Mortgage Loan Program Fund:						
Multi-Family Program Bonds	46,612	-	(47,565)	-	953	-
Housing Bonds	403,698	134,022	(50,190)	(1,285)	(1,036)	485,209
Housing Finance Bonds	13,394	-	(13,394)	-	-	-
Multi-Family Variable Rate Demand Bonds	2,775	-	(2,781)	-	6	-
Multi-Family Housing Revenue Bonds	9,796	-	(9,796)	-	-	-
Multifamily Housing Revenue Bonds (Marywood)	12,764	-	(10)	(1,500)	-	11,254
Multifamily Bonds (Turnberry)	5,212	-	(48)	-	-	5,164
Affordable Housing Program Trust Fund Bonds	64,177	-	(7,033)	(425)	-	56,719
Total Mortgage Loan Program Fund	558,428	134,022	(130,817)	(3,210)	(77)	558,346
Single Family Program Fund	772,446	168,818	(78,682)	-	1,649	864,231
Total Proprietary Funds	$ 1,366,601	$ 340,545	$ (212,932)	$ (2,670)	$ 1,503	$ 1,493,047

Loans receivable in the Mortgage Loan Program Fund are secured by first mortgage liens on the related developments. Each development is subject to a regulatory agreement under which the Authority has certain powers relating to rents, profits, occupancy, management, and operations. Monies are required to be deposited in reserve accounts monthly by all mortgagors for real estate tax reserves and by substantially all mortgagors for insurance and replacement reserves. See note H regarding these reserves and other deposits held in escrow.

The ability of the mortgagors to make required payments on the mortgage loans receivable depends principally upon the related developments achieving and sustaining sufficient occupancy and rental levels to support such payments. With respect to most developments financed from proceeds of Housing Bonds, the Authority, HUD, and the owners of the developments have entered into agreements whereby HUD will make, under its Section 8 Program, housing assistance payments for the developments. With respect to a portion of loans within its Housing Bond accounts, the Authority has made loans to finance developments entitled to interest reduction payments by HUD under Section 236 of the National Housing Act for all or a portion of the dwelling units in the developments. Such federal subsidies, together with the rents to be paid by the tenants, are estimated by the Authority prior to its issuing an initial mortgage loan commitment, to provide sufficient funds to pay the costs of operation, maintenance, administration, mortgage payments, and Authority fees with respect to each of the developments.

At June 30, 2008, for loans financed under the Mortgage Loan Program Fund, amounts in arrears equal to more than two months debt service payments and required deposits to tax and insurance and/or replacement reserves were $1,482,072 and $1,589,035, respectively.

For certain past delinquencies, the related developments have not been able to generate net rental income sufficient to pay scheduled debt service and reserve deposits in full. In the opinion of the Authority, these deficiencies of net rental income have arisen for various reasons including (i) the existence of physical defects in the development which have caused operational problems, (ii) higher than anticipated operating expenses of the development and (iii) depressed rental market conditions in the development's local area.

In certain cases, cash deficiencies of developments, including certain developments as to which the related mortgage loans are not delinquent as to scheduled debt service payments or required reserve deposits, have been funded in part by advances from the owners of the respective developments. However, there generally can be no assurance that the owners will make additional advances for this purpose. For certain mortgage loans, the Authority holds reserve deposits and letters of credit that may be applied toward delinquencies.

The Authority has pursued actions available under the mortgage and regulatory agreements to cure certain delinquencies. With respect to some developments, the need for capital improvements, repairs, marketing campaigns and other expenditures may be indicated. Where necessary and appropriate, the Authority has committed and/or advanced residual income loans from the Administrative Fund or mortgage loan increases from the related program account to finance these expenditures. In certain instances the Authority has initiated actions to effect necessary changes in the management of the developments. In addition, the Authority has, in some cases, filed suit against the applicable general contractors and/or bonding companies seeking corrections of the development's physical defects and has instituted foreclosure proceedings for certain developments.

The Authority has a second mortgage agreement relating to a $5.1 million first mortgage for Innsbruck Apartments, ML-19. Under this agreement, upon the development's payment of a debt service amount as set forth in the agreement, the Authority, from its Administrative Fund, was obligated to subsidize debt service payments related to the first mortgage up to a maximum of $6.2 million. The subsidy payments were applied to receivables within the Mortgage Loan Program. The maximum subsidy amount was reached in May 1999, after which the development became fully obligated for debt service of the receivables of the above bond accounts. The development is obligated to reimburse the Administrative Fund debt service subsidy payments from a portion of residual receipts generated from the development.

The Authority's policy for converting mortgage loans to non-accrual status is based upon the recording of a specifically identifiable allowance for estimated loss. As of June 30, 2008, the accrual of interest and service fee income was suspended on approximately $24.3 million of mortgage loans in the Mortgage Loan Program Fund and $7.0 million of mortgage loans in the Administrative Fund for which allowances for estimated losses had been provided, and such income was recognized only as received. Interest and service fee income due but not accrued was approximately $1,100,000 in the Mortgage Loan Program Fund and $630,000 in the Administrative Fund for fiscal year 2008. In addition, the Authority does not accrue interest income on approximately $15.0 million of mortgage loans recorded in the Administrative Fund. Payments made on such loans, which generally are payable from residual receipts, if any, of the affected development funds, are recognized only as received. The annual amount of interest on these loans is approximately $291,000.

The Authority, through its Housing Partnership Program, provides loans to not-for-profit organizations, community groups and cities to finance the rehabilitation of existing housing and for the construction of new housing for low and moderate income persons and families. The program's activities are recorded in the Administrative Fund. At June 30, 2008, loans receivable under this program were approximately $4.4 million.

In June 1994, the Authority entered into a Risk Sharing Agreement (Agreement) with HUD that permitted the Authority to participate in HUD's Pilot Risk Sharing Program, which has since been converted to a permanent program. Under this program, HUD will insure certain mortgage loans on multi-family housing developments (Risk Sharing Loans). HUD has authorized the Authority to make an unlimited amount of loans for such developments. Under the Agreement, the Authority will underwrite Risk Sharing Loans following its underwriting guidelines. HUD will insure the Risk Sharing Loans and will bear 10% to 90% of the loss, as elected by the Authority, in the event of a foreclosure. The Authority will bear the remainder of the risk. The program's service and insurance fee incomes are recorded in the Administrative Fund.

The Authority, as of June 30, 2008, has entered into thirty-nine Risk Sharing Loans totaling $220,975,699 and elected that HUD assume 10% to 90% of the loss with respect to those loans. Except for eleven loans totaling $67,412,699 financed through the issuance of the Authority's Housing Bonds and one loan in the amount of $15,460,000 financed through the issuance of the Authority's Multi-Family Housing Revenue Bonds (Marywood), these loans are not included in the Authority's financial statements as the Authority sold 100% participation interests in the loans to outside parties.

At June 30, 2008, for loans financed under the Risk Sharing Program where the Authority sold 100% participation interests in the loans to outside parties, there were no amounts in arrears equal to more than two months debt service payments or required deposits to tax and insurance and/or replacement reserves.

In December 2000, the Authority received a commitment from Ambac Assurance Corporation (Ambac) under which Ambac will insure mortgage loans (Ambac Loans) on multi-family housing developments under the Authority's Mortgage Participation Certificate Program. Ambac has guaranteed repayment of principal and interest due on a timely or accelerated basis in accordance with the agreement between the Authority and Ambac. The agreement allows (or provides) the Authority to share its risk with Ambac on the aggregate loan portfolio after the satisfaction of certain requirements and threshholds. As of June 30, 2008, the Authority has entered into eighteen Ambac Loans totaling $156,562,200. Except for one loan in the amount of $5,320,000 financed through the issuance of the Authority's Multifamily Bonds (Turnberry), the Authority sold 100% participation interests in the loans to outside parties.

The Participation and Servicing Agreements for ten of the above loans contain a provision that, if Standard and Poor's Rating Services and Fitch IBCA, or their successors, both lower the general obligation rating of Ambac to a level below AAA and Moody's Investor Service, Inc. or its successor also lowers the general obligation rating of Ambac to a level below Aaa, and if the Authority is unable within sixty business days to find a substitute guarantor of the payments due under the Participation Interest with a general obligation rating of AAA or Aaa by any nationally recognized rating agency maintaining a general obligation rating on such insurer; or the Participant has the right to require the repurchase of the Mortgage Loan, then the Participant may elect to require the Authority to repurchase the Ownership Interest from the Participant within ten business days.

As of June 30, 2008 the above three rating services had lowered their general obligation ratings of Ambac to below the prescribed levels. The Authority has not provided a substitute guarantor, and the holder of the participation interests of four of the above loans, with outstanding balances totaling approximately $33.9 million, has determined that it will exercise its right to require the repurchase of the Mortgage Loans. The owner of the participation interests in the remaining six loans, the outstanding principal balances of which totaled approximately $82.5 million as of June 30, 2008, has requested, and the Authority has granted, an extension of the sixty day time period for the above actions or determinations to be made. The remaining seven loans for which outside parties hold 100% participation interests do not have a re-purchase provision.

The Authority has recorded as of June 30, 2008 a program loan receivable of $33.9 million and a similar short term liability to purchase the four loans that the Participant elected to require the Authority to repurchase. The remaining loans, except for the four loans to be repurchased and the loan financed through the issuance of the Authority's Multi-Family Bonds (Turnberry) are not included in the Authority's financial statements as the Authority sold 100% participation interests in the loans to outside parties.

At June 30, 2008, for loans financed under the Mortgage Participation Certificate Program where the Authority sold 100% participation interests in the loans to outside parties, there were no amounts in arrears equal to more than two months debt service payments or required deposits to tax and insurance and/or replacement reserves.

With respect to the mortgage loans funded by the Homeowner Mortgage Revenue Bonds, substantially all delinquent mortgage loans receivable at June 30, 2008, were covered by pool insurance, which provides for an aggregate limit equal to 3.5% of the aggregate original principal amount of mortgage loans so covered, less a deductible ranging from 0% to 1.0% of the aggregate of the original amount of all mortgage loans covered.

Loans made through the Illinois Affordable Housing Trust Fund are to acquire, construct, rehabilitate, develop, operate, insure, and retain affordable single family and multi-family housing for low and very low-income households. Interest rates on these loans are set at below market rates and have ranged from 0% to 5.0%, with most rates set at 2.0% or below. Loans have maturities of up to 40 years, with some loans carrying deferred payment terms. The approximate aging of the Illinois Affordable Housing Trust Fund receivables as of June 30, 2008 are as follows:

	Principal due by June 30				
Interest rate %	2009	2014	2024	After 2024	Total
			(Dollars in thousands)		
0 – 0. 99	$ 3,024	$ 9,316	$ 30,934	$ 94,736	$ 138,010
1 – 1.99	2,573	12,737	41,293	81,353	137,956
2 – 3.99	689	2,709	6,819	9,391	19,608
4 – 5.00	90	473	1,847	471	2,881
	$ 6,376	$ 25,235	$ 80,893	$ 185,951	$ 298,455

The approximate aging of the receivables of the HOME program as of June 30, 2008 are as follows:

	Principal due by June 30				
Interest rate %	2009	2014	2024	After 2024	Total
			(Dollars in thousands)		
0 – 0. 99	$ 223	$ 652	$ 18,740	$ 26,286	$ 45,901
1 – 1.99	1,109	8,312	37,810	67,531	114,762
2 – 3.99	228	1,262	2,793	3,645	7,928
4 – 6.50	70	485	1,623	2,501	4,679
	$ 1,630	$ 10,711	$ 60,966	$ 99,963	$ 173,270

The Authority has reviewed each program loan receivable, including those for developments in the construction or rent-up phases, for the purpose of determining ultimate collectibility. The Authority believes that the allowances for estimated losses at June 30, 2008 in the accompanying financial statements are adequate to cover estimated losses of the various funds. The following summarizes the changes in the allowance for estimated losses on program loans receivable during the year ended June 30, 2008:

	Allowance for estimated losses June 30, 2007	Provision for estimated losses	Write-offs of uncollectible losses, net of Recoveries	Allowance for estimated losses June 30, 2008
		(Dollars in thousands)		
Illinois Affordable Housing Trust Fund	$ 12,525	$ 2,225	$ -	$ 14,750
HOME Program Fund	1,940	1,625	-	3,565
Total governmental funds	$ 14,465	$ 3,850	$ -	$ 18,315
Administrative Fund	$ 4,400	$ (540)	$ -	$ 3,860
Mortgage Loan Program Fund	10,300	3,210	-	13,510
Single Family Program Fund	-	-	-	-
Total proprietary funds	$ 14,700	$ 2,670	$ -	$ 17,370

Scheduled receipts of principal on proprietary fund program loans receivable in the five years subsequent to June 30, 2008 and thereafter are as follows:

2009	$ 55,116,000
2010	48,601,000
2011	51,056,000
2012	53,541,000
2013	55,060,000
After 2013	1,247,043,000
	$ 1,510,417,000

Note F—Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Cost				
Capital Assets Being Depreciated:				
Administrative Fund				
Leasehold Improvements	$ 1,805,108	$ -	$ -	$ 1,805,108
Furniture and Equipment	1,939,564	88,225	62,059	1,965,730
Total Administrative Fund	3,744,672	88,225	62,059	3,770,838
Mortgage Loan Program Fund				
Real Estate	40,436,536	384,487	-	40,821,023
Total Capital Assets Being Depreciated	44,181,208	472,712	62,059	44,591,861
Accumulated Depreciation				
Administrative Fund				
Leasehold Improvements	1,805,108	-	-	1,805,108
Furniture and Equipment	1,736,032	143,128	61,821	1,817,339
Total Administrative Fund	3,541,140	143,128	61,821	3,622,447
Mortgage Loan Program Fund				
Real Estate	11,011,000	800,000	-	11,811,000
Total Accumulated Depreciation	14,552,140	943,128	61,821	15,433,447
Capital Assets, Net of Depreciation	$ 29,629,068	$ (470,416)	$ 238	$ 29,158,414

Note G—Bonds and Notes Payable

Bonds and notes outstanding are general obligations (G.O.) of the Authority with the exception of Homeowner Mortgage Revenue Bonds, Affordable Housing Program Trust Fund Bonds, Multi-family Housing Revenue Bonds (Marywood), and Multi-family Bonds (Turnberry), which are special limited obligations (S.L.O.) of the Authority, payable from pledged property as defined in their respective general resolutions. The Authority has also pledged its general obligation to the payment of the Affordable Housing Program Trust Fund Bonds to a limited extent and amounts.

Bonds and notes outstanding at June 30, 2008 are as follows. The June 30, 2007 amounts are shown for comparative purposes only.

Mortgage Loan Program Fund

Bonds outstanding of the Mortgage Loan Program Fund are as follows:

	Maturity dates	Interest rate range %	Debt class	Amount June 30 2008	Amount June 30 2007
Multi-Family Program Bonds:					
Series 1	2007-2021	6.63-6.75 %	G.O.	$ -	$ 17,990,000
Series 3	2009-2023	6.05-6.20	G.O.	-	29,000,000
Series 5	2007-2022	6.65-6.75	G.O.	-	5,605,000
Total Multi-Family Program Bonds				-	52,595,000
Housing Bonds:					
1999 Series A	2007-2031	4.40-5.25	G.O.	24,405,000	26,195,000
2003 Series A	2007-2046	2.55-5.05	G.O.	19,575,000	19,980,000
2003 Series B	2010-2040	3.30-5.05	G.O.	46,540,000	50,055,000
2003 Series C	2007-2034	3.05-4.95	G.O.	5,325,000	5,580,000
2004 Series A	2013-2039	2.90-4.70	G.O.	21,545,000	22,505,000
2004 Series B(1)	2007-2034	Variable	G.O.	7,710,000	8,375,000
2004 Series C	2007-2045	3.20-5.45	G.O.	11,715,000	12,115,000
2005 Series A	2007-2035	2.70-4.60	G.O.	31,225,000	31,895,000
2005 Series B	2007-2012	4.22-5.02	G.O.	1,550,000	2,495,000
2005 Series C	2015-2042	4.38-5.00	G.O.	10,590,000	10,665,000
2005 Series D	2008-2047	4.88	G.O.	6,540,000	6,550,000
2005 Series E	2011-2036	3.65-4.80	G.O.	24,760,000	24,760,000
2005 Series F	2007-2029	4.59-5.84	G.O.	17,460,000	18,465,000
2006 Series A	2008-2038	3.90-5.05	G.O.	8,130,000	8,130,000
2006 Series B	2007-2046	4.75-5.00	G.O.	13,590,000	13,710,000
2006 Series C	2007-2041	Variable	G.O.	-	5,635,000
2006 Series D	2007-2042	4.85-5.00	G.O.	6,180,000	6,220,000
2006 Series E	2007-2042	3.70-4.95	G.O.	8,095,000	8,165,000
2006 Series F	2007-2047	3.70-5.00	G.O.	3,930,000	3,975,000
2006 Series G	2007-2037	3.65-4.85	G.O.	54,105,000	63,255,000
2006 Series H	2007-2028	5.03-6.06	G.O.	10,770,000	11,270,000
2006 Series I	2009-2048	4.70-4.85	G.O.	7,230,000	7,230,000
2006 Series J	2009-2048	4.50-5.00	G.O.	3,480,000	3,480,000
2006 Series K	2007-2023	3.70-4.60	G.O.	16,020,000	24,740,000
2006 Series M	2007-2047	3.60-4.50	G.O.	12,440,000	12,520,000
2007 Series A	2008-2048	3.60-5.55	G.O.	6,195,000	-
2007 Series C	2009-2044	3.60-5.38	G.O.	9,605,000	-
2007 Series D	2008-2043	3.55-5.05	G.O.	46,500,000	-
2007 Series E	2008-2033	5.66-6.54	G.O.	9,265,000	-
2007 Series F	2009-2044	4.70-5.35	G.O.	6,775,000	-
2007 Series G	2009-2044	4.70-5.35	G.O.	5,640,000	-

	Maturity dates	Interest rate range %	Debt class	Amount June 30 2008	Amount June 30 2007
Housing Bonds (continued):					
2008 Series A(1)	2027	Variable	G.O.	$ 14,170,000	$ -
2008 Series B(1)	2008-2027	Variable	G.O.	37,885,000	-
2008 Series C(1)	2041	Variable	G.O.	5,570,000	-
				514,515,000	407,965,000
Less unamortized discount thereon				141,512	-
Less deferred loss on refunding				10,919,417	11,590,817
Plus deferred gain on refunding				1,258,207	-
Total Housing Bonds				504,712,278	396,374,183
Housing Finance Bonds:					
1999 Series B	2007-2030	5.50-6.30 %	S.L.O.	-	5,135,000
2000 Series A	2007-2032	5.75-6.30	S.L.O.	-	8,785,000
Total Housing Finance Bonds				-	13,920,000
Multi-Family Variable Rate Demand Bonds:					
Series 1996 A (Taxable)	2026	Variable	S.L.O.	-	2,785,000
Multi-Family Housing Revenue Bonds:					
Series 1997	2027	Variable	G.O.	-	14,170,000
Series 2000 A	2007-2027	Variable	S.L.O.	-	38,885,000
Total Multi-Family Housing Revenue Bonds				-	53,055,000
Multifamily Housing Revenue Bonds:					
Marywood Apartment Homes, Series 2003	2008-2045	4.50-5.20	S.L.O.	15,500,000	15,640,000
Multifamily Bonds:					
Turnberry Village II Apartments	2008-2045	4.50-4.75	S.L.O.	5,170,000	5,225,000
Affordable Housing Program Trust Fund Bonds:					
Series 1995 A	2007-2022	7.44-7.82	S.L.O.	-	2,685,000
Series 2004	2008-2026	4.55-6.21	S.L.O.	40,725,000	42,015,000
Series 2005 A	2008-2027	5.60-6.35	S.L.O.	31,315,000	32,430,000
Total Affordable Housing Program Trust Fund Bonds				72,040,000	77,130,000
Total Mortgage Loan Program Fund				$ 597,422,278	$ 616,724,183

(1) In accordance to the indenture, interest rates on the bonds are determined weekly and are paid monthly at a rate established by the Remarketing Agents on each Rate Determination Date. The variable rates paid on the subject bonds ranged from 1.55% to 1.75% at June 30, 2008. Pursuant to the liquidity agreements, the bonds are subject for purchase by liquidity providers (Liquidity Providers) in the event of a tender by bondholders (Bank Bonds). Subject to other provisions within the liquidity agreements, the Bank Bonds will bear interest at a rate specified within the agreements and continue to be subject for remarketing by Remarketing Agents. In the event the Remarketing Agents are unable to remarket the Bank Bonds over a certain period of time, the Bank Bonds are subject to a put whereby the Authority is required to purchase and redeem the Bank Bonds over a period stated within the agreements. The Authority has a take-out agreement with the liquidity providers to convert the bonds to an installment loan payable over a three-to-five year period. The interest rate that is to be paid during the liquidity and the put periods is LIBOR plus 50 basis points for the Housing Bonds 2004 Series B, and the higher of 7%, Prime Rate or Federal Funds Rate plus 50 basis points for the Housing Bonds 2008 A, B and C. The liquidity agreements for Housing Bonds 2004 Series B and Housing Bonds 2008 A, B and C will expire on March 31, 2014 and April 30, 2011, respectively.

The bonds and Bank Bonds are general obligations of the Authority and the timely payment of principal and interest on the bonds and Bank Bonds are subject to the credit enhancement agreements with credit enhancement providers (Enhancement Providers). The Authority has a general obligation to reimburse the Liquidity Providers and Enhancement Providers for any such payments made.

Single Family Program Fund

Bonds outstanding of the Single Family Program Fund are as follows:

	Maturity dates	Interest rate range %	Debt class	Amount June 30 2008	Amount June 30 2007
Residental Mortgage Revenue Bonds:					
1983 Series A	2015	10.872 %	G.O.	$ 2,491	$ 2,240
1983 Series B	2015	10.746	G.O.	2,510	2,261
1984 Series B	2016	11.257	G.O.	2,179	1,953
1985 Series A	2017	10.75	G.O.	2,035	1,833
1987 Series B	2014	8.13	G.O.	100,000	100,000
1987 Series C	2014	7.50	G.O.	100,000	100,000
1987 Series D	2017	8.65	G.O.	100,000	100,000
Total Residental Mortgage Revenue Bonds				$ 309,215	$ 308,287

The cumulative accretion in value from the date of issuance of the capital appreciation bonds included in the above amounts is summarized as follows:

Series	Redemption basis and period	Original issue amount (1)	Accreted value June 30 2008	Accreted value June 30 2007	Aggregate value to be redeemed
1983 Series A	Maturity 2/1/15	$ 180	$ 2,491	$ 2,240	$ 5,000
1983 Series B	Maturity 2/1/15	193	2,510	2,261	5,000
1984 Series B	Maturity 2/1/16	166	2,179	1,953	5,000
1985 Series A	Maturity 2/1/17	190	2,035	1,833	5,000

(1) Amounts reflect original issue amounts of capital appreciation bonds outstanding as of June 30, 2008.

	Maturity dates	Interest rate range %	Debt class	Amount June 30 2008	Amount June 30 2007
Homeowner Mortgage					
Revenue Bonds:					
1995 Series C	2007-2008	5.25-5.35 %	S.L.O.	$ -	$ 290,000
1996 Series E	2008-2010	5.35-5.65	S.L.O.	955,000	1,485,000
1996 Series F	2008-2010	4.85-5.15	S.L.O.	630,000	1,515,000
1997 Series A	2008-2009	5.30-5.50	S.L.O.	875,000	1,705,000
1997 Series B	2008-2028	4.70-5.25	S.L.O.	3,295,000	10,190,000
(remarketed 4/30/98)					
1997 Series B	2008-2028	4.65-5.40	S.L.O.	9,545,000	16,750,000
(remarketed 6/29/98)					
1997 Series C	2008-2010	4.85-5.10	S.L.O.	540,000	1,310,000
1997 Series D	2008-2009	4.85-5.05	S.L.O.	505,000	985,000
1997 Series D-3					
(Taxable)	2022-2028	6.60	S.L.O.	830,000	900,000
1998 Series A (Taxable)	2008-2028	6.45-6.47	S.L.O.	2,900,000	3,350,000
1998 Series D					
(remarketed 10/7/98)	2008-2029	4.35-5.20	S.L.O.	12,600,000	13,505,000
1998 Series D					
(remarketed 12/17/98)	2008-2029	4.35-5.25	S.L.O.	7,100,000	7,845,000
1998 Series D					
(remarketed 4/29/99)	2008-2017	4.50-5.10	S.L.O.	12,680,000	14,365,000
1998 Series E (Taxable)	2008-2029	5.66-5.91	S.L.O.	5,015,000	5,755,000
1998 Series G	2007-2029	4.35-5.25	S.L.O.	12,250,000	12,935,000
1999 Series B	2008-2010	5.40-5.70	S.L.O.	-	605,000
1999 Series D	2008-2016	5.00-5.45	S.L.O.	5,225,000	8,375,000
1999 Series G	2008-2031	5.20-5.65	S.L.O.	1,230,000	1,950,000
2000 Series B	2008-2031	5.05-5.45	S.L.O.	310,000	525,000
2000 Series C-4 (Taxable)	2008-2031	8.19	S.L.O.	1,285,000	1,520,000
2000 Series D	2008-2012	4.95-5.55	S.L.O.	2,115,000	2,955,000
2000 Series E	2087-2013	4.85-5.50	S.L.O.	2,630,000	3,475,000

	Maturity dates	Interest rate range %	Debt class	Amount June 30 2008	Amount June 30 2007
Homeowner Mortgage Revenue Bonds (continued):					
2001 Series A	2007-2032	4.30-5.50 %	S.L.O.	$ 26,845,000	$ 28,055,000
2001 Series C	2007-2032	4.15-5.55	S.L.O.	27,700,000	29,560,000
2001 Series D (Taxable)	2007-2032	Variable	S.L.O.	1,790,000	2,930,000
2001 Series E	2007-2033	4.35-5.60	S.L.O.	28,095,000	29,920,000
2001 Series F (Taxable)	2016-2020	Variable	S.L.O.	10,000,000	10,000,000
2002 Series A	2007-2033	4.15-5.63	S.L.O.	23,705,000	27,530,000
2002 Series B (Taxable)	2007-2023	Variable	S.L.O.	7,055,000	7,700,000
2002 Series C	2008-2033	3.40-5.40	S.L.O.	38,300,000	39,895,000
2003 Series B	2007-2034	2.25-5.15	S.L.O.	40,350,000	42,610,000
2004 Series A	2007-2034	1.75-4.75	S.L.O.	42,400,000	44,640,000
2004 Serie C	2007-2034	3.30-5.35	S.L.O.	76,170,000	77,280,000
2005 Series A	2007-2035	2.65-5.00	S.L.O.	68,845,000	71,770,000
2005 Series C	2007-2035	3.00-5.25	S.L.O.	92,895,000	96,535,000
2006 Series A	2007-2036	3.35-5.00	S.L.O.	82,385,000	84,210,000
2006 Series B (Taxable)	2007-2036	4.94-5.31	S.L.O.	11,360,000	14,270,000
2006 Series C	2007-2037	3.75-5.15	S.L.O.	123,295,000	124,725,000
2007 Series A	2007-2037	3.65-4.90	S.L.O.	64,625,000	65,000,000
2007 Series C	2008	3.73	S.L.O.	-	57,990,000
2007 Series D	2008-2038	3.70-5.35	S.L.O.	64,875,000	-
2007 Series H	2017-2039	3.45-3.48	S.L.O.	61,010,000	-
2007 Series H (remarketed 1/30/08)	2009-2039	3.05-5.20	S.L.O.	56,000,000	-
2008 Series A	2009-2038	2.90-5.20	S.L.O.	10,725,000	-
				1,040,940,000	966,910,000
Plus unamortized premium thereon				1,735,519	1,911,762
Total Homeowner Mortgage Revenue Bonds				1,042,675,519	968,821,762
Total Single Family Program Fund				$ 1,042,984,734	$ 969,130,049

Administrative Fund

Outstanding debt of the Administrative Fund is as follows:

	Maturity date	Interest rate	Debt class	Amount June 30 2008	Amount June 30 2007
Term loans	2012	5.03-5.45%	Loan	$ 4,566,667	$ 1,666,667

The Authority has entered into an agreement with a bank to obtain one or more term loans up to a total of $10,000,000, of which $5,000,000 is collateralized by a lien and security interest in the Lakeshore Plaza Development. As of June 30, 2008, the Authority had borrowings totaling $4,566,667 against this agreement, at an interest rate of 5.45% for a borrowing of $1,666,667 and 5.03% for a borrowing of $2,900,000.

The following summarizes the debt activity for the Authority's proprietary funds for the year ended June 30, 2008:

	June 30, 2007	Additions	Deductions	June 30, 2008	Amount due within one year
Administrative Fund	$ 1,666,667	$ 2,900,000	$ -	$ 4,566,667	$ -
Mortgage Loan Program Fund:					
Multi-Family Program Bonds	52,595,000	-	(52,595,000)	-	-
Housing Bond	407,965,000	145,255,000	(38,705,000)	514,515,000	17,710,000
Discount on Housing Bond	-	(142,905)	1,393	(141,512)	-
Deferred loss on refunding Housing Bonds	(11,590,817)	(804,426)	1,475,826	(10,919,417)	-
Deferred gain on refunding Housing Bonds	-	1,412,081	(153,874)	1,258,207	-
Housing Finance Bond	13,920,000	-	(13,920,000)	-	-
Multi-Family Variable Rate Demand Bond	2,785,000	-	(2,785,000)	-	-
Multi-Family Housing Revenue Bond	53,055,000	-	(53,055,000)	-	-
Multifamily Housing Revenue Bond (Marywood)	15,640,000	-	(140,000)	15,500,000	150,000
Multifamily Bond (Turnberry II)	5,225,000	-	(55,000)	5,170,000	55,000
Affordable Housing Program Trust Fund Bond	77,130,000	-	(5,090,000)	72,040,000	2,540,000
Total Mortgage Loan Program Fund	616,724,183	145,719,750	(165,021,655)	597,422,278	20,455,000
Single Family Program Fund:					
Residential Mortgage Revenue Bond	308,287	928	-	309,215	-
Homeowner Mortgage Revenue Bond	966,910,000	256,040,000	(182,010,000)	1,040,940,000	86,185,000
Premium on Homeowner Mortgage Revenue Bonds	1,911,762	-	(176,243)	1,735,519	-
Total Single Family Program Fund	969,130,049	256,040,928	(182,186,243)	1,042,984,734	86,185,000
Total Proprietary Funds	$ 1,587,520,899	$ 404,660,678	$ (347,207,898)	$ 1,644,973,679	$ 106,640,000

Current Refundings of Debt

On October 11, 2007, the Authority issued its Housing Bonds, 2007 Series D. The proceeds of these bonds were used to (a) defease, until their November 29, 2007 redemption date, the Authority's Multi-Family Program Bonds, Series 1, 3 and 5 and the Authority's Housing Bonds, 2006 Series K (the "Prior Bonds"), which were currently outstanding with respect to certain developments; (b) make new mortgage loans for the purpose of prepaying existing mortgage loans funded with the proceeds of a portion of the Prior Bonds with respect to certain developments, thereby resulting in their defeasance until their November 29, 2007 redemption date; and (c) make a deposit to the reserve fund.

The Authority, by these current refundings, reduced the present value of its aggregate debt service over the life of the issued bonds. The table below shows the anticipated increase in debt service requirements beginning in fiscal year 2008 and extending through the life of the newly issued bonds, and the economic gain from the current refunding.

New Issue	Debt Service Increase		Present Value
	$-Millions	Years	$-Millions
Series 2007 D	$4.06	36	$5.0

The differences between the reacquisition price and the net carrying amount of the refunded bonds ($1.4 million) have been deferred and are being amortized as a component of interest expense over the remaining life of the refunded bonds.

Defeased Debt

The Authority has defeased debt by placing the proceeds of new bonds and other amounts in an irrevocable trust to provide for all future debt service payments of the old bonds. At June 30, 2008, the following outstanding bonds are considered defeased.

Issue	Amount
Insured Mortgage Housing Development Bonds, 1976 Series A	$ 3,655,000
Multi-Family Housing Bonds, 1981 Series A	22,040,000
Housing Finance Bonds, 1999 Series B	5,035,000
Housing Finance Bonds, 2000 Series A	8,625,000
	$ 39,355,000

Other Financings

From time to time the Authority has issued special limited obligations with a claim for repayment solely from payments received with respect to the mortgage loans. The bonds are not general obligations of the Authority, and they are not a debt of the State of Illinois; neither is liable to pay interest and principal on the bonds. Accordingly, the bonds and the related mortgage loans are not included in the Authority's financial statements. The bonds do, however, apply toward the Authority's authorized debt limitation.

As of June 30, 2008, there were thirty-eight series of such bonds or notes outstanding, with an aggregate principal amount payable of $320,542,062.

Assets Restricted for Capital and Debt Service Reserves

Pursuant to the Act and various resolutions of the Authority, certain assets (principally investments) are maintained in capital and debt service reserve funds and may be used only for the payment of principal and interest on certain bonds. The reserve funds must be maintained at an amount at least equal to the following:

Bonds	Requirement
Affordable Housing Program Trust Fund Bonds	Maximum amounts of principal, sinking fund installments and interest due in the then current or any future bond year for all bonds then outstanding.
Housing Bonds	The amount established by each series resolution, currently six months of maximum principal and interest payments.
Multifamily Housing Revenue Bonds (Marywood)	Six months of maximum annual interest.
Homeowner Mortgage Revenue Bonds Residential Mortgage Revenue Bonds	The sum of all amounts established by each series resolution, but such amount cannot be less than 2% for the Homeowner Mortgage Revenue Bonds, and 4% for the Residential Mortgage Revenue Bonds, of the sum of (i) the outstanding principal balance of related mortgage loans and (ii) the amount on deposit to the credit of series program accounts of the program fund.

The amounts of such reserves, for measurement purposes against the various bond resolution reserve requirements, are valued at book value or par, or, if purchased at less than par, at their cost to the Authority. At June 30, 2008, these amounts, which were not less than the amounts required, are as follows:

Housing Bonds	$ 23,610,360
Multifamily Housing Revenue Bonds (Marywood)	411,969
Homeowner Mortgage Revenue Bonds	29,626,666
	$ 53,648,995

In addition to the above, the debt service reserve requirements of the following bond issues are satisfied by surety arrangements.

Issue	Valuation
Housing Bonds, 2003 Series C	$ 260,000
Housing Bonds, 2004 Series B	500,000
Housing Bonds, 2006 Series C	268,850
Multifamily Bonds, Series 2003 (Turnberry II)	Not Applicable
Affordable Housing Program Trust Fund Bonds, Series 2004 and 2005A	7,231,723

Other Maturity Information

Bonds maturing on or after the following dates are redeemable at the option of the Authority at prescribed redemption prices greater than 100%, decreasing periodically, expressed as a percentage of the principal amount, as follows:

Issue	Maturity on or after	Redemption price		
Housing Bonds, 1999 A	Mar. 1, 2009	101	to	100
Homeowner Mortgage Revenue Bonds:				
1996 Series E	July 1, 2008	101	to	100
1996 Series F	July 1, 2008	102	to	100
1997 Series A	July 1, 2008	101	to	100
1997 Series B remarketed April 30, 1998	July 1, 2008	102	to	100
1997 Series B remarketed June 29, 1998	July 1, 2008	102	to	100
1997 Series C	July 1, 2008	102	to	100
1997 Series D	July 1, 2008	102	to	100
1998 Series A	July 1, 2008	101	to	100
1998 Series D remarketed October 7, 1998	Oct. 1, 2008	101	to	100
1998 Series E	Oct. 1, 2008	101	to	100
1998 Series D remarketed December 17, 1998	Dec. 1, 2008	101	to	100
1998 Series D remarketed April 29, 1999	April 1, 2009	101.5	to	100
1998 Series G	Aug. 1, 2008	101	to	100

Debt service requirements (dollars in millions) through 2013 and in five-year increments thereafter to maturity for the Authority's proprietary funds are as follows:

	Administrative Fund		Mortgage Loan Program Fund		Single Family Program Fund		Total	
	Principal	Interest	Principal	Interest	Principal*	Interest	Principal*	Interest
Year ending June 30:								
2009	$ -	$ 0.2	$ 20.5	$ 27.1	$ 86.2	$ 47.3	$ 106.7	$ 74.6
2010	-	0.2	23.3	26.3	24.3	45.2	47.6	71.7
2011	-	0.2	26.2	25.3	23.1	44.3	49.3	69.8
2012	4.6	0.3	28.3	24.3	24.8	43.2	57.7	67.8
2013	-	-	26.4	23.1	26.4	42.2	52.8	65.3
Five years ending June 30:								
2014-2018	-	-	124.2	99.2	145.3	192.2	269.5	291.4
2019-2023	-	-	97.8	73.3	141.6	158.3	239.4	231.6
2024-2028	-	-	86.9	51.5	197.5	117.1	284.4	168.6
2029-2033	-	-	54.3	36.7	217.7	65.4	272.0	102.1
2034-2038	-	-	61.7	22.3	143.5	18.4	205.2	40.7
2039-2043	-	-	38.7	9.7	10.8	0.4	49.5	10.1
2044-2048	-	-	18.7	2.0	-	-	18.7	2.0
2049-2053	-	-	0.2	-	-	-	0.2	-
	$ 4.6	$ 0.9	$ 607.2	$ 420.8	$ 1,041.2	$ 774.0	$ 1,653.0	$ 1,195.7

*Includes capital appreciation bonds at their final redemption values.

Derivatives

The incurring of obligations by the Authority involves a variety of interest rate payments and other risks, for which a variety of financial instruments are available to offset, hedge, or reduce these payments and risks. It is the policy of the Authority to utilize Risk Management Agreements to better manage its assets and liabilities. The Authority may execute Risk Management Agreements if the transaction can be expected to result in at least one of, but not limited to, the following:

a) The reduction of exposure to changes in interest rates on a particular financial transaction;

b) A lower net cost of borrowing with respect to the Authority's debt;

c) The management of variable interest rate exposure consistent with prudent debt practices;

d) The achievement of more flexibility meeting overall financial and programmatic objectives that cannot be achieved in conventional markets.

The Authority, as of June 30, 2008 has three active swap contracts and four interest rate caps. Details are shown in the following table.

Associated bond issue	Notional amounts	Effective date	Fixed rate paid	Variable rate received	Fair values(1)	Termination date	Counter-party credit rating(2)
Swap contracts:							
HMRB*:							
Series 2001 D	$ 1,790,000	07/01	6.13 %	1 mo LIBOR +30bp	$ (34,774)	02/2010	AAA/Aa2
Series 2001 F	10,000,000	01/02	6.615	1 mo LIBOR +40bp	(1,250,765)	08/2020	A/A1
Series 2002 B	3,520,000	05/02	6.145	1 mo LIBOR +41.5bp	(287,019)	02/2023	A/A1
Interest Rate Caps:							
HB**:							
Series 2004 B	7,710,000	03/04	5.00	N/A	12,565	04/2012	AAA/Aa2
Series 2008 A	14,170,000	01/08	5.75	N/A	23,501	12/2012	AA/Aaa
Series 2008 B	37,885,000	07/06	5.50	N/A	22,332	06/2011	AA/Aaa
Series 2008 C	5,570,000	06/06	4.75	N/A	(54,406)	06/2021	AA/Aa2

*Homeowner Mortgage Revenue Bonds
**Housing Bonds
(1) includes accrued interest.
(2) Standard & Poors/Moody's

To protect against the potential of rising interest rates, the Authority has entered into three pay-fixed, receive variable, interest rate swap agreements, the objective of which is to achieve a synthetic fixed interest rate on the underlying bonds at a cost anticipated to be less than the amounts paid had the Authority issued fixed-rate debt. In addition, the Authority has entered into four interest rate cap agreements, the objective of which is to establish a maximum debt service which may be paid over the life of the underlying bonds.

The terms, fair values, and credit ratings of the outstanding agreements as of June 30, 2008 are shown in the above table. The notional amounts of the swaps match the principal amounts of the associated debt. The Authority's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated bonds payable category.

Because interest rates have declined since the implementation of the swap and cap agreements, most currently active swaps and cap agreements, except for Housing Bonds Series 2004B, 2008A and 2008B had a negative fair value as of June 30, 2008. The negative fair values may be countered by reductions in total interest payments required under the variable-rate bonds, creating lower synthetic interest rates. Because the coupons on the Authority's variable rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value changes.

As of June 30, 2008, the Authority was not exposed to credit risk for the swaps that had negative fair values. As interest rates change and the fair values become positive, the Authority is exposed to credit risk in the amount of the swaps' fair value. Fair value is a factor only upon termination.

Basis risk on swaps occurs when the variable payment received is based on an index other than the index on the underlying bonds. The Authority believes its swap agreements have been structured to minimize or eliminate this risk.

The Authority or the counter-party may terminate any of the swap agreements if the other party fails to perform under the terms of the agreements. If a swap is insured, a termination event occurs if the insurer fails to meet its obligations under the agreement.

The Authority is not exposed to rollover risk on its swap agreements.

As of June 30, 2008, debt service requirements of the Authority's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows:

Illinois Housing Development Authority
Swap Payments and Associated Debt

	Variable-rate bonds		Interest rate	
	Principal	Interest	swaps, net	Total
Year ending June 30:				
2009	$ 2,470,000	$ 1,578,114	$ 539,386	$ 4,587,500
2010	2,640,000	1,529,181	494,549	4,663,730
2011	2,810,000	1,477,215	465,644	4,752,859
2012	2,985,000	1,422,215	454,100	4,861,315
2013	2,070,000	1,368,251	442,228	3,880,479
Five years ending June 30:				
2018	15,965,000	6,120,930	1,926,369	24,012,299
2023	19,040,000	3,929,134	361,371	23,330,505
2028	30,300,000	2,208,440	-	32,508,440
2033	3,030,000	404,008	-	3,434,008
2038	1,780,000	165,782	-	1,945,782
Greater than 2038	1,090,000	39,769	-	1,129,769
Total	$ 84,180,000	$ 20,243,039	$ 4,683,647	$ 109,106,686

As rates vary, variable-rate bond interest payments and net swap payments will vary.

Note H—Deposits Held in Escrow

Deposits from developers, which are held in escrow in the Administrative Fund, may be used when necessary to pay principal and interest payments and fund construction cost overruns, change orders, tax and insurance payments and capital improvements (see note E). In addition, on certain developments, letters of credit and assignments of syndication proceeds are held by the Authority for similar purposes and to fund potential operating deficits of the related developments; investment income earned on deposited funds is credited to the respective developer's escrow accounts.

Note I—Leases

The Authority leases office facilities under a lease which extends through July 31, 2016, and which provides the Authority two successive five-year options to extend the lease beyond that date and, during certain time periods, to lease additional office facilities.

The office lease provides for annual base rent of approximately $781,000 for the fiscal year 2008, plus approximately $888,000 in fiscal year 2008 for the Authority's 7.16% share of ownership taxes and operating expenses, which also are subject to adjustment, based on the actual costs incurred by the lessor.

For fiscal year 2008, total rent expense of the Authority was $1,568,125.

The future minimum lease commitments as of June 30, 2008, are as follows:

Year Ending June 30,	Amount
2009	$ 816,236
2010	842,636
2011	869,036
2012	895,436
2013	921,836
2014-2016	2,923,908
	$ 7,269,088

Note J—Other Liabilities

The bonds issued by the Authority after 1980 are subject to a variety of Internal Revenue Service (IRS) regulations which limit the amount of income which may be earned with non-mortgage investments to an amount not greater than the amount which would have been earned had the funds been invested at the yield on the bonds as defined by the IRS.

Excess earnings must be rebated annually, or every five years, depending on the date and type of bond issue. Included in other liabilities at June 30, 2008, is an estimated rebate liability of $3,239,999.

The Authority is a defendant in various legal actions arising from normal business activities. Management believes, after consultation with legal counsel, that the ultimate liability, if any, resulting from these legal actions, will not materially affect the Authority's financial position or results of operations.

The Authority carries commercial insurance for director's and officer's liability, general liability, workers' compensation, and automobile ownership and usage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note K—Retirement Plan

The Authority provides a defined contribution retirement plan for the benefit of its employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Full time employees are eligible to participate in and are fully vested in the plan from the date of employment. All plan assets and investments are administered by a trustee, which maintains an individual account for each participant. The Authority contributes 6% of its employees' salaries and employees, at their option, may contribute up to 19% (within a maximum dollar limit) of their salaries to the plan. In addition, the Authority, under the provisions of the Economic Growth and Tax Relief Act of 2001, permits additional contributions each calendar year for those employees who attain age 50 (or higher) during the calendar year. The plan may be amended or terminated by the Authority at any time and for any reason in the future, but no such action can deprive employees of their vested interests.

The Authority's total payroll in fiscal year 2008 was $12,046,238. The Authority's contributions were calculated using the base salary amount of $11,899,167. The Authority contributed $713,950 or 6% of the base salary amount, in fiscal year 2008. Employee contributions amounted to $892,518 in fiscal year 2008, or 7.5% of the base salary amount.

Note L—Commitments

At June 30, 2008, unexpended bond proceeds held by the Authority in the form of cash and investments amounting to $81,882,692 in the Homeowner Mortgage Revenue Bond accounts were identified for the purpose of purchasing various mortgage loans. At June 30, 2008, unexpended bond proceeds held by the Authority in the form of cash and investments amounting to $12,587,347 in the Housing Bond accounts were identified for the purpose of making various mortgage loans.

At June 30, 2008, the Authority had authorized commitments for loans and grants totaling $36,091,391 for the Illinois Affordable Housing Trust Fund.

Under the HOME Program, $355.1 million and $21.8 million for federal fiscal years 1992 through 2007 and 2008, respectively, have been allocated to the State, to be administered by the Authority, under the HOME Program provisions of the 1990 National Affordable Housing Act. In fiscal year 1994, the Authority was allocated $10.2 million of additional HOME funds to be used for flood disaster relief. At June 30, 2008, the Authority had authorized commitments for loans and grants totaling $25,038,376 for the HOME Program.

In accordance with an agreement (the "FAF Agreement") entered into by the Authority and HUD at the time of delivery of the Authority's Multi-Family Housing Bonds, 1982 Series A, 1982 Series B, and 1983 Series A, annual Section 8 contributions payable to HUD with respect to the developments financed by these bonds would be reduced to the extent of the debt service savings resulting from the early redemptions of these Bonds.

These redemptions were accomplished through the issuance of the Authority's Multi-Family Housing Bonds, 1991 Series A and B, 1992 Series A and B, and 1993 Series A and B. In November of 2006, the Authority entered into a new agreement (the "FAF Refunding Agreement") with HUD at the time of delivery of the Authority's Housing Bonds, 2007 Series G to refund the Multi-Family Housing Bonds, 1991 Series A, 1992 Series A, and 1993 Series A. Pursuant to federal legislation and a written agreement with the Authority, HUD has agreed to share a portion of such savings (the FAF Savings Program) with the Authority in order to create and maintain affordable housing opportunities for individuals of "very low income" (as such term is defined in the 1937 Housing Act) in the State.

(Continued)

These savings, which are to be used solely for the purpose stated above, became available beginning in fiscal year 1992 for the 1991 Series A and B Bonds and in fiscal year 1994 for the 1993 Series A and B Bonds, and are recorded as other income of the Administrative Fund. At June 30, 2008, loans receivable under this program were approximately $19.2 million.

Note M—Contingencies

HUD's Office of General Counsel (OGC) has expressed the opinion that certain language used in the form of Housing Assistance Payments (HAP) Contracts in use prior to February 1980 for State Agency projects with mortgages that were not insured by the FHA, has the effect of terminating those HAP Contracts upon refinancing of the related project mortgages. While only expressed in the form of an internal memorandum, this opinion has been communicated by HUD to the public. The position expressed in the opinion has not been promulgated in any official form, nor has HUD taken any action to impose consequences that might arise from the opinion on projects that were previously refinanced. The Authority has determined that 61 of the Section 8 projects that it has financed have been refinanced in a fashion that might cause a termination of the related HAP Contracts under such OGC opinion.

Were HUD to stop HAP payments to affected projects and/or attempt to recover previously made payments, such action could adversely affect project income, the Authority's revenues from those projects and, as a consequence thereof, the Authority's financial position. However, in Congressional testimony and in public discussions with industry participants, HUD officials have expressed the desire to prevent its position regarding the pre-1980 HAP form contract language from having an adverse impact upon the affected projects and State Agencies. In addition, HUD has offered to approve an amendment to the affected HAP contracts that would amend the language at issue to clarify that the term of the form HAP contract extends to the originally scheduled maturity date of the original HFA financing. Of the 61 Authority-financed projects that have refinanced, 45 of these projects have executed such amendments, and these amendments have been approved by HUD. Two other projects have entered into long-term renewal HAP contracts. Further, while it is not possible to predict with certainty the outcome of any litigation, the Authority has been advised by counsel that if HUD were to attempt to recover previously made payments under the HAP contracts related to these projects, HUD would be unlikely to prevail.

Note N—Subsequent Events

On August 20, 2008, the Authority secured a line of credit in an amount up to $50,000,000, the proceeds of which shall only be used by the Authority to purchase certain of its outstanding Mortgage Participation Certificates that have been pre-approved by the issuer in its sole discretion prior to the disbursement of any such line of credit proceeds. The term of the line of credit is three months from the closing date with one extension option for an additional three months. The line of credit is a general obligation of the Authority, with an interest rate of LIBOR plus 65 basis points on proceeds disbursed, and a rate of 25 basis points on unused amounts.

On October 5, 2008, the Board of Directors of the counterparty to an Authority swap contract related to the Homeowner Mortgage Revenue Series 2002 B Bonds with a notional amount of $3,520,000, declared a voluntary bankruptcy. As a result of this event, the Authority has the option of terminating the swap agreement. The Authority has not determined the action it will take as a result of the voluntary bankruptcy.

One estimate that is significant to the Authority is the Allowance for Loan Loss. This estimate of the uncollectible loan balances is based upon historical data and Authority risk analyses of its loan portfolio. Subsequent to the end of the fiscal year, there has been an unprecedented tightening in the credit market. It is not known what impact the credit tightening may have on the allowance for loan loss, but it could have a material impact on this estimate. Actual loan losses could be materially different than estimates based on historical information and the Authority's current risk analyses.

The loan portfolio within the Single Family Program Fund does not have an estimated amount for loan losses because substantially all delinquent mortgage loans receivable were covered by pool insurance. Historically, the Authority has been able to recover unpaid balances through this insurance. Subsequent to the end of the fiscal year, there has been a significant change in the credit default insurance market and many insurers have been downgraded. It is not known what impact these downgrades may have on the Authority's ability to recover credit defaults in its single family loan portfolio. Although the Authority has historically been able to recover losses through pool insurance in previous years, it is not known if this insurance will continue to be effective.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)
Mortgage Loan Program Fund
Combining Schedule of Net Assets
June 30, 2008

	Housing Bonds	Multifamily Housing Revenue Bonds (Marywood)	Multifamily Bonds (Turnberry)	Affordable Housing Program Trust Fund Bonds	Total
Assets:					
Current assets:					
Cash and cash equivalents	$ 366,053	$ 3,657	$ 895	$ 34,535	$ 405,140
Investment income receivable – restricted	293,480	-	-	57,498	350,978
Program loans receivable	25,423,000	252,000	50,000	4,558,000	30,283,000
Interest receivable on program loans	1,516,847	-	25,176	107,741	1,649,764
Due from other funds	14,459,887	-	21,940	-	14,481,827
Total current assets	42,059,267	255,657	98,011	4,757,774	47,170,709
Noncurrent assets:					
Investments – restricted	157,121,829	711,521	213,410	40,841,866	198,888,626
Program loans receivable, net of current portion	465,125,813	14,787,073	5,114,198	56,545,879	541,572,963
Less allowance for estimated losses	(5,340,000)	(3,785,000)	-	(4,385,000)	(13,510,000)
Net program loans receivable	459,785,813	11,002,073	5,114,198	52,160,879	528,062,963
Unamortized bond-issuance costs	3,703,487	-	-	3,708,567	7,412,054
Capital assets, net	29,010,023	-	-	-	29,010,023
Other	-	-	-	6,304	6,304
Total noncurrent assets	649,621,152	11,713,594	5,327,608	96,717,616	763,379,970
Total assets	691,680,419	11,969,251	5,425,619	101,475,390	810,550,679
Liabilities:					
Current liabilities:					
Bonds and notes payable	17,710,000	150,000	55,000	2,540,000	20,455,000
Accrued interest payable	10,524,376	263,138	80,163	360,900	11,228,577
Amounts held on behalf of others	599,363	-	-	-	599,363
Accrued liabilities and other	3,417,210	-	26,006	203,060	3,646,276
Due to other funds	1,688,302	2,194	8,251	46,615	1,745,362
Total current liabilities	33,939,251	415,332	169,420	3,150,575	37,674,578
Noncurrent liabilities:					
Bonds and notes payable, net of current portion	487,002,278	15,350,000	5,115,000	69,500,000	576,967,278
Total liabilities	520,941,529	15,765,332	5,284,420	72,650,575	614,641,856
Net assets:					
Invested in capital assets, net of related debt	(8,874,977)	-	-	-	(8,874,977)
Restricted for bond resolution purposes	179,613,867	(3,796,081)	141,199	28,824,815	204,783,800
Total net assets	$ 170,738,890	$ (3,796,081)	$ 141,199	$ 28,824,815	$ 195,908,823

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)
Mortgage Loan Program Fund
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets
Year ended June 30, 2008

	Multi-Family Program Bonds	Housing Bonds	Housing Finance Bonds	Multi-Family Variable Rate Demand Bonds	Multi-Family Housing Revenue Bonds	Multifamily Housing Revenue Bonds (Marywood)	Multifamily Bonds (Turnberry)	Affordable Housing Program Trust Fund Bonds	Inter-Acccount Eliminations	Total
Operating revenues:										
Interest and other investment income	$ 778,905	$ 3,669,997	$ 18,692	$ 66,321	$ 481,727	$ 28,540	$ 7,235	$ 1,721,786	$ -	$ 6,773,203
Net increase (decrease) in fair value of investments	-	884,151	-	473	6,289	2,312	(133)	(6,482)	-	886,610
Total investment income	778,905	4,554,148	18,692	66,794	488,016	30,852	7,102	1,715,304	-	7,659,813
Interest earned on program loans	744,841	28,058,107	183,964	46,022	893,618	533,516	264,463	1,715,906	-	32,440,437
Federal assistance programs	-	5,070,786	-	-	-	-	-	-	-	5,070,786
Other	-	739,577	-	-	4,171,879	-	-	-	-	4,911,456
Total operating revenues	1,523,746	38,422,618	202,656	112,816	5,553,513	564,368	271,565	3,431,210	-	50,082,492
Operating expenses:										
Interest expense	1,237,781	22,384,783	554,622	99,086	1,905,616	792,033	241,463	4,807,812	-	32,023,196
Federal assistance programs	-	5,070,786	-	-	-	-	-	-	-	5,070,786
Professional fees	-	25,500	3,000	-	-	-	-	-	-	28,500
Financing costs	-	295,876	500	14,736	144,417	2,194	7,490	86,904	-	552,117
Provision for estimated losses on program loans receivable	-	1,285,000	-	-	-	1,500,000	-	425,000	-	3,210,000
Total operating expenses	1,237,781	29,061,945	558,122	113,822	2,050,033	2,294,227	248,953	5,319,716	-	40,884,599
Operating income (loss)	285,965	9,360,673	(355,466)	(1,006)	3,503,480	(1,729,859)	22,612	(1,888,506)	-	9,197,893
Transfers in	-	29,064,293	-	-	-	-	-	5,200,000	(29,059,873)	5,204,420
Transfers out	(16,454,549)	(8,273)	(67,815)	(2,372,342)	(10,165,167)	-	-	-	29,059,873	(8,273)
Total transfers	(16,454,549)	29,056,020	(67,815)	(2,372,342)	(10,165,167)	-	-	5,200,000	-	5,196,147
Change in net assets	(16,168,584)	38,416,693	(423,281)	(2,373,348)	(6,661,687)	(1,729,859)	22,612	3,311,494	-	14,394,040
Net assets at beginning of year	16,168,584	132,322,197	423,281	2,373,348	6,661,687	(2,066,222)	118,587	25,513,321	-	181,514,783
Net assets at end of year	$ -	$ 170,738,890	$ -	$ -	$ -	$ (3,796,081)	$ 141,199	$ 28,824,815	$ -	$ 195,908,823

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)
Mortgage Loan Program Fund
Combining Schedule of Cash Flows
Year ended June 30, 2008

	Multi-Family Program Bonds	Housing Bonds	Housing Finance Bonds	Multi-Family Variable Rate Demand Bonds	Multi-Family Housing Revenue Bonds	Multifamily Housing Revenue Bonds (Marywood)	Multifamily Bonds (Turnberry)	Affordable Housing Program Trust Fund Bonds	Inter-Acccount Eliminations	Total
Cash flows from operating activities:										
Receipts for program loans, interest and service fees	$ 47,357,245	$ 78,898,422	$ 13,653,269	$ 2,836,829	$ 40,159,753	$ 543,924	$ 312,076	$ 8,890,600	$ -	$ 192,652,118
Payments for program loans	-	(162,990,904)	-	-	-	-	-	-	-	(162,990,904)
Receipts for federal assistance programs	-	5,070,786	-	-	-	-	-	-	-	5,070,786
Payments for federal assistance programs	-	(5,070,786)	-	-	-	-	-	-	-	(5,070,786)
Payments to suppliers	(1,447,716)	(3,494,745)	(3,500)	(14,736)	(144,417)	(2,194)	(7,490)	(86,904)	-	(5,201,702)
Payments for amounts held on behalf of others	-	599,363	-	-	-	-	-	-	-	599,363
Other receipts	-	739,577	-	-	4,171,879	-	-	-	-	4,911,456
Net cash provided by (used in) operating activities	45,909,529	(86,248,287)	13,649,769	2,822,093	44,187,215	541,730	304,586	8,803,696	-	29,970,331
Cash flows from noncapital financing activities:										
Proceeds from sale of revenue bonds and notes	-	145,719,750	-	-	-	-	-	-	-	145,719,750
Principal paid on revenue bonds and notes	(52,595,000)	(37,381,655)	(13,920,000)	(2,785,000)	(53,055,000)	(140,000)	(55,000)	(5,090,000)	-	(165,021,655)
Interest paid on revenue bonds and notes	(2,360,039)	(22,614,376)	(843,784)	(73,897)	(1,211,600)	(794,131)	(242,288)	(4,456,036)	-	(32,596,151)
Due to other funds	(407,604)	606,990	(12,780)	(21,341)	(230,101)	(23,352)	(9,303)	(67,364)	-	(164,855)
Due from other funds	953,034	(8,890,610)	-	-	7,826,208	-	-	-	-	(111,368)
Transfers in	-	29,064,293	-	-	-	-	-	5,200,000	(29,059,873)	5,204,420
Transfers out	(16,454,549)	(8,273)	(67,815)	(2,372,342)	(10,165,167)	-	-	-	29,059,873	(8,273)
Net cash provided by (used in) noncapital financing activities	(70,864,158)	106,496,119	(14,844,379)	(5,252,580)	(56,835,660)	(957,483)	(306,591)	(4,413,400)	-	(46,978,132)
Cash flows from investing activities:										
Purchase of investments	(84,995,118)	(957,223,230)	(317,808)	(5,823,880)	(28,140,489)	(4,851,479)	(941,418)	(130,358,509)	-	(1,212,651,931)
Proceeds from sales and maturities of investments	108,717,605	931,126,212	1,474,036	8,057,870	40,212,246	5,232,449	936,445	124,081,292	-	1,219,838,155
Interest received on investments	1,216,376	4,547,903	38,382	70,817	490,615	36,049	7,102	1,816,220	-	8,223,464
Net cash provided by (used in) investing activities	24,938,863	(21,549,115)	1,194,610	2,304,807	12,562,372	417,019	2,129	(4,460,997)	-	15,409,688
Net increase (decrease) in cash and cash equivalents	(15,766)	(1,301,283)	-	(125,680)	(86,073)	1,266	124	(70,701)	-	(1,598,113)
Cash and cash equivalents at beginning of year	15,766	1,667,336	-	125,680	86,073	2,391	771	105,236	-	2,003,253
Cash and cash equivalents at end of year	$ -	$ 366,053	$ -	$ -	$ -	$ 3,657	$ 895	$ 34,535	$ -	$ 405,140
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:										
Operating income (loss)	$ 285,965	$ 9,360,673	$ (355,466)	$ (1,006)	$ 3,503,480	$ (1,729,859)	$ 22,612	$ (1,888,506)	$ -	$ 9,197,893
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:										
Investment income	(778,905)	(4,554,148)	(18,692)	(66,794)	(488,016)	(30,852)	(7,102)	(1,715,304)		(7,659,813)
Interest expense	1,237,781	22,384,783	554,622	99,086	1,905,616	792,033	241,463	4,807,812	-	32,023,196
Depreciation and amortization	-	200,000	-	-	600,000	-	-	-	-	800,000
Provision for estimated losses on program loans receivable	-	1,285,000	-	-	-	1,500,000	-	425,000	-	3,210,000
Changes in assets and liabilities:										
Program loans	46,612,404	(112,006,316)	13,394,034	2,775,277	9,796,400	10,408	47,381	7,032,792	-	(32,337,620)
Interest on program loans	-	(344,273)	75,271	15,530	44,199	-	232	140,573	-	(68,468)
Other liabilities	(1,447,716)	(3,173,369)	-	-	-	-	-	-	-	(4,621,085)
Other assets	-	-	-	-	28,825,536	-	-	1,329	-	28,826,865
Held on behalf of others	-	599,363	-	-	-	-	-	-	-	599,363
Total adjustments	45,623,564	(95,608,960)	14,005,235	2,823,099	40,683,735	2,271,589	281,974	10,692,202	-	20,772,438
Net cash provided by (used in) operating activities	$ 45,909,529	$ (86,248,287)	$ 13,649,769	$ 2,822,093	$ 44,187,215	$ 541,730	$ 304,586	$ 8,803,696	$ -	$ 29,970,331

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)
Single Family Program Fund
Combining Schedule of Net Assets
June 30, 2008

	Homeowner Mortgage Revenue Bonds	Residential Mortgage Revenue Bonds	Total
Assets:			
Current assets:			
Cash and cash equivalents	$ 6,755,040	$ 250	$ 6,755,290
Investment income receivable – restricted	1,188,533	8,445	1,196,978
Program loans receivable	20,773,000	-	20,773,000
Interest receivable on program loans	4,406,263	-	4,406,263
Due from other funds	533	-	533
Total current assets	33,123,369	8,695	33,132,064
Noncurrent assets:			
Investments – restricted	237,331,396	463,719	237,795,115
Program loans receivable, net of current portion	843,457,968	-	843,457,968
Unamortized bond issuance costs	9,648,003	-	9,648,003
Real estate held for sale, net	2,811,479	-	2,811,479
Total noncurrent assets	1,093,248,846	463,719	1,093,712,565
Total assets	1,126,372,215	472,414	1,126,844,629
Liabilities:			
Current liabilities:			
Bonds and notes payable	86,185,000	-	86,185,000
Accrued interest payable	20,194,738	10,115	20,204,853
Accrued liabilities and other	1,101,848	-	1,101,848
Due to other funds	505,248	-	505,248
Total current liabilities	107,986,834	10,115	107,996,949
Noncurrent liabilities:			
Bonds and notes payable, net of current portion	956,490,519	309,215	956,799,734
Total liabilities	1,064,477,353	319,330	1,064,796,683
Net assets:			
Restricted for bond resolution purposes	61,894,862	153,084	62,047,946
Total net assets	$ 61,894,862	$ 153,084	$ 62,047,946

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)
Single Family Program Fund
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets
Year ended June 30, 2008

	Homeowner Mortgage Revenue Bonds	Residential Mortgage Revenue Bonds	Total
Operating revenues:			
Interest and other investment income	$ 11,033,990	$ 34,455	$ 11,068,445
Net increase in fair value of investments	535,231	38	535,269
Total investment income	11,569,221	34,493	11,603,714
Interest earned on program loans	44,344,751	-	44,344,751
Total operating revenues	55,913,972	34,493	55,948,465
Operating expenses:			
Interest expense	49,291,871	25,202	49,317,073
Professional fees	47,000	-	47,000
Other general and administrative	117,515	-	117,515
Financing costs	836,852	-	836,852
Total operating expenses	50,293,238	25,202	50,318,440
Operating income	5,620,734	9,291	5,630,025
Transfers in	2,622,469	-	2,622,469
Transfers out	(10,971)	-	(10,971)
Total transfers	2,611,498	-	2,611,498
Change in net assets	8,232,232	9,291	8,241,523
Net assets at beginning of year	53,662,630	143,793	53,806,423
Net assets at end of year	$ 61,894,862	$ 153,084	$ 62,047,946

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)
Single Family Program Fund
Combining Schedule of Cash Flows
Year ended June 30, 2008

	Homeowner Mortgage Revenue Bonds	Residential Mortgage Revenue Bonds	Total
Cash flows from operating activities:			
Receipts for program loans, interest and service fees	$ 120,808,722	$ -	$ 120,808,722
Payments for program loans	(170,834,490)	-	(170,834,490)
Payments to suppliers	(1,702,365)	-	(1,702,365)
Net cash provided by (used in) operating activities	(51,728,133)	-	(51,728,133)
Cash flows from noncapital financing activities:			
Proceeds from sale of revenue bonds and notes	256,040,000	928	256,040,928
Principal paid on revenue bonds and notes	(182,186,243)	-	(182,186,243)
Interest paid on revenue bonds and notes	(47,708,848)	(25,202)	(47,734,050)
Due to other funds	154,220	-	154,220
Due from other funds	(533)	-	(533)
Transfers in	2,622,469	-	2,622,469
Transfers out	(10,971)	-	(10,971)
Net cash provided by (used in) noncapital financing activities	28,910,094	(24,274)	28,885,820
Cash flows from investing activities:			
Purchase of investment securities	(709,921,125)	(316,305)	(710,237,430)
Proceeds from sales and maturities of investment securities	722,039,994	305,862	722,345,856
Interest received on investments	12,362,711	34,437	12,397,148
Net cash provided by (used in) investing activities	24,481,580	23,994	24,505,574
Net increase (decrease) in cash and cash equivalents	1,663,541	(280)	1,663,261
Cash and cash equivalents at beginning of year	5,091,499	530	5,092,029
Cash and cash equivalents at end of year	$ 6,755,040	$ 250	$ 6,755,290
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income	$ 5,620,734	$ 9,291	$ 5,630,025
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Investment income	(11,569,221)	(34,493)	(11,603,714)
Interest expense	49,291,871	25,202	49,317,073
Changes in assets and liabilities:			
Program loans receivable	(93,801,419)	-	(93,801,419)
Interest receivable on program loans	(569,100)	-	(569,100)
Other liabilities	(700,998)	-	(700,998)
Total adjustments	(57,348,867)	(9,291)	(57,358,158)
Net cash provided by (used in) operating activities	$ (51,728,133)	$ -	$ (51,728,133)

Independent Auditors' 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*

The Honorable William G. Holland, Auditor
General of the State of Illinois, and the Members of the
Illinois Housing Development Authority:

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the nonmajor governmental fund of the Illinois Housing Development Authority (the Authority), a component unit of the State of Illinois, as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 24, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's 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 an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination or control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described as findings 08-1, 08-2 and 08-3 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's 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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, Authority management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Schaumburg, Illinois
October 24, 2008

Finding 08-01 Inadequate Reconciliation Procedures for Deposits Held in Escrow

The Illinois Housing Development Authority (Authority) does not have an adequate process for reconciling the general ledger with the subsidiary ledger used to account for deposits held in escrow.

The Authority is holding $166,077,785 in escrow deposit balances as of June 30, 2008. There are approximately 1,850 individual escrow balances. All escrow deposit balance transactions must be tracked in detail in a subsidiary ledger. The Authority uses a software program to track the individual escrow deposit accounts.

Deposits from developers, which are held in escrow by the Authority, are primarily used to pay tax and insurance payments and capital improvements. Also, the deposits are used to make principal and interest payments and fund construction cost overruns, change orders or operating deficits.

The Authority implemented procedures in the current year to reconcile the escrow account detail subsidiary ledger records to the general ledger. However, the Authority was unable to reconcile the escrow accounts resulting in an adjusting entry of $252,963 for unidentified variances. The Authority should be reconciling the subsidiary records to the general ledger on a monthly basis and resolving discrepancies timely.

Authority management stated that they have implemented procedures and are continuing to test those procedures to reconcile the escrow accounts but they were unable to locate the variances as they likely have occurred over a number of years.

Without adequately reconciling the deposits held in escrow, the Authority may not have adequate funds on hand to satisfy liabilities incurred that are funded with escrow balances. (Finding Code No. 08-01, 07-03).

Recommendation

We recommend that the Authority reconcile escrow accounts on a regular basis in order to prevent unidentified variances.

Authority Response

The Authority concurs with the recommendation and is currently testing a monthly reconciliation procedure that it has developed.

Finding 08-02 Inconsistencies in the Loan Monitoring and Loan Rating System

The Illinois Housing Development Authority (Authority) has inconsistencies in the process for monitoring problem loans and inconsistencies in the evaluation of factors used to rate loans for the allowance for loan loss estimate.

The Authority's Assets Management Services Department performs an annual property inspection and loan review in order to rate loans for the calculation of the allowance for loan loss estimate. We tested over 200 loans for various aspects of compliance with established procedures to rate loans. In one test, we noted that 4 of the 20 loans we tested did not have the debt service coverage ratio calculated, which evaluates the borrowers ability to repay the debt. In another test, 13 of the 20 loans we tested did not have the original appraisal or an updated appraisal in order to calculate the loan to value ratio, which is used to evaluate the market value of the underlying collateral. One of our other tests revealed that the documentation for an individual loan did not contain the correct address.

During our audit of the Authority's loan receivable balances, we noted the "watch list"; a tool to monitor problem loans, was incomplete according to the Authority's rating policies of a "watch list" loan. In addition, the Authority does not have a formal policy to stop accruing and recognizing interest income on delinquent loans.

The calculation of the allowance for loan loss estimate requires various elements of monitoring and evaluating the collectibility of loan receivable balances. In accordance with generally accepted accounting principles, the estimate should be supported by detailed information including information derived from monitoring tools and consistent loan rating factors.

Authority management stated that the loan monitoring and rating system, which was implemented in stages beginning in May 2007, with the adoption of a comprehensive Loan Loss Rating Policy, includes risk analysis of the entire multi-family portfolio. The Authority recognizes that inconsistencies have occurred as its staff adjusts to new procedures to implement the policy. The Authority stated that they are working to reduce any inconsistencies or weaknesses detected.

The allowance for loan loss estimate as of June 30, 2008 was $34,185,000. Without consistent tools to monitor and rate the collectability of the loans, the estimate could be over or under stated. (Finding Code No. 08-02).

Recommendation

We recommend that the Authority develop policies and procedures to ensure the "watch list" reports are complete and accurate. In addition, we recommend the Authority implement procedures to ensure that the Asset Management Services department receives the necessary documents to accurately perform their annual loan review. Also, the Authority should develop a formal policy to suspend recognizing interest income on delinquent loans.

Authority Response

The Authority concurs with the recommendations and is continuing its efforts to correct inconsistencies as it continues to implement its comprehensive Loan Loss Rating Policy. The Authority will adopt policies and procedures to ensure the "watch list" reports are complete and accurate, as well as develop a formal policy to suspend recognizing the interest income on delinquent loans. Additional efforts will be made to ensure that the Asset Management department receives all necessary documents to accurately perform their annual loan review.

STATE OF ILLINOIS
ILLINOIS HOUSING DEVELOPMENT AUTHORITY

Schedule of Findings and Responses

Year ended June 30, 2008

Finding # 08-03 Loan Receivable Balance and Allowance for Loan Loss Balance Overstated

The Illinois Housing Development Authority (Authority) has loan balances recorded in their financial statements that should be removed due to the loans being uncollectible.

During our audit of the Authority's allowance for loan loss estimate, we noted loans totaling approximately $17.4 million were recorded on the Authority's financial statements for which a 100% allowance reserve was recorded. The Authority anticipates that most of these loans will be written off.

In accordance with generally accepted accounting principles, receivable balances that are uncollectible should be written off and removed from financial statements.

Authority management stated that several loan write-offs are pending approval from the Attorney General's Office and the Authority is continuing to submit additional requests.

The significant effect of not writing off the loan balances and the corresponding allowance, results in overstatements of the Authority's loans receivable balance and the allowance for loan loss balance. (Finding Code No. 08-03).

Recommendation

We recommend that the Authority work with the Attorney General's Office to get approval to write-off the uncollectible loan balances.

Authority Response

The Authority concurs with the recommendation and has, and will continue to, submit information to the Attorney General's Office to get approval to write-off the uncollectible loan balances.

Prior Year Findings Not Repeated

Year ended June 30, 2008

A. Incomplete Documentation for the Risk Ratings Assigned to Program Loans

In the prior fiscal year, the Authority did not document the rationale for the decisions made to support the risk ratings assigned to all program loans under the new loan rating methodology. (Finding Code No. 07-01)

During the current fiscal year, the Authority provided documentation to support the risk ratings assigned to program loans.

B. Inadequate Process for the Establishment of New Loans in the Loan Subsidiary System

In the prior fiscal year, the Authority did not have an adequate process for the establishment of new loans in the loan subsidiary system. (Finding Code No. 07-02, 06-07)

During the current fiscal year, the Authority implemented procedures to properly enter new loans into the loan subsidiary system.

C. Inadequate Process for Calculating and Reporting Loss on Debt Refunding Transaction

In the prior fiscal year, the Authority did not have an adequate process for calculating and reporting the loss on debt refunding transactions. (Finding Code No. 07-04)

During the current fiscal year, the Authority implemented procedures to properly calculate and report the loss on debt refunding transactions.