KPMG

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Financial Statements

June 30, 2017

(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)

Table of Contents

	Page(s)
Agency Officials	1
Financial Statement Report:	
Summary	2
Independent Auditors' Report	3–5
Management's Discussion and Analysis (Unaudited)	6–17
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	18–19
Statement of Activities	20
Fund Financial Statements:	
Balance Sheet – Governmental Funds	21
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	22
Statement of Net Position – Proprietary Funds	23–24
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	25
Statement of Cash Flows – Proprietary Funds	26–27
Notes to Financial Statements	28-69
Supplementary Information:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	70
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	71
Mortgage Loan Program Fund:	
Combining Schedule of Net Position	72
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position	73
Combining Schedule of Cash Flows	74
Single Family Program Fund:	
Combining Schedule of Net Position	75
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position	76
Combining Schedule of Cash Flows	77

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

Table of Contents

	Page(s)
Nonmajor Proprietary Fund - IHDA Dispositions LLC:	
Combining Schedule of Net Position	78
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position	79
Combining Schedule of Cash Flows	80
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*	81–82
Schedule of Findings and Responses	83–87
Prior Year Findings not Repeated	88

The Uniform Guidance 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	Audra A. Hamernik
Asst. Executive Director/Chief of Staff	Debra Olson
General Counsel	Maureen G. Ohle
Chief Financial Officer	Nandini Natarajan
Controller	Vanessa Boykin

Agency Officials are located at:

111 E. Wacker Drive, Suite 1000
Chicago, Illinois 60601

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 KPMG LLP.

Based on their audit, the auditors expressed unmodified opinions on the Authority's basic financial statements.

Summary of Findings

The auditors identified matters involving the Authority's internal control over financial reporting that they considered to be a material weakness and a significant deficiency. The material weakness is described in the accompanying schedule of findings and responses listed in the table of contents as finding 2017-001 (Inadequate Allowance for Loan Loss Methodology and Loan Rating Review Process). The significant deficiency is described in the accompanying schedule of findings and responses listed in the table of contents as finding 2017-002 (Inaccurate Financial Reporting).

Exit Conference

On October 20, 2017, the Illinois Housing Development Authority waived the exit conference relating to the audit of the June 30, 2017 financial statements.

KPMG LLP
Aon Center
Suite 5500
200 E. Randolph Street
Chicago, IL 60601-6436

Independent Auditors' Report

The Honorable Frank J. Mautino
Auditor General of the State of Illinois
and
The Board of Directors
Illinois Housing Development Authority:

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General of the State of Illinois, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information 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, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Illinois Housing Development Authority, a component unit of the State of Illinois, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Authority's June 30, 2016 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated December 12, 2016. In our opinion, the summarized comparative information presented within note 8 to the financial statements as of June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 6 through 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information on pages 70 through 80 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2017 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 solely 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 effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

/s/KPMG LLP

Chicago, Illinois
October 27, 2017

This Section of the Illinois Housing Development Authority's (the 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, 2017. Please read it in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- Net position of the Authority increased $156.0 million, to $1,206.5 million as of June 30, 2017, from an increase in the Authority's governmental activities ($102.9 million) and business-type activities ($53.1 million).
- The increase in net position, after transfers, of the Authority's governmental activities increased $106.5 million from the prior year primarily due to higher federal revenue ($95.6 million), higher grants from the State of Illinois ($19.4 million) and lower net transfers out ($19.9 million), partially offset by higher grant disbursements ($25.8 million) and higher general and administrative expenses ($6.3 million).
- The increase in net position, after transfers, of the Authority's business-type activities decreased $18.9 million from the prior year primarily due to lower net transfers in ($19.9 million), lower interest earned on program loans ($5.1 million), higher provision for estimated losses on program loans receivable ($2.6 million), and higher salaries and benefits ($1.9 million), partially offset by decreases in the provision for estimated losses on real estate held for sale ($7.1 million) and lower interest expense ($3.6 million).
- Authority debt issuances during fiscal year 2017 totaled $1,100.0 million. The Authority's debt outstanding (net of discounts and premiums) of $1,147.7 million as of June 30, 2017 was $67.3 million above the amount outstanding as of June 30, 2016.
- The Authority issued one new series of tax-exempt Revenue Bonds totaling $62.3 million secured by Government National Mortgage Association (GNMA) certificates and Fannie Mae (FNMA) mortgage-backed securities (MBS) to fund its homeownership loan program.
- The Authority issued two new series of tax-exempt Homeowner Mortgage Revenue Bonds totaling $144.1 million to economically refund prior series of Authority bonds and to reimburse the Authority for its prior purchases of GNMA certificates and FNMA MBSs to fund its homeownership program.
- The Authority issued one new series of taxable Multifamily Revenue Bonds totaling $24.7 million to economically refund prior series of Authority bonds secured by loans insured under Section 542 (c) of the Housing and Community Development Act of 1992 whereby HUD is permitted to provide federal credit enhancement through the Federal Housing Administration (FHA) for loans for affordable multifamily developments (FHA-HFA Risk Sharing Program).
- The Authority issued two new series of taxable Housing Bonds totaling $54.4 million to economically refund prior series of Authority bonds.
- The Authority issued one new series of tax-exempt Multifamily Revenue Bonds totaling $26.0 million to finance the construction and equipping of one 170 unit apartment building and one 50 unit apartment building in North Chicago, Illinois. The loans are insured under the FHA-HFA Risk Sharing Program.

- The Authority issued three new series of short-term tax-exempt Multifamily Collateralized Revenue Notes (Direct Bank Notes) totaling $42.5 million to finance the acquisition and rehabilitation of three affordable multifamily developments.
- The Authority sold beneficial ownership interests in loans for five affordable multifamily developments totaling $51.4 million to the Federal Financing Bank (FFB), an arm of the United States Department of the Treasury. The loans are insured under the FHA-HFA Risk Sharing Program.
- Program loan originations for the year totaled $26.6 million and $90.5 million in the Authority's governmental and business-type activities, respectively, compared to fiscal year 2016 loan originations of $25.7 million and $67.4 million, respectively.
- During fiscal year 2017, the Authority has continued to boost home buying in the State, and particularly in ten Illinois counties hardest hit by the foreclosure crisis. Using funds provided by the United States Department of the Treasury's Hardest Hit Fund (HHF) program, the Authority disbursed $36.5 million in down payment assistance that helped 4,876 homebuyers buy their first home.
- The Authority has continued to address foreclosure issues throughout the State, and in fiscal year 2017, reopened the HHF program designed to help homeowners avoid foreclosure. The Authority has approved and disbursed $24.9 million in direct mortgage assistance that enabled 2,035 households, including seniors with reverse mortgages that have overdue property tax and insurance payments, avoid foreclosure on their homes. In addition, under the Foreclosure Prevention Program (FPP), funded through foreclosure filing fees collected by the State, the Authority makes grants to HUD approved housing counseling agencies and community based organizations to help empower State residents with financial counseling and education, as well as capacity building, operational expenses, education, and staff/counselor training. In fiscal year 2017, the Authority's Board of Directors approved a fourth round of funding for FPP. In prior rounds, the Authority has disbursed $10.3 million to agencies that have assisted 118,000 households.
- In fiscal year 2017, using HHF program resources, the Authority was one of only two states in the nation to launch the "I-Refi" program that enables existing homeowners with declining property values to write down the balance on their first mortgage loan and refinance their debt into an affordable loan with a smaller balance. This important program has helped 191 households write down $7 million in first mortgage balances.

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 position and the statement of activities.

- The remaining statements are fund financial statements of the Authority's twelve governmental funds, for which activities are funded from State appropriation (grants), U.S. Department of Housing & Urban Development (HUD) and U.S. Treasury Programs, and which the Authority follows the modified accrual basis of accounting, and four 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 notes to the financial statements that explain some of the information in the government-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 position includes all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources. 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 twelve governmental funds. The Authority is the administrator of these funds, the revenues of which are appropriated annually to the Illinois Department of Revenue except for revenues received directly from HUD and the U.S. Treasury 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.
- Proprietary funds – The Authority's primary activities are in its four 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. Funding from Nonmajor Proprietary Fund - IHDA Dispositions LLC is primarily rental income collected by the property until such time as disposition occurs. The net position of these funds represents accumulated earnings since their inception and is generally restricted for program purposes.

Financial Analysis of the Authority as a Whole

Net Position

The combined net position of the Authority increased by $156.0 million, or 14.9% from the June 30, 2016 amount. The following table shows a summary of changes from prior year amounts.

Net Position

(In millions of dollars)

	Governmental activities		Business-type activities		Total		Increase/(Decrease)	
	2017	2016	2017	2016	2017	2016	Amount	Percentage
Current assets:								
Cash and investments – unrestricted	$ 236.9	145.2	509.6	487.7	746.5	632.9	113.6	17.9%
Program loans receivable	17.3	18.4	41.5	80.0	58.8	98.4	(39.6)	(40.2)%
Other current assets	39.5	43.3	13.6	9.4	53.1	52.7	0.4	0.8%
Total current assets	293.7	206.9	564.7	577.1	858.4	784.0	74.4	9.5%
Investments – restricted	—	—	745.6	513.7	745.6	513.7	231.9	45.1%
Net program loans receivable	639.5	636.7	608.6	671.4	1,248.1	1,308.1	(60.0)	(4.6)%
Capital assets, net	0.1	0.1	26.1	25.3	26.2	25.4	0.8	3.1%
Other assets	0.1	0.1	97.2	102.8	97.3	102.9	(5.6)	(5.4)%
Total noncurrent assets	639.7	636.9	1,477.5	1,313.2	2,117.2	1,950.1	167.1	8.6%
Total assets	$ 933.4	843.8	2,042.2	1,890.3	2,975.6	2,734.1	241.5	8.8%

Net Position

(In millions of dollars)

	Governmental activities 2017	Governmental activities 2016	Business-type activities 2017	Business-type activities 2016	Total 2017	Total 2016	Increase/(Decrease) Amount	Increase/(Decrease) Percentage
Deferred outflow of resources:								
Accumulated decrease in fair value of hedge derivatives	$ —	—	0.7	1.3	0.7	1.3	(0.6)	(46.2)%
Total deferred outflow of resources	$ —	—	0.7	1.3	0.7	1.3	(0.6)	(46.2)%
Current liabilities:								
Due to grantees	$ 57.2	61.2	—	—	57.2	61.2	(4.0)	(6.5)%
Due to State of Illinois	44.5	43.7	—	—	44.5	43.7	0.8	1.8%
Bonds and notes payable	—	—	53.7	48.0	53.7	48.0	5.7	11.9%
Deposits held in escrow	—	—	141.6	143.1	141.6	143.1	(1.5)	(1.0)%
Bank note cash collateral	—	—	21.0	—	21.0	—	21.0	100.0%
Other current liabilities	1.1	1.8	23.5	28.8	24.6	30.6	(6.0)	(19.6)%
Total current liabilities	102.8	106.7	239.8	219.9	342.6	326.6	16.0	4.9%
Noncurrent liabilities:								
Due to State of Illinois	295.8	305.2	—	—	295.8	305.2	(9.4)	(3.1)%
Bonds and notes payable	—	—	1,094.0	1,032.4	1,094.0	1,032.4	61.6	6.0%
Bank note cash collateral	—	—	21.5	—	21.5	—	21.5	100.0%
Other liabilities	—	—	7.6	9.0	7.6	9.0	(1.4)	(15.6)%
Total noncurrent liabilities	295.8	305.2	1,123.1	1,041.4	1,418.9	1,346.6	72.3	5.4%
Total liabilities	$ 398.6	411.9	1,362.9	1,261.3	1,761.5	1,673.2	88.3	5.3%
Deferred inflow of resources:								
Accumulated increase in fair value of hedging derivatives	$ 0.0	0.0	0.1	0.0	0.1	0.0	0.1	0.0%
Unamortized gain on bond refunding	0.0	0.0	0.1	0.2	0.1	0.2	(0.1)	-50.0%
Unearned revenue	0.0	0.0	8.1	11.5	8.1	11.5	(3.4)	-29.6%
Total deferred inflows of resources	$ 0.0	0.0	8.3	11.7	8.3	11.7	(3.4)	-29.1%
Net position:								
Net investment in capital assets	$ 0.1	0.1	0.2	(2.3)	0.3	(2.2)	2.5	113.6%
Restricted	534.7	431.8	466.7	442.2	1,001.4	874.0	127.4	14.6%
Unrestricted	0.0	0.0	204.8	178.7	204.8	178.7	26.1	14.6%
Total net position	$ 534.8	431.9	671.7	618.6	1,206.5	1,050.5	156.0	14.9%

Governmental Activities

Net position of the Authority's governmental activities increased $102.9 million, or 23.8%, to $534.8 million, mainly from increases of grant receipts in the Hardest Hit Fund (HHF) Program, Federal HOME Program Fund and Nonmajor Governmental Funds, and decreased transfers out of Nonmajor Governmental Funds, offset by increased grant disbursements and general and administrative expenses in the HHF Program. No net position of the Authority's other two governmental activities are recorded on the Authority's financial statements. The equity of the Illinois Affordable Housing Trust Fund (Housing Program) is recorded as due to the State of Illinois. All revenues of the Rental Housing Support Program Fund are ultimately disbursed as grant or administrative expenses, and therefore no net position is recorded on the Authority's financial statements.

Total net program loans receivable (current and noncurrent), increased by $1.7 million, or 0.3%, to $656.8 million, primarily attributable to increases in the Federal HOME Program Fund ($17.5 million), partially offset by decreases in the Illinois Affordable Housing Trust Fund ($10.4 million) and HHF Program ($6.9 million). Cash and investments increased by $91.7 million, or 63.2% primarily attributable to increases in the HHF Program ($79.5 million), HOME Program Fund ($2.5 million) and Nonmajor Governmental Funds ($8.3 million). State statute and federal regulations restrict the use of the governmental funds to program activities.

Due to the State of Illinois (current and noncurrent) decreased $8.6 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 position of the Authority's business-type activities increased $53.1million, or 8.6%, to $671.7 million mainly consisting of an increase in net position before transfers of $47.7 million and the annual transfer of $5.2 million from the Illinois Affordable Housing Trust Fund. Net program loans receivable (current and noncurrent) decreased $101.3 million, or 13.5%, to $650.1 million from decreases in the Mortgage Loan Program Fund ($79.2 million) due to loan repayments exceeding loan originations and decreases in the Single Family Program Fund ($37.4 million), offset by increases in the Authority's Administrative Fund ($15.3 million). The decrease in program loans receivable in the Single Family Program Fund was due to Illinois whole loans being packaged into GNMA certificates and MBSs.

Cash and investments (current and noncurrent) increased $253.8 million, or 25.3%, from increases in the Administrative Fund ($51.3 million), Single Family Program Fund ($142.8) and Mortgage Loan Program Fund ($59.7 million).

Total bonds and notes payable (current and noncurrent) increased $67.3 million, or 6.2%, from increases in the Single Family Program Fund ($96.5 million) and Administrative Fund ($9.2 million), offset by a decrease of $38.4 million in the Mortgage Loan Program Fund.

Deposits held in escrow decreased $1.5 million, or 1.0% due to lower required funding levels.

Bank note cash collateral increased $42.5 million and represents amounts held on behalf of the purchaser of Authority issued short-term tax-exempt direct bank notes.

Restricted net position of the Authority's business-type activities increased $24.5 million, or 5.5%, of which $23.9 million were from increases within the Authority's Mortgage Loan Program Fund and Single Family Program Fund (Bond Funds). The net position of the Authority's Bond Funds are classified as restricted, except for, a $1.0 million deficit net position invested in capital assets within the Mortgage Loan Program Fund. The remaining restricted increases in net position 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 position as they arise through its various programs and functions.

The governmental activities consist of programs recorded in four major governmental funds: the Illinois Affordable Housing Trust Fund, the HOME Program Fund, the Rental Housing Support Program Fund and the Hardest Hit Fund. Other programs are recorded in Nonmajor Governmental Funds and consist of the Foreclosure Prevention Program Fund, the Community Development Block Grant Fund, the American Recovery and Reinvestment Act (ARRA) Fund, the Foreclosure Prevention Graduated Program Fund, the Build Illinois Bond Program Fund, the Neighborhood Stabilization Program Fund, the Abandoned Property Program Fund and the Section 811 Project Rental Assistance Demonstration Program Fund.

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), Nonmajor Proprietary Fund - IHDA Dispositions LLC, which maintains and operates rental properties until such time as disposition occurs, and programs recorded in the Authority's Administrative Fund, which include federal assistance activities that involve the allocation of various federal subsidy funds directly to certain of the Authority's borrowers, tax credit authorization and monitoring, and the Financial Adjustment Factor (FAF) lending program.

A condensed summary of changes in net position for the fiscal year ended June 30, 2017 is shown in the following table.

Changes in Net Position

(In millions of dollars)

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Revenue:						
Program revenues:						
Charges for services	$ 4.8	6.2	83.1	90.1	87.9	96.3
Operating/grant/federal revenues	222.3	107.3	98.4	110.1	320.7	217.4
Capital contributions	0.0	0.0	0.0	(0.2)	0.0	(0.2)
General revenues:						
Investment income	0.0	0.0	30.6	24.1	30.6	24.1
Total revenues	227.1	113.5	212.1	224.1	439.2	337.6
Expenses:						
Direct	105.2	84.5	148.7	162.6	253.9	247.1
Administrative	13.8	7.5	15.7	14.6	29.5	22.1
Total expenses	119.0	92.0	164.4	177.2	283.4	269.2
Increase in net position before transfers and special items	108.1	21.5	47.7	46.9	155.8	68.4
Capital contributions	0.0	0.0	0.2	0.0	0.2	0.0
Transfers	(5.2)	(25.1)	5.2	25.1	0.0	0.0
Increase (decrease) in net position	102.9	(3.6)	53.1	72.0	156.0	68.4
Net position at beginning of year	431.9	435.5	618.6	546.6	1,050.5	982.1
Net position at end of year	$ 534.8	431.9	671.7	618.6	1,206.5	1,050.5

Governmental Activities

Revenues of the Authority's governmental activities increased $113.6 million from the prior year, due to increases in HHF ($91.2 million), Nonmajor Governmental Funds ($18.2 million), Rental Housing Support Program Fund ($7.6 million) and HOME Program Fund ($4.2 million), offset by a decrease in the Illinois Affordable Housing Trust Fund ($7.7 million).

Direct expenses of the Authority's governmental activities increased $20.7 million from the prior year, due to increases in HHF ($35.3 million) and Rental Housing Support Program Fund ($7.5 million), offset by decreases in the HOME Program Fund ($2.8 million), Illinois Affordable Housing Trust Fund ($7.5 million) and Nonmajor Governmental Funds ($11.8 million). Administrative expenses increased $6.3 million mainly due to increases in

HHF ($5.3 million) and the HOME Program Fund ($0.7 million). Transfers from the governmental activities to the Authority's business-type activities decreased $19.9 million from a decrease in Nonmajor Governmental Funds. The transfer of $5.2 million represents an annual transfer, pursuant to the Illinois Affordable Housing Act, from the Illinois Affordable Housing Trust Fund to the Mortgage Loan Program Fund.

Business-Type Activities

Revenues of the Authority's business-type activities decreased $12.0 million from the prior year primarily from decreases in charges for services ($7.0 million) and lower federal assistance ($11.7 million), partially offset by increased investment income ($6.5 million). Charges for services mainly consist of interest income on program loans ($32.1 million), program investment income ($10.3 million), servicing and development fees ($13.7 million) and other income ($26.7 million). Program investment income is that income earned within the Authority's bond funds, the investments and income of which is restricted to those funds. Such income decreased by $7.3 million from the prior year due primarily to decreases in the fair value of investments.

Direct expenses of the Authority's business-type activities, which consist primarily of interest expense ($30.3 million) on Authority debt incurred to fund its various lending programs and the pass-through of federal assistance programs' funds ($97.9 million), decreased $13.9 million from the prior year, due mainly to lower federal assistance ($11.7 million), lower interest expense ($3.6 million) and decreased provision for estimated losses on real estate held for sale ($7.1 million), partially offset by higher provision for estimated losses on program loans receivable ($2.6 million) and higher Mortgage Loan Program general and administrative costs ($6.0 million).

Program revenues of Multi-Family Mortgage Loan Programs exceeded direct expenses by $23.1 million (See the Statement of Activities). The Authority's business-type activities also generated $30.6 million of investment income, which was used primarily to fund and finance single family loans through the use of FNMA MBSs and GNMA certificates, and to partially offset its administrative costs, and thus provided most of the Authority's increase in net position.

Proprietary Fund Results

Net position of the Authority's proprietary funds increased from the June 30, 2016 amount by $53.1 million, to $671.7 million. The following table summarizes the revenues, expenses, and changes in fund net position of the Authority's proprietary funds for the fiscal years ended June 30, 2017 and 2016.

Changes in Net Position/Proprietary Funds

(In millions of dollars)

	Administrative Fund		Mortgage Loan Program Fund		Single Family Program Fund		Nonmajor Proprietary Fund - IHDA Dispositions, LLC	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Operating revenues:								
Interest earned on program loans	$ 1.3	2.2	18.6	20.9	12.3	14.1	—	—
Investment income	30.6	24.1	1.0	1.0	9.2	16.7	—	—
Federal assistance programs	97.8	108.9	0.2	0.7	—	—	—	—
Service fees	9.2	10.5	—	—	—	—	—	—
Development fees	4.5	2.6	—	—	—	—	—	—
HUD savings	0.6	0.6	—	—	—	—	—	—
Rental income and vacancies	—	—	—	—	—	—	0.1	0.1
Other	11.2	12.9	11.5	9.1	4.0	—	—	—
Total operating revenues	155.2	161.8	31.3	31.7	25.5	30.8	0.1	0.1
Operating expenses:								
Interest expense	0.5	0.9	12.1	16.3	17.6	16.7	—	—
Federal assistance programs	97.7	108.9	0.2	0.7	—	—	—	—
Salaries and benefits	18.9	16.9	—	—	—	—	—	—
Professional fees	1.8	1.8	—	—	—	—	—	—
Other general and administrative	1.7	2.5	6.7	0.1	0.5	1.0	0.1	0.1
Financing costs	0.8	0.6	1.7	0.3	3.4	3.4	—	—
Program grants	—	0.9	—	—	—	0.7	—	—
Change in accrual for estimated losses on mortgage participation certificate program	(0.4)	0.2	—	—	—	—	—	—
Provision for (reversal of) estimated losses on program loans receivable	1.8	0.4	(2.6)	0.8	(0.5)	(5.2)	—	—
Provision for (reversal of) estimated losses on real estate held for sale	—	—	0.2	(0.1)	1.9	9.3	—	—
Total operating expenses	122.8	133.1	18.3	18.1	22.9	25.9	0.1	0.1
Operating income	32.4	28.7	13.0	13.6	2.6	4.9	—	—
Capital contribution	—	—	—	—	—	—	0.2	(0.2)
Loss on disposition	—	—	—	—	—	—	(0.3)	—
Transfers	(5.2)	(5.7)	8.0	5.2	2.4	25.6	—	—
Change in net position	27.2	23.0	21.0	18.8	5.0	30.5	(0.1)	(0.2)
Net position at beginning of year	221.8	198.8	274.9	256.1	121.6	91.1	0.3	0.5
Net position at end of year	$ 249.0	221.8	295.9	274.9	126.6	121.6	0.2	0.3

Net position of the Administrative Fund increased $27.2 million, compared to the prior year increase of $23.0 million. Administrative Fund operating income was $32.4 million, an increase of $3.7 million from the prior year, and net transfers out were $5.2 million compared to $5.7 million in the prior year. The fiscal year 2017 increase in operating earnings was primarily from increases in investment income ($6.5 million) and development fees ($1.9 million), partially offset by lower other revenue ($1.7 million) and increased salaries and benefits $2.0 million.

Net position of the Mortgage Loan Program Fund increased $21.0 million, compared to a prior year increase of $18.8 million, due to operating income of $13.0 million and net transfers in of $8.0 million. Operating income was $0.6 million below the prior year, primarily due to lower interest earned on program loans ($2.3 million) and increased general and administrative costs ($6.6 million), partially offset by lower interest expense ($4.2 million) and a decrease in the provision for estimated losses on program loans receivable ($3.4 million). The net transfers in include the annual transfer of $5.2 million from the Illinois Affordable Housing Trust Fund.

Net position of the Single Family Program Fund increased $5.0 million, compared to a prior year increase of $30.5 million. Operating income was $2.3 million below the prior year, primarily due to lower investment income ($7.5 million), increases in the provision for estimated losses on program loans ($.7 million) and decrease in interest earned on program loans ($1.8 million), partially offset by a decrease in the provision for estimated losses on real estate held for sale ($7.4 million) and higher other income ($4.0 million).

Net position of the Nonmajor Proprietary Fund - IHDA Dispositions LLC decreased $0.1 million, compared to a prior year decrease of $0.2 million.

Authority Debt

Authority gross debt issuances during fiscal year 2017 totaled $1,100.0 million with the issuance of Homeowner Mortgage Revenue Bonds ($144.1 million) and Revenue Bonds ($62.3 million) within the Single Family Program Fund, Housing Bonds ($54.4 million) and Multifamily Revenue Bonds ($50.7 million) within the Mortgage Loan Program Fund, and direct bank notes ($42.5 million) and Federal Home Loan Bank Advances ($741.8 million) within the Administrative Fund. Debt retirements within the Mortgage Loan Program, Single Family Program and Administrative Funds were $143.5 million, $114.0 million and $775.1 million, respectively. Total bonds and notes payable increased $67.3 million. For additional information, see note 8, Bonds and Notes Payable in the Notes to the Financial Statements.

As of July 1, 2016, the Authority's Issuer Credit Ratings were A1 (Stable) by Moody's Investors Service, AA-(Stable) by Standard and Poor's and AA – (Stable) by Fitch Ratings.

The Authority's Issuer Credit Ratings by Moody's Investors Service, Standard and Poor's and Fitch Ratings remain unchanged.

Economic Factors

During fiscal year 2017, tax-exempt bond rates were favorable for new issuance, which provided the Authority an opportunity to issue fixed rate long-term bonds in the Single Family Program in the amount of $168.1 million. The Authority correspondingly issued fixed-rate long-term bonds in the Mortgage Loan Program in the amount of $26.0 million.

Economic refunding of prior bonds were attractive as well due to historically low interest rates. The Authority optionally redeemed and refunded $38.3 million of bonds issued under the Single Family Program and $79.1 million of bonds issued under the Mortgage Loan Program Fund.

During fiscal year 2017, the Authority continued to finance its activity relating to homeownership in the State of Illinois through the sale of mortgage-backed securities to the secondary market. The Authority uses forward commitments to lock in the price of securities related to secondary market sales.

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, 111 E. Wacker Drive, Suite 1000, Chicago, IL 60601 or visit our web site at: www.ihda.org.

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

Statement of Net Position

June 30, 2017

Assets		**Governmental activities**	**Business-type activities**	**Total**
Current assets:				
Cash and cash equivalents	$	195,810,079	286,602,043	482,412,122
Funds held by State Treasurer		45,708	—	45,708
Investments		41,051,382	222,990,775	264,042,157
Investment income receivable		174,844	248,458	423,302
Investment income receivable – restricted		—	1,620,414	1,620,414
Program loans receivable		17,285,174	41,494,681	58,779,855
Grant receivable		44,813,053	—	44,813,053
Securities lending collateral		15,000	—	15,000
Interest receivable on program loans		320,842	2,426,493	2,747,335
Internal balances		(5,848,698)	5,848,698	—
Other		—	3,536,419	3,536,419
Total current assets		293,667,384	564,767,981	858,435,365
Noncurrent assets:				
Investments – restricted		—	745,588,980	745,588,980
Program loans receivable, net of current portion		673,771,809	619,839,190	1,293,610,999
Less allowance for estimated losses		(34,303,542)	(11,215,859)	(45,519,401)
Net program loans receivable		639,468,267	608,623,331	1,248,091,598
Real estate held for sale		—	3,393,352	3,393,352
Less allowance for estimated losses		—	(1,770,829)	(1,770,829)
Net real estate held for sale		—	1,622,523	1,622,523
Due from Fannie Mae		—	90,328,705	90,328,705
Due from Freddie Mac		—	4,464,259	4,464,259
Capital assets, net		107,148	26,051,222	26,158,370
Derivative instrument asset		—	895	895
Other		114,585	748,425	863,010
Total noncurrent assets		639,690,000	1,477,428,340	2,117,118,340
Total assets		933,357,384	2,042,196,321	2,975,553,705
Deferred Outflows of Resources				
Accumulated decrease in fair value of hedging derivatives		—	688,821	688,821
Total deferred outflows of resources		—	688,821	688,821

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

Statement of Net Position

June 30, 2017

Liabilities		Governmental activities	Business-type activities	Total
Current liabilities:				
Due to grantees	$	57,134,208	—	57,134,208
Due to State of Illinois		44,483,622	—	44,483,622
Securities lending collateral obligation		15,000	—	15,000
Bonds and notes payable		—	53,672,295	53,672,295
Accrued interest payable		—	10,484,088	10,484,088
Unearned revenue		—	1,742,089	1,742,089
Deposits held in escrow		—	141,574,862	141,574,862
Bank note cash collateral		—	21,020,000	21,020,000
Accrued liabilities and other		1,132,031	11,332,701	12,464,732
Total current liabilities		102,764,861	239,826,035	342,590,896
Noncurrent liabilities:				
Due to State of Illinois		295,837,926	—	295,837,926
Bonds and notes payable, net of current portion		—	1,094,000,922	1,094,000,922
Bank note cash collateral		—	21,450,000	21,450,000
Unearned revenue		—	6,912,063	6,912,063
Derivative instrument liability		—	688,821	688,821
Total noncurrent liabilities		295,837,926	1,123,051,806	1,418,889,732
Total liabilities		398,602,787	1,362,877,841	1,761,480,628
Deferred Inflows of Resources				
Accumulated increase in fair value of hedging derivatives		—	895	895
Unamortized gain on bond refunding		—	148,690	148,690
Unearned revenue		—	8,128,587	8,128,587
Total deferred inflows of resources		—	8,278,172	8,278,172
Net Position				
Net investment in capital assets		107,148	166,222	273,370
Restricted for bond resolution purposes		—	423,610,724	423,610,724
Restricted for loan and grant programs		534,647,449	43,107,146	577,754,595
Unrestricted		—	204,845,037	204,845,037
Total net position	$	534,754,597	671,729,129	1,206,483,726

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, 2017

Functions/programs	Expenses	Program revenues: Charges for services and interest income	Program revenues: Operating grant/federal revenues	Program revenues: Capital contributions	Net (expenses) revenues and changes in net position: Governmental activities	Net (expenses) revenues and changes in net position: Business-type activities	Net (expenses) revenues and changes in net position: Total
Governmental activities:							
Illinois Affordable Housing Trust Program	$ 2,939,528	49,506	8,090,022	—	5,200,000	—	5,200,000
HOME Program	2,182,083	2,181,142	19,980,350	—	19,979,409	—	19,979,409
Rental Housing Support Program	31,295,385	273,799	31,021,586	—	—	—	—
Hardest Hit Fund	76,189,962	482,310	143,015,524	—	67,307,872	—	67,307,872
Other Programs	6,373,551	1,840,351	20,141,472	—	15,608,272	—	15,608,272
Total governmental activities	118,980,509	4,827,108	222,248,954	—	108,095,553	—	108,095,553
Business-type activities:							
Administrative Programs	15,672,823	5,294,335	—	—	—	(10,378,488)	(10,378,488)
Multi-Family Mortgage Loan Programs	23,312,712	46,426,238	—	—	—	23,113,526	23,113,526
Multi-Family Federal Assistance Programs	97,889,564	—	97,889,564	—	—	—	—
Single-Family Mortgage Loan Programs	24,729,020	25,794,707	—	—	—	1,065,687	1,065,687
Tax Credit Authorization and Monitoring	2,421,895	5,405,549	—	—	—	2,983,654	2,983,654
FAF Lending Program	—	122,829	505,850	—	—	628,679	628,679
IHDA Dispositions LLC	388,768	60,183	—	—	—	(328,585)	(328,585)
Total business-type activities	164,414,782	83,103,841	98,395,414	—	—	17,084,473	17,084,473
Total Authority	$ 283,395,291	87,930,949	320,644,368	—	108,095,553	17,084,473	125,180,026
General revenues:							
Unrestricted investment income					—	30,629,303	30,629,303
Capital contributions					—	181,485	181,485
Transfers					(5,200,000)	5,200,000	—
Total general revenues, capital contributions and transfers					(5,200,000)	36,010,788	30,810,788
Change in net position					102,895,553	53,095,261	155,990,814
Net position at beginning of year					431,859,044	618,633,868	1,050,492,912
Net position at end of year					$ 534,754,597	671,729,129	1,206,483,726

See accompanying notes to financial statements.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Governmental Funds

Balance Sheet

June 30, 2017

	Major Funds					
Assets	**Illinois Affordable Housing Trust Fund**	**HOME Program Fund**	**Rental Housing Support Program Fund**	**Hardest Hit Fund**	**Nonmajor Governmental Funds**	**Total**
Current assets:						
Cash and cash equivalents	$ 13,894,695	8,231,184	1,431,881	144,657,153	27,595,166	195,810,079
Funds held by State Treasurer	—	45,708	—	—	—	45,708
Investments	—	—	41,051,382	—	—	41,051,382
Investment income receivable	—	—	109,460	65,384	—	174,844
Program loans receivable	6,067,266	7,266,538	—	3,775,232	176,138	17,285,174
Grant receivable	24,379,139	51,750	14,622,164	—	5,760,000	44,813,053
Securities lending collateral	—	15,000	—	—	—	15,000
Interest receivable on program loans	142,522	161,385	—	—	16,935	320,842
Due from other funds	—	—	—	—	3,250	3,250
Total current assets	44,483,622	15,771,565	57,214,887	148,497,769	33,551,489	299,519,332
Noncurrent assets:						
Program loans receivable, net of current portion	316,876,475	270,477,990	—	1,258,411	85,158,933	673,771,809
Less allowance for estimated losses	(21,038,549)	(10,524,591)	—	(1,258,411)	(1,481,991)	(34,303,542)
Net program loans receivable	295,837,926	259,953,399	—	—	83,676,942	639,468,267
Other	—	—	—	114,585	—	114,585
Total noncurrent assets	295,837,926	259,953,399	—	114,585	83,676,942	639,582,852
Total assets	$ 340,321,548	275,724,964	57,214,887	148,612,354	117,228,431	939,102,184
Liabilities and Fund Balances						
Current liabilities:						
Due to grantees	$ —	—	57,134,208	—	—	57,134,208
Due to State of Illinois	44,483,622	—	—	—	—	44,483,622
Securities lending collateral obligation	—	15,000	—	—	—	15,000
Unearned revenue	—	161,385	—	—	16,935	178,320
Accrued liabilities and other	—	403,679	—	727,978	374	1,132,031
Due to other funds	—	69,551	80,679	5,701,718	—	5,851,948
Total current liabilities	44,483,622	649,615	57,214,887	6,429,696	17,309	108,795,129
Noncurrent liabilities:						
Due to State of Illinois	295,837,926	—	—	—	—	295,837,926
Total liabilities	340,321,548	649,615	57,214,887	6,429,696	17,309	404,633,055
Fund balances:						
Restricted	—	275,075,349	—	142,182,658	117,211,122	534,469,129
Total fund balances	—	275,075,349	—	142,182,658	117,211,122	534,469,129
Total liabilities and fund balances	$ 340,321,548	275,724,964	57,214,887	148,612,354	117,228,431	
Amounts reported for governmental activities in the statement of net position are: different due to:						
Unearned interest receivable on certain program loans receivable						178,320
Capital assets						107,148
Net position of governmental activities						$ 534,754,597

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

June 30, 2017

	Major Funds					
	Illinois Affordable Housing Trust Fund	**HOME Program Fund**	**Rental Housing Support Program Fund**	**Hardest Hit Fund**	**Nonmajor Governmental Funds**	**Total**
Revenues:						
Grant from State of Illinois	$ 8,090,022	—	31,021,586	—	19,829,225	58,940,833
Federal funds	—	19,980,350	—	143,015,524	312,247	163,308,121
Interest and investment income	49,506	2,209,085	273,799	482,310	1,840,957	4,855,657
Total revenues	8,139,528	22,189,435	31,295,385	143,497,834	21,982,429	227,104,611
Expenditures:						
General and administrative	2,082,756	1,844,335	238,545	8,991,799	639,071	13,796,506
Grants	807,266	—	31,056,840	69,557,354	5,515,748	106,937,208
Program income transferred to State of Illinois	49,506	—	—	—	—	49,506
Provision for (reversal of) estimated losses on program loans receivable	—	337,748	—	(2,302,701)	218,732	(1,746,221)
Total expenditures	2,939,528	2,182,083	31,295,385	76,246,452	6,373,551	119,036,999
Excess of revenues over expenditures	5,200,000	20,007,352	—	67,251,382	15,608,878	108,067,612
Other financing uses:						
Transfers out	(5,200,000)	—	—	—	—	(5,200,000)
Net change in fund balances	—	20,007,352	—	67,251,382	15,608,878	102,867,612
Fund balances at beginning of year	—	255,067,997	—	74,931,276	101,602,244	
Fund balances at end of year	$ —	275,075,349	—	142,182,658	117,211,122	
Amounts reported for governmental activities in the statement of activities are different due to:						
Unearned interest receivable on certain program loans receivable						(28,549)
Capital outlay						111,423
Depreciation on capital assets						(54,933)
Change in net position of governmental activities						$ 102,895,553

See accompanying notes to financial statements.

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

Proprietary Funds

Statement of Net Position

June 30, 2017

	Major Funds				
Assets	**Administrative Fund**	**Mortgage Loan Program Fund**	**Single Family Program Fund**	**Nonmajor Proprietary Fund - IHDA Dispositions LLC**	**Total**
Current assets:					
Cash and cash equivalents	$ 174,704,437	99,351,867	12,538,379	7,360	286,602,043
Investments	222,990,775	—	—	—	222,990,775
Investment income receivable	248,458	—	—	—	248,458
Investment income receivable – restricted	91,221	251,039	1,278,154	—	1,620,414
Program loans receivable	19,477,439	10,160,810	11,856,432	—	41,494,681
Interest receivable on program loans	84,844	1,223,642	1,118,007	—	2,426,493
Due from other funds	8,944,719	10,088,099	394,071	—	19,426,889
Other	3,186,419	350,000	—	—	3,536,419
Total current assets	429,728,312	121,425,457	27,185,043	7,360	578,346,172
Noncurrent assets:					
Investments – restricted	30,912,997	187,961,753	526,714,230	—	745,588,980
Program loans receivable, net of current portion	72,660,283	341,616,690	205,562,217	—	619,839,190
Less allowance for estimated losses	(3,106,259)	(4,640,841)	(3,468,759)	—	(11,215,859)
Net program loans receivable	69,554,024	336,975,849	202,093,458	—	608,623,331
Real estate held for sale	—	49,142	3,144,210	200,000	3,393,352
Less allowance for estimated losses	—	(49,142)	(1,721,687)	—	(1,770,829)
Net real estate held for sale	—	—	1,422,523	200,000	1,622,523
Due from Fannie Mae	—	90,328,705	—	—	90,328,705
Due from Freddie Mac	—	4,464,259	—	—	4,464,259
Capital assets, net	1,188,321	24,862,901	—	—	26,051,222
Derivative instrument asset	—	895	—	—	895
Other	748,425	—	—	—	748,425
Total noncurrent assets	102,403,767	644,594,362	730,230,211	200,000	1,477,428,340
Total assets	532,132,079	766,019,819	757,415,254	207,360	2,055,774,512
Deferred Outflows of Resources					
Accumulated decrease in fair value of hedging derivatives	—	—	688,821	—	688,821
Total deferred outflows of resources	—	—	688,821	—	688,821

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

Proprietary Funds

Statement of Net Position

June 30, 2017

	Major Funds				
Liabilities	**Administrative Fund**	**Mortgage Loan Program Fund**	**Single Family Program Fund**	**Nonmajor Proprietary Fund - IHDA Dispositions LLC**	**Total**
Current liabilities:					
Bonds and notes payable	$ 22,092,638	14,270,704	17,308,953	—	53,672,295
Accrued interest payable	62,659	5,065,177	5,356,252	—	10,484,088
Unearned revenue	1,742,089	—	—	—	1,742,089
Deposits held in escrow	141,574,862	—	—	—	141,574,862
Bank note cash collateral	21,020,000	—	—	—	21,020,000
Accrued liabilities and other	10,302,809	708,359	321,533	—	11,332,701
Due to other funds	10,485,420	2,663,521	429,250	—	13,578,191
Total current liabilities	207,280,477	22,707,761	23,415,988	—	253,404,226
Noncurrent liabilities:					
Bonds and notes payable, net of current portion	39,427,808	447,237,894	607,335,220	—	1,094,000,922
Bank note cash collateral	21,450,000	—	—	—	21,450,000
Unearned revenue	6,912,063	—	—	—	6,912,063
Derivative instrument liability	—	—	688,821	—	688,821
Total noncurrent liabilities	67,789,871	447,237,894	608,024,041	—	1,123,051,806
Total liabilities	275,070,348	469,945,655	631,440,029	—	1,376,456,032
Deferred Inflows of Resources					
Accumulated increase in fair value of hedging derivatives	—	895	—	—	895
Unamortized gain on bond refunding	—	148,690	—	—	148,690
Unearned revenue	8,128,587	—	—	—	8,128,587
Total deferred inflows of resources	8,128,587	149,585	—	—	8,278,172
Net Position					
Net investment in capital assets	1,188,321	(1,022,099)	—	—	166,222
Restricted for bond resolution purposes	—	296,946,678	126,664,046	—	423,610,724
Restricted for loan and grant programs	43,107,146	—	—	—	43,107,146
Unrestricted	204,637,677	—	—	207,360	204,845,037
Total net position	$ 248,933,144	295,924,579	126,664,046	207,360	671,729,129

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 Position

Year ended June 30, 2017

	Major Funds				
	Administrative Fund	**Mortgage Loan Program Fund**	**Single Family Program Fund**	**Nonmajor Proprietary Fund - IHDA Dispositions LLC**	**Total**
Operating revenues:					
Interest and other investment income	$ 35,129,393	1,979,110	12,812,389	—	49,920,892
Net decrease in fair value of investments	(4,500,090)	(905,196)	(3,602,331)	—	(9,007,617)
Total investment income	30,629,303	1,073,914	9,210,058	—	40,913,275
Interest earned on program loans	1,285,343	18,577,859	12,279,155	—	32,142,357
Federal assistance programs	97,716,978	172,586	—	—	97,889,564
Service fees	9,234,024	—	—	—	9,234,024
Development fees	4,512,815	—	—	—	4,512,815
HUD savings	628,679	—	—	—	628,679
Rental income	—	—	—	59,807	59,807
Other	11,184,799	11,511,980	4,050,882	376	26,748,037
Total operating revenues	155,191,941	31,336,339	25,540,095	60,183	212,128,558
Operating expenses:					
Interest expense	502,380	12,152,989	17,634,316	—	30,289,685
Federal assistance programs	97,716,978	172,586	—	—	97,889,564
Salaries and benefits	18,847,698	—	—	—	18,847,698
Professional fees	1,840,593	—	—	—	1,840,593
Other general and administrative	1,735,059	6,692,818	481,362	48,768	8,958,007
Financing costs	751,585	1,668,228	3,436,936	—	5,856,749
Program grants	9,440	—	—	—	9,440
Change in accrual for estimated losses on mortgage participation certificate program	(386,276)	—	—	—	(386,276)
Provision for (reversal) of estimated losses on program loans receivable	1,757,569	(2,590,966)	(541,980)	—	(1,375,377)
Provision for estimated losses on real estate held for sale	15,994	180,533	1,948,172	—	2,144,699
Total operating expenses	122,791,020	18,276,188	22,958,806	48,768	164,074,782
Operating income	32,400,921	13,060,151	2,581,289	11,415	48,053,776
Nonoperating revenues:					
Loss on disposition	—	—	—	(340,000)	(340,000)
Total nonoperating revenues	—	—	—	(340,000)	(340,000)
Income (loss) before contributions and transfers	32,400,921	13,060,151	2,581,289	(328,585)	47,713,776
Capital contributions	—	—	—	181,485	181,485
Transfers in	124,924	7,994,602	2,570,321	—	10,689,847
Transfers out	(5,364,923)	—	(124,924)	—	(5,489,847)
Total capital contributions and transfers	(5,239,999)	7,994,602	2,445,397	181,485	5,381,485
Change in net position	27,160,922	21,054,753	5,026,686	(147,100)	53,095,261
Net position at beginning of year	221,772,222	274,869,826	121,637,360	354,460	618,633,868
Net position at end of year	$ 248,933,144	295,924,579	126,664,046	207,360	671,729,129

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, 2017

	Major Funds				
	Administrative Fund	**Mortgage Loan Program Fund**	**Single Family Program Fund**	**Nonmajor Proprietary Fund - IHDA Dispositions LLC**	**Total**
Cash flows from operating activities:					
Receipts for program loans, interest, and service fees	$ 37,723,284	145,264,689	54,036,669	—	237,024,642
Receipts for rental operations	—	—	—	56,578	56,578
Payments for program loans	(44,311,569)	(44,132,104)	(1,961,489)	—	(90,405,162)
Receipts for federal assistance programs	97,716,978	172,586	—	—	97,889,564
Payments for federal assistance programs	(97,716,978)	(172,586)	—	—	(97,889,564)
Receipts for credit enhancements	—	1,383,611	—	—	1,383,611
Payments for program grants	(9,440)	—	—	—	(9,440)
Payments to suppliers	(6,585,446)	(8,758,649)	(3,865,702)	—	(19,209,797)
Payments to employees	(18,843,767)	—	—	—	(18,843,767)
Payments for rental operations	—	—	—	(56,000)	(56,000)
Interest paid on revenue bonds and notes	(479,002)	(14,544,762)	(17,294,464)	—	(32,318,228)
Receipts for bank note cash collateral	42,470,000	—	—	—	42,470,000
Other receipts	11,635,730	11,511,980	4,050,882	—	27,198,592
Net cash provided by operating activities	21,599,790	90,724,765	34,965,896	578	147,291,029
Cash flows from noncapital financing activities:					
Due to other funds	298,016	179,371	13,311,091	—	13,788,478
Due from other funds	(5,149,910)	(258,359)	(13,373,819)	—	(18,782,088)
Proceeds from sale of revenue bonds and notes	784,300,000	105,130,534	210,575,661	—	1,100,006,195
Principal paid on revenue bonds and notes	(775,086,308)	(143,541,913)	(114,045,537)	—	(1,032,673,758)
Transfers in	124,924	81,962,798	2,572,099	—	84,659,821
Transfers out	(5,364,923)	(73,968,196)	(126,702)	—	(79,459,821)
Net cash provided by (used in) noncapital financing activities	(878,201)	(30,495,765)	98,912,793	—	67,538,827
Cash flows from capital financing and related activities:					
Acquisition of capital assets	(738,836)	(1,512,971)	—	—	(2,251,807)
Capital contributions	—	—	—	(18,515)	(18,515)
Net cash used in capital financing and related activities	(738,836)	(1,512,971)	—	(18,515)	(2,270,322)
Cash flows from investing activities:					
Purchase of investment securities	(2,065,373,079)	(585,873,273)	(407,416,136)	—	(3,058,662,488)
Proceeds from sales and maturities of investment securities	2,026,616,179	514,796,078	267,199,403	—	2,808,611,660
Interest received on investments	31,320,890	998,455	8,883,009	—	41,202,354
Net cash used in investing activities	(7,436,010)	(70,078,740)	(131,333,724)	—	(208,848,474)
Net increase (decrease) in cash and cash equivalents	12,546,743	(11,362,711)	2,544,965	(17,937)	3,711,060
Cash and cash equivalents, beginning of year	162,157,694	110,714,578	9,993,414	25,297	282,890,983
Cash and cash equivalents, end of year	$ 174,704,437	99,351,867	12,538,379	7,360	286,602,043

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

Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2017

	Major Funds				
	Administrative Fund	**Mortgage Loan Program Fund**	**Single Family Program Fund**	**Nonmajor Proprietary Fund - IHDA Dispositions LLC**	**Total**
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	$ 32,400,921	13,060,151	2,581,289	11,415	48,053,776
Adjustments to reconcile operating income to net cash provided by operating activities:					
Loss on disposition	—	—	—	(340,000)	(340,000)
Investment income	(30,629,303)	(1,073,914)	(9,210,058)	—	(40,913,275)
Depreciation and amortization	476,169	1,044,378	—	—	1,520,547
Change in accrual for estimated losses on mortgage participation certificate program	(386,276)	—	—	—	(386,276)
Reversal of estimated losses on program loans receivable	1,650,439	(2,590,966)	(544,100)	—	(1,484,627)
Reversal of estimated losses on real estate held for sale	—	(20,558)	(2,066,220)	—	(2,086,778)
Changes in assets and liabilities:					
Program loans receivable	(16,996,565)	82,010,959	39,779,920	—	104,794,314
Interest receivable on program loans	(74,112)	(9,201)	418,662	—	335,349
Other liabilities	(8,195,141)	(2,789,822)	392,448	(11,864)	(10,604,379)
Other assets	883,658	(289,873)	3,613,955	341,027	4,548,767
Bank note cash collateral	42,470,000	—	—	—	42,470,000
Due from Fannie Mae	—	1,323,147	—	—	1,323,147
Due from Freddie Mac	—	60,464	—	—	60,464
Total adjustments	(10,801,131)	77,664,614	32,384,607	(10,837)	99,237,253
Net cash provided by operating activities	$ 21,599,790	90,724,765	34,965,896	578	147,291,029
Noncash investing capital and financing activities:					
Transfer of foreclosed assets	$ 17,444	471,460	9,885,417	200,000	10,574,321
Decrease in the fair value of investments	$ (9,007,546)	(792,152)	(11,975,284)	—	(21,774,982)

See accompanying notes to financial statements.

(1) 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, 2017, as shown on the Authority's financial statements consist of both general and special limited obligations of the Authority (see note 8). 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 $3.6 billion of general and special limited obligation bonds and notes outstanding, excluding those issued to refund outstanding bonds and notes. At June 30, 2017, amounts outstanding against this limitation were approximately $2.0 billion.

(2) Summary of Significant Accounting Policies

The following summarizes the significant accounting policies of the Authority:

(a) Reporting Entity

As defined by U.S. generally accepted accounting principles 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 one component unit, the IHDA Dispositions LLC (the LLC). Separate financial statements are not prepared for the LLC.

The LLC was organized on September 25, 2012 as a member-managed limited liability company under the Illinois Limited Liability Company Act. The LLC was organized by, and is a component unit of, the Authority, a body politic and corporate of the State of Illinois. The sole member of the LLC is the

Authority. To the extent provided by the Illinois Limited Liability Company Act, the Authority's liability is limited. The LLC maintains, improves and disposes of multi-family properties, acquired through foreclosure or deed-in-lieu of foreclosure, that are owned by single asset entity LLC's of which the LLC will be the sole member. Since the LLC qualifies as a disregarded entity-single member LLC, income from the LLC would pass through to the 100% owner, the Authority.

With the creation of the LLC, a separate legal entity of the Authority, the criteria for reporting component units was considered. Under GAAP, a component unit can be reported as a discretely presented or blended component unit of the primary government. In considering the criteria of both presentations, the Authority found the LLC to be a component unit of the Authority and should be reported as a blended component unit based on the following criteria defined as:

(a) The Authority and the LLC share a common governing body. GAAP requires that the boards be "substantively the same" need not be identical and there is sufficient representation whereas the voting majority of the component unit's board also functions as a voting majority of the primary government's board.

(b) There is an exclusive or almost exclusive benefit to the Authority, as the LLC (1) provides service entirely or almost entirely to the primary government; or (2) otherwise exclusively or almost exclusively benefits the primary government even though it does not provide services directly to it.

(b) Basis of Presentation

Government-Wide Statements – The government-wide statement of net position and statement of activities report the overall financial activity of the Authority. Eliminations have been made to help minimize the double-counting 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 and nonmajor governmental and proprietary (enterprise) funds, each displayed in a separate column.

The Authority reports the following major governmental funds:

Illinois Affordable Housing Trust Fund

The Authority is designated administrator of the Illinois Affordable Housing Program (the 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 the designated program administrator and the Participating Jurisdiction for the federally funded HOME Investment Partnerships Program (the HOME Program) for the State of Illinois. HOME funds are utilized for a variety of housing activities, according to local housing needs. Eligible uses of funds include tenant-based rental assistance; housing rehabilitation; assistance to homebuyers; and new construction of housing. HOME funding may also be used for site acquisition, site improvements, demolition, relocation, and other necessary and reasonable activities related to the development of non-luxury housing.

Rental Housing Support Program Fund

The Authority is designated administrator of the Rental Housing Support Program (the Support Program). 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 Authority 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.

As the administrator of the Support Program, the Authority initially records amounts received as revenue and a due to grantee liability is recorded. As funds are disbursed from the program, the Authority reduces the liability.

Hardest Hit Fund

The Authority is designated program administrator for the Hardest Hit Fund (HHF) for grants appropriated to the State of Illinois by the United States Department of the Treasury (the Treasury) as authorized by the Emergency Economic Stabilization Act of 2008 (Public Law 110-343), as amended, as the same may be amended from time to time (EESA). The funds are used to help prevent foreclosure and stabilize housing markets through programs that provide interim mortgage payment assistance and principal reduction for distressed homeowners, down payment assistance for homebuyers in targeted areas, and assistance to demolish vacant, blighted structures.

(Continued)

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 5), 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 13).

The Administrative Fund's net position that is 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 Housing Bonds, Multifamily Initiative Bonds, Multifamily Revenue Bonds 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 Mortgage Revenue Bonds, Housing Revenue Bonds, Revenue Bonds and Residential Mortgage Revenue 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 affordable-rate mortgage loans involves federal restrictions on expenses chargeable to the program. Unless described otherwise in the indenture, any expenses incurred in the program in excess of such maximum amounts are absorbed by the Administrative Fund.

(c) 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

(Continued)

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 governmental and proprietary funds are reported as separate columns in the fund financial statements.

The accounting policies and financial reporting practices of the Authority conform to U.S. generally accepted accounting principles (GAAP), as promulgated in pronouncements of the Governmental Accounting Standards Board (GASB).

(d) Fund Balances

In the fund financial statements, governmental funds report fund balances in the following categories:

Nonspendable – This consists of amounts that cannot be spent because they are either a) not in spendable form, or b) legally or contractually required to be maintained intact.

Restricted – This consists of amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through constitutional provisions or enabling legislation.

Committed – This consists of amounts constrained by limitations that the Authority imposes upon itself through resolution by its board of directors. The commitment amount will be binding unless removed or amended in the same manner.

Assigned – This consists of net amounts that are constrained by the Authority's intent to be used for specific purposes, but that are neither restricted nor committed.

Unassigned – This consists of residual deficit fund balances.

In instances where restricted, committed, and assigned fund balances are available for use, the Authority's policy is to use restricted resources first, followed by committed resources, then assigned resources, as needed. Currently, all of the Authority's governmental funds fund balances are restricted.

(e) Net Position

In the government-wide and proprietary fund financial statements, net position is displayed in the following components:

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

Restricted – This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

All net position of the governmental activities column of the government-wide financial statements is restricted with respect to the use of cash, investments and loan amounts that are to be repaid to the Authority. (See note 5 for schedules of aging for the loans made under these programs.)

The use of assets of each of the proprietary fund 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 position. 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.

Unrestricted – This consists of net position that does not meet the criteria of the two preceding categories.

Designations of net position represents 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.

A portion of the Authority's Administrative Fund unrestricted net position as of June 30, 2017 is designated as follows:

Homeownership Mortgage Loan Program Provide funds to support Single Family Homeownership in the State of Illinois through second lien position loans and/or grants	$	20,000,000
Multi-Family Mortgage Loan Program To pay possible losses arising in the Multi-Family Program attributable, but not limited to, delinquencies or defaults on uninsured or unsubsidized loans		5,000,000
Homeownership Mortgage Loan Program To pay possible losses arising in the Homeownership Program attributable, but not limited to, delinquencies or defaults on uninssured or unsubsidized loans		5,000,000
Homeownership Mortgage Loan Program Provide funds to purchase homeownership mortgage loans and/or mortgage-backed securities under the Program which may eventually be purchased with proceeds from future issuances of Authority debt or sold in the secondary market		90,000,000
Multi-Family Mortgage Loan Program Provide funds to finance Multi-Family loans originated under the Program		50,000,000
Provide funds for the Authority's planned technology enhancements		10,000,000
	$	180,000,000

The designations of the Administrative Fund unrestricted net position may be amended or rescinded by the board members of the Authority.

(Continued)

(f) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

(g) Deferred Inflow/Outflow of Resources

A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period and a deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources has a negative impact on net position similar to liabilities but is required to be reported within the statement of net position in a separate section following liabilities and the total may be added to the total for liabilities. A deferred outflow of resources has a positive effect on net position similar to assets but is required to be reported in the statement of net position in a separate section following assets and the total may be added to the total for assets.

Deferred outflows/inflows of resources include: (i) unamortized losses/gains on bond refundings, which are deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt, (ii) amounts reported as accumulated decrease/increase in fair value of hedging derivatives, which represent the anticipated future utilization of the net position of interest rate swap agreements deemed to be effective hedging derivatives, and (iii) unearned revenue for fees earned from the buy down of homeowner mortgage interest rates to below market levels and amortized over the forgivable loan period of the down payment assistance provided.

(h) 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 financial statements.

The allowances for estimated losses on loans 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.

(i) 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 from date of purchase to be cash equivalents.

(j) Investments

Investments of the Authority are reported at fair value, with the exception 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 that 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.

(k) Program Loans Receivable

Program loans receivable include mortgage loans receivable, advances receivable, and residual income loans receivable. Mortgage loans receivable include certain amounts of interest and 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.

(l) 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 historical cost of $5,000 or more. Depreciation and 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.

The Authority records depreciation against Lakeshore Plaza (ML-181) on a straight-line basis over forty years. At June 30, 2017, the net carrying value of ML-181 was $24,862,901 which is net of accumulated depreciation of $21,313,962. Depreciation expense for fiscal year 2017 was $1,044,378. Although the Authority does not regularly own and operate properties as part of its normal business operations for the benefit of furthering their affordable housing mission it is within their scope to do so. Since its acquisition ML-181 has continued to be owned and operated by the Authority as part of its business operations and therefore is reported as a capital asset. The Authority will continue to evaluate the operation of ML-181 and its impact on operations accordingly.

Capital assets for governmental activities, having a net carrying value of $107,148 at June 30, 2107, are used in the Hardest Hit Fund. Depreciation and amortization for these items are recorded on a straight-line basis over three years and amounted to $54,933 during fiscal year 2017.

(m) IHDA Dispositions LLC Real Estate Held for Sale

At June 30, 2017, one multi-family property was reported by the LLC as follows:

Property name	Net carrying value	Total no. of units	Out-of-service units	Estimated annual real estate taxes	FY 2017 management fees
Delta Terrace Apartments	$ 200,000	10	2	$ —	$ 3,200

LLC properties are subject to one or more land use restriction agreements (LURA) that restrict occupancy to households that are low income, very low income, or extremely low income. The Authority recorded the LURA against each property at the time it originally provided financing and enforces the LURA until it disposes of the properties. Delta Terrace Apartments is valued at fair value based on information received from an independent real estate broker.

(n) 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 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 a number of loans covered by pool insurance have reached maximum reimbursements allowable for loss claims and other loans in the portfolio are uninsured, it is anticipated that proceeds arising from the sale of such property and certain insurance proceeds may not fully cover any losses experienced. Therefore, the Authority has established a provision for estimated losses on real estate held for sale based on a periodic review of such conditions which considers factors as interest costs, holding costs, sales proceeds, mortgage insurance and pool insurance recoveries to estimate losses.

(o) Bond Premium/Discount, Issuance Costs and Gain/Loss on Refunding

Premium/discount on bonds is netted with bonds payable and amortized using a method approximating the effective interest method over the life of the bonds. Debt issuance costs are recorded as an expense in the period incurred. Unamortized gains and losses on refunding are reported as deferred inflows and outflows of resources, respectively, and are amortized over the shorter of the life of the old or new debt as a component of interest expense.

(p) Operations

Proprietary funds loan origination fees, development fee, and financing fee income are recognized as revenue in the period received. Fees earned on loans, which the Authority does not directly originate, such as loans financed through other financings (see note 8(f)), are recognized as income in the Administrative Fund generally at the time of initial closing.

Proprietary funds 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.

Proprietary funds rental revenue, reported in the LLC, is principally derived from one-year leases on apartment units, which are accounted for as operating leases. Accordingly, rental revenue is recognized when the rentals become due. Rentals received in advance are accounted for as prepaid rent.

Proprietary funds 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.

Proprietary funds 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.

A portion of the Authority's operating expenses of administering the Illinois Affordable Housing Trust Fund, HOME Program, Rental Housing Support Program, HHF, and Nonmajor Governmental Funds are recorded within these governmental funds. Similarly, other related special assistance programs and resolutions of various bond programs allow for these program accounts to record 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.

(q) 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 one-half of unused accumulated sick leave earned, to a maximum of 30 days. The Authority has no other post-employment benefits (OPEB).

The following is the activity for the compensated absences recorded as accrued liabilities and other:

Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Due within one year
$ 733,913	1,618,523	(1,546,939)	805,497	805,497

These amounts are recorded as accrued liabilities and other and liquidated from the Proprietary Fund Administrative Fund.

(r) 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 Multi-Family and developer loan portfolios 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, onsite inspections, independent appraisals of certain developments, insurance coverage, and such other factors as it deems necessary. The estimated losses of the single family loan portfolio are based upon a periodic review and evaluation of the whole loan portfolio, including real estate owned properties and considers such factors as delinquencies, interest costs, holding costs, sales proceeds, mortgage insurance and pool insurance recoveries for estimating losses. The estimated losses of the HHF are based upon nonrecoverable fees, loan holding costs, going concern, and market conditions on the ability to resell the acquired mortgage loan portfolio.

(s) Income Taxes

The Authority is a component unit of the State of Illinois and is generally exempt from Federal, State, and local income taxes.

(3) 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 are 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 that 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 U.S. 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.

(a) 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.

All of the LLC's deposits are in commercial checking and bank money market accounts that are not subject to maturity and therefore do not have interest rate risk.

As of June 30, 2017, the Authority had cash & cash equivalents totaling $482,412,122 which consists of cash of $132,678,121 and cash equivalents held in investments of $349,734,001 as noted below:

		Investment maturities (in days)			
Investment	**Carrying amount**	**Less than 7**	**Less than 30**	**Less than 60**	**Less than 90**
Sweep accounts-money market fund	$ 349,734,001	349,734,001	—	—	—

Money market funds are collateralized by obligations of the U.S. Government or its agencies, or direct investments of such obligations overnight and funds are available the next day.

As of June 30, 2017, 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	$ 100,000	—	100,000	—	—
Certificate of Deposit	21,450,000	21,450,000	—	—	—
Commercial Paper	11,144,223	11,144,223	—	—	—
Federal Home Loan Bank Bonds	93,480,445	61,889,261	31,591,184	—	—
Federal Farm Credit Bank Bonds	34,155,356	24,415,136	9,740,220	—	—
Federal Home Loan Mortgage Corp.	50,568,902	30,441,173	18,554,032	—	1,573,697
Federal National Mortgage Assn. Benchmark Notes	1,676,624	—	—	—	1,676,624
Federal Home Loan Bank Discount Notes	181,162,455	181,162,455	—	—	—
Federal Home Loan Mortgage Corp. Discount Notes	122,758,805	122,758,805	—	—	—
Government National Mortgage Association	349,841,352	—	—	—	349,841,352
Federal National Mortgage Assn.	121,736,292	9,075,903	14,536,403	10,213,855	87,910,131
U.S. Treasury Bills	11,926,491	11,926,491	—	—	—
U.S. Treasury Strips	1,399,665	—	—	515,313	884,352
U.S. Treasury Bonds	6,193,199	—	6,193,199	—	—
U.S. Treasury Notes	2,037,328	2,037,328	—	—	—
	$ 1,009,631,137	476,300,775	80,715,038	10,729,168	441,886,156

Demand repurchase agreements are collateralized by obligations of the U.S. 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.

(b) 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 U.S. Government, agencies, and instrumentalities of the U.S. 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 approximately $46,000 for the HOME Program Fund.

The Authority's investments in U.S. Government and Agency Obligations are rated Aaa by Moody's and/or AA+ by Standard & Poor's.

The counterparties to the demand repurchase agreements and 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, 2017 are listed below.

Counterparty	Rating S&P / Moody's		Carrying value
Morgan Guaranty Trust Company	NR/Aa3 (Stable)	$	100,000
Total repurchase agreements investments		$	100,000

(c) 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 carrying value balance totaled $132,678,121 at June 30, 2017, and the cash bank balance totaled $132,680,371, which was fully insured or collateralized. Additionally, the Authority's cash equivalents at June 30, 2017, 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 LLC's cash consisted of checking and money market accounts held in the names of property management agents, however, the LLC has the sole right to these account balances. The Authority's investments at June 30, 2017 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.

(d) 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 investments in any one single issuer (other than securities explicitly guaranteed by the U.S. government) are greater than 5%

of total investments. Investments which comprise more than 5% of the Authority's investments as of June 30, 2017 are as follows:

Investment		Fair value
Federal Home Loan Bank	$	274,642,900
Federal Home Loan Mortgage Corporation		173,327,707
Federal National Mortgage Association		123,412,916

(e) *Forward Commitments*

The Authority sells forward commitments to deliver Government National Mortgage Association (GNMA) certificates and Fannie Mae (FNMA) mortgage-backed securities (MBS). Commitments are sold as mortgage loan reservations are taken to hedge against market fluctuations prior to loan origination and securitization. The Authority is subject to market value fluctuations in the event that mortgage loans are not originated as expected and the committed securities cannot be delivered. A net increase in fair value of $2,394,574 on these forward commitments, classified as investment derivative instruments, has been recorded in investment income in the Administrative Fund for the year ended June 30, 2017. In addition, $441,462 of forward commitments is recorded on the statement of net position as other current assets at June 30, 2017.

The Authority is subject to credit risk with respect to counterparties for the forward commitment contracts, summarized below with their credit ratings as of June 30, 2017.

Counterparty	Rating [1]	Number of Contracts		Par Amount
Bank of New York Mellon	AA-/A-1+ (Stable); Aa1(cr)/P-1(cr) (Stable)	12	$	21,152,826
Citigroup Global Markets	BBB+/A-2 (Stable); Baa1/WR (Stable)	26		55,505,829
Jefferies LLC	BBB-/BBB – (Stable); Baa3/Baa3 (Stable)	17		28,903,758
Mesirow Financial Inc.	Not Rated			
Morgan Stanley	A+t/ (Stable); A1	20		33,493,939
Raymond James & Associates, Inc.	BBB+ (Stable); Baa2 (Stable)	2		4,000,000
Fannie Mae	AA+u/A-1+u (Stable); /P-1 (Stable)	13		22,366,403
Wells Fargo Securities, LLC	AA-/A-1+ (Neg); Aa1(cr)/P-1(cr) (Stable)	28		53,571,085
Total forward commitments		118	$	218,993,840

(1) S&P; Moody's

(f) *Fair Value Measurements*

GASB Statement No. 72 explains that the government could determine the market price of an asset in one of three ways: 1) actual market transactions for identical or similar items (market approach); 2) the current cost to replace the service capacity of an asset (cost approach); or 3) discounting the current value of future cash flows (income approach). It also establishes a three-tier hierarchy of input quality as follows:

- Level 1 inputs are quoted prices in active markets for identical items;
- Level 2 inputs are all inputs that are directly or indirectly observable, but not on Level 1; and
- Level 3 inputs are all inputs that are unobservable.

The statement directs governments to maximize their use of observable inputs and to minimize the use of unobservable inputs.

Fair value is most frequently applied to investments which GASB Statement No. 72 defines as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. The statement goes on to describe investment measurements and related disclosures required.

The Authority categorizes its fair value measurements within the fair value hierarchy established by U.S. generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The following is a description of the valuation methods and assumptions used by the Authority to estimate the fair value of its financial instruments. There have been no changes in the methods and assumptions used at June 30, 2017. The Authority management believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Agency securities classified in Level 2 of the fair value hierarchy are valued using prices quoted in active markets for similar securities.

Derivative instruments classified in Level 2 of the fair value hierarchy are valued using a market approach that considers benchmark interest rates and foreign exchange rates.

Funds held in sweep repurchase agreements and money market funds are valued at cost.

(Continued)

Investments and derivative instruments measured at fair value as of June 30, 2017 are as follows:

Investment		At June 30, 2017	Fair value measurements using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments:					
Demand Repurchase Agreements	$	100,000	100,000	—	—
Certificate of Deposit		21,450,000	21,450,000	—	—
Commercial Paper		11,144,223	—	11,144,223	—
Federal Home Loan Bank Bonds		93,480,445	—	93,480,445	—
Federal Farm Credit Bank Bonds		34,155,356	—	34,155,356	—
Federal Home Loan Mortgage Corp.		50,568,902	—	50,568,902	—
Federal National Mortgage Assn. Benchmark Notes		1,676,624	—	1,676,624	—
Federal Home Loan Bank Discount Notes		181,162,455	—	181,162,455	—
Federal Home Loan Mortgage Corp. Discount Notes		122,758,805	—	122,758,805	—
Government National Mortgage Association		349,841,352	—	349,841,352	—
Federal National Mortgage Assn.		121,736,292	—	121,736,292	—
U.S. Treasury Bills		11,926,491	11,926,491	—	—
U.S. Treasury Strips		1,399,665	1,399,665	—	—
U.S. Treasury Bonds		6,193,199	6,193,199	—	—
U.S. Treasury Notes		2,037,328	2,037,328	—	—
	$	1,009,631,137	43,106,683	966,524,454	—
Derivative Instruments:					
Interest rate swaps and caps	$	(687,926)	—	(687,926)	—
Forward Commitments		441,462	—	441,462	—
	$	(246,464)	—	(246,464)	—

(g) Securities Lending Transactions

The HOME Program Fund records deposits of loan repayments and grant recaptures within the Funds Held by the Illinois State Treasurer (the Treasurer) representing the Authority's proportionate share of HOME Program funds held and maintained by the Treasurer. As the Treasurer also participates in securities lending activities, the Authority additionally records its proportionate share of such securities lending activities.

The Treasurer lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. The Treasurer has, through a Securities Lending Agreement, authorized Deutsche Bank Group to lend the Treasurer's securities to broker-dealers and banks pursuant to a form of loan agreement.

During fiscal year 2017, Deutsche Bank Group lent U.S. Treasury and U.S. agency securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregated market value of the loaned securities. Loans are marked to market daily. If the market value of collateral falls below 100%, the borrower must provide additional collateral to raise the market value to 100%.

The Treasurer did not impose any restrictions on loan amounts of available and eligible securities during fiscal year 2017. In the event of borrower default, Deutsche Bank Group provides the Treasurer with counterparty default indemnification. In addition, Deutsche Bank Group is obligated to indemnify the Treasurer if Deutsche Bank Group loses any securities, collateral or investments of the Treasurer in Deutsche Bank Group's custody. Moreover, there were no losses during fiscal year 2017 resulting from a default of the borrowers or Deutsche Bank Group.

During fiscal year 2017, the Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank Group and marked to market daily at no less than 102%. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. The Treasurer had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent. The securities lending collateral invested in repurchase agreements and the fair value of the securities on loan for the Treasurer, as a whole, as of June 30, 2017 were $3,522,922,500 and $3,475,790,990, respectively. The Authority recorded a share of the securities lending cash collateral and associated liability in the HOME Program Fund in the amount of $15,000 as of June 30, 2017.

(4) 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, 2017 consisted of the following:

		Payable from						
		Governmental Funds			Proprietary Funds			
Receivable to		Home Program Fund	Rental Housing Support Program Fund	Hardest Hit Fund	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	Total
Proprietary Funds:								
Administrative Fund	$	69,551	80,679	5,701,718	—	2,663,521	429,250	8,944,719
Mortgage Loan Program Fund		—	—	—	10,088,099	—	—	10,088,099
Single Family Program Fund		—	—	—	394,071	—	—	394,071
Nonmajor Governmental Funds		—	—	—	3,250	—		3,250
	$	69,551	80,679	5,701,718	10,485,420	2,663,521	429,250	19,430,139

The interfund accounts receivable (payable) between the Mortgage Loan Program Fund and the Administrative Fund primarily consist of a fiscal year 2000 operating transfer of $10.4 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, plus interfund accounts receivable related to mortgage assistance provided to a previously distressed loan, Larkin Village ($2.8 million). The Authority intends to reverse the remaining amounts of the transfers upon the dispositions of Lakeshore Plaza and Larkin Village.

Interfund accounts payable from governmental funds represent reimbursements due to the Authority for a portion of operating expenses incurred to administer certain governmental programs. Other interfund accounts receivable to the Administrative Fund mainly consist of reimbursements for certain costs incurred in administering programs.

Transfers

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 for the year ended June 30, 2017 consisted of the following:

		Transfers out			
		Governmental Fund	Proprietary Funds		
Transfers in		Illinois Affordable Housing Trust Fund	Administrative Fund	Single Family Program Fund	Total
Proprietary Funds:					
Administrative Fund	$	—	—	124,924	124,924
Mortgage Loan Program Fund		5,200,000	2,794,602	—	7,994,602
Single Family Program Fund		—	2,570,321	—	2,570,321
	$	5,200,000	5,364,923	124,924	10,689,847

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, 2017 totaled $5,200,000.

The $2,794,602 transfer from the Administrative Fund to the Mortgage Loan Program Fund funded costs related to issuances of Housing Bonds and Multifamily Revenue Bonds.

Transfers totaling $2,570,321 from the Administrative Fund to the Single Family Program Funds primarily consisted of $1,809,949 to fund costs related to issuances of Homeowner Mortgage Revenue Bonds and Revenue Bonds.

(5) Program Loans Receivable

The following summarizes program loans receivable, net of allowance for estimated losses, activity for the Authority for the year ended June 30, 2017:

		Net program loans receivable June 30, 2016	Loan disbursements	Loan repayments	Change in loan loss allowance	Net program loans receivable June 30, 2017
				(Dollars in thousands)		
Governmental Funds:						
Illinois Affordable Housing Trust Fund	$	312,348	2,766	(11,605)	(1,604)	301,905
HOME Program Fund		249,751	21,584	(3,778)	(337)	267,220
Hardest Hit Fund		10,684	—	(9,211)	2,302	3,775
Nonmajor governmental funds		82,317	2,216	(1,478)	798	83,853
Total Governmental Funds	$	655,100	26,566	(26,072)	1,159	656,753
Proprietary Funds:						
Administrative Fund	$	73,686	44,311	(27,315)	(1,651)	89,031
Mortgage Loan Program Fund:						
Housing Bonds		360,533	15,472	(110,263)	1,863	267,605
Multifamily Initiative Bonds		49,041	—	(6,291)	55	42,805
Multifamily Revenue Bonds		—	28,627	(341)	(16)	28,270
Affordable Housing Program Trust Fund Bonds		16,816	110	(9,158)	689	8,457
Total Mortgage Loan Program Fund		426,390	44,209	(126,053)	2,591	347,137
Single Family Program Fund:						
Homeowner Mortgage Revenue Bonds		251,300	1,326	(39,856)	554	213,324
Revenue Bonds		—	636	—	(10)	626
Total Single Family Program Fund		251,300	1,962	(39,856)	544	213,950
Total Proprietary Funds	$	751,376	90,482	(193,224)	1,484	650,118

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 9 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, 2017, for loans financed under the Mortgage Loan Program Fund, one loan was in arrears in amounts equal to more than three months debt service payments or required deposits to tax and insurance and/or replacement reserves, totaling $71,625 and $200,913, 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’s policy for converting mortgage loans, except for loans financed under the Single Family Mortgage Loan Program, to nonaccrual status is to discontinue the accrual of interest when a loan becomes 90 days past due. In addition, the Authority does not accrue interest income on loans in which payments are to be made from residual receipts of the development. Payments on such loans are recognized only as received. For loans receivable within the Single Family Mortgage Loan Program, the Authority accrues interest income on all loans unless they become real estate owned properties, at which time the accrual is suspended.

As of June 30, 2017, one mortgage loan in the Mortgage Loan Program Fund was on nonaccrual status. In addition, the Authority does not accrue interest income on approximately $6.1 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 $121,000.

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, 2017, there is one loan receivable under this program in the amount of $104,639.

Under Section 542 (c) of the Housing and Community Development Act of 1992, HUD is permitted to provide federal credit enhancement through the Federal Housing Administration (FHA) for loans for affordable multifamily developments (FHA-HFA Risk Sharing Program). In June 1994, the Authority entered into a Risk Sharing Agreement (the Agreement) with HUD that permitted the Authority to participate in the FHA-HFA 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 (the Risk Sharing Loans) through a system of risk-sharing agreements. HUD has authorized the Authority to make an unlimited amount of loans for such developments. Under the Agreement, the Authority will underwrite the 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.

In fiscal year 2016, the Authority entered into a new financing agreement with the Federal Financing Bank (FFB), an arm of the United States Department of Treasury, for selling beneficial ownership interests in mortgage loans originated by housing finance agencies and insured under the FHA-HFA Risk Sharing Program. The Authority sells beneficial ownership interest in its mortgages under this program to FFB. Beneficial ownership interest in mortgage loans that the Authority sells to the FFB will be evidenced by certificates of participation from the Authority. The monthly mortgage payments from the borrower will be used to repay the interest to the FFB and principal payments will reflect the scheduled mortgage principal payments. In fiscal year 2017, the Authority sold beneficial ownership interests in loans for five affordable multifamily developments totaling $51.4 million to the FFB. For three of these five developments, the Authority issued short-term tax-exempt direct bank notes totaling $42.5 million in connection with the financing of their construction loans. At June 30, 2017, amounts equal to the principal balance of the short-term notes are being held as restricted investments in the Administrative Fund, with a corresponding liability to the bank reported as Bank Note Cash Collateral, and are expected to repay the purchaser of the notes upon their maturity.

The Authority, as of June 30, 2017, has outstanding forty-eight Risk Sharing Loans totaling $270,382,687 and elected that HUD assume 10% to 90% of the loss with respect to those loans. Five of these loans totaling $27,975,591 were financed through the issuance of the Authority's Housing Bonds, eight loans totaling $42,898,370 were financed through the issuance of the Authority's Multi-Family Initiative Bonds, six loans totaling $50,374,859 were financed through the issuance of the Authority's Multifamily Revenue Bonds and three loans totaling $12,750,331 were financed by the Administrative Fund. The remaining twenty-six loans totaling $136,383,536 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, 2017 for loans financed under the FHA-HFA 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.

As of June 30, 2017, for mortgage loans insured with Ambac Assurance Corporation (Ambac Loans) on Multi-Family housing developments under the Authority's Mortgage Participation Certificate Program, the Authority has outstanding four Ambac Loans totaling $13,946,474. These loans are not included in the Authority's financial statements as the Authority sold 100% participation interests in the loans to outside parties. 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 thresholds.

At June 30, 2017, for loans financed under the Mortgage Participation Certificate Program where the Authority sold 100% participation interests in the loans to outside parties, one loan was in arrears in amounts equal to more than two months debt service payments and required deposits to tax and insurance and/or replacement reserves, totaling $6,288 and $145,468, respectively. The loss reserve for loans financed under this program, totaling $728,012 as of June 30, 2017, is recorded in accrued liabilities and other.

With respect to the mortgage loans funded by the Homeowner Mortgage Revenue Bonds, a substantial majority of all delinquent mortgage loans receivable at June 30, 2017, were covered by pool insurance policies which provide for loss claim reimbursement up to an aggregate limit equal to 3.5% of the aggregate original principal amount of mortgage loans so covered. With respect to these pool insurance policies, some have reached the maximum reimbursements allowable for loss claims and as a result may not fully cover any losses experienced, and therefore the Authority establishes a provision for estimated losses related to such conditions.

Loans made through the Illinois Affordable Housing Trust Fund, governmental 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 5.75%, with most rates set at 2% 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 gross receivables balances as of June 30, 2017 are as follows:

		Principal due by June 30				
Interest rate%		**2018**	**2019 - 2023**	**2024 - 2033**	**After 2033**	**Total**
				(Dollars in thousands)		
0 – 0.99	$	1,619	18,807	46,866	101,675	168,967
1 – 1.99		3,537	21,811	56,104	54,519	135,971
2 – 3.99		833	2,852	5,786	6,078	15,549
4 – 5.75		79	1,253	404	721	2,457
	$	6,068	44,723	109,160	162,993	322,944

Loans are made through the HOME Program Fund, governmental fund, in order to provide decent and affordable housing, particularly housing for low and very low income Americans. Interest rates on these loans are set at below market rates and have ranged from 0% to 6.5%, with most rates set at 2% or below.

The approximate aging of the gross receivables balances of the HOME program as of June 30, 2017 are as follows:

	Principal due by June 30				
Interest rate%	**2018**	**2019-2023**	**2024-2033**	**After 2033**	**Total**
			(Dollars in thousands)		
0 – 0.99	$ 410	7,660	27,642	62,189	97,901
1 – 1.99	6,555	20,346	72,032	62,649	161,582
2 – 3.99	221	1,458	4,936	7,778	14,393
4 – 6.50	80	542	2,245	1,002	3,869
	$ 7,266	30,006	106,855	133,618	277,745

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 collectability. The Authority believes that the allowances for estimated losses at June 30, 2017 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, 2017:

	Allowance for estimated losses June 30, 2016	**Provision for estimated losses**	**Write-offs of uncollectible losses, net of recoveries**	**Allowance for estimated losses June 30, 2017**
		(Dollars in thousands)		
Governmental Funds:				
Illinois Affordable Housing Trust Fund	$ 19,435	5,569	(3,965)	21,039
HOME Program Fund	10,187	338	—	10,525
Hardest Hit Fund	3,561	(2,303)	—	1,258
Nonmajor Governmental Funds	2,280	219	(1,017)	1,482
Total governmental funds	$ 35,463	3,823	(4,982)	34,304
Proprietary Funds:				
Administrative Fund	$ 1,455	1,757	(106)	3,106
Mortgage Loan Program Fund	7,232	(2,591)	—	4,641
Single Family Program Fund	4,013	(542)	(2)	3,469
Total proprietary funds	$ 12,700	(1,376)	(108)	11,216

The provision for estimated losses for the Illinois Affordable Housing Trust Fund is recorded as a reduction to the amount due to the State of Illinois to reflect the State of Illinois equity interest in the program.

State statute requires that all uncollected receivables due that exceed $1,000 be submitted to the Illinois Attorney General to be certified as uncollectible before the Authority can delete such receivables from its records. As of June 30, 2017, the Authority has requested twelve certifications totaling $1,142,192 for loans within the Illinois Affordable Housing Trust Fund. Additional certification requests are anticipated to be filed as loss amounts are determined following the conclusion of foreclosure or other loss mitigation activities. The Authority has established provisions for estimated losses against such loans requested and to be requested for such certifications in amounts equal to the outstanding principal balances of the loans.

Scheduled receipts of principal on proprietary fund program loans gross receivable balance in the five years subsequent to June 30, 2017 and thereafter are as follows (dollars in thousands):

2018	$	41,495
2019		55,291
2020		25,031
2021		25,916
2022		25,993
After 2022		487,608
	$	661,334

Amounts recorded as due from FNMA (Fannie Mae) and the Federal Home Loan Mortgage Corporation (FHLMC/Freddie Mac) in the Mortgage Loan Program Fund represent the disbursed bond proceeds and accrued interest on certain bond issues which are secured by credit enhancements provided by FNMA and FHLMC. Under these obligations, the bond trustee may draw funds directly from FNMA and FHLMC when needed and in amounts sufficient to make timely payments of principal and interest on the bond issues when due and payable.

(6) Real Estate Held for Sale

An analysis of real estate held for sale is as follows:

		Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	IHDA Dispositions LLC	Total
Balance at June 30, 2016	$	—	145,943	1,241,981	340,000	1,727,924
Transfers of loans		17,444	471,460	9,885,417	200,000	10,574,321
Proceeds received/write-offs		(17,444)	(637,961)	(11,771,095)	(340,000)	(12,766,500)
Change in loan loss allowance		—	20,558	2,066,220	—	2,086,778
Balance at June 30, 2017	$	—	—	1,422,523	200,000	1,622,523

(7) Capital Assets

Capital asset activity for the year ended June 30, 2017 for governmental activities was as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets being depreciated				
Furniture and equipment	$ 199,657	111,423	(157,981)	153,099
Total capital assets being depreciated	199,657	111,423	(157,981)	153,099
Accumulated depreciation				
Furniture and equipment	148,999	54,933	(157,981)	45,951
Total accumulated depreciation	148,999	54,933	(157,981)	45,951
Capital assets, net of depreciation	$ 50,658	56,490	—	107,148

Capital asset activity for the year ended June 30, 2017 for business-type activities was as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets being depreciated				
Administrative Fund				
Furniture and equipment	$ 3,492,579	738,836	(152,037)	4,079,378
Mortgage Loan Program Fund				
Real estate	44,663,892	1,512,971	—	46,176,863
Total capital assets being depreciated	48,156,471	2,251,807	(152,037)	50,256,241
Total capital assets	48,156,471	2,251,807	(152,037)	50,256,241
Accumulated depreciation				
Administrative Fund				
Furniture and equipment	2,566,925	469,165	(145,033)	2,891,057
Mortgage Loan Program Fund				
Real estate	20,269,584	1,044,378	—	21,313,962
Total accumulated depreciation	22,836,509	1,513,543	(145,033)	24,205,019
Capital assets, net of depreciation	$ 25,319,962	738,264	(7,004)	26,051,222

(8) Bonds and Notes Payable

The following summarizes the debt activity for the Authority's proprietary funds for the year ended June 30. 2017:

	June 30, 2016	Additions	Deductions	June 30, 2017	Amount due within one year
Administrative Fund					
Direct Bank Notes	$ 26,350,000	42,470,000	(26,350,000)	42,470,000	21,020,000
Federal Home Loan Bank Advances	25,956,754	741,830,000	(748,736,308)	19,050,446	1,072,638
Total Administrative Fund	52,306,754	784,300,000	(775,086,308)	61,520,446	22,092,638
Mortgage Loan Program Fund:					
Housing Bonds	338,990,000	54,415,000	(120,760,000)	272,645,000	11,395,000
Discount on Housing Bonds	(100,023)	—	225	(99,798)	—
Multi-Family Initiative Bonds	146,260,000	—	(7,710,000)	138,550,000	2,400,000
Multifamily Revenue Bonds	—	50,715,534	(302,138)	50,413,396	475,704
Affordable Housing Program Trust Fund Bonds	14,770,000	—	(14,770,000)	—	—
Total Mortgage Loan Program Fund	499,919,977	105,130,534	(143,541,913)	461,508,598	14,270,704
Single Family Program Fund:					
Homeowner Mortgage Revenue Bonds	300,530,000	144,130,000	(86,475,000)	358,185,000	11,560,000
Premium on Homeowner Mortgage Revenue Bonds	2,214,728	4,130,099	(581,988)	5,762,839	—
Housing Revenue Bonds	152,891,743	—	(22,760,017)	130,131,726	2,693,430
Premium on Housing Revenue Bonds	507,836	—	(135,332)	372,504	—
Discount on Housing Revenue Bonds	(889,500)	—	20,475	(869,025)	—
Residential Mortgage Revenue Bonds	104,703	297	(5,000)	100,000	100,000
Revenue Bonds	70,115,000	62,315,562	(3,919,764)	128,510,798	2,955,523
Premium on Revenue Bonds	2,639,539	—	(189,208)	2,450,331	—
Total Single Family Program Fund	528,114,049	210,575,958	(114,045,834)	624,644,173	17,308,953
Total Proprietary Funds	$ 1,080,340,780	1,100,006,492	(1,032,674,055)	1,147,673,217	53,672,295

Bonds and notes outstanding are general obligations (G.O.) of the Authority with the exception of Homeowner Mortgage Revenue Bonds, Housing Revenue Bonds, Revenue Bonds, Multi-Family Initiative Bonds, Multifamily Revenue Bonds and Affordable Housing Program Trust Fund Bonds, which are special limited obligations (S.L.O.) of the Authority. S.L.O. bonds, other than Housing Revenue Bonds, are payable from pledged property as defined in their respective general resolutions. Housing Revenue Bonds are payable from pledged mortgage-backed securities. Certain issues of Multi-Family Initiative Bonds are credit enhanced by FNMA and FHLMC. 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. All outstanding Affordable Housing Program Trust Fund Bonds were redeemed in fiscal year 2017.

The Authority has pledged future mortgage loan revenues, net of specified operating expenses, to repay outstanding principal ($805.8 million) of S.L.O. bonds as noted in the following schedules for the Mortgage Loan Program Fund and Single Family Program Fund. The total principal and interest remaining to be paid on the S.L.O. Bonds is $1,153.9 million. For bonds payable from pledged property, interest paid for the current year was $20.5 million, and total related mortgage loan principal and interest received were $55.6 million and $16.3 million, respectively.

Bonds and notes outstanding at June 30, 2017 are as follows. Listed maturity dates are indicated as calendar years. The June 30, 2016 amounts are shown for comparative purposes only.

(a) Mortgage Loan Program Fund

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

				Amount June 30	
	Maturity dates	**Interest rate range%**	**Debt class**	**2017**	**2016**
Housing Bonds:					
2005 Series C	2016–2042	4.80-5.00 %	G.O.	$ —	9,450,000
2005 Series D	2016–2047	4.88	G.O.	—	6,055,000
2006 Series A	2016–2038	4.90-5.05	G.O.	—	7,055,000
2006 Series B	2016–2046	4.75-5.00	G.O.	—	12,190,000
2006 Series E	2016–2042	4.50-4.95	G.O.	—	7,270,000
2006 Series F	2016–2047	4.50-5.00	G.O.	—	3,190,000
2006 Series G	2016–2037	4.55-4.85	G.O.	—	17,790,000
2006 Series H (Taxable)	2016	5.46	G.O.	—	235,000
2006 Series I	2016–2048	4.70-4.85	G.O.	—	6,775,000
2006 Series J	2016–2048	4.50-5.00	G.O.	—	3,245,000

	Maturity dates	Interest rate range%	Debt class		Amount June 30 2017	Amount June 30 2016
2006 Series K	2016–2023	4.35-4.60 %	G.O.	$	—	1,365,000
2006 Series M	2017–2047	4.00-4.50	G.O.		11,290,000	11,440,000
2007 Series A	2017–2048	4.60-5.55	G.O.		3,575,000	3,620,000
2007 Series C	2017–2044	4.40-5.38	G.O.		8,850,000	8,965,000
2007 Series D	2017–2038	4.25-4.95	G.O.		12,830,000	13,395,000
2007 Series E (Taxable)	2016–2017	5.66	G.O.		—	685,000
2007 Series F	2017–2044	4.70-5.35	G.O.		6,115,000	6,210,000
2007 Series G	2017–2044	4.70-5.35	G.O.		5,095,000	5,175,000
2008 Series A (1)	2018-2027	variable	G.O.		11,290,000	11,650,000
2008 Series B (1)	2017–2027	variable	G.O.		25,885,000	27,585,000
2008 Series C (1)	2017-2041	variable	G.O.		4,805,000	4,910,000
2013 Series B (Taxable)	2017–2047	1.64-4.79	G.O.		53,580,000	93,015,000
2013 Series C	2018–2048	1.75-4.60	G.O.		5,460,000	5,550,000
2013 Series D	2017–2034	1.50-4.95	G.O.		7,975,000	8,105,000
2015 Series A-1	2017–2036	1.00-3.85	G.O.		28,475,000	29,605,000
2015 Series A-2 (Taxable)	2017-2029	1.78-4.07	G.O.		10,425,000	11,880,000
2015 Series A-3 (Taxable) (1)	2045	variable	G.O.		22,580,000	22,580,000
2017 Series A-1 (Taxable)	2017-2027	0.85-3.77	G.O.		24,415,000	—
2017 Series A-2 (Taxable) (1)	2027-2045	variable	G.O.		30,000,000	—
					272,645,000	338,990,000
Less unamortized discount thereon					(99,798)	(100,023)
Total Housing Bonds				$	272,545,202	338,889,977

(1) In accordance with 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 0.42% to 0.75% at June 30, 2017. Pursuant to the liquidity agreements, the bonds are subject for purchase by 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 put periods is LIBOR plus 150 basis points. The current liquidity agreements for 2008 Series A, B, and C expire on April 24, 2019. The current agreements for 2015 Series A-3 and 2017 Series A-2 expire on January 21, 2020 and February 14, 2022, 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 credit enhancement agreements with credit enhancement providers. The Authority has a general obligation to reimburse the liquidity providers and credit enhancement providers for any such payments made.

	Maturity dates	Interest rate range%	Debt class	Amount June 30 2017	Amount June 30 2016
Multifamily Initiative Bonds:					
Series 2009 B	2017–2051	3.50%	S.L.O.	$ 7,890,000	13,570,000
Series 2009 C	2017–2051	3.01	S.L.O.	18,920,000	19,200,000
Series 2009 D	2017–2041	3.48	S.L.O.	56,170,000	56,950,000
Series 2009 E	2017–2042	2.32	S.L.O.	4,430,000	4,490,000
Series 2009 F	2017–2041	2.32	S.L.O.	5,350,000	5,440,000
Series 2009 G	2017–2041	2.32	S.L.O.	8,020,000	8,150,000
Series 2009 H	2017–2041	2.32	S.L.O.	10,560,000	10,730,000
Series 2009 I	2017–2051	2.32	S.L.O.	9,320,000	9,460,000
Series 2009 J	2017–2043	3.84	S.L.O.	17,890,000	18,270,000
Total Multifamily Initiative Bonds				138,550,000	146,260,000
Multifamily Revenue Bonds:					
2016 Series A (Taxable)	2017–2048	2.63	S.L.O.	24,413,396	—
2017 Series A	2017–2059	4.05	S.L.O.	26,000,000	—
Total Multifamily Revenue Bonds				50,413,396	—
Affordable Housing Program:					
Trust Fund Bonds:					
Series 2005 A (Taxable)	2016–2027	6.25-6.35	S.L.O.	—	14,770,000
Total Mortgage Loan Program Fund				$ 461,508,598	499,919,977

(b) 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 2017	Amount June 30 2016
Homeowner Mortgage Revenue Bonds:						
2001 Series F (Taxable) (1)	2017-2020	variable	S.L.O.	$	6,500,000	8,500,000
2002 Series B (Taxable) (2)	2017-2023	variable	S.L.O.		995,000	1,170,000
2004 Series C-3 (3)	2025–2034	variable	S.L.O.		13,120,000	14,585,000
2007 Series A	2016–2037	4.05-4.90 %	S.L.O.		—	40,210,000
2007 Series D	2017–2038	4.80-5.30	S.L.O.		15,110,000	18,955,000
2007 Series H (remarketed 1/30/08)	2017–2033	3.63-5.20	S.L.O.		16,190,000	27,710,000
2008 Series A	2017–2028	3.75-5.05	S.L.O.		855,000	2,140,000
2011 Series A	2017–2019	4.00-4.55	S.L.O.		1,315,000	2,275,000
2011 Series B	2017–2028	4.00-5.00	S.L.O.		2,780,000	3,345,000
2014 Series A	2017-2035	1.55-4.00	S.L.O.		44,565,000	48,835,000
2014 Series A-3 (Taxable)	2017	1.23	S.L.O.		530,000	2,085,000
2014 Series A-4 (Taxable) (3)	2026-2034	variable	S.L.O.		10,675,000	10,675,000
2014 Series A-5 (Taxable) (3)	2025-2035	variable	S.L.O.		20,000,000	20,000,000
2014 Series B	2017-2039	1.15-4.35	S.L.O.		8,430,000	11,350,000
2016 Series A (Taxable)	2017-2034	1.59-4.18	S.L.O.		77,155,000	88,695,000
2016 Series B	2017-2046	1.10-3.50	S.L.O.		35,195,000	—
2016 Series C	2022-2046	1.50-3.50	S.L.O.		104,770,000	—
					358,185,000	300,530,000
Plus unamortized premium thereon					5,762,839	2,214,728
Total Homeowner Mortgage Revenue Bonds				$	363,947,839	302,744,728

(1) In accordance with the indenture, interest rates on the bonds are determined and paid monthly based upon an index of one month LIBOR rate plus 0.40% for 2001 Series F. The variable rates paid on the subject bonds was 1.18% at June 30, 2017. The Authority has entered into pay-fixed, receive variable, interest rate swap agreements in connection with these bonds, the objective of which is to establish a maximum debt service which may be paid over the life of the underlying bonds.

(2) In accordance with the indenture, interest rates on the bonds are determined and paid semi-annually based upon an index of one month LIBOR rate plus 0.415%. The variable rates paid on the subject bonds was 1.20% at June 30, 2017.

(3) In accordance with 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 0.67% to 0.73% at June 30, 2017. Pursuant to the liquidity agreements, the bonds are subject for purchase by 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 put periods is LIBOR plus 50 basis points for 2004 Series C-3 and LIBOR plus 150 basis points for 2014 Series A-4 and 2014 Series A-5. The liquidity agreements for 2004 Series C-3, 2014 Series A-4 and 2014 Series A-5 will expire on July 13, 2020, March 15, 2019 and March 10, 2019, respectively.

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

				Amount	
				June 30	
	Maturity dates	Interest rate range %	Debt class	2017	2016
Housing Revenue Bonds:					
Series 2011-1A	2017–2041	3.285%	S.L.O.	$ 8,163,140	9,998,820
Series 2011-1B	2017–2041	3.285	S.L.O.	15,639,689	20,843,210
Series 2011-1C	2017–2041	3.285	S.L.O.	7,500,000	7,500,000
Series 2012A (Taxable)	2017–2042	2.625	S.L.O.	23,889,441	27,071,691
Series 2013A	2017–2043	2.450	S.L.O.	48,826,062	57,352,321
Series 2013B (Taxable)	2017–2043	2.750	S.L.O.	13,675,034	16,236,617
Series 2013C	2017–2043	3.875	S.L.O.	12,438,360	13,889,084
				130,131,726	152,891,743
Plus unamortized premium thereon				372,504	507,836
Less unamortized discount thereon				(869,025)	(889,500)
Total Housing Revenue Bonds				$ 129,635,205	152,510,079

	Maturity dates	Interest rate range %		Debt class		Amount June 30 2017	Amount June 30 2016
Residential Mortgage Revenue Bonds:							
1985 Series A	2017	10.75	%	G.O.	$	—	4,703
1987 Series D	2017	8.65		G.O.		100,000	100,000
Total Residential Mortgage Revenue Bonds					$	100,000	104,703

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	Accreted Value June 30 2017	Accreted Value June 30 2016	Aggregate value redeemed
1985 Series A	Maturity 2/1/17	190	—	4,703	5,000

	Maturity dates	Interest rate range %	Debt class		Amount June 30 2017	Amount June 30 2016
Revenue Bonds:						
2016 Series A	2017-2046	0.70-4.00%	S.L.O.		66,735,000	70,115,000
2017 Series A	2017–2047	3.13	S.L.O.		61,775,798	—
					128,510,798	70,115,000
Plus unamortized premium thereon					2,450,331	2,639,539
Total Revenue Bonds				$	130,961,129	72,754,539
Total Single Family Program Fund				$	624,644,173	528,114,049

(c) Administrative Fund

Outstanding debt of the Administrative Fund is as follows:

	Maturity date	Interest rate (1)		Debt class		Amount June 30 2017	Amount June 30 2016
Direct bank notes:							
	2018	0.20	%	Loan	$	—	9,180,000
	2018	0.20		Loan		—	17,170,000
	2018	1.93		Loan		11,300,000	—
	2018	0.87		Loan		9,720,000	—
	2018	0.70		Loan		21,450,000	—
Federal Home Loan Bank Advances:							
	2017	0.38		Loan		—	15,500,000
	2018	1.05		Loan		—	350,000
	2018	0.96		Loan		—	290,041
	2018	1.44		Loan		939,000	—
	2019	1.56		Loan		1,221,000	—
	2020	1.74		Loan		1,503,000	—
	2021	1.89		Loan		1,503,000	—
	2022	2.03		Loan		1,313,000	—
	2024	2.35		Loan		1,406,000	—
	2027	2.37		Loan		1,503,000	—
	2027	2.70		Loan		9,662,446	9,816,713
					$	61,520,446	52,306,754

(1) Interest rate on the loan(s) may be fixed or variable, and is determined by type, length, and use of proceeds.

(d) Current Refundings of Debt

On September 22, 2016, the Authority issued its Homeowner Mortgage Revenue Bonds, 2016 Series B and 2016 Series C. The proceeds of the Series 2016 B bonds were used to redeem the Authority's outstanding Homeowner Mortgage Revenue Bonds, 2007 Series A-2 (the Refunded Bonds). On September 23, 2016, $38,305,000 of the Series 2016 B bond proceeds redeemed the Refunded Bonds.

On September 15, 2016, the Authority issued its Multifamily Revenue Bonds, 2016 Series A. The proceeds of the Series 2016 A bonds, together with other funds, were used to redeem the Authority's outstanding Housing Bonds, 2005 Series C, 2005 Series D, 2006 Series A and 2006 Series J (the Refunded Bonds). On September 19, 2016, $25,575,000, representing the Series 2016 A bond proceeds, together with other funds, redeemed the Refunded Bonds.

On February 14, 2017, the Authority issued its Housing Bonds, 2017 Series A-1 and 2017 Series A-2. The proceeds of the Series 2017 A bonds were used to redeem the Authority's outstanding Housing Bonds, 2006 Series B, 2006 Series E, 2006 Series F, 2006 Series G, 2006 Series I and 2006 Series K (the Refunded Housing Bonds), and the Authority's outstanding Affordable Housing Trust Fund bonds, 2005 Series A (the Refunded Affordable Housing Trust Fund Bonds, and together with the

Refunded Housing Bonds, the Refunded Bonds). On February 15, 2017, $54,415,000, of the Series 2017 A bond proceeds redeemed the Refunded Bonds.

The Authority, by these current refundings, reduced the present value of its aggregate debt service over the life of the newly issued bonds. The table below shows the anticipated reductions in debt service requirements and the economic gains from the current refundings.

New Issues	Debt Service Reductions Millions	Debt Service Reductions Years	Economic Gain Present Value (Millions)
Homeowner Mortgage Revenue Bonds, 2016 Series B	$ 9.0	21	$ 5.2
Multifamily Revenue Bonds 2016 Series A	11.6	32	8.4
Housing Bonds, 2017 Series A	43.6	32	33.1

(e) 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, 2017, the following outstanding bonds are considered defeased.

Issue	Amount
Multi-Family Housing Bonds, 1981 Series A	$ 22,040,000

(f) 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, 2017, there were sixty-eight series of such bonds or notes outstanding, with an aggregate principal amount payable of $858,057,860.

(g) 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**
Housing Bonds	The amount established by each series resolution, currently six months of maximum principal and interest payments.
Multifamily Initiative Bonds	The maximum amount of principal and interest due on any interest payment date excluding the final interest payment date.
Multifamily Revenue Bonds	One-half of the maximum amount of principal and interest due for the then-current or any future calendar year.
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, 2017, these reserve amounts, which were not less than the amounts required, are as follows:

Housing Bonds	$	17,685,611
Multifamily Initiative Bonds		1,674,615
Multifamily Revenue Bonds		1,532,827
Homeowner Mortgage Revenue Bonds		9,704,283
	$	30,597,336

(h) Debt Service Requirements

Debt service requirements (dollars in millions) through 2022 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:								
2018	$ 22.1	0.6	14.3	11.1	17.3	9.8	53.7	21.5
2019	21.8	0.5	14.4	11.4	20.4	10.1	56.6	22.0
2020	1.5	0.4	14.8	11.3	20.9	10.1	37.2	21.8
2021	1.8	0.4	15.2	11.8	20.3	9.9	37.3	22.1
2022	1.8	0.3	14.7	12.2	19.9	10.7	36.4	23.2
Five years ending June 30:								
2023-2027	4.6	1.3	80.7	56.6	115.0	65.7	200.3	123.6
2028-2032	7.9	0.2	71.3	47.4	133.0	56.8	212.2	104.4
2033-2037	—	—	75.9	32.5	115.6	36.8	191.5	69.3
2038-2042	—	—	82.5	19.9	91.0	19.3	173.5	39.2
2043-2047	—	—	58.0	6.5	63.6	4.7	121.6	11.2
2048-2052	—	—	11.3	2.6	—	—	11.3	2.6
2053-2057	—	—	6.2	1.2	—	—	6.2	1.2
2058-2059	—	—	2.3	0.1	—	—	2.3	0.1
	$ 61.5	3.7	461.6	224.6	617.0	233.9	1,140.1	462.2

(i) Derivative Instruments

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 achievement of savings over alternative products existing in the capital markets;

b) The management of the Authority's exposure to floating and fixed interest rates;

c) Ability to access the capital markets more rapidly than may be possible with conventional debt instruments;

d) The management of the Authority's exposure to the risk of changes in the legal and regulatory treatment of tax-exempt bonds; and

e) The ability of the Authority to increase income, lower costs, or strengthen the Authority's financial position.

As of June 30, 2017, the Authority has one active swap contract and two active interest rate caps. Details are shown in the following tables.

	Changes in fair value		Fair value at June 30, 2017		
	Classification	Amount	Classification	Amount	Notional
Business-type activities:					
Cash flow hedges:					
Pay-fixed/receive variable, interest rate swap:					
Series 2001 F	Deferred outflow	$ 587,894	*	$ (688,821)	$ 7,000,000
Rate caps	Deferred inflow	(446)	**	895	17,895,000

* The fair value is classified as derivative instrument liability and a deferred outflow of resources.
** The fair value is classified as derivative instrument asset and a deferred inflow of resources.

The fair value of the interest rate swap was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

The fair value of the interest rate swap and rate caps were estimated by the Authority using data provided by the Authority's swap advisor.

Associated bond issue	Notional amounts	Effective date	Fixed rate paid (3)	Variable rate received	Fair values (1)	Termination date	Counter-party credit rating (2)
Single Family Program Fund:							
Active Swap contract:							
HMRB*:							
Series 2001 F	$ 7,000,000	01/2002	6.615	%1 mo LIBOR+40bp	$ (688,821)	08/2020	NR/Baa1
Mortgage Loan Program Fund:							
Active Interest Rate Caps:							
HB**:							
Series 2008 A	$ 13,090,000	01/2013	5.75	NIA	$ —	12/2017	AA-/Aa2
Series 2008 C	4,805,000	06/2006	4.75	NIA	895	06/2021	A+/A1
	$ 17,895,000				$ 895		

* Homeowner Mortgage Revenue Bonds
** Housing Bonds
(1) Includes accrued interest.
(2) S&P/Moody's
(3) Represents rate for swap and cap rate for interest rate caps.

To protect against the potential of rising interest rates, the Authority has entered into one pay-fixed, receive variable, interest rate swap agreement, 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 two 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, 2017 are shown in the above table. The notional amount of the swap and caps match the principal amount of the associated debt except in the case of Series 2001 F and 2008 A where scheduled amortization of the bonds have reduced the outstanding bond amount leaving the notional amount of the interest rate cap at its original value.

The Authority's swap and cap agreements in most cases contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or an anticipated reduction in the associated bonds payable category.

Because interest rates have declined since the implementation of the swap agreement, it had negative fair value as of June 30, 2017. The negative fair value 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, 2017, the Authority was not exposed to credit risk for the swap that had negative fair value. As interest rates change and the fair value becomes positive, the Authority is exposed to credit risk in the amount of the swap's or cap's fair value. The Authority is exposed to credit risk on the caps with positive fair value (2008 C). The aggregate fair value of hedging derivative instruments with positive fair value at June 30, 2017 was $895. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. Fair value is a factor only upon termination.

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

The Authority or the counter-party may terminate the swap agreement if the other party fails to perform under the terms of the agreement. 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 agreement. The Authority is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, the Authority will be re-exposed to the risks being hedged by the hedging derivative instrument. The Authority is exposed to rollover risk on the caps which have termination dates that occur prior to the final maturity of the related bonds.

As of June 30, 2017, 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:

	Variable-rate bonds		Interest rate	
	Principal	**Interest**	**swap, net**	**Total**
Year ending June 30:				
2018	$ 1,965,000	243,180	839,288	3,047,468
2019	2,470,000	213,360	232,380	2,915,740
2020	2,480,000	179,865	129,100	2,788,965
2021	1,480,000	146,297	25,820	1,652,117
2022	490,000	134,470	0	624,470
	8,885,000	917,172	1,226,588	11,028,760
Five years ending June 30:				
2027	10,230,000	601,461	0	10,831,461
2032	935,000	149,259	0	1,084,259
2037	1,185,000	98,698	0	1,283,698
2042	1,360,000	34,580	0	1,394,580
	13,710,000	883,998	0	14,593,998
Total	$ 22,595,000	1,801,170	1,226,588	25,622,758

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

(9) 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 5). 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.

(10) Operating Leases

The Authority leased office facilities at two locations, 401 N. Michigan Ave. (401 facility) and 122 S. Michigan Ave. (122 facility) in Chicago, Illinois until November 6, 2016. Rent expense incurred for fiscal year 2017 at the 401 facility and 122 facility was $903,434 and $131,089, respectively.

The Authority entered into a ten-year lease at 111 E. Wacker Drive in Chicago, Illinois, which commenced on November 6, 2016. The office lease provides for annual base rent of approximately $815,680 for fiscal year 2017, plus approximately $629,856 for the Authority's 6.5974% share of ownership taxes and operating expenses, which also are subject to adjustment, based on the actual costs incurred by the lessor. Base rent, ownership taxes and operating expenses totaling $180,692 per month are abated for the first ten months of the lease. Under this lease, total rent expense for fiscal year 2017 was $1,821,411.

The future minimum lease commitments in the five years subsequent to June 30, 2017 and thereafter are as follows:

Year		Amount
2018	$	2,732,117
2019		2,732,117
2020		2,732,117
2021		2,732,117
2022		2,122,254
2023 and thereafter		7,875,068
	$	20,925,790

(11) Other Liabilities

The bonds issued by the Authority after 1980 are subject to a variety of Internal Revenue Service (IRS) regulations that limit the amount of income that may be earned with nonmortgage investments to an amount not greater than the amount that 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. It has been determined that there is no estimated rebate liability as of June 30, 2017.

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.

In connection with various federal and state grant programs, the Authority is obligated to administer related programs and spend the grant funding in accordance with regulatory restrictions and is subject to audits by the grantor agencies. In the opinion of Authority management, any grant expenditures that may be disallowed by the grantor agency, if any, would not result in a material liability to the Authority.

The Authority carries commercial insurance for directors and officers liability, general liability, employee health, workers' compensation, cyber liability, crime, property, 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. Insurance coverage has not changed significantly since the prior year.

(12) 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 100% (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 2017 was $19,267,596. The Authority's contributions were calculated using the base salary amount of $19,230,150. The Authority contributed $1,153,809 or 6.0% of the base salary amount, in fiscal year 2017. Employee contributions amounted to $1,271,693, in fiscal year 2017, or approximately 6.6% of the base salary amount.

(13) Commitments

At June 30, 2017, the Authority had authorized loans and grants totaling $26,776,852 for the Illinois Affordable Housing Trust Fund.

Under the HOME Program, $483.5 million and $21.9 million for federal fiscal years 1992 through 2016 and 2017, respectively, have been allocated to the State by HUD, 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, 2017, the Authority had authorized loans totaling $9,184,525 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, 2006 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. 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, in fiscal year 1993 for the 1992 Series A and B Bonds, in fiscal year 1994 for the 1993 Series A and B Bonds, and in fiscal year 2008 for the 2006 Series E, and are recorded as other income of the Administrative Fund. At June 30, 2017, loans receivable under this program were approximately $34.7 million.

(14) Subsequent Events

On August 18, 2017, the Authority authorized the issuance of its Multifamily Revenue Bonds (Refunding Bonds) in an amount not to exceed $7 million, to refund its Multifamily Revenue Note, 2017 Series A (Concord at Sheridan) (Series A Note), the proceeds of which are to be used to make a mortgage loan to a borrower for the purposes of financing the acquisition, construction and equipping of a 111-unit multifamily rental housing development located in Chicago, Illinois. The Authority intends to sell the Refunding Bonds to Citibank, N.A. pursuant to a forward bond purchase agreement by and between the Authority and Citibank, with an estimated delivery date of December 31, 2020. The Board resolution authorizing the issuance of the Refunding Bonds expires on October 30, 2021.

(Continued)

On September 29, 2017, the Authority entered into a forward starting interest rate swap agreement with Barclays Bank PLC to hedge interest rate risk in connection with the permanent financing of an affordable multifamily development using the Federal Financing Bank (FFB) program.

On October 20, 2017, the Authority authorized the issuance of its Multifamily Revenue Bonds, 2017 Series B, in an amount not to exceed $30 million, to refund certain prior series of the Authority's outstanding Housing Bonds and Multifamily Initiative Bonds. The Bonds are special limited obligations and not general obligations of the Authority.

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

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2017

Assets	Foreclosure Prevention Program Fund	Community Development Block Grant Fund	ARRA Fund	Foreclosure Prevention Graduated Program Fund	Neighborhood Stabilization Program Fund	Build Illinois Bond Program Fund	Abandoned Property Program Fund	Section 811 Project Rental Assistance Demonstration Program Fund	Total
Current assets:									
Cash and cash equivalents	$ 2,503,629	—	1,049,294	—	1,794,369	12,017,494	10,230,006	374	27,595,166
Program loans receivable	—	—	176,138	—	—	—	—	—	176,138
Grant receivable	—	—	—	5,760,000	—	—	—	—	5,760,000
Interest receivable on program loans	—	—	16,935	—	—	—	—	—	16,935
Due from other funds	—	—	—	—	—	3,250	—	—	3,250
Total current assets	2,503,629	—	1,242,367	5,760,000	1,794,369	12,020,744	10,230,006	374	33,551,489
Noncurrent assets:									
Program loans receivable, net of current portion	—	6,234,338	73,412,304	—	—	5,512,291	—	—	85,158,933
Less allowance for estimated losses	—	(68,406)	(1,195,097)	—	—	(218,488)	—	—	(1,481,991)
Net program loans receivable	—	6,165,932	72,217,207	—	—	5,293,803	—	—	83,676,942
Total noncurrent assets	—	6,165,932	72,217,207	—	—	5,293,803	—	—	83,676,942
Total assets	$ 2,503,629	6,165,932	73,459,574	5,760,000	1,794,369	17,314,547	10,230,006	374	117,228,431
Liabilities and Fund Balances									
Current liabilities:									
Unearned revenue	$ —	—	16,935	—	—	—	—	—	16,935
Accrued liabilities and other	—	—	—	—	—	—	—	374	374
Total current liabilities	—	—	16,935	—	—	—	—	374	17,309
Fund balances:									
Restricted	2,503,629	6,165,932	73,442,639	5,760,000	1,794,369	17,314,547	10,230,006	—	117,211,122
Total fund balances	2,503,629	6,165,932	73,442,639	5,760,000	1,794,369	17,314,547	10,230,006	—	117,211,122
Total liabilities and fund balances	$ 2,503,629	6,165,932	73,459,574	5,760,000	1,794,369	17,314,547	10,230,006	374	117,228,431

See accompanying independent auditors' report.

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

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Year ended June 30, 2017

	Foreclosure Prevention Program Fund	Community Development Block Grant Fund	ARRA Fund	Foreclosure Prevention Graduated Program Fund	Neighborhood Stabilization Program Fund	Build Illinois Bond Program Fund	Abandoned Property Program Fund	Section 811 Project Rental Assistance Demonstration Program Fund	Total
Revenues:									
Grant from State of Illinois	$ 4,293,709	—	—	5,760,000	—	—	9,775,516	—	19,829,225
Federal funds	—	—	—	—	—	—	—	312,247	312,247
Interest and other investment income	—	—	207,396	—	64,986	1,568,575	—	—	1,840,957
Total revenues	4,293,709	—	207,396	5,760,000	64,986	1,568,575	9,775,516	312,247	21,982,429
Expenditures:									
General and administrative	133,847	—	—	—	—	9,567	195,868	299,789	639,071
Grants	1,776,875	—	—	—	114,251	3,053,493	558,671	12,458	5,515,748
Provision for (reversal of) estimated losses on program loans receivable	—	48,672	(314,584)	—	—	484,644	—	—	218,732
Total expenditures	1,910,722	48,672	(314,584)	—	114,251	3,547,704	754,539	312,247	6,373,551
Net change in fund balances	2,382,987	(48,672)	521,980	5,760,000	(49,265)	(1,979,129)	9,020,977	—	15,608,878
Fund balances at beginning of year	120,642	6,214,604	72,920,659	—	1,843,634	19,293,676	1,209,029	—	101,602,244
Fund balances at end of year	$ 2,503,629	6,165,932	73,442,639	5,760,000	1,794,369	17,314,547	10,230,006	—	117,211,122

See accompanying independent auditors' report.

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

Mortgage Loan Program Fund

Combining Schedule of Net Position

June 30, 2017

		Housing Bonds	Multifamily Initiative Bonds	Multifamily Revenue Bonds	Affordable Housing Program Trust Fund Bonds	Total
Assets:						
Currents assets:						
Cash and cash equivalents	$	86,693,519	360,196	12,282,354	15,798	99,351,867
Investment income receivable – restricted		215,156	—	—	35,883	251,039
Program loans receivable		8,338,868	926,043	476,050	419,849	10,160,810
Interest receivable on program loans		813,311	138,738	219,535	52,058	1,223,642
Due from other funds		9,940,970	—	—	147,129	10,088,099
Other		350,000	—	—	—	350,000
Total current assets		106,351,824	1,424,977	12,977,939	670,717	121,425,457
Noncurrent assets:						
Investments – restricted		145,496,842	3,403,330	12,292,466	26,769,115	187,961,753
Program loans receivable, net of current portion		260,783,988	41,972,327	27,810,175	11,050,200	341,616,690
Less allowance for estimated losses		(1,518,210)	(93,602)	(16,354)	(3,012,675)	(4,640,841)
Net program loans receivable		259,265,778	41,878,725	27,793,821	8,037,525	336,975,849
Real estate held for sale		49,142	—	—	—	49,142
Less allowance for estimated losses		(49,142)	—	—	—	(49,142)
Net real estate held for sale		—	—	—	—	—
Due from Fannie Mae		—	90,328,705	—	—	90,328,705
Due from Freddie Mac		—	4,464,259	—	—	4,464,259
Capital assets, net		24,862,901	—	—	—	24,862,901
Derivative instrument assets		895	—	—	—	895
Total noncurrent assets		429,626,416	140,075,019	40,086,287	34,806,640	644,594,362
Total assets		535,978,240	141,499,996	53,064,226	35,477,357	766,019,819
Liabilities:						
Current liabilities:						
Bonds and notes payable		11,395,000	2,400,000	475,704	—	14,270,704
Accrued interest payable		3,470,186	1,453,837	141,154	—	5,065,177
Accrued liabilities and other		208,574	352,123	—	147,662	708,359
Due to other funds		2,452,962	37,856	49,935	122,768	2,663,521
Total current liabilities		17,526,722	4,243,816	666,793	270,430	22,707,761
Noncurrent liabilities:						
Bonds and notes payable, net of current portion		261,150,202	136,150,000	49,937,692	—	447,237,894
Total noncurrent liabilities		261,150,202	136,150,000	49,937,692	—	447,237,894
Total liabilities		278,676,924	140,393,816	50,604,485	270,430	469,945,655
Deferred inflows of resources:						
Accumulated increase in fair value of hedging derivatives		895	—	—	—	895
Unamortized gain on bond refunding		148,690	—	—	—	148,690
Total deferred inflows of resources		149,585	—	—	—	149,585
Net position:						
Net investment in capital assets		(1,022,099)				(1,022,099)
Restricted for bond resolution purposes		258,173,830	1,106,180	2,459,741	35,206,927	296,946,678
Total net position	$	257,151,731	1,106,180	2,459,741	35,206,927	295,924,579

See accompanying independent auditors' report.

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 Position

Year ended June 30, 2017

	Housing Bonds	Multifamily Initiative Bonds	Multifamily Revenue Bonds	Affordable Housing Program Trust Fund Bonds	Inter-Account Eliminations	Total
Operating revenues:						
Interest and other investment income	$ 1,759,969	18,743	45,078	155,320	—	1,979,110
Net increase (decrease) in fair value of investments	(907,475)	6,761	(20,800)	16,318	—	(905,196)
Total investment income	852,494	25,504	24,278	171,638	—	1,073,914
Interest earned on program loans	14,821,402	1,966,473	1,554,463	235,521	—	18,577,859
Federal assistance programs	172,586	—	—	—	—	172,586
Other	11,508,282	—	—	3,698	—	11,511,980
Total operating revenues	27,354,764	1,991,977	1,578,741	410,857	—	31,336,339
Operating expenses:						
Interest expense	8,964,387	1,710,314	910,263	568,025	—	12,152,989
Federal assistance programs	172,586	—	—	—	—	172,586
Other general and administrative	5,499,717	145,649	—	1,047,452	—	6,692,818
Financing costs	715,699	20,013	908,324	24,192	—	1,668,228
Provision for (reversal of) estimated losses on program loans receivable	(1,863,288)	(55,471)	16,354	(688,561)	—	(2,590,966)
Provision for estimated losses on real estate held for sale	130,527	—	—	50,006	—	180,533
Total operating expenses	13,619,628	1,820,505	1,834,941	1,001,114	—	18,276,188
Operating income (loss)	13,735,136	171,472	(256,200)	(590,257)	—	13,060,151
Transfers in	34,401,857	—	28,290,941	19,270,000	(73,968,196)	7,994,602
Transfers out	(40,056,157)	—	(25,575,000)	(8,337,039)	73,968,196	—
Total transfers	(5,654,300)	—	2,715,941	10,932,961	—	7,994,602
Change in net position	8,080,836	171,472	2,459,741	10,342,704	—	21,054,753
Net position at beginning of year	249,070,895	934,708	—	24,864,223	—	274,869,826
Net position at end of year	$ 257,151,731	1,106,180	2,459,741	35,206,927	—	295,924,579

See accompanying independent auditors' report.

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, 2017

	Housing Bonds	Multifamily Initiative Bonds	Multifamily Revenue Bonds	Affordable Housing Program Trust Fund Bonds	Total
Cash flows from operating activities:					
Receipts for program loans, interest service fees	$ 125,950,517	8,280,357	1,675,603	9,358,212	145,264,689
Payments for program loans	(15,471,561)	—	(28,626,900)	(33,643)	(44,132,104)
Receipts for federal assistance programs	172,586	—	—	—	172,586
Payments for federal assistance programs	(172,586)	—	—	—	(172,586)
Receipts for credit enhancements	—	1,383,611	—	—	1,383,611
Payments to suppliers	(6,613,019)	(165,662)	(908,324)	(1,071,644)	(8,758,649)
Interest paid on revenue bonds and notes	(11,332,485)	(1,797,864)	(769,109)	(645,304)	(14,544,762)
Other receipts	11,508,282	—	—	3,698	11,511,980
Net cash provided by (used in) operating activities	104,041,734	7,700,442	(28,628,730)	7,611,319	90,724,765
Cash flows from noncapital financial activities:					
Due to other funds	—	37,856	49,935	91,580	179,371
Due from other funds	(126,976)	15,746	—	(147,129)	(258,359)
Proceeds from sales of revenue bonds and notes	54,415,000	—	50,715,534	—	105,130,534
Principal paid on revenue bonds and notes	(120,759,775)	(7,710,000)	(302,138)	(14,770,000)	(143,541,913)
Transfers in	34,401,857	—	28,290,941	19,270,000	81,962,798
Transfers out	(40,056,157)	—	(25,575,000)	(8,337,039)	(73,968,196)
Net cash provided by (used in) noncapital financing activities	(72,126,051)	(7,656,398)	53,179,272	(3,892,588)	(30,495,765)
Cash flows from capital financing and related activities:					
Acquisition of capital assets	(1,512,971)	—	—	—	(1,512,971)
Cash flows from investing activities:					
Purchase of investment securities	(422,940,040)	(13,404,814)	(44,488,501)	(105,039,918)	(585,873,273)
Proceeds from sales and maturities of investment securities	368,398,667	13,689,200	32,196,035	100,512,176	514,796,078
Interest received on investments	776,156	25,504	24,278	172,517	998,455
Net cash provided by (used) in investing activities	(53,765,217)	309,890	(12,268,188)	(4,355,225)	(70,078,740)
Net increase (decrease) in cash and cash equivalents	(23,362,505)	353,934	12,282,354	(636,494)	(11,362,711)
Cash and cash equivalents at beginning of year	110,056,024	6,262	—	652,292	110,714,578
Cash and cash equivalents at end of year	$ 86,693,519	360,196	12,282,354	15,798	99,351,867
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ 13,735,136	171,472	(256,200)	(590,257)	13,060,151
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Investment income	(852,494)	(25,504)	(24,278)	(171,638)	(1,073,914)
Depreciation and amortization	1,044,378	—	—	—	1,044,378
Provision for (reversal of) estimated losses on program loans receivable	(1,863,288)	(55,471)	16,354	(688,561)	(2,590,966)
Provision for (reversal of) estimated losses on real estate held for sale	13,667	—	—	(34,225)	(20,558)
Changes in assets and liabilities:					
Program loans receivable	94,881,577	6,291,469	(28,286,225)	9,124,138	82,010,959
Interest receivable on program loans	154,459	22,415	(219,535)	33,460	(9,201)
Other liabilities	(2,766,147)	(87,550)	141,154	(77,279)	(2,789,822)
Other assets	(305,554)	—	—	15,681	(289,873)
Due from Fannie Mae	—	1,323,147	—	—	1,323,147
Due from Freddie Mac	—	60,464	—	—	60,464
Total adjustments	90,306,598	7,528,970	(28,372,530)	8,201,576	77,664,614
Net cash provided by (used in) operating activities	$ 104,041,734	7,700,442	(28,628,730)	7,611,319	90,724,765
Noncash investing capital and financing activities:					
Transfer of foreclosed assets	$ 153,303	—	—	318,157	471,460
Increase (decrease) in the fair value of investments	$ (830,677)	14,679	(20,800)	44,646	(792,152)

See accompanying independent auditors’ report.

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

Single Family Program Fund

Combining Schedule of Net Position

June 30, 2017

	Homeowner Mortgage Revenue Bonds	Residential Mortgage Revenue Bonds	Housing Revenue Bonds	Revenue Bonds	Inter-Account Eliminations	Total
Assets:						
Current assets:						
Cash and cash equivalents	$ 3,471,255	4,425	6,324,128	2,738,571	—	12,538,379
Investment income receivable – restricted	450,275	6,049	401,432	420,398	—	1,278,154
Program loans receivable	11,781,879	—	—	74,553	—	11,856,432
Interest receivable on program loans	1,118,007	—	—	—	—	1,118,007
Due from other funds	19,893,412	—	—	—	(19,499,341)	394,071
Total current assets	36,714,828	10,474	6,725,560	3,233,522	(19,499,341)	27,185,043
Noncurrent assets:						
Investments – restricted	234,521,566	100,000	138,258,822	153,833,842	—	526,714,230
Program loans receivable, net of current portion	205,000,721	—	—	561,496	—	205,562,217
Less allowance for estimated losses	(3,458,833)	—	—	(9,926)	—	(3,468,759)
Net program loans receivable	201,541,888	—	—	551,570	—	202,093,458
Real estate held for sale	3,144,210	—	—	—	—	3,144,210
Less allowance for estimated losses	(1,721,687)	—	—	—	—	(1,721,687)
Net real estate held for sale	1,422,523	—	—	—	—	1,422,523
Total noncurrent assets	437,485,977	100,000	138,258,822	154,385,412	—	730,230,211
Total assets	474,200,805	110,474	144,984,382	157,618,934	(19,499,341)	757,415,254
Deferred outflow of resources:						
Accumulated decrease in fair value of hedging derivatives	688,821	—	—	—	—	688,821
Total deferred outflows of resources	688,821	—	—	—	—	688,821
Liabilities						
Current liabilities:						
Bonds and notes payable	11,560,000	100,000	2,693,430	2,955,523	—	17,308,953
Accrued interest payable	4,353,204	3,604	309,140	690,304	—	5,356,252
Accrued liabilities and other	321,533	—	—	—	—	321,533
Due to other funds	176,776	—	4,448,713	15,303,102	(19,499,341)	429,250
Total current liabilities	16,411,513	103,604	7,451,283	18,948,929	(19,499,341)	23,415,988
Noncurrent liabilities:						
Bonds and notes payable, net of current portion	352,387,839	—	126,941,775	128,005,606	—	607,335,220
Derivative instrument liability	688,821	—	—	—	—	688,821
Total noncurrent liabilities	353,076,660	—	126,941,775	128,005,606	—	608,024,041
Total liabilities	369,488,173	103,604	134,393,058	146,954,535	(19,499,341)	631,440,029
Net position:						
Restricted for bond resolution purposes	105,401,453	6,870	10,591,324	10,664,399	—	126,664,046
Total net position	$ 105,401,453	6,870	10,591,324	10,664,399	—	126,664,046

See accompanying independent auditors' report.

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 Position

Year ended June 30, 2017

	Homeowner Mortgage Revenue Bonds	Residential Mortgage Revenue Bonds	Housing Revenue Bonds	Revenue Bonds	Inter-Account Eliminations	Total
Operating revenues:						
Interest and other investment income	$ 3,938,862	6,844	5,163,238	3,703,445	—	12,812,389
Net increase (decrease) in fair value of investments	2,826,405	359	(5,260,844)	(1,168,251)	—	(3,602,331)
Total investment income	6,765,267	7,203	(97,606)	2,535,194	—	9,210,058
Interest earned on program loans	12,279,155	—	—	—	—	12,279,155
Other	4,050,882	—	—	—	—	4,050,882
Total operating revenues	23,095,304	7,203	(97,606)	2,535,194	—	25,540,095
Operating expenses:						
Interest expense	10,896,030	8,946	3,854,742	2,874,598	—	17,634,316
Other general and administrative	481,362	—	—	—	—	481,362
Financing costs	2,341,319	—	505,835	589,782	—	3,436,936
Provision for (reversal of) estimated losses on program loans receivable	(551,906)	—	—	9,926	—	(541,980)
Provision for estimated losses on real estate held for sale	1,948,172	—	—	—	—	1,948,172
Total operating expenses	15,114,977	8,946	4,360,577	3,474,306	—	22,958,806
Operating income (loss)	7,980,327	(1,743)	(4,458,183)	(939,112)	—	2,581,289
Transfers in	1,226,392	—	—	1,345,707	(1,778)	2,570,321
Transfers out	(10,812)	(113,116)	—	(2,774)	1,778	(124,924)
Total transfers	1,215,580	(113,116)	—	1,342,933	—	2,445,397
Change in net position	9,195,907	(114,859)	(4,458,183)	403,821	—	5,026,686
Net position at beginning of year	96,205,546	121,729	15,049,507	10,260,578	—	121,637,360
Net position at end of year	$ 105,401,453	6,870	10,591,324	10,664,399	—	126,664,046

See accompanying independent auditors' report.

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, 2017

	Homeowner Mortgage Revenue Bonds	Residential Mortgage Revenue Bonds	Housing Revenue Bonds	Revenue Bonds	Total
Cash flows from operating activities:					
Receipts for program loans, interest and service fees	$ 54,036,669	—	—	—	54,036,669
Payments for loan program loans	(1,325,440)	—	—	(636,049)	(1,961,489)
Payments to suppliers	(2,751,346)	—	(524,574)	(589,782)	(3,865,702)
Interest paid on revenue bonds and notes	(10,643,396)	(8,946)	(3,908,936)	(2,733,186)	(17,294,464)
Other receipts	4,050,882	—	—	—	4,050,882
Net cash provided by (used in) operating activities	43,367,369	(8,946)	(4,433,510)	(3,959,017)	34,965,896
Cash flows from noncapital financing activities:					
Due to other funds	(766,434)	—	(477,935)	14,555,460	13,311,091
Due from other funds	(14,101,468)	—	—	727,649	(13,373,819)
Proceeds from sale of revenue bonds and notes	148,260,099	—	—	62,315,562	210,575,661
Principal paid on revenue bonds and notes	(87,056,988)	(4,703)	(22,874,874)	(4,108,972)	(114,045,537)
Transfers in	1,226,392	—	—	1,345,707	2,572,099
Transfers out	(10,812)	(113,116)	—	(2,774)	(126,702)
Net cash provided by (used in) noncapital financing activities	47,550,789	(117,819)	(23,352,809)	74,832,632	98,912,793
Cash flows from investing activities:					
Purchase of investment securities	(320,983,576)	(123,609)	—	(86,308,951)	(407,416,136)
Proceeds from sales and maturities of investment securities	223,318,465	247,221	28,713,102	14,920,615	267,199,403
Interest received (paid) on investments	6,552,540	7,220	(25,547)	2,348,796	8,883,009
Net cash provided by (used in) investing activities	(91,112,571)	130,832	28,687,555	(69,039,540)	(131,333,724)
Net increase (decrease) in cash and cash equivalents	(194,413)	4,067	901,236	1,834,075	2,544,965
Cash and cash equivalents at beginning of year	3,665,668	358	5,422,892	904,496	9,993,414
Cash and cash equivalents at end of year	$ 3,471,255	4,425	6,324,128	2,738,571	12,538,379
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ 7,980,327	(1,743)	(4,458,183)	(939,112)	2,581,289
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Investment income	(6,765,267)	(7,203)	97,606	(2,535,194)	(9,210,058)
Provision for (reversal of) estimated losses on program loans receivable	(554,026)	—	—	9,926	(544,100)
Reversal of estimated losses on real estate held for sale	(2,066,220)	—	—	—	(2,066,220)
Changes in assets and liabilities:					
Program loans receivable	40,415,969	—	—	(636,049)	39,779,920
Interest receivable on program loans	418,662	—	—	—	418,662
Other liabilities	323,969	—	(72,933)	141,412	392,448
Other assets	3,613,955	—	—	—	3,613,955
Total adjustments	35,387,042	(7,203)	24,673	(3,019,905)	32,384,607
Net cash provided by (used in) operating activities	$ 43,367,369	(8,946)	(4,433,510)	(3,959,017)	34,965,896
Noncash investing capital and financing activities:					
Transfer of foreclosed assets	$ 9,885,417	—	—	—	9,885,417
Increase (decrease) in the fair value of investments	$ 2,338,086	717	(8,223,997)	(6,090,090)	(11,975,284)

See accompanying independent auditors' report.

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

Nonmajor Proprietary Fund - IHDA Dispositions LLC

Combining Schedule of Net Position

June 30, 2017

		Delta Terrace Apartments	Total
Assets:			
Current assets:			
Cash and cash equivalents	$	7,360	7,360
Total current assets		7,360	7,360
Noncurrent assets:			
Real estate held for sale		200,000	200,000
Total noncurrent assets		200,000	200,000
Total assets		207,360	207,360
Liabilities:			
Current liabilities:			
Accrued liabilities and other		—	—
Total current liabilities		—	—
Noncurrent liabilities:			
Security deposits		—	—
Total noncurrent liabilities		—	—
Total liabilities		—	—
Net position:			
Unrestricted		207,360	207,360
Total net position	$	207,360	207,360

See accompanying independent auditors' report.

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

Nonmajor Proprietary Fund - IHDA Dispositions LLC

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position

Year ended June 30, 2017

		Renaissance Apartments	Delta Terrace Apartments	Total
Operating revenues:				
Rental income	$	36,244	23,563	59,807
Other		376	—	376
Total operating revenues		36,620	23,563	60,183
Operating expenses:				
Other general and administrative		22,295	26,473	48,768
Total operating expenses		22,295	26,473	48,768
Operating income (loss)		14,325	(2,910)	11,415
Nonoperating revenues:				
Loss on disposition		(340,000)	—	(340,000)
Total nonoperating revenues		(340,000)	—	(340,000)
Loss before contributions and and transfers		(325,675)	(2,910)	(328,585)
Capital contributions		(28,785)	210,270	181,485
Change in net position		(354,460)	207,360	(147,100)
Net position at beginning of year		354,460	—	354,460
Net position at end of year	$	—	207,360	207,360

See accompanying independent auditors' report.

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

Nonmajor Proprietary Fund - IHDA Dispositions LLC

Combining Schedule of Cash Flows

Year ended June 30, 2017

	Renaissance Apartments	Delta Terrace Apartments	Total
Cash flows from operating activities:			
Receipts for rental operations	$ 33,015	23,563	56,578
Payments for rental operations	(29,527)	(26,473)	(56,000)
Net cash provided by (used in) operating activities	3,488	(2,910)	578
Cash flows from capital financing and related activities:			
Capital contributions	(28,785)	10,270	(18,515)
Net cash provided by (used in) capital financing and related activities	(28,785)	10,270	(18,515)
Net increase (decrease) in cash and cash equivalents	(25,297)	7,360	(17,937)
Cash and cash equivalents at beginning of year	25,297	—	25,297
Cash and cash equivalents at end of year	$ —	7,360	7,360
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$ 14,325	(2,910)	11,415
Loss on disposition	(340,000)	—	(340,000)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Changes in assets and liabilities:			
Other liabilities	(11,864)	—	(11,864)
Other assets	341,027	—	341,027
Total adjustments	(10,837)	—	(10,837)
Net cash provided by (used in) operating activities	$ 3,488	(2,910)	578
Noncash investing capital and financing activities:			
Transfer of foreclosed assets	$ —	200,000	200,000

See accompanying independent auditors' report.

KPMG LLP
Aon Center
Suite 5500
200 E. Randolph Street
Chicago, IL 60601-6436

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 Frank J. Mautino
Auditor General of the State of Illinois
and
The Board of Directors
Illinois Housing Development Authority:

As Special Assistant Auditors for the Auditor General of the State of Illinois, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information 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, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 27, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as finding 2017-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as finding 2017-002 to be a significant deficiency.

KPMG

Compliance and Other Matters

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

Authority's Response to Findings

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

/s/KPMG LLP

Chicago, Illinois
October 27, 2017

Current Findings – *Government Auditing Standards*

Finding 2017-001 Inadequate Allowance for Loan Loss Methodology and Loan Rating Review Process

The Illinois Housing Development Authority (Authority) was unable to support the historical detail assumptions used in its allowance for loan loss calculation for the multi-family loan programs. Additionally, the Authority has not established adequate internal controls for ensuring the allowance for loan loss is properly calculated and presented in its financial statements.

During our audit, we reviewed the allowance for loan loss methodology for the multi-family loan program and noted that the Authority could not produce an analysis supporting the rationale for its calculation of the loan loss reserve factors (probability of default and expected loss) that are used in its allowance for loan loss calculation. The Authority has not documented how the loan loss reserve factors for the multi-family loan programs have been historically calculated and over what period the probability of default is measured. Further, the Authority did not perform back-testing (typically performed on at least an annual basis) on its allowance for loan loss estimates for the multi-family loan programs to determine whether the allowance for loan loss produces estimates that have been historically sufficient to cover incurred losses over a period of time that aligns with the period used to estimate the probability of default values.

Additionally, we reviewed the allowance for loan loss methodology for the Hardest Hit program and found that the cash flow analysis provided by the Authority did not support the reserve rate used.

Furthermore, during our testing of 40 multi-family loan relationships risk ratings (66 loans) as of June 30, 2017, we noted differences in the ratings determined by the Authority on their loan rating scale compared to our independent ratings determined during our review. We found the Authority's risk ratings to be reasonable for 18 of the 40 relationships (26 of the 66 loans) and we found the Authority's risk ratings to be unreasonable for 22 of the 40 relationships (40 of the 66 loans).

The following differences in loan ratings are attributable to the Authority's application of various aspects of their allowance for loan loss rating policy:

- 15 differences in Housing Trust Fund loan ratings resulted in an under reserve of $66,772 for the Illinois Affordable Housing Trust Fund. A proposed adjustment for these differences was not recorded by the Authority.
- 11 differences in HOME loan ratings resulted in an under reserve of $1,344,064 for the HOME Program Fund. A proposed adjustment for these differences was not recorded by the Authority.
- Five differences in Administrative loan ratings resulted in an over reserve of $126,542 for the Administrative Fund. A proposed adjustment for these differences was not recorded by the Authority.
- Five differences in Housing Bonds loan ratings resulted in an under reserve of $1,053,269 for the Mortgage Loan Program Fund. A proposed adjustment for these differences was not recorded by the Authority.

(Continued)

- One difference in a Multifamily Initiative Bonds loan rating resulted in an under reserve of $1,948 for the Mortgage Loan Program Fund. A proposed adjustment for this difference was not recorded by the Authority.

- Three differences in Risk Sharing loan ratings resulted in an under reserve of $635,306 for the Accrued liabilities and other balance reported for the Administrative Fund. A proposed adjustment for these differences was not recorded by the Authority.

Additionally, the Authority identified 19 loans which were reserved for incorrectly at June 30, 2017. The following differences are attributable to calculation errors when applying the Authority's allowance for loan loss rating policy:

- 14 differences in Housing Trust Fund loan ratings resulted in an under reserve of $4,105,709 for the Illinois Affordable Housing Trust Fund. A proposed adjustment for these differences was recorded by the Authority.

- One difference in a HOME loan rating resulted in an under reserve of $128,436 for the HOME Program Fund. A proposed adjustment for this difference was recorded by the Authority.

- Three differences in Administrative loan ratings resulted in an under reserve of $1,799,250 for the Administrative Fund. A proposed adjustment for these differences was recorded by the Authority.

- One difference in a Housing Bonds loan rating resulted in an under reserve of $1,714 for the Mortgage Loan Program Fund. A proposed adjustment for this difference was not recorded by the Authority.

Additionally, there were four Housing Trust Fund loans where our testing indicated that the loans were in the write-off process as of year-end; however, the Authority did not fully reserve for the related loan losses as of year-end. This resulted in an under reserve of $317,124 for the Illinois Affordable Housing Trust Fund. A proposed adjustment for these differences was not recorded by the Authority.

Furthermore, the Authority misclassified the allowance for estimated losses of six Single Family loans as real estate held for sale, which resulted in an over reserve of $135,824 for the allowance for estimated losses-real estate held for sale and an under reserve of $41,264 for the allowance for estimated losses-program loans receivable. A proposed adjustment for these differences was recorded by the Authority.

Generally accepted accounting principles require the estimate for the allowance for loan loss to be supported by appropriate assumptions and accurate information. Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system or systems of internal fiscal and administrative controls, which shall provide assurance that: (1) resources are utilized efficiently, effectively and in compliance with applicable law; (2) obligations and costs are in compliance with applicable law; (3) funds, property and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation; (4) revenues, expenditures, and transfers of assets resources, or

(Continued)

funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources; and (5) funds held outside the State Treasury are managed, used, and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exist. Effective internal controls should include procedures to ensure the assumptions used in the allowance for loan loss calculation are appropriate and that loan ratings are adequately documented.

Authority management stated that the Authority implemented a new allowance for loan loss policy for multifamily loan programs immediately prior to year-end. As a result of the short implementation timeline, a limited number of calculation errors occurred due to manual corrections of figures or the logic used to calculate loss reserve amounts. Authority management stated that the uncorrected differences were due to the application and interpretation of the Authority's Board-approved loan loss reserve policy and methodology that differs from the auditor's.

Failure to support the assumptions in the allowance for loan loss calculation and failure to properly calculate the allowance for loan loss may result in the misstatement of the allowance for loan loss in the Authority's financial statements. (Finding Code No. 2017-001, 2016-002, 2015-002, 2014-001)

Recommendation:

We recommend the Authority review its current policies and procedures to ensure the assumptions used in the allowance for loan loss calculation are appropriate and that loan ratings are adequately documented.

Authority Response:

The Authority will continue to perform back testing to further support the assumptions used in the allowance for loan loss calculation. In addition, review of current policies, procedures, and controls will be completed to ensure assumptions are applied accurately and that ratings are adequately supported.

The Authority notes the new loan loss reserve policy adopted by the Board of Directors was based on an analysis of actual losses incurred from June 30, 2002 to June 30, 2017. That analysis showed the multifamily loan portfolio had experienced 50 losses with an average aggregate write-off of approximately $1.7 million per year (or 0.13% of the portfolio). The Authority's fiscal year 2017 estimated loan loss for the $1.2 billion multifamily portfolio was approximately $34 million (or 2.6% of the portfolio).

Current Findings – *Government Auditing Standards*

Finding 2017-002 Inaccurate Financial Reporting

The Illinois Housing Development Authority (Authority) has not established adequate internal controls over the financial reporting process.

During our audit of the financial statements as of June 30, 2017, we noted the following:

- The Authority incorrectly recorded $21,450,000 of bank note cash collateral within the Administrative Fund as a current liability as of June 30, 2017, when the amounts were due to be paid more than one year after June 30, 2017. As a result, noncurrent liabilities were understated by $21,450,000, and current liabilities were overstated by $21,450,000. A proposed adjustment for this reclassification was recorded by the Authority.

- The Authority incorrectly recorded $4,200,000 of operating expenses, $1,043,311 of depreciation, $550,098 of capital expenditures, and $350,000 of prepaid expenses related to a capital asset as reductions to other income within the Mortgage Loan Program fund. As a result, other income was understated by $6,143,409, other general and administrative expenses were understated by $5,244,377, fixed assets (net) were understated by $549,032, and other assets were understated by $350,000. A proposed adjustment for these differences was recorded by the Authority.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system or systems of internal fiscal and administrative controls, which shall provide assurance that: (1) resources are utilized efficiently, effectively and in compliance with applicable law; (2) obligations and costs are in compliance with applicable law; (3) funds, property and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation; (4) revenues, expenditures, and transfers of assets resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources; and (5) funds held outside the State Treasury are managed, used, and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exist. Effective internal controls should include procedures to accurately record financial transactions and accurately prepare financial statements.

Authority management stated that the bank note cash collateral misclassification was due to management oversight, while the other income errors were due to management's application of the Authority's internal policies and procedures.

Failure to accurately record financial transactions results in the misstatement of the Authority's financial statements. (Finding Code No. 2017-002, 2016-001, 2015-001)

Recommendation:

We recommend the Authority review its current internal control policies and procedures to ensure financial transactions are accurately reported in the general ledger and the financial statements.

Authority Response:

The Authority will review the classifications for all current and non-current liabilities to ensure proper reporting. Additionally, the Authority made the appropriate change to the internal policies and procedures to adhere to GAAP.

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

Prior Findings Not Repeated

Year ended June 30, 2017

A. Failure to Reconcile Cash and Investment Accounts

In the prior year, the Authority did not prepare month-end reconciliations of the Authority's cash and investment general ledger account balances to external bank account balances. (Finding Code No. 2016-003)

In the current year, similar exceptions were not identified in the sample tested.

B. Inadequate Segregation of Duties for Journal Entries

In the prior year, the Authority had not established adequate internal controls over the information systems used in its financial reporting process. (Finding Code No. 2016-004)

In the current year, the Authority implemented internal controls to ensure proper segregation of duties were maintained in the posting and approval of journal entries within the general ledger system.