KPMG

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Compliance Examination

(In Accordance with the Single Audit
Act and Applicable Federal Regulations)

Year Ended June 30, 2019

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

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Year ended June 30, 2019

Table of Contents

	Schedule	Page(s)
Agency Officials		1
Management Assertion Letter		2 – 3
Compliance Examination:		
Compliance Report Summary		4 – 7
Accountants'/Auditors' Reports:		
Independent Accountants' Report on State Compliance, on Internal Control over Compliance, and on Supplementary Information for State Compliance Purposes		8 – 11
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*		12 – 13
Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance		14 – 16
Schedule of Findings and Questioned Costs:		
Summary of Auditors' Results		17
Current Findings:		
Government Auditing Standards		18 – 31
Federal Compliance		32 – 39
State Compliance		40 – 42
Prior Year Findings Not Repeated		43
Financial Related Information:		
Financial Related Schedules:		
Schedule of Expenditures of Federal Awards	1	44

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Year ended June 30, 2019

Table of Contents

	Schedule	Page(s)
Notes to Schedule of Expenditures of Federal Awards		45
Related Reports Published Under Separate Cover:		
Financial Statement Report for the Year Ended June 30, 2019, which is incorporated herein by reference		
Supplementary Information for State Compliance Purposes:		
Fiscal Schedules and Analysis Section:		
Comparative Schedule of Cash Receipts	2	46 – 50
Schedule of Changes in Authority Property	3	51
Furniture, Equipment, and Leasehold Improvements	4	52
Analysis of Significant Account Balances	5	53
Analysis of Administrative Costs	6	54
Description of Cash Accounts	7	55
Description of Investments	8	56
Affordable Housing Trust Fund	9	57
Schedule of Federal and Nonfederal Expenses	10	58
Analysis of Operations Section (Unaudited):		
Authority Functions and Planning Program (Unaudited)		59 – 65
Analysis of Significant Account Balances (Unaudited)		65 – 66
Analysis of Significant Variations in Revenue and Significant Variations in Expenditures/Expenses (Unaudited)		66 – 67
Average Number of Employees (Unaudited)		67
Emergency Purchases (Unaudited)		68

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Year ended June 30, 2019

Table of Contents

	Page
Summary Production Data (Unaudited)	68
Service Efforts and Accomplishments (Unaudited)	68
Multi-family and Single Family Production – Activities Closed or Placed into Service Since Inception (Unaudited)	69
Unit Production by Percent of Area Median Income Since Inception (Unaudited)	70
Unit Production by Economic Development Region Since Inception (Unaudited)	71

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Agency Officials

Executive Director (11/12/19)	Kristin Faust
Executive Director (8/26/19-11/11/19)	Vacant
Executive Director (2/22/16 - 8/25/19)	Audra Hamernik
Assistant Executive Director/Chief of Staff (4/12/16 – 3/13/20)	Debra Olson
Chief of Staff (3/2/20)	Herman Brewer
General Counsel	Maureen G. Ohle
Chief Financial Officer (3/31/20)	Ed Gin
Chief Financial Officer (10/19/19-3/30/20)	Tracy Grimm (Acting)
Chief Financial Officer (4/21/14 - 10/18/19)	Nandini Natarajan
Controller (1/22/19)	Timothy J. Hicks
Controller (6/20/16 - 1/21/19)	Vanessa Boykin (Acting)
Chief Internal Auditor	Kevin O’Connor

Agency Officials are located at:

111 East Wacker Drive, Suite 1000
Chicago, Illinois 60601

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
WWW.IHDA.ORG

111 E. Wacker Drive
Suite 1000
Chicago, IL 60601
312.836.5200

April 30, 2020

KPMG LLP
200 East Randolph Street, Suite 5500
Chicago, IL 60601

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Illinois Housing Development Authority (the Authority). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Authority's compliance with the following specified requirements during the year ended June 30, 2019. Based on this evaluation, we assert that during the year ended June 30, 2019, the Authority has materially complied with the specified requirements listed below.

A. The Authority has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The Authority has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.

C. The Authority has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. State revenues and receipts collected by the Authority are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.

E. Money or negotiable securities or similar assets handled by the Authority on behalf of the State or held in trust by the Authority have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

Illinois Housing Development Authority

Kristin Faust, Executive Director	Tracy Grimm, Deputy Chief Financial Officer
Maureen G. Ohle, General Counsel	Timothy Hicks, Controller

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Compliance Report Summary

Year ended June 30, 2019

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

Accountants' Report

The Independent Accountants' Report on State Compliance, on Internal Control over Compliance, and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant nonstandard language.

Summary of Findings

Number of	Current report	Prior report
Findings	8	10
Repeated Findings	7	4
Prior recommendations implemented or not repeated	3	0

Details of findings are presented in this report.

Schedule of Findings and Questioned Costs

Findings (*Government Auditing Standards*)

Item No.	Page	Description	Finding Type
2019-001	18	Inaccurate Financial Reporting	Material weakness
2019-002	26	Inaccurate Financial Reporting of Investments	Material weakness
2019-003	29	Inadequate Allowance for Loan Loss Methodology and Loan Rating Review Process	Significant deficiency

(Continued)

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Compliance Report Summary

Year ended June 30, 2019

Findings *(Federal Compliance)*

Item No.	Page	Description	Finding Type
2019-004	32	Inaccurate Reporting of Federal Expenditures on the Schedule of Expenditures of Federal Awards	Material weakness and noncompliance
2019-005	35	Failure to Communicate Award Information to Subrecipients	Material weakness and noncompliance
2019-006	37	Failure to Follow Established Subrecipient Monitoring Procedures for the Section 8 Project-Based Cluster Program	Significant deficiency and noncompliance

Findings *(State Compliance)*

Item No.	Page	Description	Finding Type
2019-007	40	Delinquent Bond Reporting	Significant deficiency and noncompliance
2019-008	41	Failure to Maintain Supporting Documentation for Reports of Receipts and Disbursements for Locally Held Funds and Quarterly Summary of Accounts Receivable	Significant deficiency and noncompliance

(Continued)

In addition, the following findings which are reported as current findings relating to *Government Auditing Standards* also meet the reporting requirements for State Compliance.

Item No.	Page	Description	Finding Type
2019-001	18	Inaccurate Financial Reporting	Material weakness and noncompliance
2019-002	26	Inaccurate Financial Reporting of Investments	Material weakness and noncompliance
2019-003	29	Inadequate Allowance for Loan Loss Methodology and Loan Rating Review Process	Significant deficiency and noncompliance

Prior Year Findings Not Repeated (*Government Auditing Standards)*

None

Prior Year Findings Not Repeated (*Federal Compliance*)

Item No.	Page	Description	Finding Type
A	43	Disbursement of Funds Outside of Period of Performance	Adverse and material weakness

Prior Year Findings Not Repeated *(State Compliance)*

Item No.	Page	Description	Finding Type
B	43	Untimely Review of Payroll Reports	Significant deficiency and noncompliance
C	43	Failure to Properly Complete and Maintain I-9 Documentation	Significant deficiency and noncompliance

(Continued)

Exit Conference

On April 15, 2020, the Illinois Housing Development Authority waived the exit conference relating to the Single Audit and State Compliance examination.

The responses to the recommendations were provided by Tim Hicks, Controller, in an email dated April 24, 2020.

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

Independent Accountants' Report on State Compliance, on Internal Control over Compliance, and on Supplementary Information for State Compliance Purposes

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

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the Illinois Housing Development Authority's compliance with the specified requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2019. Management of the Illinois Housing Development Authority (the Authority) is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Authority's compliance with the specified requirements based on our examination.

A. The Authority has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The Authority has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.

C. The Authority has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. State revenues and receipts collected by the Authority are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

E. Money or negotiable securities or similar assets handled by the Authority on behalf of the State or held in trust by the Authority have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and in accordance with the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the Audit Guide. Those standards, the Act, and the Audit Guide require that we plan and perform the examination to obtain reasonable assurance about whether the Authority complied, in all material respects, with the specified requirements listed above. An examination involves performing procedures to obtain evidence about whether the Authority complied with the specified requirements listed above. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2019. However, the results of our procedures disclosed instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide and are described in the accompanying schedule of findings and questioned costs as findings 2019-001 through 2019-003, 2019-007, and 2019-008.

The Authority's responses to the compliance findings identified in our examination are described in the accompanying schedule of findings and questioned costs. The Authority's responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on compliance is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the Audit Guide. Accordingly, this report is not suitable for any other purpose.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the Authority's internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 2019-001 and 2019-002 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a requirement listed in the first paragraph of this report that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 2019-003, 2019-007, and 2019-008 to be significant deficiencies.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter to your office.

The Authority's responses to the internal control findings identified in our examination are described in the accompanying schedule of findings and questioned costs. The Authority's responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Audit Guide. Accordingly, this report is not suitable for any other purpose.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the 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, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 7, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to February 7, 2020.

The accompanying supplementary information for the year ended June 30, 2019 in Schedules 2 through 10 is presented for the purposes of additional analysis and is not a required part of the basic financial statements of the Authority. Such 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. The accompanying supplementary information for the year ended June 30, 2019 in Schedules 2 through 10 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 accompanying supplementary information for the year ended June 30, 2019 in Schedules 2 through 10 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2019.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the Authority's basic financial statements as of and for the year ended June 30, 2018 (not presented herein), and have issued our report thereon dated January 21, 2019, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The accompanying supplementary information for the year ended June 30, 2018 in Schedules 2, 3, and 6 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2018 financial statements. The accompanying supplementary information for the year ended June 30, 2018 in Schedules 2, 3, and 6 has been subjected to the auditing procedures applied in the audit of the June 30, 2018 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those 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 accompanying supplementary information for the year ended June 30, 2018 in Schedules 2, 3, and 6 is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived.

The accompanying supplementary information in the Analysis of Operations Section is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

/s/ KPMG LLP

Chicago, Illinois
April 30, 2020

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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, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 7, 2020.

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 questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses 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 deficiencies described in the accompanying schedule of findings and questioned costs as findings 2019-001 and 2019-002 to be material weaknesses.

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 questioned costs as finding 2019-003 to be a significant deficiency.

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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 questioned costs. 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
February 7, 2020

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

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

As Special Assistant Auditors for the Auditor General, we have audited the Illinois Housing Development Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2019. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our unmodified opinions on compliance for the major federal programs. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as findings 2019-004 through 2019-006. Our opinion on each major federal program is not modified with respect to these matters.

The Authority's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The Authority's responses and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plan.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-004 and 2019-005 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-006 to be a significant deficiency.

The Authority's responses to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The Authority's responses and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plan.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Authority, a component unit of the State of Illinois, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated February 7, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such 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. The 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

/s/ KPMG LLP

Chicago, Illinois
April 30, 2020

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

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

(1) Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: Unmodified opinions

Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:

- Material weakness(es) identified? __X__ Yes ______ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? __X__ Yes ______ None reported

Noncompliance material to the financial statements noted? ______ Yes __X__ No

Federal Awards

Internal control deficiencies over major programs disclosed by the audit:

- Material weakness(es) identified? __X__ Yes ______ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? __X__ Yes ______ None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): __X__ Yes ______ No

Identification of Major Programs

CFDA number(s)	Name of federal program or cluster
14.182/14.856	Section 8 Project-Based Cluster
14.239	HOME Investment Partnerships Program
14.275	Housing Trust Fund

Dollar threshold used to distinguish between Type A and Type B programs: $1,909,914

Auditee qualified as low-risk auditee: ______ Yes __X__ No

(2) Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards*

Finding 2019-001 Inaccurate Financial Reporting

The Illinois Housing Development Authority (Authority) has not established adequate internal controls over the financial reporting process and has not established adequate internal controls over the recording of financial transactions within its books and records.

During the year ended June 30, 2019, the Authority made a number of changes in the financial reporting process in an effort to address the deficiencies in internal control over financial reporting which were identified and reported in previous audits. The Authority has a complex financial reporting process/structure and the Authority has imposed an aggressive fiscal year-end financial reporting timeline and deadline. The Authority did not amend its year-end financial reporting process or reporting deadlines to permit personnel to be adequately prepared or to provide adequate time to complete all necessary financial reporting activities. Additionally, the Authority did not establish additional oversight or monitoring procedures to ensure the financial statements were properly prepared and presented. As a result, the draft financial statements prepared by management contained several errors which required adjustment to the financial statements or reporting to those charged with governance.

During our audit of the financial statements as of and for the year ended June 30, 2019, we noted the following:

1) The Authority incorrectly reported program loans receivable disbursements, repayments, and net program loans receivable amounts within footnote 5 of the financial statements for the Illinois Affordable Housing Trust Fund (IAHT), HOME Program Fund (HOME), and Mortgage Loan Program Fund (MLP) as noted below:

Program	Originally Reported Amount	Correct Amount	Difference
IAHT – Loan repayments	$ (13,506,000)	(15,547,000)	(2,041,000)
IAHT – Net program loans receivable	294,393,000	292,352,000	(2,041,000)
HOME – Loan repayments	(4,240,000)	(7,791,000)	(3,551,000)
HOME – Net program loans receivable	276,210,000	272,658,000	(3,552,000)
MLP – Loan disbursements	14,073,000	14,630,000	557,000
MLP – Loan repayments	(57,120,000)	(59,993,000)	(2,873,000)
MLP – Net program loans receivable	289,586,000	287,270,000	(2,316,000)

A proposed adjustment for these differences was recorded by the Authority.

2) The Authority incorrectly reported scheduled receipts of principal on gross program loans receivable in the Illinois Affordable Housing Trust Fund in the fiscal years subsequent to June 30, 2019 and thereafter, within footnote 5 of the financial statements, as noted below:

Scheduled Receipt Year	Originally Reported Amount	Correct Amount	Difference
2020	$ 5,715,000	7,119,000	1,404,000
After 2024	250,023,000	279,148,000	29,125,000

A proposed adjustment for these differences was recorded by the Authority.

3) The Authority incorrectly reported scheduled receipts of principal on gross program loans receivable in the HOME Program Fund in the fiscal years subsequent to June 30, 2019 and thereafter, within footnote 5 of the financial statements, as noted below:

Scheduled Receipt Year	Originally Reported Amount	Correct Amount	Difference
2020	$ 6,209,000	6,991,000	782,000
After 2024	244,878,000	246,210,000	1,332,000

A proposed adjustment for these differences was recorded by the Authority.

4) The Authority incorrectly reported scheduled receipts of principal on gross program loans receivable in the ARRA Fund in the fiscal years subsequent to June 30, 2019 and thereafter, within footnote 5 of the financial statements, as noted below:

Scheduled Receipt Year	Originally Reported Amount	Correct Amount	Difference
After 2024	$ 28,598,000	73,209,000	44,611,000

A proposed adjustment for this difference was recorded by the Authority.

5) The Authority incorrectly reported scheduled receipts of principal on gross program loans receivable in the proprietary funds in the fiscal years subsequent to June 30, 2019 and thereafter, within footnote 5 of the financial statements, as noted below:

Scheduled Receipt Year	Originally Reported Amount	Correct Amount	Difference
2020	$ 28,530,000	38,116,000	9,586,000
2021	10,798,000	20,139,000	9,341,000
2022	10,210,000	18,982,000	8,772,000
2023	9,342,000	18,544,000	9,202,000
2023	10,061,000	18,903,000	8,842,000

After 2024	401,891,000	406,762,000	4,871,000

A proposed adjustment for these differences was recorded by the Authority.

6) The Authority incorrectly reported $14,173,346 of fiscal year 2019 revenue to Nonmajor Governmental Funds as unearned revenue. A proposed adjustment for this error was recorded by the Authority.

7) The Authority incorrectly recorded an adjustment of $81,200 to Illinois Affordable Housing Trust Fund grants expense, resulting in an understatement of grants expense and due to State of Illinois in the Illinois Affordable Housing Trust Fund. A proposed adjustment for this difference was not recorded by the Authority.

8) The Authority improperly reported activity within the statement of cash flows for the Administrative Fund and Mortgage Loan Program Fund, as noted below:

Administrative Fund	**Originally Reported Amount**	**Correct Amount**	**Difference**
Payments to suppliers	$ 3,414,119	(4,135,044)	(7,549,163)
Interest paid on revenue bonds and notes	366,730	(982,880)	(1,349,610)
Depreciation and amortization	260,001	401,811	141,810

Mortgage Loan Program Fund	**Originally Reported Amount**	**Correct Amount**	**Difference**
Proceeds from sale of bonds and notes	$ (2,565,000)	0	2,565,000
Principal paid on bonds and notes	(55,246,669)	(57,811,669)	(2,565,000)
Acquisition of capital assets	(366,872)	(1,478,681)	(1,111,809)
Depreciation and amortization	0	1,111,810	1,111,810

A proposed adjustment for these differences was recorded by the Authority.

9) The Authority utilized incorrect principal amounts and interest rates in calculating debt service requirements of the Authority’s outstanding variable-rate debt and net swap payments within footnote 8

of the financial statements for the Mortgage Loan Program Fund, resulting in the improper amounts reported for principal and interest requirements as noted below:

Interest for year/five years ending June 30,	**Originally Reported Amount**	**Correct Amount**	**Difference**
2020	$ 1,448,980	1,502,609	53,629
2021	1,391,767	1,443,357	51,590
2022	1,369,935	1,419,554	49,619
2023	1,362,263	1,409,797	47,534
2024	1,354,472	1,399,886	45,414
2029	6,529,648	6,550,621	20,973
2034	5,678,812	5,724,902	46,090
2039	2,876,204	2,891,761	15,557
2044	411,167	400,710	(10,457)
Total	22,423,248	22,743,197	319,949

Principal for year/five years ending June 30,	**Originally Reported Amount**	**Correct Amount**	**Difference**
2020	$ 1,970,000	1,980,000	10,000
2021	1,480,000	1,480,000	-
2022	480,000	490,000	10,000
2023	490,000	495,000	5,000
2024	495,000	500,000	5,000
2029	9,905,000	9,585,000	(320,000)
2034	15,230,000	15,275,000	45,000
2039	36,050,000	36,110,000	60,000
2044	12,030,000	11,745,000	(285,000)
Total	78,130,000	77,660,000	(470,000)

A proposed adjustment for these differences was recorded by the Authority.

10) The Authority incorrectly reported the fiscal year 2019 debt activity of additions and deductions for Federal Home Loan Bank Advances within footnote 8 of the financial statements for the Administrative Fund. Specifically, additions and deductions were both overstated by $14,000,000. As a result, proceeds from sale of bonds and notes and principal paid on bonds and notes were overstated on the statement of cash flows. A proposed adjustment for this difference was recorded by the Authority.

11) The Authority incorrectly classified $22,580,000 of Housing Bonds Payable in the Mortgage Loan Program Fund as a noncurrent liability. The balance should be classified as a current liability as the related liquidity agreement expires within one year of June 30, 2019. A proposed adjustment for this difference was recorded by the Authority.

12) The Authority incorrectly recorded an adjustment of $536,590 to TBA Securities Value and interest and other investment income, resulting in an understatement of accrued liabilities and other liabilities and an overstatement of interest and other investment income in the Administrative Fund. A proposed adjustment for this difference was recorded by the Authority.

13) The Authority incorrectly recorded unamortized premiums and discounts on bonds payable, resulting in incorrect bond payable outstanding balances being reported within the statement of net position and footnote 8 of the financial statements for the Mortgage Loan Program Fund (MLP) and Single Family Program Fund (SFP), as noted below:

Program	Originally Reported Amount	Correct Amount	Difference
MLP	$ 365,041,458	365,012,370	29,088
SFP	995,071,230	993,567,139	1,504,091

A proposed adjustment for these differences were recorded by the Authority.

14) The Authority incorrectly recorded an adjustment of $466,662 to HOME federal funds revenue, resulting in an understatement of federal funds revenue within the HOME Program Fund and an overstatement of federal funds revenue in the Nonmajor Governmental Funds for the year ended June 30, 2019. A proposed adjustment for this difference was recorded by the Authority.

15) The Authority improperly recorded a $150,727 decrease in fiscal year 2019 HOME federal funds revenue related to a fiscal year 2018 revenue error correction, resulting in an understatement of federal funds revenue for the year ended June 30, 2019 within the HOME Program Fund. A proposed adjustment for this difference was not recorded by the Authority.

16) The Authority did not properly reconcile cash accounts and accounts payable suspense accounts at year end. As a result, cash was overstated by $892,282, service fee revenue was understated by $113,680, accrued liabilities and other was overstated by $999,212, and other current assets was understated by $6,750 for the Administrative Fund. A proposed adjustment for these differences was not recorded by the Authority.

17) The Authority incorrectly reported amounts related to Risk Sharing Loans within footnote 5 of the financial statements, as noted below:

Item	Fund	Originally Reported Amount	Correct Amount	Difference
Number of Risk Sharing Loans	All funds	50	43	(7)
Total balance of Risk Sharing Loans	All funds	$293,555,629	243,509,219	(50,046,410)

Total loans financed through Administrative Fund	Administrative	12,282,036	12,336,070	54,034
Number of participation loans	N/A	29	22	(7)
Total of participation loans	N/A	$170,055,851	$119,955,406	(50,100,445)
Amount of beneficial ownership interests in loans sold to the Federal Financing Bank	N/A	113,980,000	111,930,000	(2,050,000)

A proposed adjustment for these differences was recorded by the Authority.

18) The Authority incorrectly reported amounts related to certified uncollected receivables for loans within the Illinois Affordable Housing Trust Fund submitted to the Illinois Attorney General within footnote 5 of the financial statements, as noted below:

Item	**Originally Reported Amount**	**Correct Amount**	**Difference**
Number of certifications	6	3	(3)
Total balance of certified loans	$1,513,024	1,160,569	(352,455)

A proposed adjustment for these differences was recorded by the Authority.

19) The Authority incorrectly classified interest paid on revenue bonds and notes within the statement of cash flows as an operating activity rather than as a noncapital financing activity in the amounts of ($982,880), ($10,023,029), and ($22,241,291) for the Administrative Fund, Mortgage Loan Program Fund, and Single Family Program Fund, respectively. Additionally, the Authority incorrectly classified bank note cash collateral as an adjustment to reconcile operating income to net cash used in operating activities rather than as a noncapital financing activity in the amount of ($14,950,000) for the Administrative Fund. A proposed adjustment for these differences was recorded by the Authority.

20) The Authority incorrectly reported activity within the statement of cash flows for the Administrative Fund, Single Family Program Fund, and the Mortgage Loan Program Fund, as noted below:

Administrative Fund	**Originally Reported Amount**	**Correct Amount**	**Difference**
Due to other funds	$ 3,281,850	2,578,355	(703,495)
Due from other funds	2,986,598	3,690,093	703,495

Single Family Program Fund	**Originally Reported Amount**	**Correct Amount**	**Difference**
Due to other funds	$ (884,580)	(1,588,075)	(703,495)
Due from other funds	(5,025,637)	(4,322,142)	703,495

A proposed adjustment for these differences was not recorded by the Authority.

Mortgage Loan Program Fund	**Originally Reported Amount**	**Correct Amount**	**Difference**
Receipts for program loans, interest, and service fees	$ 65,720,122	74,379,556	8,659,434
Payments for program loans	(6,044,053)	(14,703,487)	(8,659,434)

A proposed adjustment for these differences was recorded by the Authority.

Generally accepted accounting principles (GAAP) require program loans receivable footnote disclosures to accurately state the changes in program loan receivable balances and accurately state the scheduled maturities of program loans receivable. GAAP also requires transactions to be properly recorded within the financial statements. 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 to 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 in the current period, the Finance and Accounting department underwent major restructuring during fiscal year 2019. Key individuals in the financial reporting process left the Authority mid-way through the fiscal year without a transition plan in place, and sufficient documentation related to their roles in the financial reporting process was unavailable.

Failure to accurately record financial transactions resulted in the misstatement of the Authority’s financial statements. (Finding Code No. 2019-001, 2018-003, 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, including footnote disclosures.

(Continued)

Authority Response:

The Authority is in agreement that the drafts of the Financial Report contained errors that needed to be adjusted. The Authority will review its internal governance and control structures and implement appropriate procedures to ensure the following: (1) all Authority transactions are appropriately recorded and reflected within its accounting records and financial statements; (2) corresponding notes to the financial statements are accurate and conform with GASB requirements; (3) The Authority account reconciliations are prepared accurately, timely and reviewed as well as approved by an appropriate level staff member; (4) The Authority will review all aspects of the Financial Statement Presentation and will not solely rely on prior year audited financial statements but rather that they be in accordance with GASB Statement No. 34, as well as any other reporting-related guidance; (5) The Authority will work internally to leverage the accounting system and subledger systems for cash, investments, bonds, notes payable and loans receivable to minimize the manual efforts needed to produce supporting schedules for footnotes; (6) Create and implement an Accounting and Financial Policies and Procedures Manual that will not only document that processes and procedures are completed on a day-to-day basis but will also document the financial reporting process; (7) The Authority will strive to complete the financial statements on a quarterly basis in an effort to more efficiently compile & review a complete and accurate set of annual financial statements; (8) The Authority will continue to provide ongoing training on policies and procedures to new and existing staff.

The Authority hired a new Controller and is actively engaged in the process of creating an Accounting and Financial Policies and Procedures Manual. This process is time intensive and it is important to the Authority to establish an effective manual, specifically as it relates to the reporting of the statement of cash flows for proprietary funds. In the interim, until the Accounting and Financial Policies and Procedures Manual is in final form, the Authority is working closely with remaining personnel and new personnel to be sure they follow current internal controls to avoid making errors on the statement of cash flows. Once completed, the Accounting and Financial Policies and Procedures Manual will document all processes and procedures thus ensuring that all procedures are implemented, and internal controls are followed.

(Continued)

Finding 2019-002 Inaccurate Financial Reporting of Investments

The Illinois Housing Development Authority (Authority) has not established adequate internal controls over the reporting of investment activity within the statement of cash flows.

During the year ended June 30, 2019, the Authority made a number of changes in the financial reporting process in an effort to address the deficiencies in internal control over financial reporting which were identified and reported in previous audits. The Authority has a complex financial reporting process/structure and the Authority has imposed an aggressive fiscal year-end financial reporting timeline and deadline. The Authority did not amend its year-end financial reporting process or reporting deadlines to permit personnel to be adequately prepared or to provide adequate time to complete all necessary financial reporting activities. Additionally, the Authority did not establish additional oversight or monitoring procedures to ensure the financial statements were properly prepared and presented. As a result, the draft financial statements prepared by management contained several errors which required adjustment to the financial statements or reporting to those charged with governance.

During our audit of the financial statements as of and for the year ended June 30, 2019, we noted the Authority improperly reported investment activity within the statement of cash flows for the Administrative Fund, Mortgage Loan Program Fund, and Single Family Program Fund, as noted below:

Administrative Fund	**Originally Reported Amount**	**Correct Amount**	**Difference**
Purchase of investment securities	$ (1,088,855,341)	(1,126,430,508)	(37,575,167)
Proceeds from sales and maturities of investment securities	1,185,369,744	1,185,418,958	49,214
Interest received on investments	(32,887,606)	4,101,760	36,989,366
Noncash increase (decrease) in the fair value of investments	1,806,574	1,877,018	70,444

Mortgage Loan Program Fund	**Originally Reported Amount**	**Correct Amount**	**Difference**
Purchase of investment securities	$ (516,427,556)	(547,851,118)	(31,423,562)
Proceeds from sales and maturities of investment securities	467,178,983	498,602,545	31,423,562
Noncash increase (decrease) in the fair value of investments	(22,528)	2,935,756	2,958,284

Single Family Program Fund	**Originally Reported Amount**	**Correct Amount**	**Difference**
Purchase of investment securities	$ (740,852,560)	(740,792,559)	60,001
Interest received on investments	27,901,423	27,841,422	(60,001)

(Continued)

Noncash increase (decrease) in the fair value of investments	41,538,098	34,186,757	(7,351,341)

A proposed adjustment for these differences was recorded by the Authority.

Additionally, we noted the investment cash flow activity presented in the statement of cash flows did not reconcile to the ending investment balances as of June 30, 2019 resulting in unreconciled differences in the amounts of $3,363,170, ($316,834), and ($5,683,138) for the Administrative Fund, Mortgage Loan Program Fund, and Single Family Program Fund, respectively. A proposed adjustment for these differences was not recorded by the Authority.

Generally accepted accounting principles require investment activity to be properly reported within the statement of cash flows. 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 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.

During the prior engagement period, Authority management stated that they initially prepared the statement of cash flows utilizing general ledger activity that contained certain non-cash activity. The misstatements were corrected after performing a detailed reconciliation of the general ledger investment activity compared to the investment holdings sub ledger. Authority management stated the errors in the current period were due to loss of key personnel within the fiscal year and no transition plan was created or put in place by the Authority. As these individuals were key in the review of investment reconciliations and the compilation and preparation of the Authority’s financial statements, there existed undocumented procedures in order to prepare accurate financials.

Failure to accurately record activity within the statement of cash flows resulted in the misstatement of the Authority’s financial statements. (Finding Code No. 2019-002, 2018-002)

Recommendation:

We recommend the Authority review its current internal control policies and procedures to ensure cash flow activity is properly reported and presented in the financial statements.

(Continued)

Authority Response:

The Authority is in agreement with the reclassifications that were made to the cash flow statement for the Administrative, Mortgage Loan Program & Single-Family Program Funds. The Authority is in agreement that noncash increases (decreases) were incorrectly reported on the statement of cash flows. The Authority accepts the recommendation and will proceed swiftly. Authority personnel inadvertently reflected amounts within purchases and sales of investments that should have been reflected in a separate line on the statement of cash flow. The Authority promptly reclassified the amounts to accurately reflect each fund's statement of cash flows.

The Authority hired a new Controller and is actively engaged in the process of creating an Accounting and Financial Policies and Procedures Manual. This process is time intensive and it is important to the Authority to establish an effective manual, specifically as it relates to the reporting of the statement of cash flows for proprietary funds. In the interim, until the Accounting and Financial Policies and Procedures Manual is in final form, the Authority is working closely with remaining personnel and new personnel to be sure they follow current internal controls to avoid making errors on the statement of cash flows. Once completed, the Accounting and Financial Policies and Procedures Manual will document all processes and procedures thus ensuring that all procedures are implemented, and internal controls are followed.

Finding 2019-003 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. In addition, 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.

Furthermore, during our testing of 45 multi-family loan relationships risk ratings (65 loans) as of June 30, 2019, 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 31 of the 45 relationships (48 of the 65 loans) and we found the Authority's risk ratings to be unreasonable for 14 of the 45 relationships (17 of the 65 loans).

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

- Four differences in Housing Trust Fund loan ratings resulted in an over reserve of $1,272,498 for the Illinois Affordable Housing Trust Fund. A proposed adjustment for this difference was not recorded by the Authority.

- Six differences in HOME loan ratings resulted in an over reserve of $200,933 for the HOME Program Fund. A proposed adjustment for this difference was not recorded by the Authority.

- One difference in Nonmajor governmental fund loan ratings resulted in an under reserve of $18,505 for the Nonmajor Governmental Funds. A proposed adjustment for this difference was not recorded by the Authority.

- Two differences in Multifamily Revenue Bonds loan ratings and one difference in Housing Bonds loan ratings resulted in an under reserve of $382,623 for the Mortgage Loan Program Fund. A proposed adjustment for this difference was not recorded by the Authority.

- Three differences in Administrative loan ratings resulted in an over reserve of $62,880 for the Administrative Fund. A proposed adjustment for this difference was not 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 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.

During the prior engagement period, Authority management stated that the Authority implemented a new allowance for loan loss policy for the multifamily loans program in fiscal year 2017. As a result of the implementation, a limited number of calculation errors occurred due to manual corrections of figures or the logic used to calculate loss reserve amounts. Authority management further stated that some of the 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.

Authority management stated that the current period's cause of the differences stem from several factors. Fiscal year 2019 marked the first year that new rating methodologies were used by the Multifamily Department to determine risk in the construction loan portfolio. Asset Management implemented numerous quality control measures to ensure the rating methodology was applied accurately to all loans in the stabilized portfolio, however back testing the Expected Loss Given Default factor did not prove successful due to lack of data (losses) and significant delays between the date of eminent loss and the write-off transaction date on the few losses the Authority did incur. The methodology, as in years past, caused a majority of the variances seen within this year's populations, in comparison to the independent review. However, the Authority did not make any adjustments after the independent review, as it does reasonably believe that its risk ratings are complete and accurate, based on the current methodology as completed and reviewed within the Multifamily Department.

Failure to support the assumptions in the allowance for loan loss calculation, appropriately document loan ratings, and 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. 2019-003, 2018-001, 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 calculated appropriately.

(Continued)

Authority Response:

The Authority agrees to review and improve the policies and procedures surrounding the multi-family loan loss reserve process and procedures.

(3) Findings and Questioned Costs Relating to Federal Awards

Federal Agency:	U.S. Department of Housing and Urban Development (USHUD)
Program Name:	Section 8 Project-Based Cluster (Section 8) Community Development Block Grants (CDBG) HOME Investment Partnerships Program (HOME) Housing Trust Fund (HTF)
CFDA # and Program Expenditures:	14.182/14.856 ($59,604,043) 14.228 ($480,751) 14.239 ($302,585,550) 14.275 ($3,031,659)
Award Numbers:	IL901MR0001/IL901MR0003/IL901MR0004/ IL901MR0006/IL901MR0007/IL901MR0008 (14.182/14.856) B-11-DN-17-0001 (14.228) M15-SG-170100/M16-SG-170100/M17-SG-170100/M18-SG-170100 (14.239) F16SG170100 (14.275)
Federal Award Year:	10/1/17-9/30/18; 10/1/18-9/30/19 (14.182/14.856) 3/11/11-3/15/14 (14.228) 11/4/15-9/1/23; 9/16/16-9/1/24; 10/19/17-9/1/25; 10/3/18-9/1/26 (14.239) 3/2/17-3/2/24 (14.275)
Questioned Costs:	None

Finding 2019-004 – *Inaccurate Reporting of Federal Expenditures on the Schedule of Expenditures of Federal Awards*

Condition Found:
The Authority does not have an adequate process in place to prepare its schedule of expenditures of federal awards (SEFA).

During our testing of the SEFA and major program expenditures, we noted expenditures for the Section 8 Cluster and CDBG were overstated. Specifically, we noted the following errors:

CFDA Number	Line Item	Reported Amount	Corrected Amount	Overstatement
14.182	Section 8 New Construction and Substantial Rehabilitation – subrecipient expenditures	$54,328,864	$51,773,609	$2,555,255
14.856	Lower Income Housing Assistance Program - Section 8 Moderated Rehabilitation – subrecipient expenditures	$5,275,179	$4,727,605	$547,574
14.228	Neighborhood Stabilization Program - administrative expenditures	$601	$0	$601

Items included in the table above have been corrected in the SEFA presented.

In addition, we noted management has not established adequate control procedures to ensure the SEFA is complete, accurate, and properly presented in accordance with the Uniform Guidance. Specifically, management has not established management review controls at the level of precision to identify material misstatements.

While specific exceptions were not found related to the HOME and HTF programs, we noted the control deficiencies identified in the preceding paragraph relative to the SEFA preparation process also apply to all major programs.

Criteria or Requirement:

According to 2 CFR 200.510(b), a recipient of federal awards is required to prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the entity's financial statements which must include the total Federal awards expended. At a minimum, the schedule must include (1) a list of individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs; (2) for Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included; (3) provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available; (4) include total amount provided to subrecipient from each Federal Program; and (5) include notes that describe the significant accounting policies used in preparing the schedule.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure expenditures and amounts passed through to subrecipients are properly reported on the schedule of expenditures of Federal awards.

Cause:

In discussing these conditions with Authority officials, they stated staffing changes during the fiscal year resulted in a miscommunication of information because processes and procedures were not documented resulting in discrepancies when completing the SEFA.

Possible Asserted Effect:

Failure to accurately report federal expenditures and amounts passed through to subrecipients prohibits the completion of an audit in accordance with the Uniform Guidance, which may result in the suspension of federal funding.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2018-005. (Finding Code No. 2019-004, 2018-005, 2017-003, 2016-005, 2015-004)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend the Authority review its current process for preparing the SEFA and implement the necessary procedures to ensure the SEFA is prepared accurately and in accordance with the Uniform Guidance.

Authority Response:

The Authority concurs with the finding. The Authority has made several changes to its internal processes and procedures when compiling and reviewing the Schedule of Expenditures of Federal Awards. The Authority will implement a documented process which will allow staff to compile a supported SEFA effectively and accurately.

Federal Agency:	U.S. Department of Housing and Urban Development (USHUD)
Program Name:	Community Development Block Grants (CDBG) Housing Trust Fund (HTF)
CFDA # and Program Expenditures:	14.228 ($480,751) 14.275 ($3,031,659)
Award Numbers:	B-11-DN-17-0001 (14.228) F16SG170100 (14.275)
Federal Award Year:	3/11/11-3/15/14 (14.228) 3/2/17-3/2/24 (14.275)
Questioned Costs:	None

Finding 2019-005 – *Failure to Communicate Award Information to Subrecipients*

Condition Found:

The Authority did not communicate required federal program information at the time of the award to subrecipients of the Neighborhood Stabilization Program (NSP) and Housing Trust Fund (HTF) programs.

During our testwork over the one subrecipient of the NSP Program (with expenditures of $480,751) and one subrecipient of the HTF program (with expenditures of $2,883,686), we noted the Authority did not communicate the CFDA number, Federal Award Identification Number (FAIN), and Federal Award Date in the subaward agreement. We also noted the Authority has not established control activities to ensure award communications include all required information.

Total expenditures passed through to subrecipients for the NSP and HTF programs totaled $480,751 and $2,883,686, respectively, for the year ended June 30, 2019.

Criteria or Requirement:

According to 2 CFR section 200.331(a)(1), a pass-through entity must ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following required information at the time of the subaward: subrecipient name, subrecipient’s Dun and Bradstreet Numbering System (DUNS) number, Federal Award Identification Number (FAIN), Federal Award Date, subaward period of performance, amount of Federal funds obligated to the subrecipient, name of Federal awarding agency, identification of whether the award is R&D, and CFDA number. When some of this information is not available, the pass-through entity shall provide the best information available to describe the Federal award and subaward.

(Continued)

Additionally, 2 CFR 200.303, requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure required information is properly communicated to each subrecipient at the time of the award.

Cause:

In discussing these conditions with Authority officials, they stated the required information was not fully communicated between relevant Authority departments resulting in closing documents not containing all required information.

Possible Asserted Effect:

Failure to properly communicate required federal award information to subrecipients can result in subrecipients reporting inaccurate information about their programs on their schedule of federal awards, expending federal funds for unallowable purposes, or not receiving a single audit in accordance with the Uniform Guidance.

Repeat Finding:

A similar finding was reported in the prior year audit as finding number 2018-006. (Finding No. 2019-005, 2018-006)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend the Authority review its current process for preparing subrecipient funding notifications to ensure all required information is properly communicated to its subrecipients.

Authority Response:

The Authority concurs with the finding. The Authority has implemented several new processes and procedures in order to prevent future improper communication of federal awards to subrecipients. The Authority has taken a retrospective approach in reviewing all current federal subrecipient files, in order to ensure that award information was communicated properly. Going forward, the Authority is in the process of updating the boiler-plate subrecipient agreements, in order to ensure that all this information is communicated properly to each subrecipient of a Federal award.

(Continued)

Federal Agency:	U.S. Department of Housing and Urban Development (USHUD)
Program Name:	Section 8 Project-Based Cluster (Section 8)
CFDA # and Program Expenditures:	14.182/14.856 ($59,604,043)
Award Numbers:	IL901MR0001/IL901MR0003/IL901MR0004/ IL901MR0006/IL901MR0007/ IL901MR0008
Federal Award Year:	10/1/17-9/30/18; 10/1/18-9/30/19
Questioned Costs:	None

Finding 2019-006– *Failure to Follow Established Subrecipient Monitoring Procedures for the Section 8 Project-Based Cluster Program*

Condition Found:

The Authority did not follow its established policies and procedures for monitoring subrecipients of the Section 8 Project Based (Section 8) program.

The Authority has implemented procedures whereby program staff perform periodic on-site and desk reviews of subrecipients' compliance with regulations applicable to the Section 8 Cluster program administered by the Authority. These reviews are formally documented and include the issuance of a report of the review results to the subrecipient summarizing the procedures performed, results of the procedures, and any findings or observations for improvement noted. The Authority's policies require the subrecipient file to be closed within 90 days of the subrecipient being notified of any findings.

During our testwork over monitoring review procedures performed for 8 subrecipients (with expenditures of $15,193,280) of the Section 8 Cluster program, we noted the Authority has not established adequate control activities to ensure its established monitoring procedures were followed in communicating the results of its monitoring reviews. We noted the following exceptions to the Authority's monitoring procedures:

- The Authority did not notify three subrecipients (with expenditures totaling $2,503,884) of findings from the monitoring review in a timely manner. Specifically, the findings notification was sent between 63 and 102 days after the inspection was conducted (60 day requirement).
- The Authority did not receive written responses to the findings of the desk review for one subrecipient (with expenditures of $4,912,582). The Authority did not follow-up with the subrecipient to obtain the responses as of the date of our testing (March 11, 2020).
- The Authority did not close out the review file for one subrecipient (with expenditures of $2,103,009) in a timely manner as required by the Authority's policies. Specifically, the review file was closed out 112 days after the subrecipient was notified of findings (90 day requirement).

Amounts passed through to subrecipients under the Section 8 program during the year ended June 30, 2019 totaled $56,501,214.

Criteria or Requirement:

According to OMB Circular A-133 § __.400(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Additionally, OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments, requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include ensuring on-site review procedures are performed in a timely manner, are designed to monitor fiscal controls, and are performed to ensure compliance with program regulations.

Cause:

In discussing these conditions with Authority officials, they stated the exceptions were caused by changes in departmental staffing, as well as an organizational restructuring within the Asset Management department. This resulted in individuals not being familiar with required processes and timeline requirements.

Possible Asserted Effect:

Failure to adequately follow on-site monitoring procedures may result in subrecipients not properly administering the Section 8 Cluster program in accordance with statutes, regulations, and the grant agreement.

Repeat Finding:

A similar finding was reported in prior year audit as finding number 2018-007. (Finding Code No. 2019-006, 2018-007, 2017-004, 2016-007, 2015-007, 2014-003, 2013-005, 12-05, 11-11)

Statistical Sampling:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend the Authority ensure monitoring files are completed and closed in accordance with established policies and procedures.

Authority Response:

The Authority concurs with the finding. The Authority has implemented several new policies and procedures in order to strengthen controls surrounding the sub monitoring process. All staff are scheduled to complete a full monitoring cycle and have been scheduled for additional trainings. Additionally, weekly team meetings are conducted and the Authority has updated its written procedures to address the sub monitoring deficiencies. Management and Supervisors will be responsible for weekly quality control tasks that include, reviewing system reports, weekly one on one meetings with the Assistant Director and any staff. The quality control and one on one meetings will be used to reduce and eliminate delayed submissions, closeouts and notification letters. The Supervisors will run internal reports weekly to identify what inspections are due and ensure they are submitted timely.

(Continued)

Finding 2019-007 – Delinquent Bond Reporting

The Illinois Housing Development Authority (the Authority) did not report certain bond payments to the Illinois Office of the Comptroller (IOC) and did not timely report certain other bond payments to the IOC during the fiscal year ended June 30, 2019.

The Authority contracts with a bank to administer some of its bonds and related reporting. Under the terms of the contract, the bank is responsible to prepare and submit the Notices of Payment of Bond Interest and/or Principal forms (Form C-08) to the IOC on the Authority's behalf. During our testwork, we noted the bank and/or trustees on the bond issues did not submit 35 Notices of Payment and were late in submitting 37 Notices of Payment during the fiscal year ended June 30, 2019.

Statewide Accounting Management System manual Section 31.30.20 requires a Notice of Payment (C-08) to be submitted within 30 days from the date the voucher is processed for payment of principal and/or interest or within 15 days from agency receipt of the trustee's monthly statement.

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 to provide assurance 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 Authority's resources. Effective internal controls should include procedures to ensure notices of bond payments are reported in a timely manner.

Authority management stated the delay was due to employee turnover.

Failure to timely report the Notices of Payment inhibits the IOC from performing its statutory obligation to maintain current records indicating the outstanding bond indebtedness of the State and of all State agencies. (Finding Code No. 2019-007)

Recommendation:

We recommend the Authority review its current procedures for preparing and submitting bond reports to ensure all required reports are submitted as required.

Authority Response:

The Authority concurs with the finding. The Authority restructured internal processes to provide for more oversight of filings made on behalf of the Authority and to manage more timely and accurately the reporting of those filings required to made by the Authority. The restructured internal processes will be managed by repositioned Authority staff with primary focus on the maintenance and oversight of Bond Trustee C-08 reporting to the IOC using the Bond Indebtedness Tracking System ("BITS").

Finding 2019-008 – Failure to Maintain Supporting Documentation for Reports of Receipts and Disbursements for Locally Held Funds and Quarterly Summary of Accounts Receivable

The Illinois Housing Development Authority (the Authority) did not maintain adequate supporting documentation for the data included in the Reports of Receipts and Disbursements for Locally Held Funds and Quarterly Summaries of Accounts Receivable and did not submit reports in a timely manner for the year ended June 30, 2019.

The Authority is required to prepare a Report of Receipts and Disbursements for Locally Held Funds (Form C-17) on a quarterly basis for each local fund. These reports capture cash receipts and disbursements data for receipts not submitted to the Illinois Office of the Comptroller (IOC) and deposited in the State Treasury, as well as disbursements not vouchered or paid by the IOC. During our review of two C-17 reports submitted for the quarters ended December 31, 2018 and March 31, 2019, we noted the Authority was unable to provide supporting documentation for certain line items reported for the Administrative Fund (AF) and Rental Housing Support Program Fund (RHSPF) for the quarter ended March 31, 2019. Specifically, we noted documentation was not available to support amounts reported for the following line items:

Fund	**Line Description**	**Amount Reported**
AF	Bond issue proceeds	$192,340,000
RHSPF	Special reimbursement funds settlement	$2,347,321

We also noted the reports submitted for the quarters ended December 31, 2018 and June 30, 2019 were not submitted timely. Delays in submitting these reports were 22 and 47 days after the due date.

Additionally, the Authority is required to prepare a Quarterly Summary of Accounts Receivable – Accounts Receivable Activity (Form C-97) to the IOC for each fund. These reports document the accounts receivable activity for each quarter, including adjustments to receivables, additions to accounts receivable, collections, write-offs, and estimated uncollectible accounts.

During our review of the Quarterly Summary of Accounts Receivable reports, we noted the Authority did not retain supporting documentation for the Form C-97 reports submitted for all quarters in fiscal year 2019. As a result, we were unable to verify the completeness and accuracy of the information reported to the IOC.

Additionally, we noted the reports submitted for quarters ended September 30, 2018, December 31, 2018, and June 30, 2019 were not submitted timely. Delays in submitting the report ranged from 7 to 36 days after the due date.

(Continued)

Statewide Accounting Management System (SAMS) Section 33.13.20 requires that State agencies prepare a Form C-17 Report of Receipts and Disbursements for Locally Held Funds for each local fund maintained by the agency on a quarterly basis. The report is due to the IOC within a month of quarter end. SAMS Section 26.30.10 requires that State agencies prepare a Form C-97 Quarterly Summary of Accounts Receivable for each fund. The report is due to the IOC within a month of quarter end.

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to maintain a system of fiscal and administrative controls. Effective internal controls should include procedures to maintain documentation to evidence the completeness and accuracy of reports submitted to the IOC and to ensure reports are submitted in a timely manner.

Authority management stated the exceptions were due to staff turnover, lack of documentation, and lack of a hard close process.

Failure to maintain documentation to evidence the financial reports required to be filed with the IOC are complete and accurate and submitted within a timely manner results in noncompliance with State regulations and inhibits the IOC from performing its statutory obligation to maintain current records indicating the accounts receivable activity of the State and of all State agencies. (Finding Code No. 2019-008, 2018-010)

Recommendation

We recommend the Authority review the process and procedures in place for documenting and preparing financial reports required by the IOC and implement the additional procedures necessary to ensure adequate supporting documentation is maintained for each required report and reports are submitted in a timely manner.

Authority Response:

The Authority concurs with the finding. The Authority has updated all processes and procedures when compiling all necessary State reports – specifically the C-17 and C-97-99's. The Authority has restructured the process and procedures of compilation of both reports, which require all documentation to be present when being reviewed by management to ensure that all reports are completed, reviewed and submitted in a timely manner.

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

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

Prior Year Findings Not Repeated

Government Auditing Standards

None

Federal Compliance

A. Disbursements of Funds Outside of Period of Performance

In the prior year, Authority expended federal funding and program income from Neighborhood Stabilization Program (NSP) grants after the end of the period of performance. (Finding Code No. 2018-004)

In the current year, the U.S. Department of Housing and Urban Development issued a management decision letter stating that guidance contained in a letter from HUD dated March 22, 2019, along with help from HUD allows the Authority to expend unused funds to meet closeout requirements without formal extension of the grant award.

State Compliance

B. Untimely Review of Payroll Reports

In the prior year, the Authority did not timely approve Weekly Attendance Reports used to prepare payroll vouchers. (Finding Code No. 2018-008)

In the current year, minor exceptions were identified in the sample tested. Accordingly, they have been reported as an immaterial finding.

C. Failure to Properly Complete and Maintain I-9 Documentation

In the prior year, the Authority did not properly complete and maintain the Employment Eligibility Verification Form I-9 for its employees. (Finding Code No. 2018-009)

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

Schedule 1

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

Federal Agency/Program or Cluster Title	CFDA number	Expenditures	Pass Throughs to Subrecipients
U.S. Department of Housing and Urban Development:			
Interest Reduction Payments – Rental and Cooperative Housing for Lower Income Families	14.103	$ 102,624	102,624
Section 8 Project-Based Cluster:			
Section 8 New Construction and Substantial Rehabilitation	14.182	54,328,864	51,773,609
Lower Income Housing Assistance Program - Section 8 Moderated Rehabilitation	14.856	5,275,179	4,727,605
Total Section 8 Project-Based Cluster		59,604,043	56,501,214
HOME Investment Partnerships Program:			
Administrative expenditures	14.239	1,150,195	—
Administrative expenditures - program income	14.239	507,513	—
Beginning loan balances		279,488,528	279,488,528
Current year loan disbursements - program income	14.239	3,942,524	3,942,524
Current year loan disbursements	14.239	17,496,790	17,496,790
Total HOME Investment Partnerships Program		302,585,550	300,927,842
Housing Trust Fund:			
Administrative expenditures	14.275	147,973	—
Current year loan disbursements	14.275	2,883,686	2,883,686
Total National Housing Trust Fund:		3,031,659	2,883,686
Section 811 Project Rental Assistance Program:			
Administrative expenditures	14.326	840	—
Grant expenditures	14.326	434,635	434,635
Total Section 811 Project Rental Assistance Program		435,475	434,635
Passed through the State of Illinois:			
CDBG - State Administered Small Cities Program Cluster:			
Grant Expenditures	14.228	480,751	480,751
Total CDBG - State Administered Small Cities Program Cluster		480,751	480,751
NeighborWorks America:			
National Foreclosure Mitigation Counseling Program	21.000	9,232	9,232
Total Neighbor Works America - NFMC		9,232	9,232
Total		$ 366,249,334	361,339,984

See accompanying notes to the schedule of expenditures of federal awards.

See accompanying independent auditors' report.

(1) General

The accompanying Schedule of Expenditures of Federal Awards (Schedule) summarizes the federal awards expended by the Authority for the year ended June 30, 2019.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting for proprietary funds and modified accrual basis of accounting for governmental funds.

A. For the Proprietary Fund, the types of costs that are found in this Fund are Grant Expenditures, Mortgage Loan Subsidies, Housing Assistance Payments and Administrative Fees.

B. For the Government Funds, the types of costs that are found in this Fund are Grant Expenditures, Program Loans, Recaptured Funds (Program Income), and Administrative Fee Reimbursements.

Expense/Expenditure

Amounts reported as expenses in the Schedule of Expenditures of Federal Awards include $507,513 in administrative expenditures funded by fees collected (program income) by the Authority.

(3) Federal Loan Program

The HOME program is administered directly by the Authority and balances and transactions relating to this program are included in the Authority's financial statements. Loans made by the Authority to eligible subrecipients under the HOME program during the fiscal year ended June 30, 2019 was $21,439,314.

The balance of loans outstanding under the HOME program was $293,279,461 and $279,488,528 at June 30, 2019 and 2018, respectively. The Authority received administrative fees of $1,657,708 under the HOME program during the fiscal year ended June 30, 2019. The balance of loans outstanding at June 30, 2019 consist of the following amounts:

Outstanding balance as of 7/1/18	$	279,488,528
Loans disbursed		21,439,314
Principal Write off		(3,552,721)
Repayments, net of interest		(4,095,660)
Outstanding balance as of 6/30/19	$	293,279,461

(4) Indirect Costs

The Authority does not use the de minimus indirect cost rate permitted under the Uniform Guidance or have a negotiated indirect cost rate. The Authority has a Cost Allocation Plan with HUD, the Authority's cognizant agency, which dictates how indirect costs are charged to the government funded programs.

The current Cost Allocation Plan was submitted to HUD in April 2013.

Schedule 2

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Comparative Schedule of Cash Receipts

Years ended June 30, 2019 and 2018

		2019	2018	
Administrative Fund:				
Cash received from:				
Interest from program loans	$	1,356,372	2,001,581	
Service fees from program loans		7,228,447	8,364,853	
Principal from program loans and other		24,899,280	25,422,328	
		33,484,099	35,788,762	(1)
Proceeds from federal assistance programs		60,641,761	79,877,059	
Proceeds from sale of revenue bonds and notes		1,057,940,000	606,217,000	
Interest on investments		4,101,760	4,871,955	
Proceeds from sales and maturities of investment securities		1,185,418,958	1,298,685,224	
Tax credit reservation and monitoring fees		6,448,477	8,129,288	
Other		14,521,289	7,424,642	
Total	$	2,362,556,344	2,040,993,930	
Mortgage Loan Program Fund – Housing Bonds:				
Cash received from:				
Interest from program loans	$	12,244,327	14,294,315	
Principal from program loans		48,692,000	44,302,000	
		60,936,327	58,596,315	
Proceeds from federal assistance programs		60,539	103,781	
Interest on investments		1,598,782	1,710,472	
Proceeds from sales and maturities of investment securities		374,890,107	536,736,373	
Other		14,459,550	10,601,768	
Total	$	451,945,305	607,748,709	

(1) The Comparative Schedule of Cash Receipts for the Administrative Fund excluded certain cash inflows that are reported within The Authority's Statement of Cash Flows, as these inflows are held as liabilities to third parties.

(Continued)

Schedule 2

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Comparative Schedule of Cash Receipts

Years ended June 30, 2019 and 2018

		2019	2018
Single Family Program Fund:			
Cash received from:			
Interest from program loans	$	8,470,257	10,022,397
Principal from program loans		25,727,551	34,408,000
		34,197,808	44,430,397
Interest on investments		27,841,422	18,075,859
Proceeds from sale of revenue bonds		414,442,702	123,213,007
Proceeds from sales and maturities of investment securities		470,932,514	378,561,258
Transfer of funds from administrative funds		4,721,392	1,101,655
Other		28,090	12,903,486
Total	$	952,163,928	578,285,662
Illinois Affordable Housing Trust Fund:			
Cash received from:			
Interest on investments	$	450,917	222,827
Principal from program loans		15,547,000	14,446,000
Grant from State of Illinois		8,313,238	7,079,113
Total	$	24,311,155	21,747,940
Mortgage Loan Program Fund – Affordable Housing Program Trust Fund Bonds:			
Cash received from:			
Interest from program loans	$	191,339	203,688
Principal from program loans		858,129	443,498
		1,049,468	647,186
Interest on investments		—	89,013
Proceeds from sales and maturities of investment securities		112,500,000	146,110,000
Other		—	39,054
Total	$	113,549,468	146,885,253

(Continued)

Schedule 2

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

Fiscal Schedules and Analysis Section

Comparative Schedule of Cash Receipts

Years ended June 30, 2019 and 2018

		2019	2018
HOME Program Fund:			
Cash received from:			
Interest from program loans	$	1,926,311	2,027,654
Principal from program loans		7,791,000	3,159,128
Other		168,545	151,174
		9,885,856	5,337,956
Interest on investments		156,611	57,993
Federal HOME funds		18,493,713	3,810,215
Total	$	28,536,180	9,206,164
Mortgage Loan Program Fund – Multifamily Revenue Bonds:			
Cash received from:			
Interest from program loans	$	2,734,707	2,764,442
Principal from program loans		6,985,898	580,895
		9,720,605	3,345,337
Proceeds from sale of revenue bonds and notes		—	10,693,777
Interest on investments		238,334	128,208
Proceeds from sales and maturities of investment securities		3,291,438	18,294,850
Other		111,756	807,740
Total	$	13,362,133	33,269,912
IHDA Dispositions LLC:			
Cash received from:			
Receipts from operations	$	31,265	29,196
Total	$	31,265	29,196

(Continued)

Schedule 2

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

Fiscal Schedules and Analysis Section

Comparative Schedule of Cash Receipts

Years ended June 30, 2019 and 2018

		2019	2018
Rental Housing Support Program Fund:			
Cash received from:			
Interest on investments	$	1,239,293	144,445
Grant from State of Illinois		11,883,797	20,408,614
Total	$	13,123,090	20,553,059
Mortgage Loan Program Fund – Multifamily Initiative Bonds:			
Cash received from:			
Interest from program loans	$	1,701,472	1,741,155
Principal from program loans		971,684	932,000
Receipts for credit enhancements		1,530,042	1,474,461
Other		—	7,880
		4,203,198	4,155,496
Interest on investments		—	30,097
Proceeds from sales and maturities of investment securities		7,921,000	9,134,000
Total	$	12,124,198	13,319,593
ARRA Fund:			
Cash received from:			
Interest from program loans	$	196,346	195,242
Principal from program loans		313,000	221,138
Total	$	509,346	416,380
Hardest Hit Fund:			
Cash received from:			
Principal from program loans	$	1,325,000	2,921,212
Borrower payments		—	375
		1,325,000	2,921,587
Interest on investments		1,827,370	665,774
Other		—	445,040
Federal grant funds		126,996,015	—
Total	$	130,148,385	4,032,401

(Continued)

Schedule 2

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Comparative Schedule of Cash Receipts

Years ended June 30, 2019 and 2018

		2019	2018
Build Illinois Bond Program Fund:			
Cash received from:			
Interest on investments	$	886,785	1,577,180
Principal from program loans		26,000	253,862
Total	$	912,785	1,831,042
Foreclosure Prevention Program Fund:			
Cash received from:			
Grant from State of Illinois	$	3,419,715	3,989,344
Total	$	3,419,715	3,989,344
Foreclosure Prevention Graduated Program Fund:			
Cash received from:			
Grant from State of Illinois	$	3,055,881	5,377,378
Total	$	3,055,881	5,377,378
Neighborhood Stabilization Program Fund:			
Cash received from:			
Federal grant funds	$	166,023	1,614,284
Interest on investments		44,723	58,133
Total	$	210,746	1,672,417
Abandoned Property Program Fund:			
Cash received from:			
Grant from State of Illinois	$	8,456,401	8,722,712
Total	$	8,456,401	8,722,712
National Housing Trust Fund:			
Cash received from:			
Federal grant funds	$	3,031,659	845,519
Total	$	3,031,659	845,519
Section 811 Project Rental Assistance Demonstration Program Fund:			
Cash received from:			
Federal grant funds	$	434,635	234,337
Total	$	434,635	234,337

See accompanying independent accountants' report.

Schedule 3

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

Fiscal Schedules and Analysis Section

Schedule of Changes in Authority Property

Year ended June 30, 2019

Description	Balance at June 30, 2018	Additions	Depreciation and amortization expense	Retirements	Balance at June 30, 2019
Real estate	$ 47,371,165	1,478,681	—	—	48,849,846
Accumulated depreciation – real estate	(22,388,810)	—	(1,111,810)	—	(23,500,620)
Furniture and equipment	109,112	20,765	—	(29,021)	100,856
Accumulated depreciation – furniture and equipment	(53,440)	—	(16,084)	19,324	(50,200)
Computer equipment	1,837,259	433,129	—	(108,651)	2,161,737
Accumulated depreciation – computer equipment	(763,689)	—	(276,649)	108,651	(931,687)
Computer software	3,330,849	50,907	—	—	3,381,756
Accumulated amortization – computer software	(2,666,109)	—	(264,570)	—	(2,930,679)
	$ 26,776,337	1,983,482	(1,669,113)	(9,697)	27,081,009

This schedule has been reconciled to property reports submitted to the Office of the Comptroller.

See accompanying independent accountants' report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Furniture, Equipment, and Leasehold Improvements

June 30, 2019

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 $1,278,628 for fiscal year 2019, plus approximately $992,580 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 2019 was $2,732,117.

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.

The Authority records depreciation against Lakeshore Plaza (ML-181) on a straight-line basis over forty years. At June 30, 2019, the net carrying value of ML-181 was $25,349,226 which is net of accumulated depreciation of $23,500,620. Depreciation expense for fiscal year 2019 was $1,111,810. 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 at June 30, 2019, having a net carrying value of $41,515 are used in the Hardest Hit Fund (HHF). Depreciation and amortization for these items are recorded on a straight-line basis over three years and amounted to $27,517 during fiscal year 2019.

See accompanying independent accountants' report.

Schedule 5

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Analysis of Significant Account Balances

June 30, 2019

At June 30, 2019, total net outstanding bonds and notes payable were approximately $222.3 million above the prior fiscal year-end. Issuance of the following bonds and notes (showing a balance outstanding at June 30, 2019) occurred during fiscal year 2019 (in millions):

Homeowner Mortgage Revenue Bonds, 2018 Series A	$	120.6
Revenue Bonds, 2018 Series A and 2019 Series A-C		280.3
Administrative Fund Direct Bank Notes		11.8
Administrative Fund Federal Home Loan Bank Advances		1,046.1

The Authority redeemed $57.8 million of Mortgage Loan Program Fund Bonds, $94.0 million of Single Family Program Fund Bonds, and $1,098.2 million of Administrative Fund Direct Bank Loans and Federal Home Loan Bank Advances during the fiscal year 2019.

As of June 30, 2019, the Authority had the following debt outstanding (net of unamortized discount and premium, thereon):

	Number of outstanding issues		Balance June 30, 2019 (In millions)
Housing Bonds	11	$	177.9
Multifamily Initiative Bonds	9		133.5
Multifamily Revenue Bonds	3		53.6
Total Mortgage Loan Program Fund	23		365.0
Homeowner Mortgage Revenue Bonds	14		378.9
Housing Revenue Bonds	7		95.2
Revenue Bonds	7		519.5
Total Single Family Program Fund	28		993.6
Administrative Fund	8		28.1
Total Proprietary Funds	59	$	1,386.7

See accompanying independent accountants' report.

Schedule 6

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Analysis of Administrative Costs

Year ended June 30, 2019

The Authority's administrative costs include the following employee benefits:

Description		2019	2018
Employee holiday/annual reception	$	5,188	4,625

See accompanying independent accountants' report.

Schedule 7

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Description of Cash Accounts

June 30, 2019

The Authority's cash and cash equivalents for proprietary funds at June 30, 2019 were maintained in bank accounts, as follows:

Administrative Fund:		
The Northern Trust Company – HUD Section 8 Depository	$	118,741
Bank of America		5,931,374
Bank of New York		3,035,920
Chase Bank		14,195,921
Federal Home Loan Bank of Chicago		15,240,936
Wells Fargo		146,189,769
Total Administrative Fund		184,712,661
Mortgage Loan Program Fund:		
Housing Bonds:		
Bank of New York		105,267,119
Multifamily Initiative Bonds:		
Bank of New York		1,183,766
Multifamily Revenue Bonds:		
Bank of New York		5,107,561
Affordable Housing Program Trust Fund Bonds:		
Bank of New York		162,970
Total Mortgage Loan Program Fund		111,721,416
Single Family Program Fund:		
Homeowner Mortgage Revenue Bonds:		
Bank of New York		63,556,574
Housing Revenue Bonds:		
Bank of New York		4,504,007
Revenue Bonds:		
Bank of New York		30,691,059
Total Single Family Program Fund		98,751,640
Total Proprietary Funds	$	395,185,717

See accompanying independent accountants' report.

Schedule 8

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Description of Investments

June 30, 2019

The fair value of investments for the Authority's governmental and proprietary funds at June 30, 2019 is delineated by type, as follows:

		Fair value
United States Agency Obligations	$	1,058,710,898
United States Government Obligations		28,797,417
Municipal Bonds		251,380
Commercial Paper		281,592,542
Certificates of Deposit		6,600,716
	$	1,375,952,953

See accompanying independent accountants' report.

Schedule 9

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Affordable Housing Trust Fund

June 30, 2019

The Authority is the designated administrator of the Illinois Affordable Housing Program. The program is funded by the Illinois Affordable Housing Trust Fund with funds generated from the State real estate transfer tax collected by the Illinois Department of Revenue and held within the State Treasury. At June 30, 2019, total funds held were $59,440,030, which consisted of cash and cash equivalents held by the Authority escrow agent for pending disbursement of loans and grants.

See accompanying independent accountants’ report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Schedule of Federal and Nonfederal Expenses

Year ended June 30, 2019

		Amount	Percent
Federal expenditures (A)	$	86,760,806	30%
Nonfederal expenditures/expenses		206,922,358	70%
Total expenditures/expenses		293,683,164	100%
Plus amount representing loan loss offset by applied program income		(25,394,279)	
Total expenses (B)	$	268,288,885	

Source:

(A) Schedule of Expenditures of Federal Awards (excluding beginning loan balance)

(B) Statement of Activities for the year ended June 30, 2019

See accompanying independent accountants' report

Authority Functions and Planning Program

The Authority is a body politic and corporate of the State of Illinois (the "State") created pursuant to the Illinois Housing Development Act (20 ILCS 3805/) (the "Act"). The Authority is governed by a nine-member Board. Pursuant to the Act, the Board is to include a senior citizen age 60 or older, not more than three members from any one county in the State and not more than five members from any one political party. The Authority currently has three board member vacancies. Members serve four-year staggered terms and are appointed by the then-current Governor with the advice and consent of the Senate. Kristin Faust was appointed as the new Executive Director of the Authority on November 12, 2019. Former Executive Director, Audra Hamernik, left the Authority on August 15, 2019. In addition, the Authority employs a staff of approximately 298 persons, including persons who have experience and responsibilities in the areas of finance, accounting, mortgage loan underwriting, planning, housing development, market analysis, law, and housing marketing and management.

The Authority's primary mission it to create and preserve affordable housing throughout the State. This mission, along with other mandates and goals, is currently accomplished through several State and Federal programs.

The Authority's operations are financed by fees and charges paid by borrowers, interest income from investment securities, proceeds from the sale of mortgage-backed securities, and other administration fees. No State General Revenue Funds are received by the Authority for its operations, and no State tax dollars are provided directly to the Authority. A partial reimbursement of expenses related to the administration of the Illinois Affordable Housing Program, the Rental Housing Support Program, Abandoned Properties Program, and the Foreclosure Prevention Fund the funding of which is collected by the Illinois Department of Revenue and held within the State Treasury are from sources further described below.

The Mortgage Loan Program and The Affordable Housing Bond Program provides mortgage financing at rates lower than those available from commercial lenders for housing developments meeting Authority criteria. Through *The Homeowner Mortgage Purchase Program*, the Authority through a Master Servicer, purchases mortgage-backed securities with underlying mortgage loans on which it provides affordable rate financing from certain institutions which have made home purchase loans available to eligible borrowers (primarily, first time homebuyers).

Since fiscal year 2010, the Authority has moved away from its single family whole loans program to a program under which it purchases Federal Government guaranteed mortgage-backed securities with underlying single family whole loans originated by the Authority's participating lender network. Under the Authority's *Homeowner Mortgage Loan Program*, the Authority offers homebuyers two loans: a first mortgage and an optional Down Payment Assistance loan provided as a second mortgage. The first mortgage is a 30-year fixed rate amortizing loan and is insured either by FHA, USDA, VA or private mortgage insurance. Each first mortgage loan upon funding is securitized into Government National Mortgage Association (GNMA) certificates or Fannie Mae (FNMA) mortgage-backed securities. The Authority, depending upon market conditions, either permanently finances the mortgage-backed securities through the issuances of bonds, or sells the securities in the secondary mortgage market.

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

The Authority is the administrator of the *Rental Housing Support Program* and awards funds to local administering agencies, which contract with local landlords to make rental units affordable to households who earn less than 30% of the area median income, with 50% of the assistance targeting households who earn less than 15% of the area median income. Under the Long Term Operating Support portion of the program, the Authority provides subsidies directly to the property owners. The program is funded by a surcharge for the recordation of any real estate-related document. The funds are appropriated to the Illinois Department of Revenue by the General Assembly.

The Authority is the administrator of the *Build Illinois Bond Program,* which was funded by bond proceeds, allocated for affordable housing, from the Build Illinois Bond Fund. All funds have been allocated. The funds were appropriated to the Illinois Department of Revenue by the General Assembly. Under this program, the Authority made affordable housing grants, loans and investments for low-income families, individuals, senior citizens and persons with disabilities, and at-risk displaced veterans.

The Authority is the administrator of the *Foreclosure Prevention Program (FPP)* which is funded by a $50 filing fee the plaintiff pays each time a foreclosure complaint is filed. The funds are appropriated to the Illinois Department of Revenue by the General Assembly. Under this program, the Authority makes grants to HUD certified housing counseling agencies and community based organizations to support housing counseling and foreclosure prevention outreach. Statutory allocation is: 25% City of Chicago; 25% counseling agencies that provide for housing counseling located outside the City of Chicago; 25% community based organizations located outside the City of Chicago; 25% community based organizations located within the City of Chicago.

The Authority is the administrator of the *Foreclosure Prevention Program Graduated Fund (FPPG)* which is funded by an additional plaintiff-paid foreclosure filing fee. The program makes grants to HUD certified counseling agencies to support housing counseling. Statutory allocation is: 25% City of Chicago; 30% Cook County; 30% collar counties; and 15% other areas of the state.

The Authority is the administrator of the *Abandoned Properties Program (APP),* funded by an additional plaintiff-paid foreclosure filing fee. The program makes grants to municipalities and counties to secure, maintain, demolish, and/or rehabilitate abandoned rental properties under their jurisdictions. Statutory allocation is: 25% City of Chicago; 30% Cook County; 30% collar counties; and 15% other areas of the state.

The Authority, through a national grant administered by NeighborWorks America provided through the *Project Reinvest: Financial Capability Program (PRFC),* is allocating grants to various partner agencies to fund free financial capability counseling/coaching for households throughout Illinois.

The Authority was the administrator for the HUD-*funded Neighborhood Stabilization Program (NSP)* which provided grants and/or loans to municipalities and developers to rehabilitate abandoned or foreclosed properties in communities adversely affected by the foreclosure crisis. The originally allocated NSP funds have been 100% disbursed, though program income continues to be accrued and allocated.

The Land Bank Capacity Program (Program) was created to assist downstate and southern Illinois communities with grant funds to help empower local and regional revitalization efforts by increasing land banking capacity. Funding is available to units of local government and regional councils for initial capital to fund startup costs of creating a land bank, operating costs, land acquisition, and other locally managed revitalization techniques. A sub-component of the Program is the Technical Assistance Network ("TA Network") to help build capacity and sustainability through responsible partnerships. The TA Network is responsible for increasing the development capacity of local communities and land banks. Funding is derived from the U.S. Department of Justice and the U.S. Department of Housing and Urban Development national foreclosure settlement secured by state attorneys general, including the Illinois Attorney General.

The Authority is the administrator for the *Hardest Hit Fund (HHF)* for funding appropriated to the State of Illinois by the United States Department of the Treasury (Treasury) to stabilize neighborhoods and provide targeted aid to families struggling with the effects of the economic and housing market downturn. Congress reauthorized HHF funding in the 2016 Consolidated Appropriations Act (P.L. 114-113). Four sub-programs exist under the Illinois Hardest Hit Fund program:

- The *Homeowner Emergency Help Program (HELP2)* assists borrowers who have experienced a 20% reduction in income through a qualifying hardship with up to $35,000 in assistance. Homeowners can qualify for reinstatement and/or mortgage payment assistance for up to 12 months or reverse mortgage assistance to reinstate delinquent property taxes, insurance and HOA dues and pay up to 24 months of future property expenses. The program will begin to wind down in calendar year 2019.
- The *Home Preservatio*n Program (known as "I-Refi") targets borrowers with negative equity offering up to $50,000 to buy down the mortgage and refinance the borrower into an affordable 30-year fixed-rate loan.
- The *Blight Reduction Program (BRP)* provides funding to Illinois units of local government and their nonprofit partners to complete acquisition, demolition, greening and eventual reuse of blighted residential properties.
- The 1st Home Illinois program uses HHF dollars to provide first-time homebuyers in targeted counties with $7,500 in down payment assistance. The number of participating counties reduced from ten to four as of December 31, 2018.

The Authority is the administrator of the *Illinois Affordable Housing Tax Credit Program*, which was designed to assist nonprofit organizations to solicit corporate and other donations for assisting with a variety of affordable housing projects, providing the donating entity with a 50% state income tax credit for every dollar donated. Rental housing development and homeownership assistance are both eligible.

The Authority is the State-level Tax Credit administrator for *the Federal Low Income Housing Tax Credit Program (LIHTC),* designed to encourage the production of affordable rental housing that primarily targets households earning less than 60% of the area median income, providing an income tax credit to qualifying investors of low-income housing. Project developers typically syndicate these credits up front at a discounted rate to raise cash equity to help finance developments. The limited partner tax credit investor pays a fee in exchange for dollar-for-dollar reduction in federal tax liability. The City of Chicago serves in the same capacity as a local tax credit administrator for its' allowed home rule proportional allotment of credits. The LIHTC program is governed by a Qualified Allocation Plan (QAP), most recently approved as a two-year QAP for calendar years 2019 and 2020.

The Authority was designated the program administrator for Section 1602 of the American Recovery and Reinvestment Act of 2009 (ARRA) for grants appropriated to the State of Illinois by the United States Department of the Treasury to finance construction or acquisition and rehabilitation of low-income rental housing in lieu of low-income housing tax credits. In addition, HUD made awards to the Authority under the Tax Credit Assistance Program (TCAP) to facilitate the development of projects that received or will receive funding in order to be completed and placed in service in accordance with the requirements of Section 42 of the Internal Revenue Code of 1986 and the regulations promulgated thereunder. These awards were then allocated to sub-grantees and the Authority is responsible for the monitoring and reporting of the use of these funds. These funds have been expended and the program is now expired. The originally allocated TCAP funds have been 100% disbursed, though program income continues to be accrued and allocated. The program is currently progressing into the close out phase.

The Authority serves as the “participating jurisdiction” for the Federal HOME program. Under the HOME Program, $512.1 million and $21.1 million for federal fiscal years 1992 through 2018 and 2019, respectively, have been allocated to the State by HUD, to be administered by the Authority under the HOME provisions of the 1990 National Affordable Housing Act. As the participating jurisdiction, the Authority receives the funds directly from the Federal government. IHDA’s HOME program is used primarily for rental housing development for 60% AMI households.

The Authority administers the *Section 811 Project Rental Assistance Program* funded through the U.S. Department of Housing and Urban Development. Section 811 is a project based rental assistance program for very low-income non-elderly persons with disabilities referred through a Statewide Referral Network created through intergovernmental agreement with the Illinois Department of Human Services, the Illinois Department of Healthcare and Family Services, and the Illinois Department on Aging. The Authority was awarded approximately $12 Million through a Federal Fiscal Year 2012 Notice of Funding Availability, and approximately $6 Million through the Federal Fiscal Year (FFY) 2013 Notice of Funding Availability.

The Authority is the statewide administrator of the *National Housing Trust Fund (NHTF)*. Under this program, $7.2 million and $9.8 million for Federal fiscal years 2017 and 2018, respectively, have been allocated to be administered by the Authority. The NHTF was authorized as part of the Housing and Economic Recovery Act of 2008 and was established as a permanent federal program with its main funding being dedicated funding coming from Government Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac, which are not subject to the appropriations process. Due to receivership issues, funds were first collected by Federal Housing Finance Agency (FHFA) in 2015 and were made available in April 2016. HUD’s Interim Rule requires that the NHTF Allocation Plan be inserted as a component of a state’s 5-year Consolidated Plan, following the Consolidated Plan public participation requirements. Funding is targeted to Very Low-Income and Extremely Low-Income households with 90% of funds annually required to be used for rental housing.

The Authority also created the *Credit Advantage and Affordable Advantage Mortgage Programs* to bring low-cost capital to the developers of affordable rental housing. These programs provide first lien construction or permanent mortgage loans on a taxable basis with maximum loan amounts of $10 million for the new construction, refinance or acquisition/rehabilitation of developments providing affordable rental housing.

Throughout the years, various pieces of State and Federal legislation have impacted the Section 8 Housing Program and bond issuances, and therefore, the Authority found it necessary to devise other types of credit enhancements to continue its ability to provide mortgage financing rates at lower than those of commercial lenders. As such, insurance and other surety protection was sought to ensure that the Authority is able to issue its bonds and notes at the lowest possible interest rates.

The Authority has entered into a Risk Sharing Agreement (Agreement) with HUD and through this program, HUD will insure certain mortgage loans on multi-family housing developments (Risk Sharing Loans). HUD has authorized the Authority to make an unlimited amount of loans for such developments. Under the Agreement, the Authority underwrites Risk Sharing Loans following its underwriting guidelines. HUD insures the Risk Sharing Loans and bears 10% to 90% of the loss, as elected by the Authority, in the event of a foreclosure. The Authority bears the remainder of the risk.

The Authority has entered into a 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, which 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.

The Authority is generally able to make loans at rates lower than those of commercial lenders because interest on its qualified bonds and notes are tax-exempt (from both State and Federal taxes). Except for the Affordable Housing Bond Program, which receives funds to use in support of the Program Bonds, the interest rates charged by the Authority on loans are directly related to interest paid by the Authority on its bonds and notes. The Authority obtains favorable interest rates on its debt because the Authority has consistently received high Moody's, Standard & Poor's and Fitch ratings on such debt. The Authority's current Issuer Credit Ratings are A1 (Stable) by Moody's Investors Service, AA- (Stable) by Standard & Poor's and AA- (Stable) by Fitch Ratings. No bonds or notes of the Authority are debts of the State of Illinois.

With respect to certain outstanding debt, which as of June 30, 2019 comprised approximately 0% of the Authority's outstanding debt, in the event the Authority determines at any time that its monies are insufficient to pay principal of and interest on its bonds in the next State fiscal period, the Chairman of the Authority shall certify the deficiency to the Governor, who shall include the amount in the State budget. However, payment of any amounts by the State on behalf of the Authority is subject to appropriation by the General Assembly. Accordingly, the Illinois Housing Development Act does not create a legally enforceable obligation on the part of the State for the payment of such monies nor does it create a debt enforceable against the State.

Some developments financed by the Authority are eligible for the federal subsidies for interest and/or rents. In the past, the Authority obtained commitments for subsidies from the U.S. Department of Housing and Urban Development (HUD) and then solicited applications for loans from prospective developers. The Authority makes mortgage loan commitments after an extensive study of the feasibility of a development and the development's compliance with applicable federal, state, and local laws and rules and regulations. All commitments are authorized by the Members of the Authority.

Planning Program

In 2016, IHDA created a new Strategic Planning and Reporting (SPAR) department to consolidate the Authority's planning functions. The SPAR department is comprised of the former Office of Housing

Coordination Services and Strategic Planning and Research departments as well as the former Compliance group which had been responsible for managing required reporting on fund balances and uses. The SPAR department works with virtually all of IHDA's departments to provide data services, planning, analysis, programmatic input, technical assistance and performance measurements that allow the Authority to better identify and accept those developments that achieve the Authority's goals of providing low and moderate economically integrated housing throughout the state, while at the same time maintaining the financial viability of the Authority. In addition to these functions, SPAR provides background research, analysis, and direct planning that allows IHDA to provide leadership throughout the state on a variety of planning fronts:

- Annual Comprehensive Housing Planning - Executive Order 2003-18, issued in September of 2003, called for the creation of a State Annual Comprehensive Housing Plan to be created by a Governor appointed Housing Task Force, of which the Authority’s Executive Director was designated as Chair. The first plan was issued in January 2005, with annual plans published in each subsequent year, as well as annual progress reports. In June 2006, the General Assembly codified the Governor’s Executive Order into law with the passage of the Comprehensive Housing Planning Act, which extended the Housing Task Force and its successful planning efforts until 2017. It was amended in 2017 to extend through 2026. IHDA’s SPAR Department serves as staff for the Housing Task Force and is responsible for the overall coordination of the development of the Authority’s annual federal and State-required housing plans and progress reports.

- Consolidated Plan and Related Documents - The HUD-required Consolidated Plan outlines the State’s strategy for housing and community development activities, and the Annual Action Plan which serves as the State’s application for federal funding (HOME and (national) HTF). The Office also coordinates housing programs and services between State agencies and maintains a statewide information clearinghouse on available affordable housing programs and services and staffs a statewide Office of Housing Coordination Services (Housed in IHDA’s SPAR department) advisory Committee.

- Community Revitalization Planning – SPAR provides direct Technical Assistance throughout the state to communities looking to integrate affordable housing with job creation, education, medical provision and other community-based activities. These State and local partnerships are incentivized through points in the LIHTC Qualified Allocation Plan, providing a competitive advantage to projects located in areas where community revitalization planning exists.

- Affordable Housing Planning and Appeal Act (310 ILCS 67) (AHPAA) – SPAR also administers the AHPAA, a State-authorized planning program to incentivize municipalities with minimal affordable housing (less than 10% of its housing stock) to develop affordable housing plans and encourage related development. Developers may file appeals of local (municipal or county) decisions that deny or overly restrict affordable housing projects to the State Housing Appeals Board, a Governor-appointed body that is also staffed by IHDA.

The Authority also utilizes internal planning primarily through its annual budgeting process, in which Authority’s goals for the ensuing fiscal year are established and departmental goals and expense budgets are developed in support of the established Authority goals. In developing the goals and the departmental support level to achieve them, consideration is given to the availability of staff and other resources. To effectively measure achievement of the goals and objectives, the Authority monitors on an ongoing basis the units of housing produced through its programs. The Authority's plans are geared to its authorizing legislation, the needs of Illinois citizens and goals as identified in the Annual Comprehensive Housing Plan. The Authority's programs are being implemented as planned in coordination with the goals and objectives of other governmental entities providing similar services.

Analysis of Significant Account Balances

Cash and investments of the Authority's proprietary funds increased $403.5 million from June 30, 2018 to $1,722.4 million at June 30, 2019. This increase is primarily a net result of the following factors:

(a) Cash receipts from interest, service fees, and principal on program loans exceeded interest paid on revenue bonds and notes by $126.8 million.

(b) Proceeds from the sale of revenue bonds and notes exceeded principal repayments of debt by $222.3 million.

(c) Interest received on investments and transfers in (net) totaled $33.8 million.

(d) Other receipts totaled $24.5 million.

(e) Payments to suppliers and employees totaled $37.4 million.

(f) Payments for loan originations totaled $31.7 million.

(g) Payment for bank note cash collateral $14.9 million.

Net program loans receivable of the Authority's proprietary funds decreased approximately $75.6 million during fiscal year 2019, consisting of decreases in the Authority's Single Family Program Fund ($23.8 million), Mortgage Loan Program Fund ($43.7 million) and Administrative Fund ($8.0 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 FNMA mortgage-backed securities. The Mortgage Loan program experienced multiple developments paying down large amounts of loan receivable, as well as regular loan payments on the remainder of the receivables, while the Administrative Fund experienced greater debt service and loan repayments than new loan issuances, during the fiscal year.

Net position of the Authority's governmental activities increased $64.6 million from the June 30, 2019 balance primarily from increases in the Hardest Hit Fund (HHF) Program ($39.0 million), Federal HOME Program Fund ($20.9 million), and Nonmajor Governmental Funds ($4.7 million) and net position of the Authority's other two governmental activities are recorded on the Authority's financial statements. The Hardest Hit Fund drew down on the remainder of its available funds ($127.0 million) during fiscal year 19 and was the main driver of the net position increase. The HOME program saw an increase in federal revenue ($14.7 million) when compared to the previous fiscal year, and accounts for the majority of the change in net position at fiscal year-end. The equity of the Illinois Affordable Housing Trust Fund is recorded as due to the State of Illinois. All revenues of the Rental Housing Support Program (RHSP) Fund are ultimately disbursed as grant or administrative expenses, and therefore no net position is recorded on the Authority's financial statements.

(Continued)

Total net program loans receivable (current and noncurrent), increased by $26.2 million, or 4.2%, to $653.9 million, attributable to increases in the Federal HOME Program Fund ($19.2 million), the Illinois Affordable Housing Trust Fund ($4.9 million) and the Non-Major Funds ($3.4 million), offset by decreases in the HHF Program ($1.2 million). Cash and investments increased by $73.4 million, or 47.9%, attributable to increases in the Illinois Affordable Housing Trust Fund ($30.1 million), the Rental Housing Support Program Fund ($3.5 million), HOME Program Fund ($2.4 million) and HHF Program ($39.0 million), offset by decrease in Nonmajor Governmental Funds ($1.6 million). The Affordable Housing Trust Fund experienced an increase in projects during the fiscal year, and this resulted in an increase in program related draws during the fiscal year. The Hardest Hit fund completed its final draw down ($127.0 million) from the US Department of Treasury in and resulted in much of the cash and investment increase for fiscal year 2019. State statute and federal regulations restrict the use of the governmental funds to program activities.

Bank note cash collateral within the Administrative Fund decreased $14.9 million in fiscal year 2019 due to the deposit of funds which are expected to repay the purchaser of short-term tax-exempt construction loan notes upon their maturity.

A portion of the Authority's Administrative Funds Unrestricted Net Position has been designated by resolution. Net Position designated by resolution of the Authority ($220 million) increased by $15.0 million from the amount designated as of June 30, 2018. The Members of the Authority have designated $105 million to purchase homeownership mortgage loans and/or mortgage-backed securities under the Homeownership Mortgage Loan Program which will eventually be purchased with proceeds from future issuances of Authority debt or sold in the secondary market, $10 million to finance Multi-Family loans originated under the Mortgage Loan Program, $65 million to provide funds to support single family homeownership in the State of Illinois through second lien position loans and/or grants, $5 million to pay possible losses arising in the Homeownership Program attributable, but not limited to, delinquencies or defaults on uninsured or unsubsidized loans, $25 million to pay possible losses arising in the Multi-Family Bond Program attributable, but not limited to, delinquencies or defaults on uninsured or unsubsidized loans, and $10 million to pay expenses for planned technology program enhancements.

Analysis of Significant Variations in Revenue and Significant Variations in Expenditures/Expense

Proprietary Funds

Interest earned on program loans decreased by $4.2 million, or 14% mainly due to the prepayment of mortgage loans. Decreases mainly occurred within the Authority's Mortgage Loan Program Fund ($1.9 million) and Single Family Program Fund ($1.6 million). Investment income increased $51.3 million or 137.2% mainly from an increase in the Single Family Program Fund ($52.6 million) due to increased fair market value of investments, an increase in the Mortgage Loan Program Fund ($1.7 million), partially offset by a decrease in the Administrative Fund Program Fund ($3.0 million). Other revenues decreased $2.1 million, or (8.3%).

Interest expense increased $4.0 million, or 13.0% primarily from an increase within the Single Family Program Fund ($5.6 million), due to higher outstanding debt, offset by decreases within the Mortgage Loan Program Fund ($1.3 million) and the Admin Fund ($0.3 million)

Operating expenses, other than interest expense and federal assistance programs, increased approximately $7.5 million. The major components of the change were:

a. A $2.8 million (13.9%) increase in salaries and benefits primarily due to increased employee head count and compensation levels. The average number of full-time equivalent employees for fiscal years 2015 through 2019 is listed in the Analysis of Operations-Average Number of Employees section of this report.

b. A $0.7 million (9.5%) increase in general and administrative is mainly due to higher maintenance and personnel acquisition costs.

c. A $3.1 million (85.1%) increase in financing costs due to increased debt activity.

d. A $2.5 million (136.8%) decrease in provision for estimated losses on program loans receivable.

e. A $4.3 million (946.7%) increase in program grant expenses due to higher program funding.

Governmental Activities

Total revenues of the Authority's governmental activities increased $133.5 million from the prior year due to the final draw down of funds by HHF ($127.7 million), increases in projects and draws by the HOME Program Fund ($14.7 million) and offset by a decrease in projects and activity within the Rental Housing Support Program Fund ($7.4 million).

Total expenditures of the Authority's governmental activities decreased $53.7 million from the prior year, due to decreases HHF ($26.3 million), Nonmajor Governmental Funds ($3.0 million), the HOME program Fund ($18.5 million), and the Rental Housing Support Program Fund ($7.4 million), offset by increases in the Illinois Affordable Housing Trust Fund ($1.5 million). The Hardest Hit Fund is currently in a wind down phase and will see a decrease in expenditures year over year, until final close out. The HOME program had a reversal of estimated loss in fiscal year 2019 of $1.8 million, compared to a provision in fiscal year 2018 of $15.5 million, and accounts as the biggest driver in the expenditure change. The Rental Housing Support Program Fund saw a decrease of activity during the fiscal year, which resulted in lower grant expenditures during the fiscal year.

Average Number of Employees

	2019	2018	2017	2016	2015
Financial and computer services	52	50	44	40	41
Human resources, administration, and legal	43	41	36	37	41
Director's office and housing programs	203	203	198	161	158
Total	298	294	278	238	240

Emergency Purchases

Two emergency purchases were made during fiscal year 2019 totaling $380,786. One purchase ($218,625) was for a fire suppression system for the Server Room and the other purchase $(162,161) was for an initial emergency contract for the management of the Lake Shore Plaza property.

Summary Production Data

Unit production for fiscal year 2019 was 10,428 units, and total production since Authority inception was 314,920 units.

Approximately 78% of the Authority's production since inception has been to households with 80% or below of the area median income.

Service Efforts and Accomplishments

The Authority has included key statistical and programmatic data to reflect its service efforts and accomplishments and activity measures.

The data presented in the first table (Multi-Family and Single Family Production – Activities Closed or placed into Service) represents initially closed multi-family loans, purchased single family Mortgage Revenue Bond (MRB) loans, issued Mortgage Credit Certificates (MCC), and low-income housing tax credits (LIHTC) units which have been placed in service since the inception of the programs. The multi-family data includes projects that received permanent, construction, or conduit financing, as well as projects where the Authority provides only contract administration. This data does not include multi-family or single family loans that are currently "in process" or multi-family developments recently allocated in the case of Tax Credits.

The data presented in the second table (Unit Production by Percent of Area Median Income (AMI)) provides a breakdown of unit production by targeted AMI since the inception of the programs.

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

Analysis of Operations Section (Unaudited)

Service Efforts and Accomplishments

Multi-Family and Single Family Production – Activities Closed or Placed into Service Since Inception

June 30, 2019

(Unaudited)

	Active		No longer active (3)		Total	
Portfolio	**Developments**	**Units**	**Developments**	**Units**	**Developments**	**Units**
Multi-family Programs	1,563	120,787	419	27,965	1,982	148,752
Single Family Programs (1)	456	4,789	971	24,576	1,427	29,365
Technical Assistance	2	—	69	1,513	71	1,513
MCC & MRB (2)	—	135,290	—	—	—	135,290
Totals	2,021	260,866	1,459	54,054	3,480	314,920

(1) Includes HOME, Housing Trust Fund, and State Housing Tax Credit programs

(2) MCC = Mortgage Credit Certificate; MRB = Mortgage Revenue Bond

(3) No longer being monitored for either loan servicing or housing program participation

See accompanying independent accountants' report.

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

Analysis of Operations Section (Unaudited)

Service Efforts and Accomplishments

Unit Production by Percent of Area Median Income Since Inception

June 30, 2019

(Unaudited)

Percent of Area Median Income	Multi-family and single family programs	MCC & MRB (1) (2)	Total
Less than 30%	8,441	2,354	10,795
31%–50%	59,275	21,689	80,964
51%–80%	95,735	59,373	155,108
81%–100%	—	31,146	31,146
101%–120%	557	14,806	15,363
Greater than 121% or Market	15,622	5,922	21,544
Totals	179,630	135,290	314,920

(1) MCC = Mortgage Credit Certificate; MRB = Mortgage Revenue Bond

(2) HUD income limits were used as the standard. Due to the inconsistency between IRS income limits and HUD income limits, the data for the MCC and MRB portions are close approximations.

See accompanying independent accountants' report.

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

Analysis of Operations Section (Unaudited)

Service Efforts and Accomplishments

Unit Production by Economic Development Region Since Inception

June 30, 2019

(Unaudited)

	Programs				
Region (1)	**Multi-Family**	**Single Family**	**Technical Assistance**	**MCC & MRB (2)**	**Total Units**
Central	7,434	1,164	—	8,082	16,680
East Central	4,030	591	—	4,564	9,185
North Central	7,240	2,203	—	11,743	21,186
Northeast	96,219	6,629	13	75,342	178,203
Northern Stateline	4,219	831	—	12,217	17,267
Northwest	7,760	2,419	—	6,028	16,207
Southeastern	2,167	893	—	2,097	5,157
Southern	3,417	4,839	—	2,869	11,125
Southwestern	5,008	3,426	—	9,441	17,875
West Central	2,577	1,349	—	2,907	6,833
Statewide (3)	8,681	5,021	1,500	—	15,202
Total	148,752	29,365	1,513	135,290	314,920

(1) Counties included in each region are as follows:
- Central – Cass, Christian, Greene, Logan, Macon, Menard, Montgomery, Morgan, Moultrie, Sangamon, Scott, and Shelby (Metro areas Decatur and Springfield)
- East Central – Champaign, Douglas. Ford, Iroquois, Piatt, and Vermilion (Metro area Champaign)
- North Central – Dewitt, Fulton, Livingston, Marshall, Mason, Mclean, Peoria, Stark, Tazewell, and Woodford (Metro areas Bloomington Normal and Peoria)
- Northeast – Cook, DeKalb, DuPage, Grundy, Kane, Kankakee, Kendall, Lake, McHenry, and Will (Metro areas Chicago, DeKalb, and Kankakee)
- Northern Stateline – Boone, Ogle, Stephenson, and Winnebago (Metro area Rockford)
- Northwest – Bureau, Carroll, Henry, Jo Daviess, La Salle, Lee, Mercer, Rock Island, Putnam, and Whiteside (Metro area Rock Island)
- Southeastern – Clark, Clay, Coles, Crawford, Cumberland, Edgar, Effingham, Fayette, Jasper Lawrence, Marion, and Richland
- Southern – Alexander, Edwards, Franklin, Gallatin, Hamilton, Hardin, Jackson, Jefferson, Johnson, Massac, Perry, Pope, Pulaski, Saline, Union, Wabash, Wayne, White, and Williamson
- Southwestern – Bond, Calhoun, Clinton, Jersey, Madison, Macoupin, Monroe, Randolph, St. Clair, and Washington (Metro area East St. Louis)
- West Central – Adams, Brown, Hancock, Henderson, Knox, McDonough, Pike, Schuyler, and Warren

(2) MCC = Mortgage Credit Certificate; MRB = Mortgage Revenue Bond

(3) The Statewide category represents Multi-Family and Single-Family projects and deals that cross counties.

See accompanying independent accountants' report.