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

Financial Statements

June 30, 2007

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

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

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FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the Illinois Housing Development Authority (the Authority) was performed by KPMG LLP.

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

SUMMARY OF FINDINGS

The auditors identified matters involving the Agency's internal control over financial reporting that they considered to be significant deficiencies. The significant deficiencies are described in the accompanying Schedule of Findings and Responses on pages 59 through 64 of this report as finding 07-01, *Incomplete Documentation for the Risk Ratings Assigned to Program Loans*, finding 07-02, *Inadequate Process for the Establishment of New Loans in the Loan Subsidiary System*, finding 07-03, *Inadequate Reconciliation Procedures for Deposits Held in Escrow*, and finding 07-04, *Inadequate Process for Calculating and Reporting Loss on Debt Refunding Transaction*. None of these findings were considered to be material weaknesses.

EXIT CONFERENCE

The Authority reviewed the findings and recommendations in this report and waived a formal exit conference. The responses to the recommendations were provided by Jim Kregor, Controller, in a letter dated October 26, 2007.

KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Independent Auditors' Report

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

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the nonmajor governmental fund of the Illinois Housing Development Authority (the Authority), a component unit of the State of Illinois, as of and for the year ended June 30, 2007, which collectively comprise the Authority's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the nonmajor governmental fund of the Authority as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2007 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

KPMG LLP

Chicago, Illinois
October 26, 2007

This section of the Illinois Housing Development Authority's (Authority) annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2007. Please read it in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- Net assets of the Authority increased $52.9 million, to $510.9 million as of June 30, 2007, from an increase in the Authority's business-type ($34.3 million) and governmental ($18.6 million) activities.
- Operating income of the Authority's business-type activities increased $18.2 million from the prior year due primarily to reversals of previous estimated losses on program loans receivables and the mortgage participation certificate program ($16.0 million, consisting of fiscal year 2007 reversals of $11.1 million compared to fiscal year 2006 provisions for estimated losses of $4.9 million), increases in investment income ($6.3 million), due mainly to higher investment yields, and increases in interest earned on program loans ($5.6 million), from increased loans outstanding, partially offset by an increase in interest expense ($5.4 million), from higher debt outstanding and higher other operating expenses ($3.6 million). During fiscal year 2007, the Authority adopted a revised loan loss rating policy, the implementation of which resulted in a change of estimate of its allowances for estimated losses on program loans receivable.
- The Authority's debt outstanding of $1,587.5 million as of June 30, 2007 was $164.8 million above the amount outstanding as of June 30, 2006. Debt issuances for the year totaled $504.8 million.
- Loan originations for the year totaled $61.5 million and $329.6 million in the Authority's governmental and business-type activities, respectively.

Overview of the Financial Statements

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

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

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

(Continued)

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

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

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

(Continued)

Financial Analysis of the Authority as a Whole

Net Assets – The combined net assets of the Authority increased by $52.9 million, or 11.6%, from the June 30, 2006 amount. The following table shows a summary of changes from prior year amounts.

Net Assets
(In millions of dollars)

	Governmental activities		Business-type activities		Total		Inc./(Dec.)	
	2007	2006	2007	2006	2007	2006	Amount	%
Current assets:								
Cash and investments – unrestricted	$ 58.0	54.8	99.6	120.1	157.6	174.9	(17.3)	(9.9)
Program loans receivable	5.7	9.9	44.4	39.7	50.1	49.6	0.5	1.0
Other current assets	2.0	0.2	9.6	10.9	11.6	11.1	0.5	4.5
Total current assets	65.7	64.9	153.6	170.7	219.3	235.6	(16.3)	(6.9)
Investments – restricted	—	—	635.8	545.8	635.8	545.8	90.0	16.5
Net program loans receivable	413.0	353.5	1,322.2	1,200.6	1,735.2	1,554.1	181.1	11.7
Other assets	—	1.8	50.1	56.1	50.1	57.9	(7.8)	(13.5)
Total assets	478.7	420.2	2,161.7	1,973.2	2,640.4	2,393.4	247.0	10.3
Current liabilities:								
Due to State of Illinois	62.2	63.2	—	—	62.2	63.2	(1.0)	N/A
Bonds and notes payable	—	—	102.2	52.4	102.2	52.4	49.8	95.0
Deposits held in escrow	—	—	159.0	142.2	159.0	142.2	16.8	11.8
Other current liabilities	—	—	66.6	94.0	66.6	94.0	(27.4)	(29.1)
Total current liabilities	62.2	63.2	327.8	288.6	390.0	351.8	38.2	10.9
Due to State of Illinois	254.2	213.3	—	—	254.2	213.3	40.9	N/A
Bonds and notes payable	—	—	1,485.3	1,370.3	1,485.3	1,370.3	115.0	8.4
Total liabilities	316.4	276.5	1,813.1	1,658.9	2,129.5	1,935.4	194.1	10.0
Net assets:								
Invested in capital assets-net	—	—	0.2	0.4	0.2	0.4	(0.2)	(50.0)
Restricted	162.3	143.7	262.8	232.7	425.1	376.4	48.7	12.9
Unrestricted	—	—	85.6	81.2	85.6	81.2	4.4	5.4
Total net assets	$ 162.3	143.7	348.6	314.3	510.9	458.0	52.9	11.6

Governmental Activities

Net assets of the Authority's governmental activities increased $18.6 million, or 12.9%, to $162.3 million from an increase in the HOME program, due to the conversion of grant revenues to program loans receivable. All equity of the Authority's other two governmental activities, the Affordable Housing Trust Fund (Housing Program) and the Rental Housing Support Program, are recorded as due to the State of Illinois and, as a result, no net assets for these activities are recorded on the Authority's financial statements.

Total program loans receivable (current and non-current), increased by $55.3 million, or 15.2%, to $418.7 million due mainly to continued strong demand in both the Housing Program and the HOME Program for loans to support low and very low income housing. Cash and investments increased by $3.2 million, or 5.8%, as the Authority was holding slightly higher amounts pending disbursement of funds for loans and grants to Housing Program recipients. State statute and federal regulations restrict the use of the Housing Program, the HOME program and the Rental Housing Support Program to program activities.

Due to the State of Illinois (current and non-current) increased $39.9 million. This item reflects a liability for the State of Illinois' interest in the equity of the Housing Program as the Authority acts only as the administrator of the Housing Program and accounts for the interest in the equity to be that of the State of Illinois.

Business-type Activities

Net assets of the Authority's business-type activities increased $34.3 million, to $348.6 million from operating income of $29.1 million and the annual transfer ($5.2 million) from the Affordable Housing Trust Fund. Program loans receivable (current and non-current) increased $126.3 million, or 10.2%, to $1,366.6 million due primarily to increases in the Authority's Single Family Program ($89.3 million) Fund and the Mortgage Loan Program Funds ($32.0 million). The increase in program loans receivable in the Single Family Program was the third straight year-to-year increase following a three year period of decreases caused by declining interest rates, which resulted in loan principal payments and loan prepayments exceeding originations. Interest rate increases over the past three years have resulted in a slowing of the prepayment rate to the extent that program loans receivable are again increasing. In addition, the fiscal year 2007 increase in program loans receivable was favorably impacted by increased Authority marketing efforts and increased attractiveness of the Authority's mortgage products in a period of rising interest rates. The fiscal year 2007 increase in program loan receivables of the Mortgage Loan Program Funds was the first year-to-year increase in the funds since fiscal year 1995 as the Authority was able to originate new loans and re-finance a number of existing loans.

Cash and investments (current and non-current) increased $69.5 million, or 10.4% due to an increase within the Single Family Program from higher bond origination activity and funds being held to purchase mortgage loans. Total bonds and notes payable (current and non-current) increased $164.8 million, or 11.6%, primarily from a $165.3 million increase in the Single Family Program, as demand for the Authority's mortgage products increased while prepayments of existing loans decreased, thus reducing redemption activity.

Other current liabilities decreased $27.4 million due to a decline in funds held for future disbursement under the Authority's Mortgage Participation Certificate Program (risk sharing and Ambac) loans that are funded by participating investors, as most funds that were received towards the end of the prior year were disbursed.

Restricted net assets of the Authority's business-type activities increased $30.1 million, or 12.9%. The increases in net assets within the Authority's bond funds were $28.4 million, all of which are classified as restricted. The remaining restricted increases in net assets were from the FAF program, earnings of which are recorded in the Authority's Administrative Fund.

Statement of Activities

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

A condensed summary of changes in net assets for the fiscal year ended June 30, 2007 is shown in the following table.

Changes in Net Assets

(In millions of dollars)

		Governmental activities		Business-type activities		Total	
		2007	2006	2007	2006	2007	2006
Revenues:							
Program revenues:							
Charges for services	$	4.6	3.6	114.5	105.2	119.1	108.8
Operating/grant/federal revenues		51.2	46.8	153.9	154.6	205.1	201.4
General revenues:							
Investment income		—	—	3.9	2.0	3.9	2.0
Illinois Affordable Housing Trust Fund		—	—	—	—	—	—
Total revenues		55.8	50.4	272.3	261.8	328.1	312.2
Expenses:							
Direct		32.0	25.5	234.6	235.1	266.6	260.6
Administrative		—	—	8.6	15.8	8.6	15.8
Transfer of interest in equity of the Affordable Housing Trust Fund to the State of Illinois		—	280.0	—	—	—	280.0
Total expenses		32.0	305.5	243.2	250.9	275.2	556.4
Increase (decrease) in net assets before transfers		23.8	(255.1)	29.1	10.9	52.9	(244.2)
Transfers		(5.2)	(5.2)	5.2	5.2	—	—
Increase (decrease) in net asset	$	18.6	(260.3)	34.3	16.1	52.9	(244.2)

Governmental Activities

Revenues of the Authority's governmental activities increased by $5.4 million from the prior year, mainly from initial revenues of $7.1 million arising from the Rental Housing Support Program, $7.0 million of which were passed through to grant recipients. Federal revenues of the HOME Program were $2.2 million below the prior year, due mainly to lower loan disbursements.

Direct expenses of the Authority's governmental activities increased by $6.5 million from the prior year, due to the initial expenses of the Rental Housing Support Program. During fiscal year 2006, the Authority recorded an expense of $280.0 million for the transfer of interest in equity of the Housing Program to the State of Illinois. Based on statutory amendments to the Illinois Affordable Housing Act during fiscal year 2006 in relation to the Housing Program, the Authority concluded that it is only the administrator of the Housing Program, and recorded the above transfer of interest in equity. The transfer ($5.2 million) from the governmental activities to the

Authority's business-type activities represents an annual transfer, pursuant to the Illinois Affordable Housing Act, from the Illinois Affordable Housing Trust Fund to the Multi-Family Mortgage Loan Programs.

Business-type Activities

Revenues of the Authority's business-type activities increased $10.5 million from the prior year from increases in charges for services ($9.3 million) and unrestricted investment income ($1.9 million), partially offset by a decrease in federal revenues ($0.7 million), most of which are funds passed through to the recipient. Charges for services consist primarily of interest income on program loans ($72.8 million), program investment income ($22.0 million), servicing fees ($10.0 million), and other income ($9.0 million). Program investment income is that income earned within the Authority's bond funds, the investments and the income of which is restricted to those funds.

Direct expenses of the Authority's business-type activities, which consist primarily of interest expense ($80.9 million) on Authority debt incurred to fund its various lending programs and the pass-through of federal assistance programs' funds ($152.4 million), decreased $0.5 million from the prior year, due mainly to $5.1 million of reversals of estimated losses on Multi-Family Mortgage Loan Program loans receivable in fiscal year 2007, compared to $1.3 million of provisions in fiscal year 2006, partially offset by higher interest expense ($5.4 million), due to higher debt outstanding, and higher other operating expenses ($3.6 million). The direct expenses also include Administrative Fund allocations of expenses of Authority departments directly involved in the production or monitoring activities associated with the programs, as well as certain costs, both internally and externally incurred, associated with these programs. Administrative expenses, which are incurred within the Authority's Administrative Fund and which include all other administrative and supportive functions and all overhead expenses, were $7.2 million below the prior year due mainly to a $6.0 million decrease in the provision for losses on program loans receivable within the Authority's Administrative Funds, compared to a $3.5 million increase in the prior year, partially offset by increased grant expenses ($1.7 million) from an Administrative Fund grant given to a local housing entity.

The Authority's business-type activities also generated $3.9 million of unrestricted investment income, which was used primarily to partially offset its administrative costs. Program revenues of the Multi-Family Mortgage Loan Programs exceeded direct expenses by $27.7 million (See the Statement of Activities) and thus provided most of the Authority's increase in net assets. Direct revenues of the Single-Family Mortgage Loan Program exceeded program expenses by $1.7 million, or $1.1 million above the prior year, as the size of the program's loan portfolio program continued to increase, following a several year period of declining interest rates, which resulted in high loan pre-payment rates.

(Continued)

Proprietary Fund Results

Net assets of the Authority's proprietary funds increased from the June 30, 2006 amount by $34.3 million, to $348.6 million. The following table summarizes the statement of revenues, expenses, and changes in fund net assets of the Authority's proprietary funds for the fiscal years ended June 30, 2007 and 2006.

Changes in Net Assets/Proprietary Funds

(In millions of dollars)

	Administrative Fund		Mortgage Loan Program Fund		Single Family Program Fund	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
Operating revenues:						
Interest earned on program loans	$ 1.1	2.3	33.0	31.8	38.7	33.1
Investment income	3.9	2.0	10.4	8.4	11.6	9.2
Federal assistance programs	147.4	148.1	5.0	5.0	—	—
Service fees	10.0	9.8	—	—	—	—
Development fees	0.6	1.1	—	—	—	—
HUD savings	1.6	1.6	—	—	—	—
Other	3.8	5.6	5.2	3.8	—	—
Total operating revenues	168.4	170.5	53.6	49.0	50.3	42.3
Operating expenses:						
Interest expense	—	—	34.9	35.3	46.0	40.2
Federal assistance programs	147.4	148.1	5.0	5.0	—	—
Salaries and benefits	11.9	11.1	—	—	—	—
Professional fees	1.9	1.2	—	—	0.1	0.1
Other general and administrative	3.5	3.4	—	—	—	—
Financing costs	0.4	0.5	0.9	0.5	0.6	0.6
Program grant	1.7	—	—	—	—	—
Provision for estimated losses on program loans receivable and mortgage certification program	(6.0)	3.6	(5.1)	1.3	—	—
Total operating expenses	160.8	167.9	35.7	42.1	46.7	40.9
Operating income	7.6	2.6	17.9	6.9	3.6	1.4
Transfers in (out), net	(1.7)	3.8	5.2	(0.2)	1.7	1.6
Change in net assets	5.9	6.4	23.1	6.7	5.3	3.0
Net assets at beginning of year	107.4	101.0	158.4	151.7	48.5	45.5
Net assets at end of year	$ 113.3	107.4	181.5	158.4	53.8	48.5

Net assets of the Administrative Fund increased $5.9 million, compared to the prior year increase of $6.4 million. Administrative Fund operating income was $7.6 million, an increase of $5.0 million from the prior year, and net operating transfers out were $1.7 million compared to net transfers in of $3.8 million in the prior year. The fiscal year 2007 increase in operating earnings was primarily from $6.0 million of reversals of previous provisions for estimated losses on program loans receivable, compared to $3.6 million of provisions in the prior fiscal year, partially offset by an initial grant provision ($1.7 million) to a local housing entity to provide a transitional job placement for public housing tenants seeking housing within the entity's mixed income developments being constructed. Operating transfers (out) of $1.7 million were $5.5 million below the prior year operating transfer (in) of $3.8 million, as the prior year transfer included $5.4 million of accumulated Lakeshore Plaza income to the Administrative Fund from the Multi-Family Housing Revenue Bonds Account, partially offset by $1.7 million of net transfers to the Single Family Program Fund. The fiscal year 2007 transfer included only $1.7 million of net transfers to the Single Family Program Fund.

Net assets of the Mortgage Loan Program Fund increased $23.1 million, or $16.4 million above the prior year's $6.7 million increase. Operating income increased $11.0 million primarily from $6.4 million of decreased estimated losses on program loans receivable ($5.1 million of reversals of estimated losses on program loans receivable, compared to $1.3 million of provisions made in the prior year), increased income from Lakeshore Plaza ($1.4 million), higher investment income ($2.0 million), and increased interest earned on program loans ($1.1 million), combined with lower interest expense ($0.4 million), due to lower costs of re-financed bonds. Net transfers were $5.2 million, or $5.4 million above the prior year, as the prior year included a transfer of Lakeshore Plaza accumulated income to the Administrative Fund, as noted above, nearly offset by the annual transfer ($5.2 million) from the Affordable Housing Trust Fund. The current year transfer included only the amount from the Affordable Housing Trust Fund.

Net assets of the Single Family Program Fund increased $5.3 million, or $2.3 million above the prior year increase. The fiscal year 2007 operating transfers were $1.7 million, compared to $1.6 million the prior year, and in both years were used primarily to fund bond issuance costs. Operating income of $3.6 million was $2.2 million above the prior year as investment income increased $2.4 million, due to increased interest rates. Interest earned on program loans increased $5.6 million, due to increases in the loan portfolio, but this was offset by $5.8 million of increases in interest expense, due to higher bonds outstanding. During fiscal year 2007, operating results continued to increase as mortgage interest rates rose, loan prepayments decelerated, and the Authority's mortgage portfolio grew from the prior year-end amounts.

Authority Debt

Authority debt issuances during fiscal year 2007 totaled $504.8 million, with activity arising from the Single Family Program ($365.9 million), the Mortgage Loan Program Fund ($137.2 million) and the Administrative Fund ($1.7 million). Debt retirements within the Single Family and Mortgage Loan Program Funds were $200.6 million and $139.3 million, respectively. Total bonds and notes payable increased $164.8 million as the debt within the Authority's Single Family Program grew by $165.3 million, from program expansion. For additional information, see note F, Bonds and Notes Payable in the Notes to Financial Statements.

During fiscal year 2007, the Authority's Issuer Credit Ratings remained at A+/A1/A+ by Fitch Ratings, Moody's Investors Service and Standard & Poor's Ratings Services respectively.

Contacting the Authority's Financial Management

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

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

Statement of Net Assets

June 30, 2007

	Governmental activities	Business-type activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	$ 1,006,932	17,045,729	18,052,661
Funds held by State Treasurer	411,809	—	411,809
Investments	56,600,274	82,533,986	139,134,260
Investment income receivable	—	419,252	419,252
Investment income receivable – restricted	—	3,638,910	3,638,910
Program loans receivable	5,720,000	44,446,000	50,166,000
Grant receivable	1,736,700	—	1,736,700
Interest receivable on program loans	249,413	5,588,316	5,837,729
Internal balances	36,733	(36,733)	—
Total current assets	65,761,861	153,635,460	219,397,321
Noncurrent assets:			
Investments – restricted	—	635,752,493	635,752,493
Program loans receivable, net of current portion	427,418,078	1,336,854,908	1,764,272,986
Less allowance for estimated losses	(14,465,000)	(14,700,000)	(29,165,000)
Net program loans receivable	412,953,078	1,322,154,908	1,735,107,986
Unamortized bond issuance costs	—	15,968,541	15,968,541
Real estate held for sale, net	—	30,221,100	30,221,100
Capital assets, net	—	203,532	203,532
Other	—	3,711,466	3,711,466
Total noncurrent assets	412,953,078	2,008,012,040	2,420,965,118
Total assets	478,714,939	2,161,647,500	2,640,362,439
Liabilities:			
Current liabilities:			
Due to State of Illinois	62,155,136	—	62,155,136
Bonds and notes payable	—	102,205,000	102,205,000
Accrued interest payable	—	29,343,045	29,343,045
Deposits held in escrow	—	158,952,248	158,952,248
Amounts held on behalf of others	—	8,555,942	8,555,942
Accrued liabilities and other	—	28,708,850	28,708,850
Total current liabilities	62,155,136	327,765,085	389,920,221
Noncurrent liabilities:			
Due to State of Illinois	254,227,962	—	254,227,962
Bonds and notes payable, net of current portion	—	1,485,315,899	1,485,315,899
Total noncurrent liabilities	254,227,962	1,485,315,899	1,739,543,861
Total liabilities	316,383,098	1,813,080,984	2,129,464,082
Net assets:			
Invested in capital assets	—	203,532	203,532
Restricted for bond resolution purposes	—	235,321,206	235,321,206
Restricted for loan and grant programs	162,331,841	27,481,965	189,813,806
Unrestricted	—	85,559,813	85,559,813
Total net assets	$ 162,331,841	348,566,516	510,898,357

See accompanying notes to financial statements.

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

Statement of Activities

Year ended June 30, 2007

		Program revenues		Net (expenses) revenues and changes in net assets		
Functions/programs	**Expenses**	**Charges for services and interest income**	**Operating grant/federal revenues**	**Governmental activities**	**Business-type activities**	**Total**
Governmental activities:						
Illinois Affordable Housing Trust Fund	$ 12,945,393	3,087,499	15,057,894	5,200,000	—	5,200,000
HOME Program	11,923,858	1,539,097	29,019,515	18,634,754	—	18,634,754
Rental Housing Support Program	7,149,305	—	7,149,305	—	—	—
Total governmental activities	32,018,556	4,626,596	51,226,714	23,834,754	—	23,834,754
Business-type activities:						
Administrative	8,594,761	142,055	—	—	(8,452,706)	(8,452,706)
Multi-Family Mortgage Loan Programs	32,801,222	60,507,101	—	—	27,705,879	27,705,879
Multi-Family Federal Assistance Programs	152,420,411	—	152,420,411	—	—	—
Single-Family Mortgage Loan Programs	48,843,511	50,545,708	—	—	1,702,197	1,702,197
Tax Credit Authorization and Monitoring	542,222	3,080,413	—	—	2,538,191	2,538,191
FAF Lending Program	—	186,929	1,456,867	—	1,643,796	1,643,796
Total business-type activities	243,202,127	114,462,206	153,877,278	—	25,137,357	25,137,357
Total Authority	$ 275,220,683	119,088,802	205,103,992	23,834,754	25,137,357	48,972,111
General revenues:						
Unrestricted investment income				—	3,945,527	3,945,527
Transfers				(5,200,000)	5,200,000	—
Total general revenues and transfers				(5,200,000)	9,145,527	3,945,527
Change in net assets				18,634,754	34,282,884	52,917,638
Net assets at beginning of year				143,697,087	314,283,632	457,980,719
Net assets at end of year				$ 162,331,841	348,566,516	510,898,357

See accompanying notes to financial statements.

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

Governmental Funds

Balance Sheet

June 30, 2007

Assets		Illinois Affordable Housing Trust Fund	HOME Program Fund	Nonmajor Governmental Fund	Total
Current assets:					
Cash	$	1,006,932	—	—	1,006,932
Funds held by State Treasurer		—	411,809	—	411,809
Investments		56,600,274	—	—	56,600,274
Program loans receivable		4,405,000	1,315,000	—	5,720,000
Grant receivable		1,209,793	461,492	65,415	1,736,700
Interest receivable on program loans		142,930	106,483	—	249,413
Due from other funds		—	1,781,356	—	1,781,356
Total current assets		63,364,929	4,076,140	65,415	67,506,484
Noncurrent assets:					
Program loans receivable, net of current portion		266,752,962	160,665,116	—	427,418,078
Less allowance for estimated losses		(12,525,000)	(1,940,000)	—	(14,465,000)
Net program loans receivable		254,227,962	158,725,116	—	412,953,078
Total noncurrent assets		254,227,962	158,725,116	—	412,953,078
Total assets	$	317,592,891	162,801,256	65,415	480,459,562
Liabilities and Fund Balances					
Current liabilities:					
Deferred revenue	$	—	106,483	—	106,483
Due to other funds		1,209,793	469,415	65,415	1,744,623
Due to State of Illinois		62,155,136	—	—	62,155,136
Total current liabilities		63,364,929	575,898	65,415	64,006,242
Noncurrent liabilities:					
Due to State of Illinois		254,227,962	—	—	254,227,962
Total liabilities		317,592,891	575,898	65,415	318,234,204
Fund balances:					
Reserved for loans receivable		—	158,725,116	—	158,725,116
Unreserved		—	3,500,242	—	3,500,242
Total fund balances		—	162,225,358	—	162,225,358
Total liabilities and fund balances	$	317,592,891	162,801,256	65,415	
Amounts reported for governmental activities in the statement of net assets are different due to interest receivable on program loans					106,483
Net assets of governmental activities					162,331,841

See accompanying notes to financial statements.

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

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

Year ended June 30, 2007

		Illinois Affordable Housing Trust Fund	HOME Program Fund	Nonmajor Governmental Fund	Total
Revenues:					
Grant from State of Illinois	$	15,057,894	—	7,149,305	22,207,199
Federal HOME funds		—	29,019,515	—	29,019,515
Interest and investment income		3,087,499	1,514,804	—	4,602,303
Total revenues		18,145,393	30,534,319	7,149,305	55,829,017
Expenditures:					
Grants		7,347,894	11,406,611	7,000,000	25,754,505
General and administrative		2,510,000	1,627,247	149,305	4,286,552
Program income transferred to State of Illinois		3,087,499	—	—	3,087,499
Reversal of estimated losses on program loans receivable		—	(1,110,000)	—	(1,110,000)
Total expenditures		12,945,393	11,923,858	7,149,305	32,018,556
Excess of revenues over expenditures		5,200,000	18,610,461	—	23,810,461
Other financing uses:					
Transfer out		(5,200,000)	—	—	(5,200,000)
Net change in fund balances		—	18,610,461	—	18,610,461
Fund balances at beginning of year		—	143,614,897	—	
Fund balances at end of year	$	—	162,225,358	—	
Amounts reported for governmental activities in the statement of activities are different due to interest on program loans receivable					24,293
Change in net assets of governmental activities					18,634,754

See accompanying notes to financial statements.

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

Proprietary Funds

Statement of Net Assets

June 30, 2007

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	Total
Assets:				
Current assets:				
Cash and cash equivalents	$ 9,950,447	2,003,253	5,092,029	17,045,729
Investments	82,533,986	—	—	82,533,986
Investment income receivable	419,252	—	—	419,252
Investment income receivable - restricted	733,869	914,629	1,990,412	3,638,910
Program loans receivable	4,224,000	23,387,000	16,835,000	44,446,000
Interest receivable on program loans	169,857	1,581,296	3,837,163	5,588,316
Due from other funds	4,005,868	14,370,459	—	18,376,327
Total current assets	102,037,279	42,256,637	27,754,604	172,048,520
Noncurrent assets:				
Investments – restricted	179,774,102	206,074,850	249,903,541	635,752,493
Program loans receivable, net of current portion	35,903,078	545,341,366	755,610,464	1,336,854,908
Less allowance for estimated losses	(4,400,000)	(10,300,000)	—	(14,700,000)
Net program loans receivable	31,503,078	535,041,366	755,610,464	1,322,154,908
Unamortized bond issuance costs	—	6,998,811	8,969,730	15,968,541
Real estate held for sale, net	—	29,425,536	795,564	30,221,100
Capital assets, net	203,532	—	—	203,532
Other	3,703,833	7,633	—	3,711,466
Total noncurrent assets	215,184,545	777,548,196	1,015,279,299	2,008,012,040
Total assets	317,221,824	819,804,833	1,043,033,903	2,180,060,560
Liabilities:				
Current liabilities:				
Bonds and notes payable	—	20,620,000	81,585,000	102,205,000
Accrued interest payable	11,199	11,388,289	17,943,557	29,343,045
Deposits held in escrow	158,952,248	—	—	158,952,248
Amounts held on behalf of others	8,555,942	—	—	8,555,942
Accrued liabilities and other	18,638,643	8,267,361	1,802,846	28,708,850
Due to other funds	16,151,815	1,910,217	351,028	18,413,060
Total current liabilities	202,309,847	42,185,867	101,682,431	346,178,145
Noncurrent liabilities:				
Bonds and notes payable, net of current portion	1,666,667	596,104,183	887,545,049	1,485,315,899
Total liabilities	203,976,514	638,290,050	989,227,480	1,831,494,044
Net assets:				
Invested in capital assets	203,532	—	—	203,532
Restricted for bond resolution purposes	—	181,514,783	53,806,423	235,321,206
Restricted for loan and grant programs	27,481,965	—	—	27,481,965
Unrestricted	85,559,813	—	—	85,559,813
Total net assets	$ 113,245,310	181,514,783	53,806,423	348,566,516

See accompanying notes to financial statements.

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

Proprietary Funds

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Year ended June 30, 2007

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	Total
Operating revenues:				
Interest and other investment income	$ 3,691,003	11,062,874	11,698,781	26,452,658
Net increase (decrease) in fair value of investments	254,524	(676,563)	(139,111)	(561,150)
Total investment income	3,945,527	10,386,311	11,559,670	25,891,508
Interest earned on program loans	1,151,657	32,931,081	38,691,113	72,773,851
Federal assistance programs	147,397,197	5,023,214	—	152,420,411
Service fees	9,960,474	—	—	9,960,474
Development fees	575,941	—	—	575,941
HUD savings	1,643,796	—	—	1,643,796
Other	3,764,240	5,254,790	—	9,019,030
Total operating revenues	168,438,832	53,595,396	50,250,783	272,285,011
Operating expenses:				
Interest expense	11,199	34,904,270	45,979,394	80,894,863
Federal assistance programs	147,397,197	5,023,214	—	152,420,411
Salaries and benefits	11,958,570	—	—	11,958,570
Professional fees	1,895,699	21,000	46,500	1,963,199
Other general and administrative	3,503,945	—	—	3,503,945
Financing costs	413,690	872,848	655,934	1,942,472
Program grant	1,666,667	—	—	1,666,667
Reversal of estimated losses on mortgage participation certificate program	(1,238,000)	—	—	(1,238,000)
Reversal of estimated losses on program loans receivable	(4,760,000)	(5,150,000)	—	(9,910,000)
Total operating expenses	160,848,967	35,671,332	46,681,828	243,202,127
Operating income	7,589,865	17,924,064	3,568,955	29,082,884
Transfers in	650,137	5,200,000	2,392,874	8,243,011
Transfers out	(2,392,874)	—	(650,137)	(3,043,011)
Total transfers	(1,742,737)	5,200,000	1,742,737	5,200,000
Change in net assets	5,847,128	23,124,064	5,311,692	34,282,884
Net assets at beginning of year	107,398,182	158,390,719	48,494,731	314,283,632
Net assets at end of year	$ 113,245,310	181,514,783	53,806,423	348,566,516

See accompanying notes to financial statements.

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

Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2007

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	Total
Cash flows from operating activities:				
Receipts for program loans, interest and service fees	$ 38,318,224	177,263,851	104,026,128	319,608,203
Payments for program loans	(128,916)	(165,277,092)	(154,601,294)	(320,007,302)
Receipts for federal assistance programs	147,397,197	5,023,214	—	152,420,411
Payments for federal assistance programs	(147,397,197)	(5,023,214)	—	(152,420,411)
Payment for program grant	(1,666,667)	—	—	(1,666,667)
Payments to suppliers	(4,431,220)	(6,987,873)	(471,916)	(11,891,009)
Payments to employees	(12,009,342)	—	—	(12,009,342)
Interest received on investments	3,846,027	10,891,717	11,078,631	25,816,375
Payments for amounts held on behalf of others	(31,868,031)	(3,088,169)	—	(34,956,200)
Other receipts	5,812,413	5,295,456	—	11,107,869
Net cash provided by (used in) operating activities	(2,127,512)	18,097,890	(39,968,451)	(23,998,073)
Cash flows from noncapital financing activities:				
Proceeds from sale of revenue bonds and notes	1,666,667	137,219,148	365,925,835	504,811,650
Principal paid on revenue bonds and notes	—	(139,335,076)	(200,628,609)	(339,963,685)
Interest paid on revenue bonds and notes	—	(33,114,657)	(44,644,093)	(77,758,750)
Due to other funds	1,966,396	506,954	(1,933,599)	539,751
Due from other funds	809,943	(191,077)	—	618,866
Transfers in	650,137	5,200,000	2,392,874	8,243,011
Transfers out	(2,392,874)	—	(650,137)	(3,043,011)
Net cash provided by (used in) noncapital financing activities	2,700,269	(29,714,708)	120,462,271	93,447,832
Cash flows from investing activities:				
Purchase of investment securities	(735,719,657)	(1,039,243,846)	(785,343,614)	(2,560,307,117)
Proceeds from sales and maturities of investment securities	704,629,019	1,051,337,223	705,790,981	2,461,757,223
Net cash provided by (used in) investing activities	(31,090,638)	12,093,377	(79,552,633)	(98,549,894)
Net increase (decrease) in cash and cash equivalents	(30,517,881)	476,559	941,187	(29,100,135)
Cash and cash equivalents at beginning of year	40,468,328	1,526,694	4,150,842	46,145,864
Cash and cash equivalents at end of year	$ 9,950,447	2,003,253	5,092,029	17,045,729
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income	$ 7,589,865	17,924,064	3,568,955	29,082,884
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Interest expense	11,199	34,904,272	45,979,394	80,894,865
Depreciation and amortization	158,268	800,000	—	958,268
Reversal of estimated losses on program loan receivable	(4,760,000)	(5,150,000)	—	(9,910,000)
Changes in assets and liabilities:				
Investment income receivable	(99,500)	505,409	(481,039)	(75,130)
Program loans receivable	857,516	(27,482,790)	(88,897,405)	(115,522,679)
Interest receivable on program loans	104,662	451,951	(368,874)	187,739
Other liabilities	23,741,404	(798,569)	230,518	23,173,353
Other assets	2,137,105	31,722	—	2,168,827
Held on behalf of others	(31,868,031)	(3,088,169)	—	(34,956,200)
Total adjustments	(9,717,377)	173,826	(43,537,406)	(53,080,957)
Net cash provided by (used in) operating activities	$ (2,127,512)	18,097,890	(39,968,451)	(23,998,073)

See accompanying notes to financial statements.

Note A —Authorizing Legislation

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

The bonds and notes outstanding as of June 30, 2007, as shown on the Authority's financial statements consist of both general and special limited obligations of the Authority (see note F). The full faith and credit of the Authority are pledged for payment of general obligation bonds and notes. The Authority has the power under the Act to have up to $3,600,000,000 of general and special limited obligation bonds and notes outstanding, excluding those issued to refund outstanding bonds and notes. At June 30, 2007, amounts outstanding against this limitation were approximately $1,990,000,000.

Note B—Summary of Significant Accounting Policies

The following summarizes the significant accounting policies of the Authority:

Reporting Entity

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

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

(b) Fiscal dependency on the primary government.

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

Basis of Presentation

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

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

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

The Authority reports the following major governmental funds:

Illinois Affordable Housing Trust Fund

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

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

HOME Program Fund

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

Other Nonmajor Governmental Fund

In addition to the above major governmental funds, as a result of the July 2005 enactment of the Rental Housing Support Program Act, the Authority administers the Rental Housing Support Program and awards funds to local administering agencies, which will contract with local landlords to make rental units affordable to households who earn less than 30% of the area median income. The program is funded by a surcharge for the recording of any real estate-related document. The funds are appropriated to the Illinois Department of Revenue by the General Assembly. The Program's fiscal year 2007 activities, as administered by the Authority, consists of the pass-through of grants to one municipality and are included in the Authority's financial statements as a nonmajor governmental fund.

The Authority reports the following major proprietary funds:

Administrative Fund

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

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

Mortgage Loan Program Fund

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

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

Single Family Program Fund

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

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

Basis of Accounting

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

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

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

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

Fund Equity

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

The designations of the Authority's Administrative Fund unrestricted net assets as of June 30, 2007 are as follows:

Housing Partnership Program	$	5,000,000
To pay expenses for programs under commitment or contract		2,000,000
To pay possible losses arising in the Multi-Family Bond Fund Program attributable, but not limited to, delinquencies or defaults on uninsured or unsubsidized loans		13,000,000
Provide funds to purchase single family mortgage loans which will eventually be purchased with proceeds from future issuances of Authority bonds		35,000,000
Provide funds and reserves to support the Mortgage Participation Certificate Program		30,000,000
	$	85,000,000

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

Net Assets

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

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

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

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

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

Use of Estimates

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

Risks and Uncertainties

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

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

Cash and Cash Equivalents

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

Investments

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

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

Program Loans Receivable

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

Capital Assets

Capital assets of the Authority consist of investments in furniture, fixtures, and equipment; computer hardware; and computer software and are defined by the Authority as assets with an initial, individual cost of $5,000 or more. Depreciation or amortization is on a straight-line basis over a period of five to ten years, depending upon the nature of the asset. Depreciation and amortization expenses for fiscal year 2007 were approximately $214,000.

Real Estate Held for Sale

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

The real estate held for sale of the Mortgage Loan Program Fund is reported at the lower of amortized cost or fair market value. The determination of fair market value is based upon periodic valuations that consider changes in market condition, development and disposition costs, and estimated holding period. Net operating income of real estate held for sale is recorded as other income and is applied primarily toward the Authority's debt service obligations of the bonds issued to refinance the development.

Real estate held for sale of the Mortgage Loan Program Fund represents the net carrying value of Lakeshore Plaza (ML-181), which the Authority acquired by deed in lieu of foreclosure on April 27, 1990. The Authority records depreciation against ML-181 on a straight-line basis over forty years, as past market conditions did not allow for a sale of the property. At June 30, 2007, the net carrying value of ML-181 was $29,425,536 and accumulated depreciation was $11,011,000. The Authority will continue to own and operate ML-181 until the sale or other disposition of the development occurs.

Bond Discount, Issuance Costs and Deferred Amounts on Refunding

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

Operations

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

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

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

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

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

Compensated Absences

The Authority grants vacation and sick leave to all employees and accrues for unused compensated absences. Vacations are allotted on a calendar year basis and are intended to be taken during that year. Unused sick leave allowance is carried forward and accumulated. In the event of termination, employees are paid for all earned but unused vacation time and, within a maximum time limit, for one half of accumulated sick leave earned. At June 30, 2007, unused compensated absences, which are included in other liabilities, were $484,364. The Authority has no other post-employment benefits.

Provision for Estimated Losses on Program Loans

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

New Accounting Pronouncements

The Governmental Accounting Standards Board has issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2006. The Authority has not determined the impact, if any, this Statement would have on its financial statements.

Note C—Cash and Investments

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

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

Interest Rate Risk

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

As of June 30, 2007, the Authority had the following investments:

Investment		Carrying amount	Investment maturities (in years) Less than 1	1-5	6-10	More than 10
Demand repurchase agreements	$	180,890,183	98,559,350	—	1,955,238	80,375,595
United States agency obligations		530,256,089	494,332,777	31,090,653	2,313,772	2,518,887
United States Government obligations		—	43,680,358	5,923,438	2,838,788	9,025,136
Municipal obligations and other		2,272,761	287,753	626,584	660,590	697,834
	$	713,419,033	636,860,238	37,640,675	7,768,388	92,617,452

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

Credit Risk

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

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

The counterparties to the demand repurchase agreements are institutions whose unsecured debt securities are rated at least equal to the ratings on the Authority's debt, or in the case of short-term program fund investments, the highest short-term rating category. The counterparties, carrying amount of the repurchase agreements, and ratings as of June 30, 2007 are listed below.

Counterparty	Rating (Outlook) S&P / Moody's		Carrying amount
Bayerische Landesbank	A (Stable) / Aa2	$	12,136,410
Morgan Guaranty Trust	AA- (Stable) / Aa2		21,646,098
Depfa Bank	AA- (Negative) / Aa3		98,559,349
Morgan Stanley & Co. Inc.	AA- (Stable) / Aa3		4,326,459
HSBC Bank	AA (Positive) / Aa2		4,051,487
Société Générale	AA (Stable) / Aa2		3,720,825
Trinity Plus Funding Co.	AAA (Stable) / Aaa		5,355,306
Westdeutsche Landesbank	A- (Stable) / A1		31,094,249
		$	180,890,183

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in any one single issuer. The Authority's policy does not limit the amounts the Authority may invest in any one issuer. The Authority is considered to have a concentration of credit risk if its investment in any one single issuer is greater than 5% of the total fixed income investments. Investments which comprise more than 5% of the Authority's investments as of June 30, 2007 are as follows:

Investment		Amount
Federal Home Loan Bank	$	153,101,555
Federal National Mortgage Corporation		174,015,427
Federal Home Loan Mortgage Corporation		140,852,102
Farm Credit		66,317,946

Note D—Interfund Receivables, Payables, and Transfers

Interfund Balances

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

Interfund accounts receivable (payable) balances at June 30, 2007 consisted of the following:

		Payable From						
Receivable To		**Illinois Affordable Housing Trust**	**HOME Program**	**Nonmajor Governmental Fund**	**Administrative**	**Mortgage Loan Program**	**Single Family Program**	**Total**
HOME Program	$	—	—	—	1,781,356	—	—	1,781,356
Administrative		1,209,793	469,415	65,415	—	1,910,217	351,028	4,005,868
Mortgage Loan Program		—	—	—	14,370,459	—	—	14,370,459
	$	1,209,793	469,415	65,415	16,151,815	1,910,217	351,028	20,157,683

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

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

Transfers

Transfers for the year ended June 30, 2007 consisted of the following:

		Transfers Out			
Transfer in		**Illinois Affordable Housing Trust**	**Administrative**	**Single Family Program**	**Total**
Administrative	$	—	—	650,137	650,137
Mortgage Loan Program		5,200,000	—	—	5,200,000
Single Family Program		—	2,392,874	—	2,392,874
	$	5,200,000	2,392,874	650,137	8,243,011

Pursuant to the Illinois Affordable Housing Act, amounts up to $10,000,000 in any fiscal year may be transferred, following an annual Authority certification to the Illinois Department of Revenue of the amounts required to be withdrawn, from the Illinois Affordable Housing Trust Fund to the Affordable Housing Program Trust Fund Bond Accounts. The amounts transferred during the year ended June 30, 2007 totaled $5,200,000. The transfers out from the Administrative Fund were to pay issuance and other costs of certain bond issuances.

Note E—Program Loans Receivable

The Authority has loans throughout the State, of which approximately two-thirds are in the Chicago metropolitan area. The following summarizes the Program Loans Receivable activity for the Authority for the year ended June 30, 2007:

		Net program loans receivable June 30, 2006	Loan disbursements	Loan repayments	Change in loan loss provision	Change in net deferred fees	Net program loans receivable June 30, 2007
Governmental Funds:				(Dollars in thousands)			
Illinois Affordable Housing Trust Fund	$	221,999	42,659	(7,500)	1,475	—	258,633
HOME Program Fund		141,397	18,794	(1,261)	1,110	—	160,040
Total Governmental Funds	$	363,396	61,453	(8,761)	2,585	—	418,673
Proprietary Funds:							
Administrative Fund	$	30,820	2,846	(3,168)	4,760	469	35,727
Mortgage Loan Program Fund:							
Multi-Family Housing Bonds		115,185	—	(117,886)	2,500	201	—
Multi-Family Program Bonds		50,212	—	(3,758)	—	158	46,612
Housing Bonds		245,766	171,702	(13,515)	295	(550)	403,698
Housing Finance Bonds		13,634	—	(240)	—	—	13,394
Multi-Family Variable Rate Demand Bonds		2,744	—	(69)	100	—	2,775
Multi-Family Housing Revenue Bonds		9,796	—	—	—	—	9,796
Multifamily Housing Revenue Bonds (Marywood)		13,286	—	(237)	(285)	—	12,764
Multifamily Housing Revenue Bonds (Turnberry)		5,257	—	(45)	—	—	5,212
Affordable Housing Program Trust Fund Bonds		70,499	—	(8,862)	2,540	—	64,177
Total Mortgage Loan Program Fund		526,379	171,702	(144,612)	5,150	(191)	558,428
Single Family Program Fund		683,144	155,006	(66,702)	—	998	772,446
Total Proprietary Funds	$	1,240,343	329,554	(214,482)	9,910	1,276	1,366,601

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

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

At June 30, 2007, for loans financed under the Mortgage Loan Program Fund, amounts in arrears equal to more than two months debt service payments and required deposits to tax and insurance and/or replacement reserves were $445,257 and $829,736, respectively.

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

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

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

(Continued)

The Authority has a second mortgage agreement relating to a $5.5 million first mortgage for Innsbruck Apartments, ML-19. Under this agreement, upon the development's payment of a debt service amount as set forth in the agreement, the Authority, from its Administrative Fund, was obligated to subsidize debt service payments related to the first mortgage up to a maximum of $6.2 million. The subsidy payments were applied to receivables within the Mortgage Loan Program. The maximum subsidy amount was reached in May 1999, after which the development became fully obligated for debt service of the receivables of the above bond accounts. The development is obligated to reimburse the Administrative Fund debt service subsidy payments from a portion of residual receipts generated from the development.

The Authority's policy for converting mortgage loans to non-accrual status is based upon the recording of a specifically identifiable allowance for estimated loss. Throughout fiscal year 2007, the accrual of interest and service fee income was suspended on approximately $16.2 million of mortgage loans in the Mortgage Loan Program Fund and $7.0 million of mortgage loans in the Administrative Fund for which allowances for estimated losses had been provided, and such income was recognized only as received. Interest and service fee income due but not accrued was approximately $107,000 in the Mortgage Loan Program Fund and $549,000 in the Administrative Fund at June 30, 2007. In addition, the Authority does not accrue interest income on approximately $15.0 million of mortgage loans recorded in the Administrative Fund. Payments made on such loans, which generally are payable from residual receipts, if any, of the affected development funds, are recognized only as received. The annual amount of interest on these loans is approximately $291,000.

The Authority, through its Housing Partnership Program, provides loans to not-for-profit organizations, community groups and cities to finance the rehabilitation of existing housing and for the construction of new housing for low and moderate income persons and families. The program's activities are recorded in the Administrative Fund. At June 30, 2007, loans receivable under this program were approximately $4.9 million.

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

The Authority, as of June 30, 2007, has entered into thirty-seven Risk Sharing Loans totaling $209,042,148 and elected that HUD assume 10% to 90% of the loss with respect to those loans. Except for six loans totaling $38,888,148 financed through the issuance of the Authority's Housing Bonds, three loans totaling $16,591,000 financed through the issuance of the Authority's Housing Finance Bonds, and one loan in the amount of $15,460,000 financed through the issuance of the Authority's Multi-Family Housing Revenue Bonds (Marywood), these loans are not included in the Authority's financial statements as the Authority sold 100% participation interests in the loans to outside parties.

At June 30, 2007, for loans financed under the Risk Sharing Program where the Authority sold 100% participation interests in the loans to outside parties, there were no amounts in arrears equal to more than two months debt service payments or required deposits to tax and insurance and/or replacement reserves.

In December 2000, the Authority received a commitment from Ambac Assurance Corporation (Ambac) under which Ambac will insure mortgage loans (Ambac Loans) on multi-family housing developments under the Authority's Mortgage Participation Certificate Program. Ambac has guaranteed repayment of principal and interest due on a timely or accelerated basis in accordance with the agreement between the Authority and Ambac. Once Ambac Loans are issued and minimum threshold requirements are met, Ambac and the Authority will enter into a sharing agreement on the remaining principal balance on each mortgage loan. As of June 30, 2007, the Authority has entered into seventeen Ambac Loans totaling $154,830,700. Except for one loan in the amount of $5,320,000 financed through the issuance of the Authority's Multifamily Bonds (Turnberry), these loans are not included in the Authority's financial statements as the Authority sold 100% participation interests in the loans to outside parties.

At June 30, 2007, for loans financed under the Mortgage Participation Certificate Program where the Authority sold 100% participation interests in the loans to outside parties, amounts in arrears equal to more than two months debt service payments and required deposits to tax and insurance and/or replacement reserves were $121,174 and $35,432, respectively.

With respect to the mortgage loans funded by the Homeowner Mortgage Revenue Bonds, substantially all delinquent mortgage loans receivable at June 30, 2007, were covered by pool insurance, which provides for an aggregate limit equal to 3.5% of the aggregate original principal amount of mortgage loans so covered, less a deductible ranging from 0% to 1.0% of the aggregate of the original amount of all mortgage loans covered.

Loans made through the Illinois Affordable Housing Trust Fund are to acquire, construct, rehabilitate, develop, operate, insure, and retain affordable single family and multi-family housing for low and very low-income households. Interest rates on these loans are set at below market rates and have ranged from 0% to 5.0%, with most rates set at 2.0% or below. Loans have maturities of up to 40 years, with some loans carrying deferred payment terms. The approximate aging of the Illinois Affordable Housing Trust Fund receivables as of June 30, 2007 are as follows:

	Principal due by June 30				
Interest rate %	**2008**	**2013**	**2023**	**After 2023**	**Total**
	(Dollars in thousands)				
0 – 0. 99	$ 1,086	7,543	25,232	81,701	115,562
1 – 1.99	1,024	11,950	37,960	84,477	135,411
2 – 3.99	2,183	2,267	5,540	7,241	17,231
4 – 5.00	112	448	1,878	516	2,954
	$ 4,405	22,208	70,610	173,935	271,158

The approximate aging of the receivables of the HOME program as of June 30, 2007 are as follows:

Interest rate %		Principal due by June 30: 2008	2013	2023	After 2023	Total
		(Dollars in thousands)				
0 – 0. 99	$	139	1,008	10,948	28,506	40,601
1 – 1.99		856	5,440	34,604	71,595	112,495
2 – 3.99		277	1,018	2,392	485	4,172
4 – 5.00		43	463	1,478	2,728	4,712
	$	1,315	7,929	49,422	103,314	161,980

The Authority has reviewed each program loan receivable, including those for developments in the construction or rent-up phases, for the purpose of determining ultimate collectibility. The Authority believes that the allowances for estimated losses at June 30, 2007 in the accompanying financial statements are adequate to cover estimated losses of the various funds. The following summarizes the changes in the allowance for estimated losses on program loans receivable during the year ended June 30, 2007:

		Allowance for estimated losses June 30, 2006	Provision for estimated losses	Write-offs of uncollectible losses, net of Recoveries	Allowance for estimated losses June 30, 2007
		(Dollars in thousands)			
Illinois Affordable Housing Trust Fund	$	14,000	(1,475)	—	12,525
HOME Program Fund		3,050	(1,110)	—	1,940
Total governmental funds	$	17,050	(2,585)	—	14,465
Administrative Fund	$	9,160	(4,760)	—	4,400
Mortgage Loan Program Fund		15,450	(5,150)	—	10,300
Single Family Program Fund		—	—	—	—
Total proprietary funds	$	24,610	(9,910)	—	14,700

During fiscal year 2007, the Authority adopted a revised loan loss rating policy, which included lower allowance for estimated loss provision percentages assigned for certain grades of loans, based primarily upon the Authority's experience with such loans. The implementation of the policy resulted in a change of estimate of the Authority's allowances for estimated losses on program loans receivable.

Scheduled receipts of principal on proprietary fund program loans receivable in the five years subsequent to June 30, 2007 and thereafter are as follows:

2008	$	44,446,000
2009		44,616,000
2010		46,133,000
2011		47,822,000
2012		49,519,000
After 2012		1,148,765,000
	$	1,381,301,000

Note F—Bonds and Notes Payable

Bonds and notes outstanding are general obligations (G.O.) of the Authority with the exception of Homeowner Mortgage Revenue Bonds, Affordable Housing Program Trust Fund Bonds, Multi-Family Variable Rate Demand Bonds, Housing Finance Bonds, Multifamily Housing Revenue Bonds (Marywood), Multifamily Bonds (Turnberry), Multi-Family Housing Bonds, 1995 Series A, and Multi-Family Housing Revenue Bonds, 2000 Series A, which are special limited obligations (S.L.O.) of the Authority, payable from pledged property as defined in their respective general resolutions. The Authority has also pledged its general obligation to the payment of the Affordable Housing Program Trust Fund Bonds to a limited extent and amounts.

Bonds and notes outstanding at June 30, 2007 are as follows. The June 30, 2006 amounts are shown for comparative purposes only.

Mortgage Loan Program Fund

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

	Maturity dates	Interest rate range %	Debt class		Amount June 30 2007	Amount June 30 2006
Multi-Family Housing Bonds:						
1982 Series B	2011-2017	7.00 %	G.O.	$	—	14,195,000
1982 Series C	2015-2025	5.00	G.O.		—	20,765,000
1991 Series A	2006-2016	8.13-8.25	G.O.		—	31,265,000
1992 Series A	2006-2026	7.00-7.10	G.O.		—	22,685,000
1993 Series A	2006-2025	6.05-6.13	G.O.		—	4,630,000
1993 Series C	2006-2028	5.80-6.10	G.O.		—	11,365,000
1994 Series B	2006	6.80	G.O.		—	90,000
1995 Series A	2006-2021	5.20-5.95	S.L.O.		—	18,890,000
2001 Series B	2006-2043	4.60-5.50	G.O.		—	10,400,000
					—	134,285,000
Less unamortized discount thereon					—	(14,859,889)
Total Multi-Family Housing Bonds					—	119,425,111

	Maturity dates	Interest rate range %	Debt class	Amount June 30 2007	Amount June 30 2006
Multi-Family Program Bonds:					
Series 1	2007-2021	6.63-6.75 %	G.O.	$ 17,990,000	22,955,000
Series 3	2009-2023	6.05-6.20	G.O.	29,000,000	33,140,000
Series 5	2007-2022	6.65-6.75	G.O.	5,605,000	5,785,000
Total Multi-Family Program Bonds:				52,595,000	61,880,000
Housing Bonds:					
1999 Series A	2007-2031	4.40-5.25	G.O.	26,195,000	27,920,000
2003 Series A	2007-2046	2.55-5.05	G.O.	19,980,000	20,365,000
2003 Series B	2010-2040	3.30-5.05	G.O.	50,055,000	50,055,000
2003 Series C	2007-2034	3.05-4.95	G.O.	5,580,000	5,825,000
2004 Series A	2013-2039	2.90-4.70	G.O.	22,505,000	23,435,000
2004 Series B	2007-2034	Variable	G.O.	8,375,000	9,005,000
2004 Series C	2007-2045	3.20-5.45	G.O.	12,115,000	12,500,000
2005 Series A	2007-2035	2.70-4.60	G.O.	31,895,000	32,090,000
2005 Series B	2007-2012	4.22-5.02	G.O.	2,495,000	3,855,000
2005 Series C	2015-2042	4.38-5.00	G.O.	10,665,000	10,665,000
2005 Series D	2008-2047	4.88	G.O.	6,550,000	6,550,000
2005 Series E	2011-2036	3.65-4.80	G.O.	24,760,000	24,760,000
2005 Series F	2007-2029	4.59-5.84	G.O.	18,465,000	19,420,000
2006 Series A	2008-2038	3.90-5.05	G.O.	8,130,000	—
2006 Series B	2007-2046	4.75-5.00	G.O.	13,710,000	13,720,000
2006 Series C	2007-2041	Variable	G.O.	5,635,000	5,660,000
2006 Series D	2007-2042	4.85-5.00	G.O.	6,220,000	—
2006 Series E	2007-2042	3.70-4.95	G.O.	8,165,000	—
2006 Series F	2007-2047	3.70-5.00	G.O.	3,975,000	—
2006 Series G	2007-2037	3.65-4.85	G.O.	63,255,000	—
2006 Series H	2007-2028	5.03-6.06	G.O.	11,270,000	—
2006 Series I	2009-2048	4.70-4.85	G.O.	7,230,000	—
2006 Series J	2009-2048	4.50-5.00	G.O.	3,480,000	—
2006 Series K	2007-2023	3.70-4.60	G.O.	24,740,000	—
2006 Series M	2007-2047	3.60-4.50	G.O.	12,520,000	—
				407,965,000	265,825,000
Less deferred loss on refunding				11,590,817	—
Total Housing Bonds				396,374,183	265,825,000
Housing Finance Bonds:					
1999 Series B	2007-230	5.50-6.30	S.L.O.	5,135,000	5,235,000
2000 Series A	2007-2032	5.75-6.30	S.L.O.	8,785,000	8,935,000
Total Housing Finance Bonds				13,920,000	14,170,000
Multi-Family Variable Rate Demand Bonds:					
Series 1996 A (Taxable)(1)	2026	Variable	S.L.O.	2,785,000	2,860,000

	Maturity dates	Interest rate range %	Debt class	Amount June 30 2007	Amount June 30 2006
Multi-Family Housing Revenue Bonds:					
Series 1997(1)	2027	Variable	G.O.	14,170,000	14,170,000
Series 2000 A(1)	2007-2027	Variable	S.L.O.	38,885,000	39,885,000
Total Multi-Family Housing Revenue Bonds				53,055,000	54,055,000
Multifamily Housing Revenue Bonds:					
Marywood Apartment Homes, Series 2003	2007-2045	4.50-5.20 %	S.L.O.	15,640,000	15,835,000
Multifamily Bonds:					
Turnberry Village II Apartments	2007-2045	4.50-4.75	S.L.O.	5,225,000	5,275,000
Affordable Housing Program Trust Fund Bonds:					
Series 1995 A	2007-2022	7.44-7.82	S.L.O.	2,685,000	2,775,000
Series 2004	2007-2026	4.55-6.21	S.L.O.	42,015,000	43,250,000
Series 2005 A	2007-2027	5.60-6.35	S.L.O.	32,430,000	33,490,000
Total Affordable Housing Program Trust Fund Bonds				77,130,000	79,515,000
Total Mortgage Loan Program Fund				$ 616,724,183	618,840,111

(1) Interest rates on the bonds are determined weekly at a rate established by the Remarketing Agents on each Rate Determination Date. The Authority has agreements with liquidity providers to purchase any bonds tendered for purchase in accordance with the indentures with respect to which the Trustee does not, on the date any such tendered bonds are required to be purchased, have sufficient funds to make such purchase. Payment of the principal and interest on the bonds when due is insured by a financial guarantee insurance policy. The Authority has a general obligation to reimburse the insurer for any such payments made.

Single Family Program Fund

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

	Maturity dates	Interest rate range %	Debt class		Amount June 30 2007	Amount June 30 2006
Residental Mortgage Revenue Bonds:						
1983 Series A	2015	10.872	G.O	$	2,240	2,015
1983 Series B	2015	10.746	G.O		2,261	2,036
1984 Series B	2016	11.257	G.O		1,953	1,750
1985 Series A	2017	10.75	G.O		1,833	1,651
1987 Series B	2014	8.13	G.O		100,000	100,000
1987 Series C	2014	7.50	G.O		100,000	100,000
1987 Series D	2017	8.65	G.O		100,000	100,000
				$	308,287	307,452

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

Series	Redemption basis and period		Original issue amount (1)	Accreted value June 30 2007	Accreted value June 30 2006	Aggregate value to be redeemed
1983 Series A	Maturity 2/1/15	$	180	2,240	2,015	5,000
1983 Series B	Maturity 2/1/15		193	2,261	2,036	5,000
1984 Series B	Maturity 2/1/16		166	1,953	1,750	5,000
1985 Series A	Maturity 2/1/17		190	1,833	1,651	5,000

(1) Amounts reflect original issue amounts of capital appreciation bonds outstanding as of June 30, 2007.

	Maturity dates	Interest rate range %	Debt class	Amount June 30 2007	Amount June 30 2006
Homeowner Mortgage Revenue Bonds:					
1995 Series C	2007-2008	5.25-5.35 %	S.L.O.	$ 290,000	765,000
1996 Series E	2007-2010	5.35-5.65	S.L.O.	1,485,000	1,985,000
1996 Series F	2007-2010	4.85-5.15	S.L.O.	1,515,000	9,240,000
1997 Series A	2007-2009	5.30-5.50	S.L.O.	1,705,000	2,495,000
1997 Series B (remarketed 4/30/98)	2007-2028	4.70-5.25	S.L.O.	10,190,000	11,125,000
1997 Series B (remarketed 6/29/98)	2007-2028	4.65-5.40	S.L.O.	16,750,000	17,420,000
1997 Series C	2007-2010	4.85-5.10	S.L.O.	1,310,000	2,080,000
1997 Series D	2007-2009	4.85-5.05	S.L.O.	985,000	9,760,000
1997 Series D-3 (Taxable)	2022-2028	6.60	S.L.O.	900,000	1,155,000
1998 Series A (Taxable)	2007-2028	6.45-6.47	S.L.O.	3,350,000	3,720,000
1998 Series D (remarketed 10/7/98)	2007-2029	4.35-5.20	S.L.O.	13,505,000	14,785,000
1998 Series D (remarketed 12/17/98)	2007-2029	4.35-5.25	S.L.O.	7,845,000	8,380,000
1998 Series D (remarketed 4/29/99)	2007-2017	4.50-5.10	S.L.O.	14,365,000	15,960,000
1998 Series E (Taxable)	2007-2029	5.66-5.91	S.L.O.	5,755,000	6,845,000
1998 Series G	2007-2029	4.35-5.25	S.L.O.	12,935,000	13,645,000

	Maturity dates	Interest rate range %	Debt class		Amount June 30 2007	2006
1999 Series B	2007-2010	5.40-5.70	S.L.O.	$	605,000	905,000
1999 Series D	2007-2016	5.00-5.45	S.L.O.		8,375,000	19,295,000
1999 Series D-3 (Taxable)	2006-2030	6.70	S.L.O.		—	670,000
1999 Series G	2007-2031	5.20-5.65	S.L.O.		1,950,000	2,330,000
2000 Series B	2007-2031	5.05-5.45	S.L.O.		525,000	1,055,000
2000 Series C-4 (Taxable)	2007-2031	8.19	S.L.O.		1,520,000	1,940,000
2000 Series D	2007-2012	4.95-5.55	S.L.O.		2,955,000	3,785,000
2000 Series E	2007-2013	4.85-5.50	S.L.O.		3,475,000	4,045,000
2001 Series A	2007-2032	4.30-5.50	S.L.O.		28,055,000	29,295,000
2001 Series C	2007-2032	4.15-5.55	S.L.O.		29,560,000	31,375,000
2001 Series D (Taxable)	2007-2032	Variable	S.L.O.		2,930,000	4,250,000
2001 Series E	2007-2033	4.35-5.60	S.L.O.		29,920,000	32,490,000
2001 Series F (Taxable)	2016-2020	Variable	S.L.O.		10,000,000	10,000,000
2002 Series A	2007-2033	4.15-5.63	S.L.O.		27,530,000	35,975,000
2002 Series B (Taxable)	2007-2023	Variable	S.L.O.		7,700,000	8,355,000
2002 Series C	2008-2033	3.40-5.40	S.L.O.		39,895,000	41,525,000
2003 Series B	2007-2034	2.25-5.15	S.L.O.		42,610,000	45,210,000
2004 Series A	2007-2034	1.75-4.75	S.L.O.		44,640,000	46,740,000
2004 Series C	2007-2034	3.30-5.35	S.L.O.		77,280,000	78,360,000
2005 Series A	2007-2035	2.65-5.00	S.L.O.		71,770,000	74,220,000
2005 Series B	2017	2.79	S.L.O.		—	12,400,000
2005 Series C	2007-2035	3.00-5.25	S.L.O.		96,535,000	98,380,000
2006 Series A	2007-2036	3.35-5.00	S.L.O.		84,210,000	84,555,000
2006 Series B (Taxable)	2007-2036	4.94-5.31	S.L.O.		14,270,000	15,000,000
2006 Series C	2007-2037	3.75-5.15	S.L.O.		124,725,000	—
2007 Series A	2007-2037	3.65-4.90	S.L.O.		65,000,000	—
2007 Series C	2008	3.73	S.L.O.		57,990,000	—
					966,910,000	801,515,000
Plus unamortized premium thereon					1,911,762	2,010,371
					968,821,762	803,525,371
Total Single Family Program Fund				$	969,130,049	803,832,823

Administrative Fund

Outstanding debt of the Administrative Fund is as follows:

	Maturity date	Interest rate	Debt class		Amount June 30 2007	2006
Term loan	2012	5.45%	Loan	$	1,666,667	—

The Authority has entered into an agreement with a bank to obtain one or more term loans up to a total of $5,000,000, collateralized by a lien and security interest in the Lakeshore Plaza Development. As of June 30, 2007, the Authority had borrowings totaling $1,666,667 against this agreement, at an interest rate of 5.45%.

The following summarizes the debt activity for the Authority's proprietary funds for the year ended June 30, 2007:

	June 30, 2006	Additions	Deductions	June 30, 2007	Amount due within one year
Administrative Fund	$ —	1,666,667	—	1,666,667	—
Mortgage Loan Program Fund:					
Multi-Family Housing Bond	134,285,000	—	(134,285,000)	–	—
Discount on Multi-Family Housing Bonds	(14,859,889)	—	14,859,889	–	—
Multi-Family Program Bonds	61,880,000	—	(9,285,000)	52,595,000	1,565,000
Housing Bond	265,825,000	149,570,000	(7,430,000)	407,965,000	15,025,000
Deferred loss on refunding Housing Bonds	—	(12,350,852)	760,035	(11,590,817)	—
Housing Finance Bond	14,170,000	—	(250,000)	13,920,000	260,000
Multi-Family Variable Rate Demand Bond	2,860,000	—	(75,000)	2,785,000	75,000
Multi-Family Housing Revenue Bond	54,055,000	—	(1,000,000)	53,055,000	1,000,000
Multifamily Housing Revenue Bond (Marywood)	15,835,000	—	(195,000)	15,640,000	140,000
Multifamily Bond (Turnberry II)	5,275,000	—	(50,000)	5,225,000	55,000
Affordable Housing Program Trust Fund Bond	79,515,000	—	(2,385,000)	77,130,000	2,500,000
Total Mortgage Loan Program Fund	618,840,111	137,219,148	(139,335,076)	616,724,183	20,620,000
Single Family Program Fund:					
Residential Mortgage Revenue Bond	307,452	835	—	308,287	—
Homeowner Mortgage Revenue Bond	801,515,000	365,925,000	(200,530,000)	966,910,000	81,585,000
Premium on Homeowner Mortgage Revenue Bonds	2,010,371	—	(98,609)	1,911,762	—
Total Single Family Program Fund	803,832,823	365,925,835	(200,628,609)	969,130,049	81,585,000
Total Proprietary Funds	$ 1,422,672,934	504,811,650	(339,963,685)	1,587,520,899	102,205,000

Current Refundings of Debt

On November 16, 2006, the Authority issued its Housing Bonds, 2006 Series G and Housing bonds, 2006 Series K. The proceeds of the above issued bonds were used to (a) defease, until their January

1, 2007 redemption date, the Authority's Multi-Family Housing bonds, 1982 Series B, 1982 Series C, 1991 Series A, 1992 Series A, 1993 Series A and 1995 Series A (the "Prior Multi-Family Bonds"), which were currently outstanding with respect to certain developments (b) make new mortgage loans for the purpose of prepaying existing mortgage loans funded with the proceeds of certain series on the Prior Multi-Family Bonds with respect to certain developments, thereby resulting in their defeasance until their January 1, 2007 redemption date (c) make a deposit to the Reserve Fund and (d) fund capitalized interest.

The Authority, by these current refundings, reduced the present value of its aggregate debt service over the life of the issued bonds. The table below shows the anticipated reductions in debt service requirements, approximately one-half of which will be shared with HUD under a FAF refunding agreement, beginning in fiscal year 2008 and extending through the life of the newly issued bonds, and the economic gain from the current refunding.

New Issues	Debt Service Reductions		Present Value
	$-Millions	Years	$-Millions
Series 2006 G&K…………………………….	$11.8	30	$14.6

The differences between the reacquisition price and the net carrying amount of the refunded bonds ($12.4 million) have been deferred and are being amortized as a component of interest expense over the remaining life of the refunded bonds.

Defeased Debt

In prior years, the Authority defeased debt consisting of Insured Mortgage Housing Development Bonds, 1976 Series A (1976 bonds) and Multi Family Housing Bonds, 1981 Series A (1981 bonds) (collectively the old bonds) by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. At June 30, 2007, $3,945,000 and 22,040,000, of bonds outstanding for the 1976 bonds and the 1981 bonds, respectively, is considered defeased.

Other Financings

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

As of June 30, 2007, there were thirty-seven series of such bonds or notes outstanding, with an aggregate principal amount payable of $390,607,566.

Assets Restricted for Capital and Debt Service Reserves

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

Bonds	**Requirement**
Multi-Family Program Bonds Affordable Housing Program Trust Fund Bonds	Maximum amounts of principal, sinking fund installments and interest due in the then current or any future bond year for all bonds then outstanding.
Multi-Family Variable Rate Demand Bonds Multi-Family Housing Revenue Bonds	Three months of adjusted debt service requirements.
Housing Bonds	The amount established by each series resolution, currently six months of maximum principal and interest payments.
Housing Finance Bonds	50% of the maximum annual principal and interest.
Multifamily Housing Revenue Bonds (Marywood)	Six months of maximum annual interest.
Homeowner Mortgage Revenue Bonds Residential Mortgage Revenue Bonds	The sum of all amounts established by each series resolution, but such amount cannot be less than 2% for the Homeowner Mortgage Revenue Bonds, and 4% for the Residential Mortgage Revenue Bonds, of the sum of (i) the outstanding principal balance of related mortgage loans and (ii) the amount on deposit to the credit of series program accounts of the program fund.

The amounts of such reserves, for measurement purposes against the various bond resolution reserve requirements, are valued at book value or par, or, if purchased at less than par, at their cost to the Authority. At June 30, 2007, these amounts, which were not less than the amounts required, are as follows:

Multi-Family Program Bonds	$	7,100,509
Housing Bonds		19,182,716
Housing Finance Bonds		519,000
Multi-Family Variable Rate Demand Bonds		370,794
Multi-Family Housing Revenue Bonds		810,413
Multifamily Housing Revenue Bonds (Marywood)		409,520
Homeowner Mortgage Revenue Bonds		27,773,730
	$	56,166,682

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

Issue		Surety Bond Valuation
Housing Bonds, 2003 Series C	$	260,000
Housing Bonds, 2004 Series B		500,000
Housing Bonds, 2006 Series C		268,850
Multifamily Bonds, Series 2003 (Turnberry II)		Not Applicable
Affordable Housing Program Trust Fund Bonds, Series 1995A, 2004 and 2005A		7,231,723

Other Maturity Information

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

Issue	Maturity on or after	Redemption price		
Housing Bonds, 1999 A	Mar. 1, 2009	101	to	100
Homeowner Mortgage Revenue Bonds:				
1995 Series C, 1996 Series E and 1997 Series A	July 1, 2007	102	to	100
1997 Series B remarketed April 30, 1998	May 1, 2008	102	to	100
1997 Series B remarketed June 29, 1998	July 1, 2008	102	to	100
1997 Series C	Aug. 1, 2007	102	to	100
1997 Series D and 1996 Series F	Jan. 1, 2008	102	to	100
1998 Series A	April 1, 2008	101	to	100
1998 Series D remarketed October 7, 1998 and 1998 Series E	Oct. 1, 2008	101	to	100
1998 Series D remarketed December 17, 1998	Dec. 1, 2008	101	to	100
1998 Series D remarketed April 29, 1999	April 1, 2009	101	to	100
1998 Series G	Aug. 1, 2008	101	to	100
1999 Series B	Jan. 1, 2010	101	to	100

Debt service requirements (dollars in millions) through 2012 and in five-year increments thereafter to maturity for the Authority's proprietary funds are as follows:

		Administrative Fund		Mortgage Loan Program Fund		Single Family Program Fund		Total	
		Principal	**Interest**	**Principal**	**Interest**	**Principal***	**Interest**	**Principal***	**Interest**
Year ending June 30:									
2008	$	—	0.1	20.6	30.4	81.6	46.0	102.2	76.5
2009		—	0.1	20.9	29.5	24.3	42.8	45.2	72.4
2010		—	0.1	23.6	28.6	22.9	41.8	46.5	70.5
2011		—	0.1	26.8	27.4	22.6	40.8	49.4	68.3
2012		1.7	0.1	28.8	26.2	25.2	39.8	55.7	66.1
Five years ending June 30:									
2013-2017		—	—	139.7	111.2	140.2	180.8	279.9	292.0
2018-2022		—	—	109.0	78.7	126.2	148.0	235.2	226.7
2023-2027		—	—	97.9	53.2	174.1	112.0	272.0	165.2
2028-2032		—	—	53.1	33.2	202.1	63.6	255.2	96.8
2033-2037		—	—	53.4	20.6	142.4	17.3	195.8	37.9
2038-2042		—	—	33.6	9.5	5.6	0.1	39.2	9.6
2043-2047		—	—	19.9	2.7	—	—	19.9	2.7
2048-2052		—	—	1.0	0.1	—	—	1.0	0.1
	$	1.7	0.5	628.3	451.3	967.2	733.0	1,597.2	1,184.8

*Includes capital appreciation bonds at their final redemption values.

Derivatives

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

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

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

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

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

The Authority, as of June 30, 2007 has four active swap contracts and four interest rate caps. Details are shown in the following table.

Associated bond issue	Notional amounts	Effective date	Fixed rate paid		Variable rate received		Fair values(1)	Termination date	Counter-party credit rating(2)
Swap contracts:									
MVRDB*:									
Series 1996A	$ 2,781,547	12/03	5.467	%	1 mo LIBOR	$	40,754	08/2026	AAA/Aaa
HMRB**:									
Series 2001 D	2,930,000	07/01	6.13		1 mo LIBOR +30bp		(74,675)	02/2010	AAA/Aaa
Series 2001 F	10,000,000	01/02	6.615		1 mo LIBOR +40bp		(661,425)	08/2020	A+/Aa3
Series 2002 B	7,700,000	05/02	6.145		1 mo LIBOR +41.5bp		(65,823)	02/2023	AAA/Aaa
Interest Rate Cap:									
MHRB***:									
Series 1997 (Camelot Development)	14,170,000	11/97	5.75		N/A		0	12/2007	AA-/Aa3
MHRB***:									
Series 2000A (Lakeshore Plaza)(1)	38,885,000	07/06	5.50		N/A		11,327	06/2011	AA-/Aa3/
HB****:									
Series 2004 B	8,375,000	03/04	5.00		N/A		7,916	04/2012	AAA/Aaa
Series 2006 C	5,635,000	06/06	4.75		N/A		(80,212)	06/2021	AA/Aa1

*Multi-Family Variable Rate Demand Bonds
**Homeowner Mortgage Revenue Bonds
***Multi-Family Housing Revenue Bonds
****Housing Bonds

(1) includes accrued interest.
(2) Standard & Poors/Moody's

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

The terms, fair values, and credit ratings of the outstanding agreements as of June 30, 2007 are shown in the above table. The notional amounts of the swaps match the principal amounts of the associated debt. The Authority's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated bonds payable category.

Because interest rates have declined since the implementation of the swap and cap agreements, most currently active swaps and cap agreements, except for Multi-Family Variable Rate Demand Bonds Series 1996A, Multi-Family Housing Revenue Bonds Series 1997 and 2000A, and Housing Bonds Series 2004B had a negative fair value as of June 30, 2007. The negative fair values may be countered by reductions in total interest payments required under the variable-rate bonds, creating lower synthetic interest rates. Because the coupons on the Authority's variable rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value changes.

As of June 30, 2007, the Authority was not exposed to credit risk for the swaps that had negative fair values. As interest rates change and the fair values become positive, the Authority is exposed to credit risk in the amount of the swaps' fair value. Fair value is a factor only upon termination.

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

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

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

As of June 30, 2007, debt service requirements of the Authority's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows:

Illinois Housing Development Authority
Swap Payments and Associated Debt

	Variable-rate bonds		Interest rate	
	Principal	**Interest**	**swaps, net**	**Total**
Year ending June 30:				
2008	$ 2,500,000	3,821,763	130,029	6,451,792
2009	2,565,000	3,712,092	115,287	6,392,379
2010	2,740,000	3,598,129	109,042	6,447,171
2011	2,925,000	3,476,373	105,825	6,507,198
2012	3,100,000	3,347,464	105,457	6,552,921
Five years ending June 30:				
2017	14,395,000	15,075,947	487,234	29,958,181
2022	21,470,000	10,420,920	156,809	32,047,729
2027	30,855,000	6,389,710	15,773	37,260,483
2032	6,415,000	1,146,385	—	7,561,385
2037	2,155,000	439,342	—	2,594,342
Greater than 2037	1,360,000	135,470	—	1,495,470
Total	$ 90,480,000	51,563,595	1,225,456	143,269,051

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

Note G—Deposits Held in Escrow

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

Note H—Leases

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

The office lease provides for annual base rent of approximately $685,000 for the fiscal year 2007, plus approximately $936,000 in fiscal year 2007 for the Authority's 7.16% share of ownership taxes and operating expenses, which also are subject to adjustment, based on the actual costs incurred by the lessor.

For fiscal year 2007, total rent expense of the Authority was $1,793,405.

Note I—Other Liabilities

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

Excess earnings must be rebated annually, or every five years, depending on the date and type of bond issue. Included in other liabilities at June 30, 2007, is an estimated rebate liability of $2,798,631.

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

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

Note J—Retirement Plan

The Authority provides a defined contribution retirement plan for the benefit of its employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Full time employees are eligible to participate in and are fully vested in the plan from the date of employment. All plan assets and investments are administered by a trustee, which maintains an individual account for each participant. The Authority contributes 6% of its employees' salaries and employees, at their option, may contribute up to 19% (within a maximum dollar limit) of their salaries to the plan. In addition, the

(Continued)

Authority, under the provisions of the Economic Growth and Tax Relief Act of 2001, permits additional contributions each calendar year for those employees who attain age 50 (or higher) during the calendar year. The plan may be amended or terminated by the Authority at any time and for any reason in the future, but no such action can deprive employees of their vested interests.

The Authority's total payroll in fiscal year 2007 was $11,499,782. The Authority's contributions were calculated using the base salary amount of $11,380,050. The Authority contributed $682,803, or 6% of the base salary amount, in fiscal year 2007. Employee contributions amounted to $875,609 in fiscal year 2007, or 7.7% of the base salary amount.

Note K—Commitments

At June 30, 2007, unexpended bond proceeds held by the Authority in the form of cash and investments amounting to $120,018,776 in the Homeowner Mortgage Revenue Bond accounts were identified for the purpose of purchasing various mortgage loans. At June 30, 2007, unexpended bond proceeds held by the Authority in the form of cash and investments amounting to $16,895,579 in the Housing Bond accounts were identified for the purpose of making various mortgage loans.

At June 30, 2007, the Authority had authorized commitments for loans and grants totaling $49,438,974 for the Illinois Affordable Housing Trust Fund.

Under the HOME Program, $332.1 million and $23.0 million for federal fiscal years 1992 through 2006 and 2007, respectively, have been allocated to the State, to be administered by the Authority, under the HOME Program provisions of the 1990 National Affordable Housing Act. In fiscal year 1994, the Authority was allocated $10.2 million of additional HOME funds to be used for flood disaster relief. At June 30, 2007, the Authority had authorized commitments for loans and grants totaling $22,220,833 for the HOME Program.

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

These redemptions were accomplished through the issuance of the Authority's Multi-Family Housing Bonds, 1991 Series A and B, 1992 Series A and B, and 1993 Series A and B. In November of 2006, the Authority entered into a new agreement (the "FAF Refunding Agreement") with HUD at the time of delivery of the Authority's Housing Bonds, 2007 Series G to refund the Multi-Family Housing Bonds, 1991 Series A, 1992 Series A, and 1993 Series A. Pursuant to federal legislation and a written agreement with the Authority, HUD has agreed to share a portion of such savings (the FAF Savings Program) with the Authority in order to create and maintain affordable housing opportunities for individuals of "very low income" (as such term is defined in the 1937 Housing Act) in the State. These savings, which are to be used solely for the purpose stated above, became available beginning in fiscal year 1992 for the 1991 Series A and B Bonds and in fiscal year 1994 for the 1993 Series A and B Bonds, and are recorded as other income of the Administrative Fund. At June 30, 2007, loans receivable under this program were approximately $18.2 million.

Note L—Contingencies

HUD's Office of General Counsel (OGC) has expressed the opinion that certain language used in the form of Housing Assistance Payments (HAP) Contracts in use prior to February 1980 for State Agency projects with mortgages that were not insured by the FHA, has the effect of terminating those HAP Contracts upon refinancing of the related project mortgages. While only expressed in the form of an internal memorandum, this opinion has been communicated by HUD to the public. The position expressed in the opinion has not been promulgated in any official form, nor has HUD taken any action to impose consequences that might arise from the opinion on projects that were previously refinanced. The Authority has determined that 60 of the Section 8 projects that it has financed have been refinanced in a fashion that might cause a termination of the related HAP Contracts under such OGC opinion.

Were HUD to stop HAP payments to affected projects and/or attempt to recover previously made payments, such action could adversely affect project income, the Authority's revenues from those projects and, as a consequence thereof, the Authority's financial position. However, in Congressional testimony and in public discussions with industry participants, HUD officials have expressed the desire to prevent its position regarding the pre-1980 HAP form contract language from having an adverse impact upon the affected projects and State Agencies. In addition, HUD has offered to approve an amendment to the affected HAP contracts that would amend the language at issue to clarify that the term of the form HAP contract extends to the originally scheduled maturity date of the original HFA financing. Of the 60 Authority-financed projects that have refinanced, 44 of these projects have executed such amendments, and these amendments have been approved by HUD. Two other projects have entered into long-term renewal HAP contracts. Further, while it is not possible to predict with certainty the outcome of any litigation, the Authority has been advised by counsel that if HUD were to attempt to recover previously made payments under the HAP contracts related to these projects, HUD would be unlikely to prevail.

Note M—Subsequent Events

On August 29, 2007, the Authority issued its Homeowner Mortgage Revenue Bonds, 2007 Series D, in the aggregate principal amount of $65,000,000, maturing in 2008 through 2038, at interest rates of 3.70% to 5.35%. These bonds are special limited obligations of the Authority.

On October 11, 2007, the Authority issued its Housing Bonds, 2007 Series D and E, in the aggregate principal amount of $59,415,000, maturing in 2008 through 2043, at interest rates of 3.50% to 6.537%. These bonds are special limited obligations of the Authority.

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

Mortgage Loan Program Fund

Combining Schedule of Net Assets

June 30, 2007

	Multi-Family Program Bonds	Housing Bonds	Housing Finance Bonds	Multi-Family Variable Rate Demand Bonds	Multi-Family Housing Revenue Bonds	Multifamily Housing Revenue Bonds (Marywood)	Multifamily Bonds (Turnberry)	Affordable Housing Program Trust Fund Bonds	Total
Assets:									
Current assets:									
Cash and cash equivalents	$ 15,766	1,667,336	—	125,680	86,073	2,391	771	105,236	2,003,253
Investment income receivable – restricted	437,471	287,235	19,690	4,023	2,599	5,197	—	158,414	914,629
Program loans receivable	3,500,000	15,722,000	255,000	74,000	—	128,000	47,000	3,661,000	23,387,000
Interest receivable on program loans	—	1,172,574	75,271	15,530	44,199	—	25,408	248,314	1,581,296
Due from other funds	953,034	5,569,277	—	—	7,826,208	—	21,940	—	14,370,459
Total current assets	4,906,271	24,418,422	349,961	219,233	7,959,079	135,588	95,119	4,172,964	42,256,637
Noncurrent assets:									
Investments – restricted	23,722,487	131,024,811	1,156,228	2,233,990	12,071,757	1,092,491	208,437	34,564,649	206,074,850
Program loans receivable, net of current portion	43,112,404	392,030,520	13,139,034	2,701,277	9,796,400	14,921,481	5,164,579	64,475,671	545,341,366
Less allowance for estimated losses	—	(4,055,000)	—	—	—	(2,285,000)	—	(3,960,000)	(10,300,000)
Net program loans receivable	43,112,404	387,975,520	13,139,034	2,701,277	9,796,400	12,636,481	5,164,579	60,515,671	535,041,366
Unamortized bond-issuance costs	—	2,010,229	—	37,899	862,939	—	—	4,087,744	6,998,811
Real estate held for sale, net	—	—	—	—	29,425,536	—	—	—	29,425,536
Other	—	—	—	—	—	—	—	7,633	7,633
Total noncurrent assets	66,834,891	521,010,560	14,295,262	4,973,166	52,156,632	13,728,972	5,373,016	99,175,697	777,548,196
Total assets	71,741,162	545,428,982	14,645,223	5,192,399	60,115,711	13,864,560	5,468,135	103,348,661	819,804,833
Liabilities:									
Current liabilities:									
Bonds and notes payable	1,565,000	15,025,000	260,000	75,000	1,000,000	140,000	55,000	2,500,000	20,620,000
Accrued interest payable	1,122,258	9,060,711	289,162	12,710	168,923	265,236	80,988	388,301	11,388,289
Amounts held on behalf of others	—	—	—	—	—	—	—	—	—
Accrued liabilities and other	1,447,716	6,590,579	—	—	—	—	26,006	203,060	8,267,361
Due to other funds	407,604	1,081,312	12,780	21,341	230,101	25,546	17,554	113,979	1,910,217
Total current liabilities	4,542,578	31,757,602	561,942	109,051	1,399,024	430,782	179,548	3,205,340	42,185,867
Noncurrent liabilities:									
Bonds and notes payable, net of current portion	51,030,000	381,349,183	13,660,000	2,710,000	52,055,000	15,500,000	5,170,000	74,630,000	596,104,183
Total liabilities	55,572,578	413,106,785	14,221,942	2,819,051	53,454,024	15,930,782	5,349,548	77,835,340	638,290,050
Net assets:									
Restricted for bond resolution purposes	16,168,584	132,322,197	423,281	2,373,348	6,661,687	(2,066,222)	118,587	25,513,321	181,514,783
Total net assets	$ 16,168,584	132,322,197	423,281	2,373,348	6,661,687	(2,066,222)	118,587	25,513,321	181,514,783

See accompanying independent auditors' report.

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

Mortgage Loan Program Fund

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

Year ended June 30, 2007

	Multi-Family Housing Bonds	Multi-Family Program Bonds	Housing Bonds	Housing Finance Bonds	Multi-Family Variable Rate Demand Bonds	Multi-Family Housing Revenue Bonds	Multifamily Housing Revenue Bonds (Marywood)	Multifamily Bonds (Turnberry)	Affordable Housing Program Trust Fund Bonds	Inter-Acccount Eliminations	Total
Operating revenues:											
Interest and other investment income	$ 4,384,176	1,290,264	3,014,164	63,534	114,246	482,426	42,042	8,735	1,663,287	—	11,062,874
Net increase (decrease) in fair value of investments	(2,535,369)	—	1,876,389	—	106	(1,487)	5,572	125	(21,899)	—	(676,563)
Total investment income	1,848,807	1,290,264	4,890,553	63,534	114,352	480,939	47,614	8,860	1,641,388	—	10,386,311
Interest earned on program loans	3,796,325	3,200,220	20,185,698	852,403	188,837	1,159,952	1,188,914	266,824	2,091,908	—	32,931,081
Federal assistance programs	63,597	—	4,959,617	—	—	—	—	—	—	—	5,023,214
Other	—	—	—	—	—	5,254,790	—	—	—	—	5,254,790
Total operating revenues	5,708,729	4,490,484	30,035,868	915,937	303,189	6,895,681	1,236,528	275,684	3,733,296	—	53,595,396
Operating expenses:											
Interest expense	5,481,178	3,470,069	16,741,165	873,371	156,435	2,037,225	801,559	243,900	5,099,368	—	34,904,270
Federal assistance programs	63,597	—	4,959,617	—	—	—	—	—	—	—	5,023,214
Professional fees	—	—	18,000	3,000	—	—	—	—	—	—	21,000
Financing costs	13,551	—	248,547	5,192	20,763	196,769	2,500	4,350	381,176	—	872,848
Provision for (reversal of) estimated losses on program loans receivable	—	—	(2,795,000)	—	(100,000)	—	285,000	—	(2,540,000)	—	(5,150,000)
Total operating expenses	5,558,326	3,470,069	19,172,329	881,563	77,198	2,233,994	1,089,059	248,250	2,940,544	—	35,671,332
Operating income	150,403	1,020,415	10,863,539	34,374	225,991	4,661,687	147,469	27,434	792,752	—	17,924,064
Transfers in	—	—	65,228,046	—	—	—	—	—	5,200,000	(65,228,046)	5,200,000
Transfers out	(65,228,046)	—	—	—	—	—	—	—	—	65,228,046	—
Total transfers	(65,228,046)	—	65,228,046	—	—	—	—	—	5,200,000	—	5,200,000
Change in net assets	(65,077,643)	1,020,415	76,091,585	34,374	225,991	4,661,687	147,469	27,434	5,992,752	—	23,124,064
Net assets at beginning of year	65,077,643	15,148,169	56,230,612	388,907	2,147,357	2,000,000	(2,213,691)	91,153	19,520,569	—	158,390,719
Net assets at end of year	$ —	16,168,584	132,322,197	423,281	2,373,348	6,661,687	(2,066,222)	118,587	25,513,321	—	181,514,783

See accompanying independent auditors' report.

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

Mortgage Loan Program Fund

Combining Schedule of Cash Flows

Year ended June 30, 2007

	Multi-Family Housing Bonds	Multi-Family Program Bonds	Housing Bonds	Housing Finance Bonds	Multi-Family Variable Rate Demand Bonds	Multi-Family Housing Revenue Bonds	Multifamily Housing Revenue Bonds (Marywood)	Multifamily Bonds (Turnberry)	Affordable Housing Program Trust Fund Bonds	Inter-Acccount Eliminations	Total
Cash flows from operating activities:											
Receipts for program loans, interest and service fees	$ 121,586,021	6,800,045	27,983,515	1,091,114	258,076	6,631,005	1,428,651	312,072	11,173,352	—	177,263,851
Payments for program loans	(2,500,000)	—	(162,777,092)	—	—	—	—	—	—	—	(165,277,092)
Receipts for federal assistance programs	63,597	—	4,959,617	—	—	—	—	—	—	—	5,023,214
Payments for federal assistance programs	(63,597)	—	(4,959,617)	—	—	—	—	—	—	—	(5,023,214)
Payments to suppliers	(6,022,052)	(85,524)	(266,547)	(8,192)	(20,763)	(196,769)	(2,500)	(4,350)	(381,176)	—	(6,987,873)
Interest received on investments	2,616,656	1,244,367	4,781,893	63,033	139,325	480,938	47,614	9,573	1,508,318	—	10,891,717
Payments for amounts held on behalf of others	—	—	(3,088,169)	—	—	—	—	—	—	—	(3,088,169)
Other receipts	—	—	5,295,456	—	—	—	—	—	—	—	5,295,456
Net cash provided by (used in) operating activities	115,680,625	7,958,888	(128,070,944)	1,145,955	376,638	6,915,174	1,473,765	317,295	12,300,494	—	18,097,890
Cash flows from noncapital financing activities:											
Proceeds from sale of revenue bonds and notes	—	—	137,219,148	—	—	—	—	—	—	—	137,219,148
Principal paid on revenue bonds and notes	(119,425,111)	(9,285,000)	(6,669,965)	(250,000)	(75,000)	(1,000,000)	(195,000)	(50,000)	(2,385,000)	—	(139,335,076)
Interest paid on revenue bonds and notes	(7,328,979)	(3,669,608)	(13,289,904)	(878,079)	(154,762)	(1,992,745)	(804,484)	(244,650)	(4,751,446)	—	(33,114,657)
Due to other funds	(470,946)	—	735,327	1,422	20,763	196,768	17,890	3,417	2,313	—	506,954
Due from other funds	—	157,752	(348,829)	—	—	—	—	—	—	—	(191,077)
Transfers in	—	—	65,228,046	—	—	—	—	—	5,200,000	(65,228,046)	5,200,000
Transfers out	(65,228,046)	—	—	—	—	—	—	—	—	65,228,046	—
Net cash provided by (used in) noncapital financing activities	(192,453,082)	(12,796,856)	182,873,823	(1,126,657)	(208,999)	(2,795,977)	(981,594)	(291,233)	(1,934,133)	—	(29,714,708)
Cash flows from investing activities:											
Purchase of investments	(142,739,951)	(6,824,900)	(787,650,367)	(1,127,531)	(4,013,392)	(23,822,154)	(5,068,132)	(521,429)	(67,475,990)	—	(1,039,243,846)
Proceeds from sales and maturities of investments	219,475,178	11,678,634	733,266,741	1,108,233	3,848,255	19,724,370	4,549,963	495,820	57,190,029	—	1,051,337,223
Net cash provided by (used in) investing activities	76,735,227	4,853,734	(54,383,626)	(19,298)	(165,137)	(4,097,784)	(518,169)	(25,609)	(10,285,961)	—	12,093,377
Net increase (decrease) in cash and cash equivalents	(37,230)	15,766	419,253	—	2,502	21,413	(25,998)	453	80,400	—	476,559
Cash and cash equivalents at beginning of year	37,230	—	1,248,083	—	123,178	64,660	28,389	318	24,836	—	1,526,694
Cash and cash equivalents at end of year	$ —	15,766	1,667,336	—	125,680	86,073	2,391	771	105,236	—	2,003,253
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:											
Operating income	$ 150,403	1,020,415	10,863,539	34,374	225,991	4,661,687	147,469	27,434	792,752	—	17,924,064
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:											
Interest expense	5,481,178	3,470,070	16,741,165	873,371	156,435	2,037,226	801,559	243,900	5,099,368	—	34,904,272
Depreciation and amortization	—	—	—	—	—	800,000	—	—		—	800,000
Provision for (reversal of) estimated losses on program loans receivable	(2,500,000)	—	(295,000)	—	(100,000)	—	285,000	—	(2,540,000)	—	(5,150,000)
Changes in assets and liabilities:											
Investment income receivable	767,852	(45,897)	(108,660)	(501)	24,973	(1)	—	713	(133,070)	—	505,409
Program loans	117,684,420	3,599,824	(157,636,423)	239,482	68,852	(582,981)	236,516	45,030	8,862,490	—	(27,482,790)
Interest on program loans	105,273	—	157,148	(771)	387	(757)	3,221	218	187,232	—	451,951
Other liabilities	(6,008,501)	(85,524)	5,295,456	—	—	—	—	—	—	—	(798,569)
Other assets	—	—	—	—	—	—	—	—	31,722	—	31,722
Held on behalf of others	—	—	(3,088,169)	—	—	—	—	—	—	—	(3,088,169)
Total adjustments	115,530,222	6,938,473	(138,934,483)	1,111,581	150,647	2,253,487	1,326,296	289,861	11,507,742	—	173,826
Net cash provided by (used in) operating activities	$ 115,680,625	7,958,888	(128,070,944)	1,145,955	376,638	6,915,174	1,473,765	317,295	12,300,494	—	18,097,890

See accompanying independent auditors' report.

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

Single Family Program Fund

Combining Schedule of Net Assets

June 30, 2007

		Homeowner Mortgage Revenue Bonds	Residential Mortgage Revenue Bonds	Total
Assets:				
Current assets:				
Cash and cash equivalents	$	5,091,499	530	5,092,029
Investment income receivable – restricted		1,982,023	8,389	1,990,412
Program loans receivable		16,835,000	—	16,835,000
Interest receivable on program loans		3,837,163	—	3,837,163
Total current assets		27,745,685	8,919	27,754,604
Noncurrent assets:				
Investments – restricted		249,450,265	453,276	249,903,541
Program loans receivable, net of current portion		755,610,464	—	755,610,464
Unamortized bond issuance costs		8,969,730	—	8,969,730
Real estate held for sale, net		795,564	—	795,564
Total noncurrent assets		1,014,826,023	453,276	1,015,279,299
Total assets		1,042,571,708	462,195	1,043,033,903
Liabilities:				
Current liabilities:				
Bonds and notes payable		81,585,000	—	81,585,000
Accrued interest payable		17,933,442	10,115	17,943,557
Accrued liabilities and other		1,802,846	—	1,802,846
Due to other funds		351,028	—	351,028
Total current liabilities		101,672,316	10,115	101,682,431
Noncurrent liabilities:				
Bonds and notes payable, net of current portion		887,236,762	308,287	887,545,049
Total liabilities		988,909,078	318,402	989,227,480
Net assets:				
Restricted for bond resolution purposes		53,662,630	143,793	53,806,423
Total net assets	$	53,662,630	143,793	53,806,423

See accompanying independent auditors' report.

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

Single Family Program Fund

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

Year ended June 30, 2007

	Homeowner Mortgage Revenue Bonds	Residential Mortgage Revenue Bonds	Inter-Account Eliminations	Total
Operating revenues:				
Interest and other investment income	$ 11,670,649	28,132	—	11,698,781
Net decrease in fair value of investments	(139,060)	(51)	—	(139,111)
Total investment income	11,531,589	28,081	—	11,559,670
Interest earned on program loans	38,691,113	—	—	38,691,113
Total operating revenues	50,222,702	28,081	—	50,250,783
Operating expenses:				
Interest expense	45,954,284	25,110	—	45,979,394
Professional fees	46,500	—	—	46,500
Financing costs	655,934	—	—	655,934
Total operating expenses	46,656,718	25,110	—	46,681,828
Operating income	3,565,984	2,971	—	3,568,955
Transfers in	2,392,874	67,305	(67,305)	2,392,874
Transfers out	(717,442)	—	67,305	(650,137)
Total transfers	1,675,432	67,305	—	1,742,737
Change in net assets	5,241,416	70,276	—	5,311,692
Net assets at beginning of year	48,421,214	73,517	—	48,494,731
Net assets at end of year	$ 53,662,630	143,793	—	53,806,423

See accompanying independent auditors' report.

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

Single Family Program Fund

Combining Schedule of Cash Flows

Year ended June 30, 2007

		Homeowner Mortgage Revenue Bonds	Residential Mortgage Revenue Bonds	Inter-Account Eliminations	Total
Cash flows from operating activities:					
Receipts for program loans, interest and service fees	$	104,026,128	—	—	104,026,128
Payments for program loans		(154,601,294)	—	—	(154,601,294)
Payments to suppliers		(471,916)	—	—	(471,916)
Interest received on investments		11,050,551	28,080	—	11,078,631
Net cash provided by (used in) operating activities		(39,996,531)	28,080	—	(39,968,451)
Cash flows from noncapital financing activities:					
Proceeds from sale of revenue bonds and notes		365,925,000	835	—	365,925,835
Principal paid on revenue bonds and notes		(200,628,609)	—	—	(200,628,609)
Interest paid on revenue bonds and notes		(44,618,983)	(25,110)	—	(44,644,093)
Due to other funds		(1,866,294)	(67,305)	—	(1,933,599)
Transfers in		2,392,874	67,305	(67,305)	2,392,874
Transfers out		(717,442)	—	67,305	(650,137)
Net provided by (used in) noncapital financing activities		120,486,546	(24,275)	—	120,462,271
Cash flows from investing activities:					
Purchase of investment securities		(785,041,673)	(301,941)	—	(785,343,614)
Proceeds from sales and maturities of investment securities		705,492,908	298,073	—	705,790,981
Net cash used in investing activities		(79,548,765)	(3,868)	—	(79,552,633)
Net increase (decrease) in cash and cash equivalents		941,250	(63)	—	941,187
Cash and cash equivalents at beginning of year		4,150,249	593	—	4,150,842
Cash and cash equivalents at end of year	$	5,091,499	530	—	5,092,029
Reconciliation of operating income to net cash provided by (used in) operating activities:					
Operating income	$	3,565,984	2,971	—	3,568,955
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Interest expense		45,954,284	25,110	—	45,979,394
Changes in assets and liabilities:					
Investment income receivable		(481,038)	(1)	—	(481,039)
Program loans		(88,897,405)	—	—	(88,897,405)
Interest on program loans		(368,874)	—	—	(368,874)
Other liabilities		230,518	—	—	230,518
Total adjustments		(43,562,515)	25,109	—	(43,537,406)
Net cash provided by (used in) operating activities	$	(39,996,531)	28,080	—	(39,968,451)

See accompanying independent auditors' report.

KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the nonmajor governmental fund of the Illinois Housing Development Authority (the Authority), a component unit of the State of Illinois, as of and for the year ended June 30, 2007, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is a more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described as findings 07-01, 07-02, 07-03 and 07-04 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

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

We noted certain matters that will be reported to management of the Authority in a separate independent accountants' report on state compliance, on internal control over compliance, and on supplementary information for state compliance purposes.

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

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

KPMG LLP

Chicago, Illinois
October 26, 2007

07-01 Incomplete Documentation for the Risk Ratings Assigned to Program Loans

The Illinois Housing Development Authority (Authority) did not document the rationale for the decisions made to support the risk ratings assigned to all program loans under the new loan rating methodology.

The key process used by the Authority to monitor the commercial loan portfolio includes annual/semiannual property inspections, annual independent audit reports, comprehensive annual loan rating reports, and monthly meetings to review problem assets. On an annual basis, the asset managers use a standard loan rating form to document criteria used to rate each loan. General reserves are assigned for each loan based on the rating assigned using this form. Specific reserves are generally assigned when management feels that foreclosure and liquidation of the underlying asset will be required, or there is a recognized weakness in the property.

During the year ended June 30, 2007, the Authority significantly modified the methodology used to assign risk ratings to program loans. The new methodology was formally approved by the Authority's Board at the May 2007 Board meeting, and the Authority implemented the new methodology when assigning risk ratings to the program loans within the June 30, 2007 financial statements. Management held meetings with the asset managers to discuss each loan, and assigned the appropriate rating to each loan under the new methodology, however the rationale for the decisions made to support the ratings was not always formally documented.

The Authority has approximately $1,814,439,000 in loans outstanding at June 30, 2007. We selected 161 loans in the multi-family, single family, trust fund and HOME programs totaling approximately $278,287,000 or 15% of the Authority's program loan receivables as of June 30, 2007. For the loans that did not document the rationale for the risk rating assigned under the new methodology, we were able to observe other documentation and/or inquire of management to support the appropriateness of the risk rating and the related allowance for estimated losses.

Authority management stated the implementation of the new methodology was not approved until May 2007, and did not provide sufficient timing to fully document the rationale to support the risk rating assigned to all loans. The risk rating assigned to each loan under the new methodology was discussed with the asset managers at various meetings, however these meetings were not formally documented.

Without formally documenting the rationale for the decisions made to support the risk rating for each loan under the new methodology, the allowance for estimated losses could be misstated. (Finding Code No. 07-01).

Recommendation

We recommend the Authority implement procedures to formally document the rationale for the decisions made to support the risk rating assigned to all program loans.

Authority Response

The Authority concurs with the recommendation to implement procedures to formally document the rationale for the decisions made to support the risk rating assigned to all program loans, and plans to implement such a procedure beginning with its November 2007 meeting of its loan monitoring committee. This procedure, which is incorporated into the Loan Loss Rating Policy and Procedures adopted by the Authority's Board in May 2007, provides that each month, those developments with completed annual inspections and development/loan ratings are to be presented to the Loan Monitoring Committee and reviewed for changes from the previous year/period. Discussions at these meetings will include reasons why the loan ratings are to be changed, what action is needed, and who is responsible for taking the action. With Committee approval, the loan rating will be changed following that meeting to reflect the new rating in the Authority's accounts receivable system. These meeting discussions will be documented in both the notes to the meeting and to the loan files.

To implement the recently approved Loan Loss Rating Policy and Procedures, the Authority, as noted in the Auditor's report, held meetings with the asset managers to discuss each loan, and assigned the appropriate rating to each loan under the new methodology, but the rationale for the decisions made to support the ratings was not always formally documented. The Authority performed this initial conversion process on nearly 800 loans over a one to two month period, and due to this high volume was not able to provide full documentation. Going forward, the evaluation process will be over a one year period, with full documentation provided.

07-02 Inadequate Process for the Establishment of New Loans in the Loan Subsidiary System

The Illinois Housing Development Authority (the Authority) does not have an adequate process for the establishment of new loans in the loan subsidiary system.

The Authority utilizes a loan subsidiary system (Benedict billing and receivable system) to track loan activity and the outstanding loan balances of its Multi-Family, HOME, and Affordable Trust Fund programs. The subsidiary system provides Authority management with a formal platform to monitor program loans. The system is updated for program loans issued to or redeemed by developments on an ongoing basis. The system automatically generates principal and interest billing statements for distribution to developments based on the input information.

During our testing we noted the Authority does not have an adequate process to ensure that new loans are accurately entered into the Benedict system. Specifically, we noted that one individual is responsible for entering new loan information into the Benedict system without a supervisory review of the information added or changed.

Authority management stated that they are currently developing a process where the loan information to be entered into the Benedict system will arise from, and be reviewed by, either the loan origination department or the legal department, whose personnel are more familiar with the loan documents and more able to ensure that the loan terms entered into the Benedict system agree to the final loan documents.

Without ensuring controls embedded within the Benedict system are functioning properly and can be relied upon to input and update these loan balances, the risk exists that the true outstanding loan balance and activity will not be known by management and properly reported in the financial statements. (Finding Code No. 07-02, 06-07)

Recommendation

We recommend the Authority implement procedures to ensure new loans entered into the Benedict system agree to the final loan documents.

Authority Response

The Authority concurs with the recommendation to implement procedures to ensure new loans entered into the Benedict system agree to the final loan documents. As noted above, the Authority is currently developing a process where the loan information to be entered will arise from, and be reviewed by, departments whose personnel are more responsible for the accuracy of the loan documents and more able to ensure that new loan terms and conditions entered into the Benedict system are in agreement with the final loan documentation. The Authority's Accounting Department will enter the information and also, through a separate review process, verify that the entry was in accordance with the data provided. The Authority expects to implement this procedure by December 31, 2007.

07-03 Inadequate Reconciliation Procedures for Deposits Held in Escrow

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

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

The Authority did not reconcile the deposits held in escrow subsidiary ledger to the general ledger balance during the year ended June 30, 2007. We noted at June 30, 2007, the subsidiary ledger balance used to account for the deposits held in escrow was approximately $159,345,000, and the general ledger balance for the deposits held in escrow was approximately $158,952,000, resulting in a difference of approximately $393,000. The Authority could not identify the reason for the difference.

Authority management stated they had not established procedures to reconcile these escrow accounts on a timely basis.

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

Recommendation

We recommend the Authority implement timely reconciliation procedures for the deposits held in escrow.

Authority Response

The Authority concurs with the recommendation and will develop and implement a monthly reconciliation procedure.

07-04 Inadequate Process for Calculating and Reporting Loss on Debt Refunding Transaction

The Illinois Housing Development Authority (Authority) does not have an adequate process for calculating and reporting the loss on debt refunding transactions.

As required under U.S. generally accepted accounting principles, when debt refunding transactions result in the defeasance of debt, the principal amount of the old debt and any unamortized bond issue costs, premiums or discounts associated with the defeased bonds should be removed from the financial statements. The difference between the reacquisition price and the net carrying amount of the old debt (a gain or loss) should be recorded, deferred and amortized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. On the statement of net assets, this deferred amount should be reported as a deduction from or an addition to the new debt liability.

During the year ended June 30, 2007, the Authority refunded approximately $107,725,000 of the Multi-Family Housing Bonds with the issuance of new housing bonds in the Mortgage Loan Program Fund, which resulted in the defeasance of debt. The Authority did not calculate the loss on the refunding transaction, and continued to report the unamortized discounts, premiums, and issue costs pertaining to the defeased bonds in the financial statements. We recalculated a deferred loss of $12,351,000 which was reclassified as a deduction to the outstanding balance of the new debt.

Authority management stated the unamortized costs reported in other assets approximated the loss associated with the refunding.

Without a process in place to ensure gains or losses associated with debt refunding transactions are calculated and reported in the financial statements in accordance with U.S. generally accepted accounting principles, financial statements could be materially misstated. (Finding Code No. 07-04)

Recommendation

We recommend the Authority implement procedures to ensure gains or losses associated with debt refunding transactions are calculated and reported in the financial statements in accordance with U.S. generally accepted accounting principles.

Authority Response

The Authority concurs with the recommendation to implement procedures to ensure gains or losses associated with debt refunding transactions are calculated and reported in the financial statements in accordance with U.S. generally accepted accounting principles, and will adopt a procedure to review such calculations for compliance.