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

Financial Statements

June 30, 2010

(With Independent Auditors' Report Thereon)

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

Table of Contents

The single audit report will be issued under separate cover.

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

Agency Officials

Executive Director	DeShana L. Forney	7/01/2008 - 9/17/2009
Executive Director	Gloria Materre	9/18/2009 - Current
Deputy Executive Director/Chief of Staff	Phil Culpepper	10/16/2009 - Current
General Counsel	Mary R. Kenney	
Chief Financial Officer	Robert W. Kugel	
Controller	James J. Kregor	12/01/1985 – 02/01//2010
Controller	Michele Williams	5/19/2010 - Current

Agency Officials are located at:

401 North Michigan Avenue, Suite 700
Chicago, Illinois 60611

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

Financial Statement Report

Summary

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

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

Summary of Findings

The auditors identified matters involving the Authority's internal control over financial reporting that they considered to be material weaknesses or significant deficiencies. The material weaknesses are described in the accompanying schedule listed in the table of contents as findings 10-01 (Financial Statement Adjustments) and 10-06 (No Formal Process to Evaluate and Estimate Allowance for Loan Loss in the Single Family Loan Program). The significant deficiencies are described in the accompanying schedule of findings listed in the table of contents as findings 10-02 (Inconsistencies in the Loan Monitoring and Loan Rating System), 10-03 (Loan Receivable Balance and Allowance for Loan Loss Balance Overstated), 10-04 (Inadequate Reconciliation Procedures for Deposits Held in Escrow) and 10-05 (Duplicate Vendors in the Accounts Payable Master Vendor List).

Exit Conference

On November 9, 2010, the Illinois Housing Development Authority waived the exit conference relating to the audit of the June 30, 2010 financial statements.

The responses to the recommendations were provided in an email from Michele Williams, Controller, with copies to Gloria Materre, Director, and Robert Kugel, Chief Financial Officer, dated November 9, 2010.

McGladrey

Independent Auditors' Report

The Honorable William G. Holland, Auditor
General of the State of Illinois, and the Members of the Board 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 and each major 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, 2010, 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 and each major fund of the Authority as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2010 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

McGladrey & Pullen, LLP

Schaumburg, Illinois
November 15, 2010

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

Management's Discussion and Analysis

June 30, 2010

(Unaudited)

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, 2010. Please read it in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- Net assets of the Authority increased $48.5 million, to $623.9 million as of June 30, 2010, from an increase in the Authority's business-type ($16.0 million) and governmental ($32.5 million) activities.
- The increase in net assets, after transfers, of the Authority's business-type activities increased $2.2 million from the prior year due primarily to lower interest expense ($8.5 million) and decreases ($4.2 million) in the estimated losses on mortgage participation certificates, partially offset by lower investment income ($2.7 million, primarily from lower investment yields), and a decline in interest earned on program loans ($6.4 million).
- Authority debt issuances during fiscal year 2010 totaled $385.7 million. The Authority's debt outstanding (net of discounts and premiums) of $1,701.8 million as of June 30, 2010 was $155.3 million above the amount outstanding as of June 30, 2009.
- With the cost of borrowing remaining high due to weakness in the economy, the United States Department of the Treasury ("Treasury") initiated a program ("Treasury Program") whereby the Treasury through Fannie Mae and Freddie Mac will purchase bonds directly from Housing Finance Authorities and act as bondholders. In December 2009, the Authority participated in the Treasury Program by issuing $184 million of Multifamily Initiative Bonds and $200 million of Homeowner Mortgage Revenue Bonds ("Bonds") held in escrow until conversion to long term fixed rate bonds and will be used to fund loans within the Mortgage Loan Fund and Single Family Loan Fund, respectively. The Treasury Program also required the Authority to convert all funds in escrow before December 31, 2010. Any funds remaining in escrow on December 31, 2010 are subject to a mandatory tender. On September 1, 2010, the Treasury amended the program by extending it from December 31, 2010 to December 31, 2011 providing the Authority the ability to convert three additional times (six in aggregate) to long term fixed rate bonds.
- Loan originations for the year totaled $46.6 million and $.1 million in the Authority's governmental and business-type activities, respectively, compared to fiscal year 2009 loan originations of $52.2 million and $122.5 million, respectively. Current year originations in governmental activities include $28.3 million of loans funded by the Federal American Recovery and Reinvestment Act Fund ("ARRA Fund"). The Authority has continued to add whole loans to its Single Family Program Fund during fiscal year 2010 through the purchase of Government National Mortgage Association ("GNMA") certificates secured with Illinois whole loans.
- During fiscal year 2010 the Authority has continued to implement programs within the Federal ARRA fund pursuant to Section 1602 and the Tax Credit Assistance Program ("TCAP") to award grants or loans to sub-grantees for the development of low income housing.

Overview of the Financial Statements

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

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

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

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

Financial Analysis of the Authority as a Whole

Net Assets – The combined net assets of the Authority increased by $48.5 million, or 8.4%, from the June 30, 2009 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.)	
	2010	2009	2010	2009	2010	2009	Amount	%
Current assets:								
Cash and investments – unrestricted	$ 73.7	$ 61.7	$ 39.8	$ 32.5	$ 113.5	$ 94.2	$ 19.3	20.5 %
Program loans receivable	5.9	8.5	43.4	46.4	49.3	54.9	(5.6)	(10.2)
Other current assets	0.3	0.3	7.6	10.0	7.9	10.3	(2.4)	(23.3)
Total current assets	79.9	70.5	90.8	88.9	170.7	159.4	11.3	7.1
Investments – restricted	-	-	894.4	604.7	894.4	604.7	289.7	47.9
Net program loans receivable	522.7	484.3	1,258.2	1,390.4	1,780.9	1,874.7	(93.8)	(5.0)
Capital assets, net	-	-	27.8	28.6	27.8	28.6	(0.8)	(2.8)
Other assets	0.1	-	32.4	21.5	32.5	21.5	11.0	51.2
Total assets	602.7	554.8	2,303.6	2,134.1	2,906.3	2,688.9	217.4	8.1
Current liabilities:								
Due to State of Illinois	41.9	44.3	-	-	41.9	44.3	(2.4)	(5.4)
Bonds and notes payable	-	-	475.9	105.0	475.9	105.0	370.9	353.2
Deposits held in escrow	-	-	156.4	154.3	156.4	154.3	2.1	1.4
Other current liabilities	34.7	24.1	40.8	47.5	75.5	71.6	3.9	5.4
Total current liabilities	76.6	68.4	673.1	306.8	749.7	375.2	374.5	99.8
Noncurrent liabilities								
Due to State of Illinois	303.9	296.7	-	-	303.9	296.7	7.2	2.4
Bonds and notes payable	-	-	1,225.9	1,441.6	1,225.9	1,441.6	(215.7)	(15.0)
Other liabilities	-	-	2.9	-	2.9	-	2.9	100.0
Total noncurrent liabilities	303.9	296.7	1,228.8	1,441.6	1,529.8	1,738.3	(208.5)	(12.0)
Total liabilities	380.5	365.1	1,901.9	1,748.4	2,279.5	2,113.5	166.0	7.9
Net assets:								
Invested in capital assets, net of related debt	-	-	(8.0)	(8.2)	(8.0)	(8.2)	0.2	(2.4)
Restricted	222.2	189.7	327.4	311.8	549.6	501.5	48.1	9.6
Unrestricted	-	-	82.3	82.1	82.3	82.1	0.2	0.2
Total net assets	$ 222.2	$ 189.7	$ 401.7	$ 385.7	$ 623.9	$ 575.4	$ 48.5	8.4 %

Governmental Activities

Net assets of the Authority's governmental activities increased $32.5 million, or 17.1%, to $222.2 million from an increase in the HOME program and Federal ARRA Fund, due to the conversion of grant revenues to program loans receivable. No net assets of the Authority's other two governmental activities are recorded on the Authority's financial statements. The equity of the Affordable Housing Trust Fund (Housing Program) is recorded as due to the State of Illinois. All revenues of the Rental Housing Support Program are ultimately disbursed as grant or administrative expenses, and therefore no equity is recorded on the Authority's financial statements.

Total program loans receivable (current and non-current), increased by $35.8 million, or 7.3%, to $528.6 million primarily due to the Federal ARRA Fund for loans to support low income housing. Cash and investments increased by $12 million, or 19.4%, due primarily to timing differences in year-end collections and increased Rental Housing Support Program revenues pending disbursement as grants. State statute and federal regulations restrict the use of the Housing Program, the HOME program, the Rental Housing Support Program and Federal ARRA Fund to program activities.

Due to the State of Illinois (current and non-current) increased $4.8 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 $16.0 million, to $401.7 million consisting of an increase in net assets before transfers of $10.8 million and the annual transfer ($5.2 million) from the Affordable Housing Trust Fund. Program loans receivable (current and non-current) decreased $135.2 million, or 9.4%, to $1,301.6 million from decreases in the Authority's Single Family Program Fund ($100.9 million), decreases in the Authority's Administrative Funds ($2.5 million) and the Mortgage Loan Program Funds ($31.8 million). The decrease in program loans receivable in the Single Family Program was due to adverse market conditions and the purchase of GNMA certificates secured with Illinois whole loans.

Cash and investments (current and noncurrent) increased $297 million, or 46.6% from increases within the Mortgage Loan Programs ($204.1 million), Single Family Program Funds ($80.6 million) and Administrative Funds ($12.3 million) primarily due to funds held in escrow as a result of the issuance of Multifamily Initiative Bonds ($184 million) and the issuance of Homeowner Mortgage Revenue Bonds ($200 million) under the Treasury Program.

Total bonds and notes payable (current and noncurrent) increased $155.2 million, or 10%, from increases of $1.7 million in the Administrative Fund and $159.4 million in the Mortgage Loan Programs, partially offset by a decrease of $5.9 million in the Single Family Program Funds.

Deposits held in escrow increased $2.1 million, or 1.4% due to additions in funding levels related to the implementation of programs within the Federal ARRA Fund.

Other current liabilities decreased $3.8 million primarily due to the Single Family Program Fund bond redemptions and no accrued interest related to the issuance of the Homeowner Mortgage Revenue Bonds under the Treasury Program.

Restricted net assets of the Authority's business-type activities increased $15.6 million, or 5.0%, of which $12.5 million were from increases within the Authority's bond funds. Except for net assets invested in capital assets within the Mortgage Loan Program ($8.0 million deficit) and the net assets ($5.3 million deficit) of the Multifamily Housing Revenue Bonds (Marywood) and Multifamily Bonds (Turnberry), which are classified as unrestricted, all net assets of the Authority's bond funds 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. Four programs, the Illinois Affordable Housing Trust Fund, the HOME program, the Rental Housing Support Program and the Federal ARRA Fund 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, 2010 is shown in the following table.

Changes in Net Assets

(In millions of dollars)

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	$ 2.0	$ 2.9	$ 99.3	$ 108.3	$ 101.3	$ 111.2
Operating/grant/federal revenues	114.2	90.3	142.5	140.6	256.7	230.9
General revenues:						
Investment income	-	-	0.4	1.3	0.4	1.3
Total revenues	116.2	93.2	242.2	250.2	358.4	343.4
Expenses:						
Direct	78.5	68.4	216.0	225.7	294.5	294.1
Administrative	-	-	15.4	15.9	15.4	15.9
Total expenses	78.5	68.4	231.4	241.6	309.9	310.0
Increase in net assets before transfers	37.7	24.8	10.8	8.6	48.5	33.4
Transfers	(5.2)	(5.2)	5.2	5.2	-	-
Increase in net assets	$ 32.5	$ 19.6	$ 16.0	$ 13.8	$ 48.5	$ 33.4

Governmental Activities

Revenues of the Authority's governmental activities increased $23 million from the prior year primarily due to Federal revenues of the ARRA Fund ($58.7 million), partially offset by lower Federal revenues in the HOME Program of ($14.7 million). Revenues from the Rental Housing Support Program decreased $15.5 million based upon annual state appropriations (grants).

Direct expenses of the Authority's governmental activities increased $10.1 million from the prior year, primarily due to new program initiatives within the Federal ARRA Fund ($30.4 million), partially offset by decreases in the Rental Housing Support Program ($15.5 million) and the Illinois Affordable Housing Trust Fund ($5.6 million). The transfer ($5.2 million) from the governmental activities to the Authority's business-type activities represents an annual transfer, pursuant to the Illinois Affordable Housing Act, from the Illinois Affordable Housing Trust Fund to the Multi-Family Mortgage Loan Programs.

Business-type Activities

Revenues of the Authority's business-type activities decreased $8 million from the prior year from a decrease in charges for services ($9 million) and unrestricted investment income ($.9 million), partially offset by an increase in federal revenues ($1.9 million). Charges for services consist primarily of interest income on program loans ($69.6 million), program investment income ($7.1 million), servicing fees ($10.1 million), and other income ($12.4 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. Such income decreased by $1.6 million from the prior year due primarily to lower investment yields and lower amounts invested.

Direct expenses of the Authority's business-type activities, which consist primarily of interest expense ($67 million) on Authority debt incurred to fund its various lending programs and the pass-through of federal assistance programs' funds ($140.4 million), decreased $9.7 million from the prior year, due mainly to lower interest expense ($8.5 million) a decrease in estimated losses on mortgage participation certificates ($4.2 million), partially offset by increases in estimated losses on program loans receivable ($2.5 million) and professional fees ($0.5 million).

The Authority's business-type activities also generated $.4 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 $22.5 million (See the Statement of Activities) and thus provided most of the Authority's increase in net assets.

Proprietary Fund Results

Net assets of the Authority's proprietary funds increased from the June 30, 2009 amount by $16.0 million, to $401.7 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, 2010 and 2009.

Changes in Net Assets/Proprietary Funds

(In millions of dollars)

	Administrative Fund		Mortgage Loan Program Fund		Single Family Program Fund	
	2010	2009	2010	2009	2010	2009
Operating revenues:						
Interest earned on program loans	$ 4.0	$ 5.6	$ 27.8	$ 28.0	$ 37.7	$ 42.5
Investment income	0.4	1.3	4.0	2.8	3.1	5.9
Federal assistance programs	136.4	134.5	4.1	4.4	-	-
Service fees	10.1	10.0	-	-	-	-
Development fees	0.1	0.6	-	-	-	-
HUD savings	2.2	1.7	-	-	-	-
Other	5.4	7.9	7.0	4.9	-	-
Total operating revenues	158.6	161.6	42.9	40.1	40.8	48.4
Operating expenses:						
Interest expense	0.1	0.2	25.5	27.9	41.4	47.4
Federal assistance programs	136.3	134.5	4.1	4.4	-	-
Salaries and benefits	14.7	13.7	-	-	-	-
Professional fees	1.0	1.2	-	-	0.3	0.6
Other general and administrative	3.0	3.1	-	-	0.1	0.1
Financing costs	0.3	0.3	0.8	0.7	0.5	0.8
Program grant	0.1	1.7	-	-	-	-
Provision for estimated losses on program loans receivable and mortgage certification program	(0.9)	3.1	2.8	1.8	1.3	-
Total operating expenses	154.6	157.8	33.2	34.8	43.6	48.9
Operating income (loss)	4.0	3.8	9.7	5.3	(2.8)	(0.5)
Transfers in (out), net	(0.4)	(0.5)	5.6	(29.3)	-	35.0
Change in net assets	3.6	3.3	15.3	(24.0)	(2.8)	34.5
Net assets at beginning of year	117.3	114.0	171.9	195.9	96.5	62.0
Net assets at end of year	$ 120.9	$ 117.3	$ 187.2	$ 171.9	$ 93.7	$ 96.5

Net assets of the Administrative Fund increased $3.6 million, compared to the prior year increase of $3.3 million. Administrative Fund operating income was $4 million, an increase of $.2 million from the prior year, and net operating transfers (out) were $0.4 million compared to net transfers (out) of $0.5 million in the prior year. The fiscal year 2010 increase in operating earnings was primarily from increases in the Federal assistance programs ($1.9 million), HUD Savings ($0.5 million) and Service fees ($0.1 million), partially offset by a decrease in interest earned on program loans ($1.6 million), reversals of provisions for estimated losses on mortgage participation certificate program and provisions for estimated losses on program loans receivable ($0.9 million), compared to additions of $3.1 million in the prior fiscal year, and lower investment income ($0.9 million) due to lower yields on investments.

Net assets of the Mortgage Loan Program Fund increased $15.3 million, compared to a prior year decrease of $24 million, due to operating income of $9.7 million and net transfers in of $5.6 million. Operating income was $4.4 million above the prior year, primarily due to lower future rebate obligations ($1.2 million) and higher other income ($2.1 million), lower interest expense ($2.4 million), partially offset by higher provisions ($1 million) for estimated losses on program loans receivable. The net transfer in includes the annual transfer (in) of $5.2 million from the Affordable Housing Trust Fund.

Net assets of the Single Family Program Fund decreased $2.8 million, compared to a prior year increase of $34.5 million. The prior year included a $35 million net transfer (in) from the Mortgage Loan Program Fund to acquire single-family mortgage loans or mortgage backed securities. The Program Operating loss was $2.3 million below the prior year operating loss due primarily to a $2.8 million decline in investment income, $4.8 million decrease in interest earned on program loans and lower interest expense of $6 million partially offset by higher provisions ($1.3 million) for estimated losses on program loans receivable.

Authority Debt

Authority debt issuances during fiscal year 2010 totaled $385.7 million (net of discounts and deferred gains and losses), with the issuance of Multifamily Initiative Bonds ($184 million) within the Mortgage Loan Fund, Homeowner Mortgage Revenue Bonds ($200 million) within the Single Family Fund, and a $1.7 million increase in the Administrative Funds term loan. Debt retirements within the Mortgage Loan and Single Family Program Funds were $26 million and $205.7 million, respectively. Total bonds and notes payable increased $155.3 million. For additional information, see Note 7, Bonds and Notes Payable in the Notes to Financial Statements.

During fiscal year 2010, the Authority's Issuer Credit Ratings remained at A1/A+ by Moody's Investors Service and Standard & Poor's Ratings Services respectively. The Fitch Ratings upgraded the Authority's issuer rating from A+ to AA- on December 15, 2009.

Economic Factors

The current financial state of the market with low investment yields has not proven to be economically feasible for the Authority to issue debt within the Mortgage Loan Fund and Single Family Fund.

With the cost of borrowing remaining high due to weakness in the economy, the U.S. Treasury initiated the Treasury Program whereby the Treasury through Fannie Mae and Freddie Mac will purchase bonds directly from Housing Finance Authorities and act as bondholders.

In December 2009, the Authority participated in the Treasury Program by issuing $184 million of Multifamily Initiative Bonds and $200 million of Homeowner Mortgage Revenue Bonds (Bonds). Proceeds from the Bonds upon conversion to long term fixed rate will be used to fund and finance loans within the Mortgage Loan Fund and Single Family Loan Fund, respectively.

The Treasury Program provided the Authority the ability to convert up to three times the proceeds from the Bonds held in escrow into long term fixed rate bonds. The Treasury Program also requires the Authority to convert all funds in escrow before December 31, 2010. Any funds remaining in escrow on December 31, 2010 are subject to a mandatory tender.

On September 1, 2010, Treasury amended the Treasury Program by extending it from December 31, 2010 to December 31, 2011. The amended Treasury Program also provides the Authority the ability to convert three additional times (six in the aggregate) to long term fixed rate bonds.

The Authority operates its Homeowner Mortgage Revenue Bond Program (the "Program") to provide funds to purchase from selected lending institutions' mortgage loans made to eligible borrowers for owner-occupied, one-to-four-unit dwellings throughout the State of Illinois. The Authority recently completed a review of the outstanding Program mortgage loans and determined that the Authority does not have in place pool insurance for up to 680 mortgage loans otherwise eligible to be covered by pool insurance policies obtained by the Authority. Pool insurance premium payments relating to those loans were not received by the applicable pool insurer. The amount of mortgage loans not covered by pool insurance represents approximately 9.39% of the Program mortgage loans currently outstanding. The Authority attempted, but was unable, to secure coverage from the pool insurers that were in place at the time the mortgage loans were initially originated.

Investment yields of United States agency and United States Government obligations, which comprise over 97% of the Authority's investment portfolio, are remaining at historically low levels and continue to depress the Authority's investment income.

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, 2010

	Governmental activities	Business-type activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	$ 1,019,811	$ 5,801,130	$ 6,820,941
Funds held by State Treasurer	1,388,592	-	1,388,592
Investments	71,254,579	33,998,818	105,253,397
Investment income receivable	13,569	56,617	70,186
Investment income receivable – restricted	-	1,021,176	1,021,176
Program loans receivable	5,901,000	43,401,000	49,302,000
Grant receivable	1,944,143	-	1,944,143
Interest receivable on program loans	310,888	4,591,207	4,902,095
Internal balances	(1,944,143)	1,944,143	-
Total current assets	79,888,439	90,814,091	170,702,530
Noncurrent assets:			
Investments – restricted	-	894,408,065	894,408,065
Program loans receivable, net of current portion	550,785,086	1,282,726,493	1,833,511,579
Less allowance for estimated losses	(28,056,609)	(24,518,246)	(52,574,855)
Net program loans receivable	522,728,477	1,258,208,247	1,780,936,724
Unamortized bond issuance costs	-	13,167,284	13,167,284
Real estate held for sale, net	-	13,093,849	13,093,849
Capital assets, net	-	27,752,051	27,752,051
Deferred outflow of resources	-	2,873,879	2,873,879
Other	73,059	3,322,309	3,395,368
Total noncurrent assets	522,801,536	2,212,825,684	2,735,627,220
Total assets	602,689,975	2,303,639,775	2,906,329,750
Liabilities:			
Current liabilities:			
Due to grantees	34,663,751	-	34,663,751
Due to State of Illinois	41,885,484	-	41,885,484
Bonds and notes payable	-	475,945,000	475,945,000
Accrued interest payable	-	25,008,252	25,008,252
Unearned revenue	-	5,921,200	5,921,200
Deposits held in escrow	-	156,444,691	156,444,691
Amounts held on behalf of others	-	599,363	599,363
Accrued liabilities and other	-	9,223,587	9,223,587
Total current liabilities	76,549,235	673,142,093	749,691,328
Noncurrent liabilities:			
Due to State of Illinois	303,912,716	-	303,912,716
Bonds and notes payable, net of current portion	-	1,225,880,275	1,225,880,275
Derivative instrument liability	-	2,873,879	2,873,879
Total noncurrent liabilities	303,912,716	1,228,754,154	1,532,666,870
Total liabilities	380,461,951	1,901,896,247	2,282,358,198
Net assets:			
Invested in capital assets, net of related debt	-	(8,032,949)	(8,032,949)
Restricted for bond resolution purposes	-	294,317,797	294,317,797
Restricted for loan and grant programs	222,228,024	33,134,621	255,362,645
Unrestricted	-	82,324,059	82,324,059
Total net assets	$ 222,228,024	$ 401,743,528	$ 623,971,552

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, 2010

Functions/programs	Expenses	Program revenues: Charges for services and interest income	Program revenues: Operating grant/federal revenues	Net (expenses) revenues and changes in net assets: Governmental activities	Net (expenses) revenues and changes in net assets: Business-type activities	Total
Governmental activities:						
Illinois Affordable Housing Trust Fund	$ 8,315,564	$ 53,617	$ 13,461,947	$ 5,200,000	$ -	$ 5,200,000
HOME Program	15,206,561	1,830,831	17,547,828	4,172,098	-	4,172,098
Rental Housing Support Program	24,643,008	142,740	24,500,268	-	-	-
ARRA Fund	30,375,081	-	58,718,635	28,343,554	-	28,343,554
Total governmental activities	78,540,214	2,027,188	114,228,678	37,715,652	-	37,715,652
Business-type activities:						
Administrative	15,447,982	942,280	-	-	(14,505,702)	(14,505,702)
Multi-Family Mortgage Loan Programs	30,271,520	52,816,358	-	-	22,544,838	22,544,838
Multi-Family Federal Assistance Programs	140,478,546	-	140,478,546	-	-	-
Single-Family Mortgage Loan Programs	44,738,903	41,376,035	-	-	(3,362,868)	(3,362,868)
Tax Credit Authorization and Monitoring	550,501	4,118,123	-	-	3,567,622	3,567,622
FAF Lending Program	-	55,652	2,168,418	-	2,224,070	2,224,070
Total business-type activities	231,487,452	99,308,448	142,646,964	-	10,467,960	10,467,960
Total Authority	$ 310,027,666	$ 101,335,636	$ 256,875,642	37,715,652	10,467,960	48,183,612
General revenues:						
Unrestricted investment income				-	384,721	384,721
Transfers				(5,200,000)	5,200,000	-
Total general revenues and transfers				(5,200,000)	5,584,721	384,721
Change in net assets				32,515,652	16,052,681	48,568,333
Net assets at beginning of year				189,712,372	385,690,847	575,403,219
Net assets at end of year				$ 222,228,024	$ 401,743,528	$ 623,971,552

See accompanying notes to financial statements.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Governmental Funds

Balance Sheet

June 30, 2010

	Illinois Affordable Housing Trust Fund	HOME Program Fund	Rental Housing Support Program Fund	ARRA Fund	Total
Assets					
Current assets:					
Cash	$ 999,022	$ -	$ 20,789	$ -	$ 1,019,811
Funds held by State Treasurer	-	1,388,592	-	-	1,388,592
Investments	36,625,186	-	34,629,393	-	71,254,579
Investment income receivable	-	-	13,569	-	13,569
Program loans receivable	4,021,000	1,880,000	-	-	5,901,000
Grant receivable	947,356	869,156	127,631	-	1,944,143
Interest receivable on program loans	167,217	143,671	-	-	310,888
Total current assets	42,759,781	4,281,419	34,791,382	-	81,832,582
Noncurrent assets:					
Program loans receivable, net of current portion	324,314,784	198,126,748	-	28,343,554	550,785,086
Less allowance for estimated losses	(20,402,068)	(7,654,541)	-	-	(28,056,609)
Net program loans receivable	303,912,716	190,472,207	-	28,343,554	522,728,477
Other	73,059	-	-	-	73,059
Total noncurrent assets	303,985,775	190,472,207	-	28,343,554	522,801,536
Total assets	$ 346,745,556	$ 194,753,626	$ 34,791,382	$ 28,343,554	$ 604,634,118
Liabilities and Fund Balances					
Current liabilities:					
Deferred revenue	$ -	$ 143,671	$ -	$ -	$ 143,671
Due to grantees	-	-	34,663,751	-	34,663,751
Due to other funds	947,356	869,156	127,631	-	1,944,143
Due to State of Illinois	41,885,484	-	-	-	41,885,484
Total current liabilities	42,832,840	1,012,827	34,791,382	-	78,637,049
Noncurrent liabilities:					
Due to State of Illinois	303,912,716	-	-	-	303,912,716
Total liabilities	346,745,556	1,012,827	34,791,382	-	382,549,765
Fund balances:					
Reserved for loans receivable	-	190,472,207	-	28,343,554	218,815,761
Unreserved	-	3,268,592	-	-	3,268,592
Total fund balances	-	193,740,799	-	28,343,554	222,084,353
Total liabilities and fund balances	$ 346,745,556	$ 194,753,626	$ 34,791,382	$ 28,343,554	
Amounts reported for governmental activities in the statement of net assets are different due to the deferral of interest receivable on certain program loans					143,671
Net assets of governmental activities					$ 222,228,024

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, 2010

	Illinois Affordable Housing Trust Fund	HOME Program Fund	Rental Housing Support Program Fund	ARRA Fund	Total
Revenues:					
Grant from State of Illinois	$ 13,461,947	$ -	$ 24,500,268	$ -	$ 37,962,215
Federal HOME funds	-	17,547,828	-	-	17,547,828
Federal ARRA funds	-	-	-	58,718,635	58,718,635
Interest and investment income	53,617	1,806,814	142,740	-	2,003,171
Total revenues	13,515,564	19,354,642	24,643,008	58,718,635	116,231,849
Expenditures:					
Grants	6,228,019	10,557,851	24,384,939	30,375,081	71,545,890
General and administrative	2,033,928	1,704,169	258,069	-	3,996,166
Program income transferred to State of Illinois	53,617	-	-	-	53,617
Provision for estimated losses on program loans receivable	-	2,944,541	-	-	2,944,541
Total expenditures	8,315,564	15,206,561	24,643,008	30,375,081	78,540,214
Excess of revenues over expenditures	5,200,000	4,148,081	-	28,343,554	37,691,635
Other financing uses:					
Transfer out	(5,200,000)	-	-	-	(5,200,000)
Net change in fund balances	-	4,148,081	-	28,343,554	32,491,635
Fund balances at beginning of year	-	189,592,718	-	-	
Fund balances at end of year	$ -	$ 193,740,799	$ -	$ 28,343,554	
Amounts reported for governmental activities in the statement of activities are different due to the deferral of interest receivable on certain program loans receivable					24,017
Change in net assets of governmental activities					$ 32,515,652

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, 2010

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	Total
Assets:				
Current assets:				
Cash and cash equivalents	$ 237,845	$ 625,978	$ 4,937,307	$ 5,801,130
Investments	33,998,818	-	-	33,998,818
Investment income receivable	56,617	-	-	56,617
Investment income receivable - restricted	178,574	226,699	615,903	1,021,176
Program loans receivable	1,485,000	23,143,000	18,773,000	43,401,000
Interest receivable on program loans	139,452	1,226,785	3,224,970	4,591,207
Due from other funds	6,261,524	15,728,806	351,293	22,341,623
Total current assets	42,357,830	40,951,268	27,902,473	111,211,571
Noncurrent assets:				
Investments – restricted	188,178,308	314,460,815	391,768,942	894,408,065
Program loans receivable, net of current portion	87,463,724	530,586,037	664,676,732	1,282,726,493
Less allowance for estimated losses	(5,011,989)	(18,181,868)	(1,324,389)	(24,518,246)
Net program loans receivable	82,451,735	512,404,169	663,352,343	1,258,208,247
Unamortized bond issuance costs	-	6,109,986	7,057,298	13,167,284
Real estate held for sale, net	-	123,558	12,970,291	13,093,849
Capital assets, net	112,005	27,640,046	-	27,752,051
Deferred outflow of resources	-	43,823	2,830,056	2,873,879
Other	1,360,556	28,461	1,933,292	3,322,309
Total noncurrent assets	272,102,604	860,810,858	1,079,912,222	2,212,825,684
Total assets	314,460,434	901,762,126	1,107,814,695	2,324,037,255
Liabilities:				
Current liabilities:				
Bonds and notes payable	-	260,475,000	215,470,000	475,945,000
Accrued interest payable	83,803	9,798,305	15,126,144	25,008,252
Deferred revenue	5,614,096	307,104	-	5,921,200
Deposits held in escrow	156,444,691	-	-	156,444,691
Amounts held on behalf of others	-	599,363	-	599,363
Accrued liabilities and other	7,492,519	1,151,201	579,867	9,223,587
Due to other funds	16,080,099	3,589,120	728,261	20,397,480
Total current liabilities	185,715,208	275,920,093	231,904,272	693,539,573
Noncurrent liabilities:				
Bonds and notes payable, net of current portion	7,900,000	438,597,089	779,383,186	1,225,880,275
Derivative instrument liability	-	43,823	2,830,056	2,873,879
Total liabilities	193,615,208	714,561,005	1,014,117,514	1,922,293,727
Net assets:				
Invested in capital assets, net of related debt	112,005	(8,144,954)	-	(8,032,949)
Restricted for bond resolution purposes	-	200,620,616	93,697,181	294,317,797
Restricted for loan and grant programs	33,134,621	-	-	33,134,621
Unrestricted	87,598,600	(5,274,541)	-	82,324,059
Total net assets	$ 120,845,226	$ 187,201,121	$ 93,697,181	$ 401,743,528

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, 2010

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	Total
Operating revenues:				
Interest and other investment income	$ 469,814	$ 3,534,855	$ 2,531,866	$ 6,536,535
Net increase (decrease) in fair value of investments	(85,093)	438,762	579,546	933,215
Total investment income	384,721	3,973,617	3,111,412	7,469,750
Interest earned on program loans	4,029,420	27,840,349	37,737,873	69,607,642
Federal assistance programs	136,409,676	4,068,870	-	140,478,546
Service fees	10,109,565	-	-	10,109,565
Development fees	53,533	-	-	53,533
HUD savings	2,224,070	-	-	2,224,070
Other	5,418,027	6,979,000	-	12,397,027
Total operating revenues	158,629,012	42,861,836	40,849,285	242,340,133
Operating expenses:				
Interest expense	147,226	25,493,892	41,353,413	66,994,531
Federal assistance programs	136,299,640	4,068,870	-	140,368,510
Salaries and benefits	14,688,169	-	-	14,688,169
Professional fees	972,372	-	321,760	1,294,132
Other general and administrative	3,028,770	-	101,924	3,130,694
Financing costs	304,539	807,063	560,967	1,672,569
Program grant	110,036	-	-	110,036
Change in accrual for estimated losses on mortgage participation certificate program	(1,619,435)	-	-	(1,619,435)
Provision for estimated losses on program loans receivable	676,989	2,846,868	1,324,389	4,848,246
Total operating expenses	154,608,306	33,216,693	43,662,453	231,487,452
Operating income (loss)	4,020,706	9,645,143	(2,813,168)	10,852,681
Transfers in	26,685	5,654,120	-	5,680,805
Transfers out	(454,120)	-	(26,685)	(480,805)
Total transfers	(427,435)	5,654,120	(26,685)	5,200,000
Change in net assets	3,593,271	15,299,263	(2,839,853)	16,052,681
Net assets at beginning of year	117,251,955	171,901,858	96,537,034	385,690,847
Net assets at end of year	$ 120,845,226	$ 187,201,121	$ 93,697,181	$ 401,743,528

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, 2010

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	Total
Cash flows from operating activities:				
Receipts for program loans, interest and service fees	$ 21,822,364	$ 56,764,309	$ 128,572,966	$ 207,159,639
Payments for program loans	(121,190)	-	-	(121,190)
Receipts for federal assistance programs	136,409,676	4,068,870	-	140,478,546
Payments for federal assistance programs	(136,299,640)	(4,068,870)	-	(140,368,510)
Payment for program grant	(110,036)	-	-	(110,036)
Payments to suppliers	(4,441,283)	(2,871,297)	(1,615,721)	(8,928,301)
Payments to employees	(14,727,093)	-	-	(14,727,093)
Payments for amounts held on behalf of others	(12,225)	-	-	(12,225)
Other receipts	7,642,097	7,741,516	-	15,383,613
Net cash provided by operating activities	10,162,670	61,634,528	126,957,245	198,754,443
Cash flows from noncapital financing activities:				
Proceeds from sale of revenue bonds and notes	1,666,667	184,080,000	200,001,147	385,747,814
Principal paid on revenue bonds and notes	-	(25,985,000)	(205,874,887)	(231,859,887)
Interest paid on revenue bonds and notes	(139,788)	(24,452,952)	(43,128,272)	(67,721,012)
Due to other funds	1,735,094	512,839	(390,484)	1,857,449
Due from other funds	(985,126)	(1,396,254)	(351,293)	(2,732,673)
Transfers in	26,685	5,654,120	-	5,680,805
Transfers out	(454,120)	-	(26,685)	(480,805)
Net cash provided by (used in) noncapital financing activities	1,849,412	138,412,753	(49,770,474)	90,491,691
Cash flows from capital financing and related activities				
Acquisition of capital assets	(29,795)	-	-	(29,795)
Cash flows from investing activities:				
Purchase of investment securities	(693,665,828)	(1,380,812,414)	(2,324,206,243)	(4,398,684,485)
Proceeds from sales and maturities of investment securities	681,237,124	1,177,625,423	2,242,751,838	4,101,614,385
Interest received on investments	510,685	3,545,423	2,852,031	6,908,139
Net cash used in investing activities	(11,918,019)	(199,641,568)	(78,602,374)	(290,161,961)
Net increase (decrease) in cash and cash equivalents	64,268	405,713	(1,415,603)	(945,622)
Cash and cash equivalents at beginning of year	173,577	220,265	6,352,910	6,746,752
Cash and cash equivalents at end of year	$ 237,845	$ 625,978	$ 4,937,307	$ 5,801,130

(Continued)

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)
Proprietary Funds
Statement of Cash Flows (Continued)
Year ended June 30, 2010

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ 4,020,706	$ 9,645,143	$ (2,813,168)	$ 10,852,681
Adjustments to reconcile operating income to net cash provided by operating activities:				
Investment income	(384,721)	(3,973,617)	(3,111,412)	(7,469,750)
Interest expense	147,226	25,493,892	41,353,413	66,994,531
Depreciation and amortization	47,697	800,000	-	847,697
Provision for estimated losses on program loans receivable	676,989	2,846,868	1,324,389	4,848,246
Changes in assets and liabilities:				
Program loans receivable	1,837,975	28,994,865	92,160,682	122,993,522
Interest receivable on program loans	13,214	(70,973)	607,703	549,944
Other liabilities	2,147,241	(2,064,234)	2,198,986	2,281,993
Other assets	(661,268)	(37,416)	(4,763,348)	(5,462,032)
Amounts held on behalf of others	(12,225)	-	-	(12,225)
Amounts due from brokers for securities matured	2,329,836	-	-	2,329,836
Total adjustments	6,141,964	51,989,385	129,770,413	187,901,762
Net cash provided by operating activities	$ 10,162,670	$ 61,634,528	$ 126,957,245	$ 198,754,443
Noncash investing, capital and financing activities:				
Transfer of foreclosed assets	$ -	$ -	$ 7,410,079	$ 7,410,079
The fair value of investments increased (decreased)	$ (2,744)	$ 669,113	$ 907,146	$ 1,573,515

See accompanying notes to financial statements.

Note 1. Authorizing Legislation

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

The bonds and notes outstanding as of June 30, 2010, as shown on the Authority's financial statements consist of both general and special limited obligations of the Authority (see Note 7). 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, 2010, amounts outstanding against this limitation were approximately $2,065,000,000.

Note 2. Summary of Significant Accounting Policies

The following summarizes the significant accounting policies of the Authority:

Reporting Entity

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

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

(b) Fiscal dependency on the primary government.

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

Basis of Presentation

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

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

Fund Financial Statements – The fund financial statements provide information about the Authority's funds. Separate statements for each fund category, governmental and proprietary, are presented. The emphasis on fund financial statements is on major 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 Illinois 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.

(Continued)

Rental Housing Support Program Fund

The Authority is designated administrator of the Rental Housing Support Program (Support Program). The program is funded by a surcharge for the recording of any real estate-related document. The funds are appropriated to the Illinois Department of Revenue by the General Assembly. The Authority awards funds to local administering agencies, which will contract with local landlords to make rental units affordable to households who earn less than 30% of the area median income.

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

ARRA Fund

The Authority is designated program administrator for Section 1602 of the American Recovery and Reinvestment Act of 2009 (“ARRA”) for grants appropriated to the State of Illinois by the United States Department of the Treasury to finance construction or acquisition and rehabilitation of qualified low-income building for low-income housing in lieu of low-income housing tax credits. In addition, HUD makes awards to the Authority under the Tax Credit Assistance Program (“TCAP”) to facilitate the development of projects that received or will receive funding in order to be completed and placed in service in accordance with the requirements of Section 42 of the Internal Revenue Code of 1986 and the regulations promulgated there under. These awards are then allocated to sub-grantees and the Authority will be responsible for the monitoring and reporting of the use of these funds.

The Authority reports the following major proprietary funds:

Administrative Fund

Development fee and financing fee income related to multi-family mortgage loans, income from service fees, and operating expenses of the Authority are accounted for in the Administrative Fund. In addition, the Administrative Fund has provided for supplemental financing of certain developments through residual income loans and below market financing for various developments through the Authority’s Housing Partnership Program (see Note 5), and its lending program in conjunction with a debt service savings sharing agreement (the FAF Savings Program) with the United States Department of Housing and Urban Development (HUD) (see Note 12).

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 Housing Bonds, Multifamily Initiative Bonds, Multi-family Housing Revenue Bonds (Marywood), Multi-family Bonds (Turnberry II) and Affordable Housing Program Trust Fund Bonds, and for the retirement of such obligations.

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

Single Family Program Fund

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

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

Basis of Accounting

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

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

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

The accounting policies and financial reporting practices of the Illinois Housing Development Authority (the Authority), a component unit of the State of Illinois, conform to generally accepted accounting principles (GAAP), as promulgated in pronouncements of the Governmental Accounting Standards Board (GASB). Additionally, in the government-wide and proprietary fund financial statements, the Authority applies the pronouncements of the Financial Accounting Standards Board (FASB) issued before December 1, 1989, which are not in conflict with GASB pronouncements. As permitted by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected to not apply FASB pronouncements issued after November 30, 1989.

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.

A portion of the Authority's Administrative Fund unrestricted net assets as of June 30, 2010 are designated as follows:

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

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

Net Assets

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

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

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

The use of assets of each of the program funds is restricted by the related bond and note resolutions of the Authority. Certain amounts in the above program funds are considered subject to the restriction that they be applied to the financing of housing for the respective program purposes or to the retirement of obligations issued for such purposes; these amounts may include certain investment earnings attributable to the respective fund net assets. Federal regulations restrict the use of the HOME Program. Accordingly, fund balances of the HOME Program are reserved for loans not due within one year, and assets of the Affordable Housing Trust Fund are due to the State. All net assets of the governmental activities column of the government-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 5 for schedules of aging for the loans made under these programs. In addition, see the governmental funds – balance sheet, fund balance).

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

Use of Estimates

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

Risks and Uncertainties

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

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

Cash and Cash Equivalents

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

Investments

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

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

Program Loans Receivable

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

(Continued)

Capital Assets

Capital assets in the Administrative Fund consist of investments in furniture, fixtures, and equipment; computer hardware; computer software; and leasehold improvements and are defined by the Authority as assets with an initial, individual cost of $5,000 or more. Depreciation or amortization is on a straight-line basis over a period of five to ten years, depending upon the nature of the asset. Leasehold improvements are amortized over the term of the lease. Depreciation and amortization expenses for fiscal year 2010 were $47,697. Capital assets in the Mortgage Loan Program Fund represents the net carrying value of Lakeshore Plaza (ML-181), which the Authority acquired by deed in lieu of foreclosure on April 27, 1990. The Authority records depreciation against ML-181 on a straight-line basis over forty years, as past market conditions did not allow for a sale of the property. At June 30, 2010, the net carrying value of ML-181 was $27,640,046 and accumulated depreciation was $13,411,000. The Authority will continue to own and operate ML-181 until the sale or other disposition of the development occurs. Depreciation expense for fiscal year 2010 was $800,000.

Real Estate Held for Sale

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

Bond Discount, Issuance Costs and Deferred Amounts on Refunding

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

Operations

Development fee and financing fee income are deferred and amortized over the contractual life of the loan as a yield adjustment using a method approximating the effective interest method. Such amortized fees are recognized as interest income. Fees earned on loans, which the Authority does not directly originate, such as loans financed through Other Financings (see Note 7), 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, 2010, unused compensated absences, which are included in current other liabilities, were $644,112. These amounts are recorded in and liquidated from the Administrative Fund. 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. 51, *Accounting and Financial Reporting for Intangible Assets,* which establishes accounting and financial reporting requirements for intangible assets. All intangible assets not specifically excluded by the scope of this Statement should be classified as capital assets. All existing authoritative guidance for capital assets should be applied to these intangible assets, as applicable. The Authority implemented this Statement for the year ended June 30, 2010.

The Governmental Accounting Standards Board has issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* The Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It will improve financial reporting by requiring governments to measure derivative instruments at fair value in their economic resource measurement focus financial statements and allow the users to more fully understand the government's resources available to provide services. The Authority implemented this Statement for the year ended June 30, 2010. (See Note 7)

The Governmental Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Authority is required to implement this Statement for the year ending June 30, 2011. The Authority has yet to determine the impact of implementing this Statement.

Note 3. Cash and Investments

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

- *Safety of principal* – Preservation and safety of principal is the foremost objective of the Authority's investments. Each investment transaction shall seek to ensure that capital losses within the investment portfolio are avoided, whether they are from securities defaults or erosion of market value.
- *Liquidity* – The investments portfolio shall remain sufficiently flexible to enable the Authority to meet all operating requirements 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, 2010, the Authority had the following cash and cash equivalents held in investments:

		Investment maturities (in days)			
Investment	**Carrying amount**	**Less than 7**	**Less than 30**	**Less than 60**	**Less than 90**
Sweep Accounts-Repurchase Agreement	$ 1,033,272	$ 1,033,272	$ -	$ -	$ -
Sweep Accounts-Money Market Fund	4,126,671	4,126,671	-	-	-
Other	1,660,998	1,660,998	-	-	-
	$ 6,820,941	$ 6,820,941	$ -	$ -	$ -

Repurchase agreements and money market funds are collateralized by obligations of the United States

Government or its agencies, or direct investments of such obligations overnight and funds are available the next day.

As of June 30, 2010, the Authority had the following investments:

		Investment marturities (in years)			
Investment	Carrying Amount	Less than 1	1 - 5	6 - 10	More than 10
Demand repurchase agreements	$ 22,567,878	$ -	$ -	$ 300,000	$ 22,267,878
Federal Home Loan Bank Bonds	18,632,016	12,868,763	5,763,253	-	-
Federal Farm Credit Bank Bonds	5,637,706	4,305,833	-	1,331,873	-
Federal Home Loan Mortgage Corp.	7,513,845	6,111,600	-	-	1,402,245
Federal National Mortgage Assn. Benchmark Notes	6,053,372	1,288,607	3,227,313	-	1,537,452
Federal National Mortgage Assn. Discount Notes	85,566,080	85,566,080	-	-	-
Federal Home Loan Bank Discount Notes	202,329,184	202,329,184	-	-	-
Federal Home Loan Mortgage Corp. Discount Notes	48,532,900	48,532,900	-	-	-
Government National Mortgage Association	11,556,847	-	-	-	11,556,847
United States Treasury Strips	912,904	26,985	-	-	885,919
United States Treasury Bonds	8,652,905	19,638	248,610	-	8,384,657
United States Treasury Note	24,565,329	4,249,513	14,828,973	5,486,843	-
United States Treasury Bill	557,083,554	557,083,554	-	-	-
Metlife Inc. Common Stock	56,942	-	-	-	56,942
	$ 999,661,462	$ 922,382,657	$ 24,068,149	$ 7,118,716	$ 46,091,940

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 are all rated Aaa by Moody's and/or AAA by Standard & Poors.

The counterparties to the demand repurchase agreements and repurchase agreements are institutions whose unsecured debt securities are rated at least equal to the ratings on the Authority's debt, or in the case of short-term program fund investments, the highest short-term rating category. The counterparties, carrying amount of the repurchase agreements, and ratings as of June 30, 2010 are listed below.

Counterparty	Rating (Outlook) S&P / Moody's	Fair Value
Morgan Stanley & Co., Inc.	A (Negative) / A2	$ 1,856,937
Trinity Plus Funding Co.	AA+ (Stable) / Aaa	3,510,764
Westdeutsche Landesbank (1)	BBB+ (Negative) / A3	16,900,176
Total Investments		$ 22,267,877
Bank of America		$ 1,033,272
Total Cash and Cash Equivalents		$ 1,033,272

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

Custodial Credit Risk

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

The Authority's cash and cash equivalents at June 30, 2010, consisted of sweep accounts, held in the Authority's name, with the funds in these accounts invested in money market funds that invest in U.S. Treasury securities, or were held in accounts that were either FDIC insured or collateralized with U.S. government obligations. The Authority's investments at June 30, 2010 were held in the Authority's name in separate Authority custodial accounts. Collateral is pledged in the Authority's name and consists of U.S. Treasury obligations.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in any one single issuer. The Authority's policy does not limit the amounts the Authority may invest in any one issuer (other than the U.S. government). The Authority is considered to have a concentration of credit risk if its investment in any one single issuer is greater than 5% of total investments. Investments which comprise more than 5% of the Authority's investments as of June 30, 2010 are as follows:

Investment	Fair Value
Federal Home Loan Bank	$ 220,961,199
Federal National Mortgage Association	91,882,385
Federal Home Loan Mortgage Corporation	56,046,745

Note 4. Interfund Receivables, Payables, and Transfers

Interfund Balances

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

Interfund accounts receivable (payable) balances at June 30, 2010 consisted of the following:

	Payable From						
Receivable To	**Illinois Affordable Housing Trust**	**Home Program**	**Rental Housing Support Program**	**Administrative**	**Mortgage Loan Program**	**Single Family Program**	**Total**
Administrative	$947,356	$869,156	$127,631	$ -	$3,589,120	$728,261	$6,261,524
Mortage Loan Program	-	-	-	15,728,806	-	-	15,728,806
Single Family Program	-	-	-	351,293	-	-	351,293
	$947,356	$869,156	$127,631	$16,080,099	$3,589,120	$728,261	$22,341,623

The interfund accounts receivable (payable) between the Mortgage Loan Program Fund and the Administrative Fund primarily consists of a fiscal year 2000 operating transfer of $10.4 million to the Multi-Family Housing Revenue Bond Accounts made from the Administrative Fund in conjunction with the issuance of the Multi-Family Housing Revenue Bonds, Series 2000A (Lakeshore Plaza Development) and the corresponding transfer of the carrying value of the real estate investment, ML-181, to these accounts, partially reversed by a $5.4 million fiscal year 2006 transfer to the Administrative Fund, plus interfund accounts receivables related to mortgage assistance provided to two previously distressed loans, Innsbruck Apartments ($4.4 million) and Larkin Village ($2.8 million). The Authority intends to reverse the remaining amounts of the transfers upon the disposition of the properties.

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, 2010 consisted of the following:

	Transfers Out			
Transfer in	**Illinois Affordable Housing Trust**	**Administrative**	**Single Family Program**	**Total**
Administrative	$ -	$ -	$ 26,685	$ 26,685
Mortgage Loan Program	5,200,000	454,120	-	5,654,120
	$ 5,200,000	$ 454,120	$ 26,685	$ 5,680,805

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, 2010 totaled $5,200,000. The $454,120 transfer from the Administrative Fund to the Mortgage Loan Program was to pay issuance and other costs of Multifamily Initiative Bonds.

Note 5. 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, 2010:

	Net program loans receivable June 30, 2009	Loan disbursements	Loan repayments	Change in loan loss provision	Change in net deferred fees	Net program loans receivable June 30, 2010
			(Dollars in thousands)			
Governmental Funds:						
Illinois Affordable Housing Trust Fund	$ 303,526	$ 10,583	$ (5,023)	$ (1,152)	$ -	$ 307,934
HOME Program Fund	189,338	7,627	(1,668)	(2,945)	-	192,352
ARRA Program	-	28,344	-	-	-	28,344
Total Governmental Funds	$ 492,864	$ 46,554	$ (6,691)	$ (4,097)	$ -	$ 528,630
Proprietary Funds:						
Administrative Fund	$ 86,451	$ 131	$ (2,130)	$ (677)	$ 162	$ 83,937
Mortgage Loan Program Fund:						
Housing Bonds	498,897	-	(26,072)	(2,027)	269	471,067
Multifamily Housing Revenue Bonds (Marywood)	11,254	-	-	(321)	-	10,933
Multifamily Bonds (Turnberr	5,114	-	(52)	(304)	-	4,758
Affordable Housing Program Trust Fund Bonds	52,123	-	(3,139)	(195)	-	48,789
Total Mortgage Loan Program Fund	567,388	-	(29,263)	(2,847)	269	535,547
Single Family Program Fund	783,021	-	(97,367)	(1,324)	(2,205)	682,125
Total Proprietary Funds	$ 1,436,860	$ 131	$ (128,760)	$ (4,848)	$ (1,774)	$ 1,301,609

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 8 regarding these reserves and other deposits held in escrow.

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

At June 30, 2010, 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 $712,221 and $1,329,708, respectively.

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

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

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

The Authority has a second mortgage agreement relating to a $4.4 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 or upon sale of the development.

The Authority's policy for converting mortgage loans, except for loans financed under the Single Family Mortgage Loan Program, to non-accrual status is to discontinue the accrual of interest when a loan becomes 90 days past due. In addition, the Authority does not accrue interest income on loans in which payments are to be made from residual receipts of the development. Payments on such loans are recognized only as received. For loans receivable within the Single Family Mortgage Loan Program, the Authority accrues interest income on all loans unless they become Real Estate Owned properties, at which time the accrual is suspended.

As of June 30, 2010, the accrual of interest and service fee income was suspended on approximately $2.9 million of mortgage loans in the Mortgage Loan Program Fund and such income was recognized only as received. Interest and service fee income due but not accrued was approximately $584,000 in the Mortgage Loan Program Fund and $60,000 in the Administrative Fund. In addition, the Authority does not accrue interest income on approximately $12.1 million of mortgage loans recorded in the Administrative Fund. Payments made on such loans, which generally are payable from residual receipts, if any, of the affected development funds, are recognized only as received. The annual amount of interest on these loans is approximately $201,000.

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, 2010, loans receivable under this program were approximately $1.6 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, 2010, has entered into forty Risk Sharing Loans totaling $226,312,699 and elected that HUD assume 10% to 90% of the loss with respect to those loans. Except for eleven loans totaling $67,412,699 financed through the issuance of the Authority's Housing Bonds and one loan in the amount of $15,460,000 financed through the issuance of the Authority's Multi-Family Housing Revenue Bonds (Marywood), these loans are not included in the Authority's financial statements as the Authority sold 100% participation interests in the loans to outside parties.

Marywood Apartments Homes, L.P., the borrower for the Marywood Apartment Homes development, has defaulted under the loans made by the Authority, which include the Risk Sharing Loan within the Authority's Multi-Family Housing Revenue Bonds (Marywood) and loans within the Administrative Fund and Housing Bond Fund Accounts. The Authority has filed a foreclosure action and a claim with HUD for payment of the Risk Share Insurance. HUD has paid to the Authority during the fiscal year the Risk Share Insurance and the Authority has taken the proceeds of the insurance and redeemed the Authority's Multi-Family Housing Revenue Bonds (Marywood). The Risk Share Insurance regulations required the Authority to issue to HUD a debenture, which bears interest at an annual rate of 5% and matures in five years, in the amount of $14,884,996, which is the amount of the proceeds of the Risk Share Insurance provided by HUD.

Under the terms of the Risk Share insurance in respect to the above development, HUD will bear 50% of the loss on the Risk Sharing loan. The Authority has reviewed the program loans receivable pertaining to the Marywood Apartment Homes development, for the purpose of determining ultimate collectibility, and believes that the allowances for estimated losses at June 30, 2010 in the accompanying financial statements are adequate to cover estimated losses of the loans.

At June 30, 2010, for loans financed under the Risk Sharing Program where the Authority sold 100% participation interests in the loans to outside parties, there were no amounts in arrears equal to more than two months debt service payments or required deposits to tax and insurance and/or replacement reserves.

In December 2000, the Authority received a commitment from Ambac Assurance Corporation (Ambac) under which Ambac will insure mortgage loans (Ambac Loans) on multi-family housing developments under the Authority's Mortgage Participation Certificate Program. Ambac has guaranteed repayment of principal and interest due on a timely or accelerated basis in accordance with the agreement between the Authority and Ambac. The agreement allows (or provides) the Authority to share its risk with Ambac on the aggregate loan portfolio after the satisfaction of certain requirements and threshholds. As of June 30, 2010, the Authority has entered into eight Ambac Loans totaling $32,392,200. 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.

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

As of June 30, 2008 the above three rating services had lowered their ratings of Ambac to below the prescribed levels. The Authority did not provide a substitute guarantor, and the holder of the participation interests of four of the above loans, with outstanding balances totaling approximately $33.9 million, during fiscal year 2009 exercised its right to require the repurchase of the Mortgage Loans. The Authority recorded as of June 30, 2008 a short term liability to purchase the four loans that the Participant elected to require the Authority to repurchase, and during fiscal year 2009 completed the purchase. The owner of the participation interests in the remaining six loans requested, and the Authority granted, an extension of the sixty day time period for the above actions or determinations to be made. The owner subsequently exercised its right to require the repurchase of the Mortgage Loans, and the Authority in November 2008 completed the purchase, the outstanding principal balances of which totaled approximately $81.9 million. The remaining eight loans for which outside parties hold 100% participation interests do not have a re-purchase provision.

The above loans were purchased from existing Authority cash and investment resources and are recorded within the Authority's Administrative Fund ($49.7 million) and Housing Bond Fund ($66.1 million) accounts.

At June 30, 2010, for loans financed under the Mortgage Participation Certificate Program where the Authority sold 100% participation interests in the loans to outside parties, there were no amounts in arrears equal to more than two months debt service payments or required deposits to tax and insurance and/or replacement reserves.

With respect to the mortgage loans funded by the Homeowner Mortgage Revenue Bonds, substantially all delinquent mortgage loans receivable at June 30, 2010, 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, 2010 are as follows:

	Principal due by June 30				
Interest rate %	**2011**	**2012 - 2016**	**2017 - 2026**	**After 2026**	**Total**
	(Dollars in thousands)				
0 – 0. 99	$ 1,675	$ 10,100	$ 40,070	$ 99,639	$ 151,484
1 – 1.99	1,779	15,642	50,984	86,820	155,225
2 – 3.99	501	2,898	7,220	8,239	18,858
4 – 5.75	66	515	1,748	440	2,769
	$ 4,021	$ 29,155	$ 100,022	$ 195,138	$ 328,336

The approximate aging of the receivables of the HOME program as of June 30, 2010 are as follows:

	Principal due by June 30				
Interest rate %	2011	2012 - 2016	2017 - 2026	After 2026	Total
	(Dollars in thousands)				
0 – 0. 99	$ 296	$ 3,568	$ 22,006	$ 29,033	$ 54,903
1 – 1.99	1,266	10,916	54,449	65,910	132,541
2 – 3.99	315	1,787	3,637	494	6,233
4 – 6.50	3	1,149	3,844	1,334	6,330
	$ 1,880	$ 17,420	$ 83,936	$ 96,771	$ 200,007

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, 2010 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, 2010:

	Allowance for estimated losses June 30, 2009	Provision for estimated losses	Write-offs of uncollectible losses, net of Recoveries	Allowance for estimated losses June 30, 2010
	(Dollars in thousands)			
Illinois Affordable Housing Trust Fund	$ 19,250	$ 1,240	$ (88)	$ 20,402
HOME Program Fund	4,710	2,945	-	7,655
Total governmental funds	$ 23,960	$ 4,185	$ (88)	$ 28,057
Administrative Fund	$ 4,335	$ 677	$ -	$ 5,012
Mortgage Loan Program Fund	15,335	2,847	-	18,182
Single Family Program Fund	-	1,324	-	1,324
Total proprietary funds	$ 19,670	$ 4,848	$ -	$ 24,518

State statute requires that all uncollected receivables due that exceed $1,000 be submitted to the Attorney General to be certified as uncollectible before the Authority can delete such receivables from its records. As of June 30, 2010, the Authority has requested sixteen such certifications totaling $2,805,905, all for loans within the Illinois Affordable Housing Trust Fund. Additional certification requests are anticipated to be filed as loss amounts are determined following the conclusion of foreclosure or other loss mitigation activities. The Authority has established provisions for estimated losses against such loans requested and to be requested for such certifications in amounts equal to the outstanding principal balances of the loans.

Scheduled receipts of principal on proprietary fund program loans receivable in the five years subsequent to June 30, 2010 and thereafter are as follows (Dollars in thousands):

2011	$	43,401
2012		47,105
2013		49,027
2014		90,251
2015		52,305
After 2015		1,044,038
	$	1,326,127

Note 6. Capital Assets – Business-Type Activities

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Cost				
Capital Assets Being Depreciated:				
Administrative Fund				
Leasehold Improvements	$ 1,805,108	$ -	$ 1,805,108	$ -
Furniture and Equipment	1,863,239	29,795	161,529	1,731,505
Total Administrative Fund	3,668,347	29,795	1,966,637	1,731,505
Mortgage Loan Program Fund				
Real Estate	41,119,570	-	68,524	41,051,046
Total Capital Assets Being Depreciated	44,787,917	29,795	2,035,161	42,782,551
Accumulated Depreciation				
Administrative Fund				
Leasehold Improvements	1,805,108	-	1,805,108	-
Furniture and Equipment	1,733,332	47,697	161,529	1,619,500
Total Administrative Fund	3,538,440	47,697	1,966,637	1,619,500
Mortgage Loan Program Fund				
Real Estate	12,611,000	800,000	-	13,411,000
Total Accumulated Depreciation	16,149,440	847,697	1,966,637	15,030,500
Capital Assets, Net of Depreciation	$ 28,638,477	$ (817,902)	$ 68,524	$ 27,752,051

Note 7. 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 and Multi-family Bonds (Turnberry), which are special limited obligations (S.L.O.) of the Authority, payable from pledged property as defined in their respective general resolutions. The Authority has also pledged its general obligation to the payment of the Affordable Housing Program Trust Fund Bonds to a limited extent and amounts.

The Authority has pledged future mortgage loan revenues, net of specified operating expenses, to repay the outstanding $1,246.6 billion (principal) in S.L.O. Bonds as noted in the following schedules for our Mortgage Loan program and Single Family Program Funds. The total principal and interest remaining to be paid on the S.L.O. Bonds is $1,837.3 billion. Interest paid for the current year was $47,114,794, and total related mortgage loan principal and interest received were $42,330,576 and $100,556,999, respectively.

Bonds and notes outstanding at June 30, 2010 are as follows. The June 30, 2009 amounts are shown for comparative purposes only.

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

Notes to Financial Statements

June 30, 2010

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 2010	Amount June 30 2009
Housing Bonds:					
1999 Series A	2010-2031	4.65-5.25 %	G.O.	$ 8,765,000	$ 10,415,000
2003 Series A	2010-2046	3.75-5.05	G.O.	18,715,000	19,155,000
2003 Series B	2010-2040	3.30-5.05	G.O.	41,250,000	44,415,000
2003 Series C	2010-2034	3.75-4.95	G.O.	4,775,000	5,055,000
2004 Series A	2013-2039	2.90-4.70	G.O.	19,515,000	20,555,000
2004 Series B(1)	2010-2034	Variable	G.O.	6,250,000	7,000,000
2004 Series C	2010-2045	4.10-5.45	G.O.	10,845,000	11,295,000
2005 Series A	2010-2035	3.25-4.60	G.O.	20,430,000	21,290,000
2005 Series B (Taxable)	2010-2012	4.79-5.02	G.O.	370,000	720,000
2005 Series C	2015-2042	4.38-5.00	G.O.	10,340,000	10,470,000
2005 Series D	2010-2047	4.88	G.O.	6,440,000	6,490,000
2005 Series E	2011-2036	3.65-4.80	G.O.	24,760,000	24,760,000
2005 Series F (Taxable)	2010-2029	4.89-5.84	G.O.	15,295,000	16,400,000
2006 Series A	2010-2038	4.10-5.05	G.O.	7,920,000	8,040,000
2006 Series B	2010-2046	4.75-5.00	G.O.	13,295,000	13,450,000
2006 Series D	2010-2042	4.85-5.00	G.O.	6,055,000	6,120,000
2006 Series E	2010-2042	4.00-4.95	G.O.	7,915,000	8,005,000
2006 Series F	2010-2047	4.00-5.00	G.O.	3,765,000	3,855,000
2006 Series G	2010-2037	3.90-4.85	G.O.	47,535,000	50,810,000
2006 Series H (Taxable)	2010-2028	5.21-6.06	G.O.	9,750,000	10,275,000
2006 Series I	2010-2048	4.70-4.85	G.O.	7,160,000	7,210,000
2006 Series J	2010-2048	4.50-5.00	G.O.	3,445,000	3,475,000
2006 Series K	2010-2023	3.90-4.60	G.O.	2,915,000	6,400,000
2006 Series M	2010-2047	3.70-4.50	G.O.	12,220,000	12,330,000
2007 Series A	2010-2048	3.80-5.55	G.O.	5,490,000	5,865,000
2007 Series C	2010-2044	3.80-5.38	G.O.	9,580,000	9,605,000
2007 Series D	2010-2043	3.65-5.05	G.O.	37,175,000	39,845,000
2007 Series E (Taxable)	2010-2033	5.66-6.54	G.O.	8,575,000	8,930,000
2007 Series F	2010-2044	4.70-5.35	G.O.	6,705,000	6,775,000
2007 Series G	2010-2044	4.70-5.35	G.O.	5,585,000	5,640,000
2008 Series A(1)	2027	Variable	G.O.	13,810,000	14,170,000
2008 Series B(1)	2010-2027	Variable	G.O.	35,785,000	36,885,000
2008 Series C(1)	2041	Variable	G.O.	5,425,000	5,500,000
				437,855,000	461,205,000
Less unamortized discount thereon				135,634	138,654
Less deferred loss on refunding				7,898,828	9,405,908
Plus deferred gain on refunding				916,555	1,080,931
Total Housing Bonds				430,737,093	452,741,369

	Maturity dates	Interest rate range %	Debt class	Amount June 30 2010	Amount June 30 2009
Multifamily Initiative Bonds[2]:					
Series 2009A	2010	Variable	S.L.O.	$ 184,080,000	$ -
Multifamily Housing Revenue Bonds:					
Marywood Apartment Homes					
HUD Riskshare Debenture	2013	5.00	G.O	14,884,996	14,884,996
Multifamily Bonds:					
Turnberry Village II Apartments	2010-2045	4.50-4.75	S.L.O.	5,055,000	5,115,000
Affordable Housing Program					
Trust Fund Bonds:					
Series 2004	2010-2026	5.50-6.21	S.L.O.	37,945,000	39,375,000
Series 2005 A	2010-2027	5.60-6.35	S.L.O.	26,370,000	27,515,000
Total Affordable Housing Program Trust Fund Bonds				64,315,000	66,890,000
Total Mortgage Loan Program Fund				$ 669,072,089	$ 539,631,365

(1) In accordance with the indenture, interest rates on the bonds are determined weekly and are paid monthly at a rate established by the Remarketing Agents on each Rate Determination Date. The variable rates paid on the subject bonds ranged from .30% to .40% at June 30, 2010. Pursuant to the liquidity agreements, the bonds are subject for purchase by liquidity providers (Liquidity Providers) in the event of a tender by bondholders (Bank Bonds). Subject to other provisions within the liquidity agreements, the Bank Bonds will bear interest at a rate specified within the agreements and continue to be subject for remarketing by Remarketing Agents. In the event the Remarketing Agents are unable to remarket the Bank Bonds over a certain period of time, the Bank Bonds are subject to a put whereby the Authority is required to purchase and redeem the Bank Bonds over a period stated within the agreements. The Authority has a take-out agreement with the liquidity providers to convert the bonds to an installment loan payable over a three-to-five year period. The interest rate that is to be paid during the liquidity and the put periods is 1 Month LIBOR plus 50 basis points for the Housing Bonds 2004 Series B, and the higher of 7%, Prime Rate or Federal Funds Rate plus 50 basis points for the Housing Bonds 2008 A, B and C. The liquidity agreements for Housing Bonds 2004 Series B and Housing Bonds 2008 A, B and C will expire on March 31, 2014 and April 30, 2011, respectively. The bonds and Bank Bonds are general obligations of the Authority and the timely payment of principal and interest on the bonds and Bank Bonds are subject to the credit enhancement agreements with credit enhancement providers (Enhancement Providers). The Authority has a general obligation to reimburse the Liquidity Providers and Enhancement Providers for any such payments made.

(2) In December 2009, the Authority participated in the Treasury Program by issuing $184 million of Multifamily Initiative bonds held in escrow to be converted to long-term fixed rate and used to fund and finance multifamily developments within the Mortgage Loan Program fund. The Treasury Program provided the Authority the ability to convert up to three times the proceeds from the Bonds held in escrow. It also requires the Authority to convert all funds held in escrow before December 31, 2010. Any funds remaining in escrow on December 31, 2010 are subject to a mandatory tender. On September 1, 2010, Treasury amended the Treasury Program by extending it from December 31, 2010 to December 31, 2011. The amended Treasury Program also provides the Authority the ability to convert three additional times (or six in aggregate) to long-term fixed rate bonds and also allows for a lower rate to be paid on the roll out of the long-term fixed rate bonds.

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 2010	Amount June 30 2009
Residental Mortgage Revenue Bonds:					
1983 Series A	2015	10.872 %	G.O.	$ 3,077	$ 2,768
1983 Series B	2015	10.746	G.O.	3,094	2,787
1984 Series B	2016	11.257	G.O.	2,713	2,431
1985 Series A	2017	10.75	G.O.	2,509	2,260
1987 Series B	2014	8.13	G.O.	100,000	100,000
1987 Series C	2014	7.50	G.O.	100,000	100,000
1987 Series D	2017	8.65	G.O.	100,000	100,000
Total Residental Mortgage Revenue Bonds				$ 311,393	$ 310,246

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 2010	Accreted value June 30 2009	Aggregate value to be redeemed
1983 Series A	Maturity 2/1/15	$ 180	$ 3,077	$ 2,768	$ 5,000
1983 Series B	Maturity 2/1/15	193	3,094	2,787	5,000
1984 Series B	Maturity 2/1/16	166	2,713	2,431	5,000
1985 Series A	Maturity 2/1/17	190	2,509	2,260	5,000

(1) Amounts reflect original issue amounts of capital appreciation bonds outstanding as of June 30, 2010.

	Maturity dates	Interest rate range %	Debt class	Amount June 30 2010	Amount June 30 2009
Homeowner Mortgage Revenue Bonds:					
1996 Series E	2008-2010	5.55-5.65 %	S.L.O.	$ -	$ 395,000
1996 Series F	2008-2010	5.05	S.L.O.	-	145,000
1997 Series B (remarketed 4/30/98)	2008-2028	4.90-5.50	S.L.O.	-	2,500,000
1997 Series B (remarketed 6/29/98)	2011-2028	5.20-5.40	S.L.O.	1,000,000	8,970,000
1997 Series D	2008-2009	5.05	S.L.O.	-	35,000
1997 Series D-3 (Taxable)	2022-2028	6.60	S.L.O.	-	795,000
1998 Series A (Taxable)	2010-2028	6.45-6.52	S.L.O.	1,645,000	2,555,000
1998 Series D (remarketed 10/7/98)	2010-2029	4.65-5.20	S.L.O.	10,610,000	11,650,000
1998 Series D (remarketed 12/17/98)	2012-2029	5.05-5.25	S.L.O.	5,910,000	6,565,000
1998 Series D (remarketed 4/29/99)	2010-2017	4.80-5.10	S.L.O.	10,005,000	11,360,000
1998 Series E (Taxable)	2008-2029	5.66-5.91	S.L.O.	-	4,360,000
1998 Series G	2010-2029	5.00-5.25	S.L.O.	11,375,000	11,950,000
1999 Series D	2010-2016	5.30	S.L.O.	335,000	4,570,000
1999 Series G	2010-2031	5.35	S.L.O.	95,000	775,000
2000 Series B	2008-2031	5.15	S.L.O.	-	40,000
2000 Series C-4 (Taxable)	2008-2031	8.19	S.L.O.	-	1,070,000
2000 Series D	2010-2012	5.10-5.35	S.L.O.	545,000	1,250,000
2000 Series E	2010-2013	5.00-5.30	S.L.O.	740,000	2,115,000
2001 Series A	2010-2032	4.60-5.35	S.L.O.	8,430,000	25,740,000
2001 Series C	2010-2032	4.45-5.10	S.L.O.	7,290,000	26,350,000
2001 Series D (Taxable)	2008-2032	Variable	S.L.O.	-	755,000
2001 Series E	2010-2033	4.80-5.20	S.L.O.	7,975,000	26,375,000
2001 Series F (Taxable) (1)	2016-2020	Variable	S.L.O.	10,000,000	10,000,000
2002 Series A	2008-2033	4.60-5.63	S.L.O.	4,845,000	23,025,000
2002 Series B (Taxable) (2)	2008-2023	Variable	S.L.O.	5,610,000	6,395,000
2002 Series C	2008-2033	3.70-5.40	S.L.O.	34,025,000	36,835,000
2003 Series B	2008-2034	3.00-5.15	S.L.O.	35,265,000	38,195,000
2004 Series A	2008-2034	2.40-4.75	S.L.O.	27,625,000	29,945,000
2004 Series A-3 (3)	2026-2034	Variable	S.L.O.	10,675,000	10,675,000
2004 Series C	2008-2034	4.00-5.35	S.L.O.	57,305,000	59,015,000
2004 Series C-3 (3)	2025-2034	Variable	S.L.O.	16,000,000	16,000,000
2005 Series A	2008-2035	3.00-5.00	S.L.O.	42,095,000	45,630,000
2005 Series A-3 (3)	2025-2035	Variable	S.L.O.	20,000,000	20,000,000
2005 Series C	2008-2035	3.25-5.25	S.L.O.	84,455,000	90,075,000
2006 Series A	2008-2036	3.55-5.00	S.L.O.	73,880,000	79,100,000
2006 Series B (Taxable)	2008-2036	5.01-5.31	S.L.O.	-	6,705,000
2006 Series C	2008-2037	3.88-5.15	S.L.O.	116,700,000	121,670,000

(Continued)

	Maturity dates	Interest rate range %	Debt class	Amount June 30 2010	Amount June 30 2009
Homeowner Mortgage Revenue Bonds (continued):					
2007 Series A	2008-2037	3.85-4.90	S.L.O.	$ 62,485,000	$ 63,810,000
2007 Series D	2008-2038	4.00-5.35	S.L.O.	62,340,000	64,215,000
2007 Series H	2017-2039	1.85-1.98	S.L.O.	-	61,010,000
2007 Series H (remarketed 1/30/08)	2009-2039	3.05-5.20	S.L.O.	54,750,000	55,930,000
2008 Series A	2009-2038	2.95-5.20	S.L.O.	9,160,000	10,285,000
2009 Series B (4)	2010	Variable	S.L.O.	200,000,000	-
				993,170,000	998,835,000
Plus unamortized premium thereon				1,371,793	1,581,680
Total Homeowner Mortgage Revenue Bonds				994,541,793	1,000,416,680
Total Single Family Program Fund				$ 994,853,186	$ 1,000,726,926

(1) In accordance to the indenture, interest rates on the bonds are determined and paid monthly based upon an index of one month LIBOR rate plus 0.40% for 2001 Series F. The variable rates paid on the subject bonds was .75375% at June 30, 2010. The Authority has entered into pay-fixed, receive variable, interest rate swap agreements in connection with these bonds, the objective of which is to establish a maximum debt service which may be paid over the life of the underlying bonds.

(2) In accordance to the indenture, interest rates on the bonds are determined and paid monthly based upon an index of one month LIBOR rate plus 0.415%. The variable rates paid on the subject bonds was .7688% at June 30, 2010.

(3) In accordance to the indenture, interest rates on the bonds are determined weekly and are paid monthly at a rate established by the Remarketing Agents on each Rate Determination Date. The variable rates paid on the subject bonds ranged from .25% to .35% at June 30, 2010. Pursuant to the liquidity agreements, the bonds are subject for purchase by liquidity providers (Liquidity Providers) in the event of a tender by bondholders (Bank Bonds). Subject to other provisions within the liquidity agreements, the Bank Bonds will bear interest at a rate specified within the agreements and continue to be subject for remarketing by Remarketing Agents. In the event the Remarketing agents are unable to remarket the Bank Bonds over a certain period of time, the Bank Bonds are subject to a put whereby the Authority is required to purchase and redeem the Bank Bonds over a period stated within the agreements. The Authority has a take-out agreement with the liquidity providers to convert the bonds to an installment loan payable over a three-to-five year period. The interest rate that is to be paid during the liquidity and the put periods is 1 Month LIBOR plus 50 basis points for the Homeowner Mortgage Revenue Bonds (HMRB) 2004 Subseries A-3, and 3 Month LIBOR plus 150 basis points for the HMRB 2004 Subseries C-3 and the HMRB 2005 Subseries A-3.The liquidity agreements for HMRB 2004 Subseries A-3, HMRB Subseries C-3 and HMRB 2005 Subseries A-3 will expire on March 16, 2014, July 13, 2012 and March 10, 2013, respectively.

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

(4) In December 2009, the Authority participated in the Treasury Program by issuing $200 million of Homeowner Mortgage Revenue bonds held in escrow to be converted to long-term fixed rate and used to fund and finance single family loans within the Single Family Program Fund. The Treasury Program provided the Authority the ability to convert up to three times the proceeds from the Bonds held in escrow. It also required the Authority to convert all funds held in escrow before December 31, 2010. Any funds remaining in escrow on December 31, 2010 are subject to a mandatory tender. On September 1, 2010, Treasury amended the Treasury Program by extending it from December 31, 2010 to December 31, 2011. The amended Treasury Program also provides the Authority the ability to convert three additional times (or six in aggregate to long-term fixed rate bonds and also allows for a lower rate to be paid on the roll out of the long-term fixed rate bonds.

Administrative Fund

Outstanding debt of the Administrative Fund is as follows:

	Maturity date	Interest rate	Debt class	Amount June 30 2010	Amount June 30 2009
Term loans	2012	1.79-5.45%	Loan	$ 7,900,000	$ 6,233,333

The Authority has entered into an agreement with a bank to obtain one or more term loans up to a total of $10,000,000, of which $5,000,000 is collateralized by a lien and security interest in the Lakeshore Plaza Development. As of June 30, 2010, the Authority had loans totaling $7,900,000 against this agreement, at an interest rate of 5.45% for a borrowing of $1,666,667, 5.03% for a borrowing of $2,900,000, 4.18% for a borrowing of $1,666,667 and 1.79% for a borrowing of $1,666,666.

The following summarizes the debt activity for the Authority’s proprietary funds for the year ended June 30, 2010:

	June 30, 2009	Additions	Deductions	June 30, 2010	Amount due within one year
Administrative Fund	$ 6,233,333	$ 1,666,667	$ -	$ 7,900,000	$ -
Mortgage Loan Program Fund:					
Housing Bonds	461,205,000	-	(23,350,000)	437,855,000	73,630,000
Discount on Housing Bonds	(138,654)	-	3,020	(135,634)	-
Deferred loss on refunding Housing Bonds	(9,405,908)	-	1,507,080	(7,898,828)	-
Deferred gain on refunding Housing Bonds	1,080,931	-	(164,376)	916,555	-
Multifamily Initiative Bonds	-	184,080,000	-	184,080,000	184,080,000
Multifamily Housing Revenue Bonds (Marywood)	14,884,996	-	-	14,884,996	-
Multifamily Bonds (Turnberry II)	5,115,000	-	(60,000)	5,055,000	60,000
Affordable Housing Program Trust Fund Bonds	66,890,000	-	(2,575,000)	64,315,000	2,705,000
Total Mortgage Loan Program Fund	539,631,365	184,080,000	(24,639,276)	699,072,089	260,475,000
Single Family Program Fund:					
Residential Mortgage Revenue Bonds	310,246	1,147	-	311,393	-
Homeowner Mortgage Revenue Bonds	998,835,000	200,000,000	(205,665,000)	993,170,000	215,470,000
Premium on Homeowner Mortgage Revenue Bonds	1,581,680	-	(209,887)	1,371,793	-
Total Single Family Program Fund	1,000,726,926	200,001,147	(205,874,887)	994,853,186	215,470,000
Total Proprietary Funds	$ 1,546,591,624	$ 385,747,814	$ (230,514,163)	$ 1,701,825,275	$ 475,945,000

Debt Covenant Compliance

The Authority covenants in its various bond indentures to provide audited financial statements to the trustees named by the bond indentures within 120 days following the end of its fiscal year. The delivery of the audited financial statements with respect to the fiscal year ended on June 30, 2010 was delayed by approximately 18 days for non-financial reasons. The delay does not result in any adverse consequences to the Authority under the bond indentures.

Defeased Debt

The Authority has defeased debt by placing the proceeds of new bonds and other amounts in an irrevocable trust to provide for all future debt service payments of the old bonds. At June 30, 2010, the following outstanding bonds are considered defeased.

Issue	Amount
Insured Mortgage Housing Development Bonds, 1976 Series A	$ 3,015,000
Multi-Family Housing Bonds, 1981 Series A	22,040,000
	$ 25,055,000

Other Financings

From time to time the Authority has issued special limited obligations with a claim for repayment solely from payments received with respect to the mortgage loans. The bonds are not general obligations of the Authority, and they are not a debt of the State of Illinois; neither is liable to pay interest and principal on the bonds.

Accordingly, the bonds and the related mortgage loans are not included in the Authority's financial statements. The bonds do, however, apply toward the Authority's authorized debt limitation.

As of June 30, 2010, there were thirty-eight series of such bonds or notes outstanding, with an aggregate principal amount payable of $357,418,786.

Assets Restricted for Capital and Debt Service Reserves

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

Bonds	Requirement
Affordable Housing Program Trust Fund Bonds	Maximum amounts of principal, sinking fund installments and interest due in the then current or any future bond year for all bonds then outstanding.
Housing Bonds	The amount established by each series resolution, currently six months of maximum principal and interest payments.
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, 2010, these amounts, which were not less than the amounts required, are as follows:

Housing Bonds	$ 20,376,381
Homeowner Mortgage Revenue Bonds	29,714,077
	$ 50,090,458

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

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

Other Maturity Information

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

Issue	Maturity on or after	Redemption price		
Housing Bonds, 1999 A	July 1, 2010	100.5	to	100
Homeowner Mortgage Revenue Bonds:				
1998 Series D remarketed October 7, 1998	July 1, 2010	100.5	to	100
1998 Series D remarketed December 17, 1998	July 1, 2010	100.5	to	100
1998 Series D remarketed April 29, 1999	July 1, 2010	100.5	to	100
1998 Series G	July 1, 2010	100.5	to	100

Debt service requirements (dollars in millions) through 2015 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:								
2011	$ -	$ 0.3	$ 260.5	$ 23.5	$ 215.5	$ 36.1	$ 476.0	$ 59.9
2012	7.9	0.3	20.7	21.4	23.3	35.4	51.9	57.1
2013	-	-	20.9	20.5	24.8	34.4	45.7	54.9
2014	-	-	36.0	19.6	25.8	33.4	61.8	53.0
2015	-	-	21.2	17.9	27.3	32.3	48.5	50.2
Five years ending June 30:								
2016-2020	-	-	87.5	75.6	136.3	141.6	223.8	217.2
2021-2025	-	-	66.2	57.1	126.4	110.6	192.6	167.7
2026-2030	-	-	52.9	40.0	158.3	78.5	211.2	118.5
2031-2035	-	-	56.4	27.4	184.5	40.2	240.9	67.6
2036-2040	-	-	48.0	13.7	71.3	6.5	119.3	20.2
2041-2045	-	-	28.3	4.8	-	-	28.3	4.8
2046-2049	-	-	7.6	0.3	-	-	7.6	0.3
	$ 7.9	$ 0.6	$ 706.2	$ 321.8	$ 993.5	$ 549.0	$ 1,707.6	$ 871.4

*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, 2010 has one active swap contract and four interest rate caps. Details are shown in the following tables.

	Changes in Fair Value		Fair Value at June 30, 2010		
Business-type activities	Classification	Amount	Classification	Amount	Notional
Cash flow hedges:					
Pay-fixed interest rate swap:					
Series 2001 F	Deferred outflow	$ (548,601)	Debt*	$ (2,830,056)	$ 10,000,000
Rate caps	Deferred outflow	(157,099)	Debt*	(43,823)	61,270,000

* The fair value is classified as derivative instrument liability

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

The fair value of the interest rate swap and rate caps were estimated using data provided by the counterparties.

Associated bond issue	Notional amounts	Effective date	Fixed rate paid (3)	Variable rate received	Fair values(1)	Termi-nation date	Counter-party credit rating(2)
Swap contracts:							
HMRB*:							
Series 2001 F	$ 10,000,000	01/02	6.615	%1 mo LIBOR +40bp	$ (2,830,056)	08/2020	A/A2
Interest Rate Caps:							
HB**:							
Series 2004 B	6,250,000	03/04	5.00	N/A	278	04/2012	A+/Aa3
Series 2008 A	13,810,000	01/08	5.75	N/A	2,967	12/2012	A+/Aa3
Series 2008 B	35,785,000	07/06	5.50	N/A	16	06/2011	A+/Aa3
Series 2008 C	5,425,000	06/06	4.75	N/A	(47,084)	06/2021	A/A2

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

To protect against the potential of rising interest rates, the Authority has entered into one pay-fixed, receive variable, interest rate swap agreement, the objective of which is to achieve a synthetic fixed interest rate on the underlying bonds at a cost anticipated to be less than the amounts paid had the Authority issued fixed-rate debt. In addition, the Authority has entered into 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, 2010 are shown in the above table. The notional amount of the swap and caps match the principal amount of the associated debt. The Authority's swap and cap agreements contains scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or an anticipated reduction in the associated bonds payable category.

Because interest rates have declined since the implementation of the swap agreement, it had negative fair value as of June 30, 2010. The negative fair value may be countered by reductions in total interest payments required under the variable-rate bonds, creating lower synthetic interest rates. Because the coupons on the

Authority's variable rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value changes.

As of June 30, 2010, the Authority was not exposed to credit risk for the swap that had negative fair value. As interest rates change and the fair value becomes positive, the Authority is exposed to credit risk in the amount of the swap's or cap's fair value. The Authority is exposed to credit risk on the caps with positive fair value (2004 B, 2008 A, and 2008 B). The aggregate fair value of hedging derivative instruments with positive fair value at June 30, 2010 was $3,261. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. Fair value is a factor only upon termination.

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

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

The Authority is not exposed to rollover risk on its swap agreement. The Authority is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, the Authority will be re-exposed to the risks being hedged by the hedging derivative instrument. The Authority is exposed to rollover risk on the caps which have termination dates that occur prior to the final maturity of the related bonds.

As of June 30, 2010, 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**	**swap, net**	**Total**
Year ending June 30:				
2011	$ 2,435,000	$ 277,773	$ 586,125	$ 3,298,898
2012	2,590,000	269,592	586,125	3,445,717
2013	1,845,000	261,738	586,125	2,692,863
2014	1,950,000	255,568	586,125	2,791,693
2015	2,060,000	249,079	586,125	2,895,204
Five years ending June 30:				
2020	20,695,000	1,002,708	1,875,600	23,573,308
2024	15,980,000	553,090	29,306	16,562,396
2030	19,285,000	211,073	-	19,496,073
2035	2,560,000	62,386	-	2,622,386
2040	1,365,000	25,620	-	1,390,620
Greater than 2040	505,000	2,090	-	507,090
Total	$ 71,270,000	$ 3,170,717	$ 4,835,531	$ 79,276,248

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

Note 8. Deposits Held in Escrow

Deposits from developers, which are held in escrow in the Administrative Fund, may be used when necessary to pay principal and interest payments and fund construction cost overruns, change orders, tax and insurance payments and capital improvements (see Note 5). In addition, on certain developments, letters of credit and assignments of syndication proceeds are held by the Authority for similar purposes and to fund potential operating deficits of the related developments; investment income earned on deposited funds is credited to the respective developer's escrow accounts.

Note 9. 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 $843,000 for fiscal year 2010, plus approximately $882,000 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 2010, total rent expense of the Authority was $1,608,968.

The future minimum lease commitments in the five years subsequent to June 30, 2010 and thereafter are as follows:

2011	$ 869,033
2012	895,434
2013	921,835
2014	948,236
2015	974,636
2016	1,001,036
	$ 5,610,210

Note 10. 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, 2010, is an estimated rebate liability of $807,160.

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 11. Retirement Plan

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

The Authority's total payroll in fiscal year 2010 was $13,374,506. The Authority's contributions were calculated using the base salary amount of $13,228,700. The Authority contributed $793,722 or 6% of the base salary amount, in fiscal year 2010. Employee contributions amounted to $884,527 in fiscal year 2010, or 6.7% of the base salary amount.

Note 12. Commitments

At June 30, 2010, unexpended funds held by the Authority in the form of cash and investments amounting to $260,049,904 in the Homeowner Mortgage Revenue Bond accounts were identified for the purpose of purchasing various mortgage loans. At June 30, 2010, unexpended bond proceeds held by the Authority in the form of cash and investments amounting to $1,417,906 and $184,136,077 in the Housing Bond and Multifamily Initiative Bond accounts were identified for the purpose of making various mortgage loans.

At June 30, 2010, the Authority had authorized commitments for loans and grants totaling $9,629,881 for the Illinois Affordable Housing Trust Fund.

Under the HOME Program, $397.2 million and $24.2 million for federal fiscal years 1992 through 2009 and 2010, 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, 2010, the Authority had authorized commitments for loans and grants totaling $29,822,584 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, 2010, loans receivable under this program were approximately $20.1 million.

Note 13. Subsequent Events

The United States Department of the Treasury (“Treasury”) initiated a program (“Treasury Program”) whereby Treasury through Fannie Mae and Freddie Mac will purchase bonds directly from Housing Finance Authorities and act as bondholders. In December 2009, the Authority participated in the Treasury Program by issuing $184 million of Multifamily Initiative Bonds and $200 million of Homeowner Mortgage Revenue Bonds (“Bonds”). Proceeds from the Bonds upon conversion to long-term fixed rate will be used to fund and finance loans within the Mortgage Loan Fund and Single Family Loan Fund, respectively.

The Treasury Program provided the Authority the ability to convert up to three times the proceeds from the Bonds held in escrow into long-term fixed rate bonds. The Treasury Program also requires the Authority to convert all funds in escrow before December 31, 2010. Any funds remaining in escrow on December 31, 2010 are subject to a mandatory tender.

On September 1, 2010, Treasury amended the Treasury Program by extending it from December 31, 2010 to December 31, 2011. The amended Treasury Program also provides the Authority the ability to convert three additional times (or six in aggregate) to long-term fixed rate bonds.

The Authority submitted a proposal on September 1, 2010 to Treasury and was approved to participate in the Federal housing program entitled the Housing Finance Agency Innovation fund for the Hardest Hit Housing Markets Program (the “HHF Program”) created under the Emergency Economic Stabilization Act of 2008 (Public Law 110-343), as amended, as the same may be amended from time to time (“ESSA”). The state of Illinois was awarded $445,603,557 to assist unemployed or substantially underemployed homeowners with interim mortgage payment assistance that will allow them to pursue sustainable income and homeownership through new employment or job training efforts without the immediate threat of default or foreclosure. The Authority will be the administrator of the HHF Program for Illinois and will be responsible for implementation and monitoring of the program throughout all areas of the State and all employment sectors as the foreclosure crisis and unemployment crisis in Illinois is diverse.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)
Mortgage Loan Program Fund

Combining Schedule of Net Assets
June 30, 2010

	Housing Bonds	Multifamily Initiative Bonds	Multifamily Housing Revenue Bonds (Marywood)	Multifamily Bonds (Turnberry)	Affordable Housing Program Trust Fund Bonds	Total
Assets:						
Current assets:						
Cash and cash equivalents	$ 96,919	$ 17,556	$ -	$ 27,570	$ 483,933	$ 625,978
Investment income receivable – restricted	171,211	-	-	-	55,488	226,699
Program loans receivable	19,424,000	-	-	55,000	3,664,000	23,143,000
Interest receivable on program loans	1,055,768	-	-	21,513	149,504	1,226,785
Due from other funds	15,706,866	-	-	21,940	-	15,728,806
Total current assets	36,454,764	17,556	-	126,023	4,352,925	40,951,268
Noncurrent assets:						
Investments – restricted	108,741,954	184,136,077	-	211,946	21,370,838	314,460,815
Program loans receivable, net of current portion	460,599,645	-	15,039,073	5,006,885	49,940,434	530,586,037
Less allowance for estimated losses	(8,956,598)	-	(4,106,574)	(303,713)	(4,814,983)	(18,181,868)
Net program loans receivable	451,643,047	-	10,932,499	4,703,172	45,125,451	512,404,169
Unamortized bond issuance costs	2,647,957	449,578	-	-	3,012,451	6,109,986
Real estate held for sale, net	123,558	-	-	-	-	123,558
Capital assets, net	27,640,046	-	-	-	-	27,640,046
Deferred outflow of resources	43,823	-	-	-	-	43,823
Other	-	-	-	-	28,461	28,461
Total noncurrent assets	590,840,385	184,585,655	10,932,499	4,915,118	69,537,201	860,810,858
Total assets	627,295,149	184,603,211	10,932,499	5,041,141	73,890,126	901,762,126
Liabilities:						
Current liabilities:						
Bonds and notes payable	73,630,000	184,080,000	-	60,000	2,705,000	260,475,000
Accrued interest payable	8,924,890	-	469,290	78,438	325,687	9,798,305
Deferred revenue	307,104	-	-	-	-	307,104
Amounts held on behalf of others	599,363	-	-	-	-	599,363
Accrued liabilities and other	931,016	17,125	-	-	203,060	1,151,201
Due to other funds	2,810,430	-	749,850	10,607	18,233	3,589,120
Total current liabilities	87,202,803	184,097,125	1,219,140	149,045	3,251,980	275,920,093
Noncurrent liabilities:						
Bonds and notes payable, net of current portion	357,107,093	-	14,884,996	4,995,000	61,610,000	438,597,089
Derivative instrument liability	43,823	-	-	-	-	43,823
Total liabilities	444,353,719	184,097,125	16,104,136	5,144,045	64,861,980	714,561,005
Net assets:						
Invested in capital assets, net of related debt	(8,144,954)	-	-	-	-	(8,144,954)
Restricted for bond resolution purposes	191,086,384	506,086	-	-	9,028,146	200,620,616
Unrestricted	-	-	(5,171,637)	(102,904)	-	(5,274,541)
Total net assets	$ 182,941,430	$ 506,086	$ (5,171,637)	$ (102,904)	$ 9,028,146	$ 187,201,121

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, 2010

	Housing Bonds	Multifamily Initiative Bonds	Multifamily Housing Revenue Bonds (Marywood)	Multifamily Bonds (Turnberry)	Affordable Housing Program Trust Fund Bonds	Total
Operating revenues:						
Interest and other investment income	$ 3,326,660	$ 56,431	$ -	$ 507	$ 151,257	$ 3,534,855
Net increase (decrease) in fair value of investments	452,297	77	-	(79)	(13,533)	438,762
Total investment income	3,778,957	56,508	-	428	137,724	3,973,617
Interest earned on program loans	25,987,217	-	-	258,329	1,594,803	27,840,349
Federal assistance programs	4,068,870	-	-	-	-	4,068,870
Other	6,979,000	-	-	-	-	6,979,000
Total operating revenues	40,814,044	56,508	-	258,757	1,732,527	42,861,836
Operating expenses:						
Interest expense	20,182,406	4,542	744,249	236,438	4,326,257	25,493,892
Federal assistance programs	4,068,870	-	-	-	-	4,068,870
Financing costs	711,022	-	-	10,486	85,555	807,063
Provision for estimated losses on program loans receivable	2,026,598	-	321,574	303,713	194,983	2,846,868
Total operating expenses	26,988,896	4,542	1,065,823	550,637	4,606,795	33,216,693
Operating income (loss)	13,825,148	51,966	(1,065,823)	(291,880)	(2,874,268)	9,645,143
Transfers in	-	454,120	-	-	5,200,000	5,654,120
Total transfers	-	454,120	-	-	5,200,000	5,654,120
Change in net assets	13,825,148	506,086	(1,065,823)	(291,880)	2,325,732	15,299,263
Net assets (deficit) at beginning of year	169,116,282	-	(4,105,814)	188,976	6,702,414	171,901,858
Net assets (deficit) at end of year	$182,941,430	$ 506,086	$ (5,171,637)	$ (102,904)	$ 9,028,146	$ 187,201,121

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, 2010

	Housing Bonds	Multifamily Initiative Bonds	Multifamily Housing Revenue Bonds (Marywood)	Multifamily Bonds (Turnberry)	Affordable Housing Program Trust Fund Bonds	Total
Cash flows from operating activities:						
Receipts for program loans, interest and service fees	$ 51,793,002	$ -	$ -	$ 312,075	$ 4,659,232	$ 56,764,309
Receipts for federal assistance programs	4,068,870	-	-	-	-	4,068,870
Payments for federal assistance programs	(4,068,870)	-	-	-	-	(4,068,870)
Payments to suppliers	(2,792,381)	17,125	-	(10,486)	(85,555)	(2,871,297)
Other receipts	7,741,516	-	-	-	-	7,741,516
Net cash provided by operating activities	56,742,137	17,125	-	301,589	4,573,677	61,634,528
Cash flows from noncapital financing activities:						
Proceeds from sale of revenue bonds and notes	-	184,080,000	-	-	-	184,080,000
Principal paid on revenue bonds and notes	(23,350,000)	-	-	(60,000)	(2,575,000)	(25,985,000)
Interest paid on revenue bonds and notes	(19,004,299)	(454,120)	(744,250)	(237,338)	(4,012,945)	(24,452,952)
Due to other funds	(228,508)	-	744,250	6,664	(9,567)	512,839
Due from other funds	(1,396,254)	-	-	-	-	(1,396,254)
Transfers in	-	454,120	-	-	5,200,000	5,654,120
Net cash provided by (used in) noncapital financing activities	(43,979,061)	184,080,000	-	(290,674)	(1,397,512)	138,412,753
Cash flows from investing activities:						
Purchase of investment securities	(226,767,149)	(1,104,596,384)	-	(471,868)	(48,977,013)	(1,380,812,414)
Proceeds from sales and maturities of investment securities	210,612,694	920,460,384	-	487,782	46,064,563	1,177,625,423
Interest received on investments	3,336,340	56,431	-	507	152,145	3,545,423
Net cash provided by (used in) investing activities	(12,818,115)	(184,079,569)	-	16,421	(2,760,305)	(199,641,568)
Net increase (decrease) in cash and cash equivalents	(55,039)	17,556	-	27,336	415,860	405,713
Cash and cash equivalents at beginning of year	151,958	-	-	234	68,073	220,265
Cash and cash equivalents at end of year	$ 96,919	$ 17,556	$ -	$ 27,570	$ 483,933	$ 625,978
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	$ 13,825,148	$ 51,966	$ (1,065,823)	$ (291,880)	$ (2,874,268)	$ 9,645,143
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Investment income	(3,778,957)	(56,508)	-	(428)	(137,724)	(3,973,617)
Interest expense	20,182,406	4,542	744,249	236,438	4,326,257	25,493,892
Depreciation and amortization	800,000	-	-	-	-	800,000
Provision for estimated losses on program loans receivable	2,026,598	-	321,574	303,713	194,983	2,846,868
Changes in assets and liabilities:						
Program loans receivable	25,803,643	-	-	52,458	3,138,764	28,994,865
Interest receivable on program loans	2,142	-	-	1,288	(74,403)	(70,973)
Other liabilities	(2,081,359)	17,125	-	-	-	(2,064,234)
Other assets	(37,484)	-	-	-	68	(37,416)
Total adjustments	42,916,989	(34,841)	1,065,823	593,469	7,447,945	51,989,385
Net cash provided by operating activities	$ 56,742,137	$ 17,125	$ -	$ 301,589	$ 4,573,677	$ 61,634,528
The fair value of investments increased (decreased)	$ 619,712	$ 56,354	$ -	$ 428	$ (7,381)	$ 669,113

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)
Single Family Program Fund

Combining Schedule of Net Assets
June 30, 2010

	Homeowner Mortgage Revenue Bonds	Residential Mortgage Revenue Bonds	Total
Assets:			
Current assets:			
Cash and cash equivalents	$ 4,937,007	$ 300	$ 4,937,307
Investment income receivable – restricted	607,514	8,389	615,903
Program loans receivable	18,773,000	-	18,773,000
Interest receivable on program loans	3,224,970	-	3,224,970
Due from other funds	351,293	-	351,293
Total current assets	27,893,784	8,689	27,902,473
Noncurrent assets:			
Investments – restricted	391,309,945	458,997	391,768,942
Program loans receivable, net of current portion	664,676,732	-	664,676,732
Less allowance for estimated losses	(1,324,389)	-	(1,324,389)
Net program loans receivable	663,352,343	-	663,352,343
Unamortized bond issuance costs	7,057,298	-	7,057,298
Real estate held for sale, net	12,970,291	-	12,970,291
Deferred outflow of resources	2,830,056	-	2,830,056
Other	1,933,292	-	1,933,292
Total noncurrent assets	1,079,453,225	458,997	1,079,912,222
Total assets	1,107,347,009	467,686	1,107,814,695
Liabilities:			
Current liabilities:			
Bonds and notes payable	215,470,000	-	215,470,000
Accrued interest payable	15,116,029	10,115	15,126,144
Accrued liabilities and other	579,867	-	579,867
Due to other funds	728,261	-	728,261
Total current liabilities	231,894,157	10,115	231,904,272
Noncurrent liabilities:			
Bonds and notes payable, net of current portion	779,071,793	311,393	779,383,186
Derivative instrument liability	2,830,056	-	2,830,056
Total liabilities	1,013,796,006	321,508	1,014,117,514
Net assets:			
Restricted for bond resolution purposes	93,551,003	146,178	93,697,181
Total net assets	$ 93,551,003	$ 146,178	$ 93,697,181

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, 2010

	Homeowner Mortgage Revenue Bonds	**Residential Mortgage Revenue Bonds**	**Total**
Operating revenues:			
Interest and other investment income	$ 2,511,199	$ 20,667	$ 2,531,866
Net increase (decrease) in fair value of investments	579,586	(40)	579,546
Total investment income	3,090,785	20,627	3,111,412
Interest earned on program loans	37,737,873	-	37,737,873
Total operating revenues	40,828,658	20,627	40,849,285
Operating expenses:			
Interest expense	41,327,991	25,422	41,353,413
Professional fees	321,760	-	321,760
Other general and administrative	101,924	-	101,924
Financing costs	560,967	-	560,967
Provision for estimated losses on program loans receivable	1,324,389	-	1,324,389
Total operating expenses	43,637,031	25,422	43,662,453
Operating loss	(2,808,373)	(4,795)	(2,813,168)
Transfers out	(26,685)	-	(26,685)
Total transfers	(26,685)	-	(26,685)
Change in net assets	(2,835,058)	(4,795)	(2,839,853)
Net assets at beginning of year	96,386,061	150,973	96,537,034
Net assets at end of year	$ 93,551,003	$ 146,178	$ 93,697,181

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, 2010

	Homeowner Mortgage Revenue Bonds	Residential Mortgage Revenue Bonds	Total
Cash flows from operating activities:			
Receipts for program loans, interest and service fees	$ 128,572,966	$ -	$ 128,572,966
Payments to suppliers	(1,615,721)	-	(1,615,721)
Net cash provided by operating activities	126,957,245	-	126,957,245
Cash flows from noncapital financing activities:			
Proceeds from sale of revenue bonds and notes	200,000,000	1,147	200,001,147
Principal paid on revenue bonds and notes	(205,874,887)	-	(205,874,887)
Interest paid on revenue bonds and notes	(43,102,850)	(25,422)	(43,128,272)
Due to other funds	(390,484)	-	(390,484)
Due from other funds	(351,293)	-	(351,293)
Transfers out	(26,685)	-	(26,685)
Net cash used in noncapital financing activities	(49,746,199)	(24,275)	(49,770,474)
Cash flows from investing activities:			
Purchase of investment securities	(2,323,887,360)	(318,883)	(2,324,206,243)
Proceeds from sales and maturities of investment securities	2,242,430,014	321,824	2,242,751,838
Interest received on investments	2,831,364	20,667	2,852,031
Net cash provided by (used in) investing activities	(78,625,982)	23,608	(78,602,374)
Net (decrease) in cash and cash equivalents	(1,414,936)	(667)	(1,415,603)
Cash and cash equivalents at beginning of year	6,351,943	967	6,352,910
Cash and cash equivalents at end of year	$ 4,937,007	$ 300	$ 4,937,307
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	$ (2,808,373)	$ (4,795)	$ (2,813,168)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Investment income	(3,090,785)	(20,627)	(3,111,412)
Interest expense	41,327,991	25,422	41,353,413
Provision for estimated losses on program loans receivable	1,324,389	-	1,324,389
Changes in assets and liabilities:			
Program loans receivable	92,160,682	-	92,160,682
Interest receivable on program loans	607,703	-	607,703
Other liabilities	2,198,986	-	2,198,986
Other assets	(4,763,348)	-	(4,763,348)
Total adjustments	129,765,618	4,795	129,770,413
Net cash provided by operating activities	$ 126,957,245	$ -	$ 126,957,245
Noncash investing, capital and financing activities:			
Transfer of foreclosed assets	$ 7,410,079	$ -	$ 7,410,079
The fair value of investments increased (decreased)	$ 906,796	$ 350	$ 907,146

McGladrey

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 Board 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 and each major 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, 2010, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 15, 2010. 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 was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in findings 10-01 and 10-06 in the accompanying schedule of findings and responses to be material weaknesses.

A *significant deficiency* is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in findings 10-02, 10-03, 10-04, and 10-05 in the accompanying schedule of findings and responses to be significant deficiencies.

Compliance and Other Matters

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

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

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

McGladrey & Pullen, LLP

Schaumburg, Illinois
November 15, 2010

Finding 10-01 Financial Statement Adjustments

The Illinois Housing Development Authority (Authority) did not provide the auditors with complete and accurate financial statements.

During our audit of the financial statements we noted the following:

- For several years, the Authority has entered into multi-year take-out agreements with liquidity providers to convert variable rate bonds into installment loans if the bonds cannot be remarketed. The take-out agreement for the 2008 A, B and C Housing Bonds will expire April 30, 2011. Since the take-out agreement expires within the next fiscal year, the bonds payable balances of approximately $50 million had to be reclassified from non-current to current.

  In accordance with GASB Interpretation 1, “Demand Bonds issued by State and Local Governmental Entities,” if the take-out agreement expires within one year of the balance sheet date, the related outstanding bonds payable balances are required to be classified as current liabilities. A correction to the financial statements was made to reflect the required reclassification of the $50 million in bonds payable.

- Upon review of the Single Family Program Fund, we discovered there were 673 loans totaling $65,526,828 that did not have pool insurance and did not have an allowance for loss recorded. This creates a risk of loss due to potential uncollectable loan receivables. The Authority recorded an entry to estimate an allowance for loan loss in the Single Family Program Fund of $1,324,389. See separate finding 10-06 for more information.

  In accordance with accounting principles generally accepted in the United States of America (GAAP), loss contingencies that are probable and that can be reasonably estimated should be recorded as a loss accrual in the financial statements.

- During our testing of the allowance for loan loss in the Illinois Affordable Housing Trust Fund, we noted 2 loans that were sent to the Attorney General for write off approval but were not fully reserved in the financial statements. The Authority has since made an entry to increase the allowance for loan loss in the Illinois Affordable Housing Trust Fund by $900,046. See separate finding 10-02 for more information.

  In accordance with accounting principles generally accepted in the United States of America (GAAP), loss contingencies that are probable and that can be reasonably estimated should be recorded as a loss accrual in the financial statements.

- There was an error in the cash flow statements showing an inflow of cash in the payment to suppliers' line item.

  In accordance with GASB Statement No. 9, cash payments to suppliers should be shown as a cash outflow. A correction to the financial statements was made to record the $4,441,283 outflow amount.

Finding 10-01 Financial Statement Adjustments (Continued)

- The cash flow statements did not have the information relating to the increase/decrease in the fair value of the investments. Additionally, cash flows from investing activities was not calculated properly as investment income amounts included in the non cash adjustments to the net appreciation in the fair value of the investments.

  In accordance with GASB Statement No. 9, cash flow statements are required to present noncash investing, capital and financing transactions. A correction to the financial statements was made to disclose the $1,573,515 increase in fair value of investments and remove the amounts from cash flows from investing activities.

- The disclosures for derivative instruments were incomplete. The disclosures were missing the change in fair value of derivative instruments, the classification of the type of hedge item and the classification of the hedge item as deferred inflow/outflow, as well as required disclosures for rollover risk for its interest rate caps.

  In accordance with GASB Statement No. 53, the changes in fair value and the classification of hedge items and the classification of deferred inflow/outflow are required. This Statement also requires disclosure of certain risks, including rollover risk. A correction to the financial statements was made to disclose the required information.

- The Authority initially did not include the footnote disclosures required by GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.* In accordance with this Statement, pledged revenues are those specific revenues that have been formally committed to directly collateralize or secure the Authority's debt. For each period in which the secured debt remains outstanding, the Authority should disclose, in the notes to financial statements, information about specific revenues pledged, including:

  a. Identification of the specific revenue pledged and the approximate amount of the pledge. Generally, the approximate amount of the pledge would be equal to the remaining principal and interest requirements of the secured debt.
  b. Identification of, and general purpose for, the debt secured by the pledged revenue
  c. The term of the commitment—that is, the period during which the revenue will not be available for other purposes
  d. The relationship of the pledged amount to the total for that specific revenue, if estimable—that is, the proportion of the specific revenue stream that has been pledged
  e. A comparison of the pledged revenues recognized during the period to the principal and interest requirements for the debt directly or indirectly collateralized by those revenues.

  The required disclosures were made for the final financial statements.

- The Authority has not presented certain investment risk disclosures in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3).* Paragraph 4 of this statement states "Unless otherwise required, investment disclosures should be organized by investment type, such as U.S. Treasuries, corporate bonds, or commercial paper. Dissimilar investments, such as U.S. Treasury bills and U.S. Treasury strips, should not be aggregated into a single investment type." The Authority has not complied with this principal in the preparation of the footnote disclosure and has aggregated dissimilar investment types. Additionally, the Authority has not presented the related risk disclosures for its investments held in money market funds that are classified as cash equivalents in the Statement of Net Assets.

Finding 10-01 Financial Statement Adjustments (Continued)

The required disclosures were made for the final financial statements.

Authority management stated they were operating without a Controller from February 2010 through mid May 2010. In addition the application of GASB No. 53 effective for this fiscal year posed additional complexities as available guidance for implementation of this new reporting requirement and related disclosures was limited for some hedge items and additional clarification would be made available by GASB in later months however not in time for our fiscal year end process. We recognize that a lapse in Controllers in close proximity to our fiscal year end and the available information for a new GASB reporting requirement were contributing factors for the adjustments made and we believe this process can be mitigated as more familiarity is gained with Authority business and through continual process improvements.

Submitting incomplete and inaccurate draft financial statements could lead to material misstatements and results in delays in completing the audit and the timely release of the Authority's financial reports to users. (Finding Code No. 10-01)

<u>Recommendation</u>

We recommend internal controls over financial reporting be strengthened as follows:

- The Authority should develop policies and procedures to review take-out agreements on long-term variable rate debt to ensure agreements are at least one year beyond the balance sheet date for all noncurrent debt.
- The Authority needs to develop policies and procedures to establish appropriate loan loss reserves for the Single Family Program loans.
- The Authority needs to ensure established policies for determining loan loss reserves in the Multi-Family Housing Program are followed.
- The Authority needs to develop policies and procedures to ensure GASB Statement No. 9 is followed in the preparation of the cash flows statement.
- The Authority needs to develop policies and procedures to ensure GASB Statement No. 53 is followed in the preparation of the financial statements.
- The Authority needs to develop policies and procedures to ensure GASB 48 disclosures are included in the financial statements.
- The Authority needs to ensure GASB Statement No. 40 footnote disclosures are presented by major investment type.

Finding 10-01 Financial Statement Adjustments (Continued)

Authority Response

The Authority concurs with the recommendations and plans to review and update policies and procedures to reflect current business processes and to ensure alignment with Generally Accepted Accounting Principles. The Authority continues to ensure that the established policies for determining loan loss reserves in the Multi-Family Housing Program are followed through additional staff training on policies and procedures that occurred during April 2010, in addition to requiring that all loans are re-rated under the new policies by the end of fiscal year 2011. Based on a recent review of the outstanding mortgage loans in the Single Family Program management determined that approximately 9.39% of the loans were not covered by pool insurance. Since in previous years pool insurance has been sufficient protection against uncollectible loan balances there was no formal procedure to estimate losses in the portfolio. As a result management will develop policies and procedures to determine loan loss reserves in the Single Family Program while this risk continues to exist.

Finding 10-02 Inconsistencies in the Loan Monitoring and Loan Rating System

The Illinois Housing Development Authority (Authority) has inconsistencies in the process for monitoring problem loans and inconsistencies in rating loans that are deemed uncollectible in the multi-family loan program.

The Authority has established a comprehensive loan rating system to enable the Authority to establish appropriate loan loss reserve amounts for the multi-family loan program. We conducted three separate loan reviews testing current, delinquent and "watch list" loans. A total of 95 multi-family program loans were tested for compliance with the Authority's loan rating policy.

The Authority's policy is to fully reserve for outstanding loan balances that are deemed uncollectible. During one of our tests we noted that 2 of the 4 (50%) loans sent to the Attorney General to be certified as uncollectible in the current fiscal year did not have a full reserve for the outstanding loan balance in accordance with the Authority's loan rating policy, resulting in an under reserve in the Illinois Affordable Housing Trust Fund of $900,046. As noted in finding 10-01, the financial statements for the current year were corrected to reflect this adjustment.

During our tests of the Authority's loan receivable balances, we noted the "watch list", a tool to monitor problem loans, was incomplete according to the Authority's rating policies of a "watch list" loan. The Authority's policy states any loan rated a 6, 7 or 8 should be listed on the "watch list". The Authority had 56 loans rated a 6, 7 or 8. Of the 56 loans, 3 loans totaling $1,390,293 were not listed on the "watch list".

A "watch list" loan receives special monitoring and attention to evaluate and identify any potential loss. Because these items failed to make the "watch list," they were not subjected to the required additional scrutiny.

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

Authority management stated that the loan monitoring and rating system has continued to be implemented in stages since its establishment in May 2007, with the adoption of a comprehensive Loan Loss Rating Policy that includes risk analysis of the entire multi-family portfolio. Along with additional staff training a new loan rating form was implemented in April 2010 to further simplify the rating system and to ensure alignment with the Loan Loss Rating Policy criteria. The Authority recognizes that inconsistencies have occurred as its staff continues to adjust to new procedures and a new rating form to implement the policy. The Authority stated that it is continuing its efforts to reduce any inconsistencies or weaknesses detected.

Without consistent tools to monitor and rate the collectability of the loans, the estimate could be over or under stated. (Finding Code No. 10-02, 09-01, 08-02).

<u>Recommendation</u>

We recommend that the Authority develop policies and procedures to ensure the "watch list" reports are complete and accurate. In addition, we recommend the Authority implement procedures to ensure loans that are deemed uncollectible are fully reserved for in accordance with the Authority's internal policies.

Finding 10-02 Inconsistencies in the Loan Monitoring and Loan Rating System (Continued)

Authority Response

The Authority concurs with the recommendation. Management will review the current policies and procedures and make any revisions as needed to ensure that the "watch list" reports are complete and accurate for all loans. In addition management will review the policies and procedures for uncollectible loans to ensure that the amounts to be reserved are accurate and consistent with established policies for loan loss reserves.

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

Schedule of Findings and Responses

Year Ended June 30, 2010

Finding # 10-03 Loan Receivable Balance and Allowance for Loan Loss Balance Overstated

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

During our audit of the Authority's allowance for loan loss estimate, we noted 44 loans totaling approximately $20.7 million were recorded on the Authority's financial statements for which a 100% allowance reserve was recorded. The Authority anticipates that most of these loans will ultimately be written off.

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

Authority management stated that additional loans were certified by the Authority during fiscal year 2010 as uncollectible and although one loan was approved for write off from prior submissions, the Authority has not yet received the approval from the Attorney General's Office to write off any additional loans. The Authority is continuing to submit additional requests as required to the Attorney General's Office and will inquire about status of write off requests on a periodic basis throughout the fiscal year to monitor timely write off of uncollectible loan amounts.

The significant effect of not writing off the loan balances and the corresponding allowance, results in overstatements of the Authority's loans receivable balance and the allowance for loan loss balance. (Finding Code No. 10-03, 09-02, 08-03).

Recommendation

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

Authority Response

The Authority concurs with the recommendation and will continue to work with the Attorney General's office to get approval for write-off of uncollectible loan balances through periodic inquiries on the status of submitted requests.

Finding 10-04 Inadequate Reconciliation Procedures for Deposits Held in Escrow

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

The Authority is holding $156,444,691 in escrow deposit balances as of June 30, 2010. Deposits from developers, which are held in escrow by the Authority, are primarily used to pay tax and insurance payments and capital improvements. Also, the deposits are used to make principal and interest payments and fund construction cost overruns, change orders or operating deficits. There are approximately 480 individual escrow balances. All escrow deposit balance transactions must be tracked in detail in a subsidiary ledger.

The Authority uses two separate software programs to track the individual escrow accounts. One program is used to track the escrow deposit liabilities and the other program is used to track the cash and investments. These software systems are not directly integrated with the general ledger system. The lack of integration requires numerous manual processes to identify and reconcile variances for the escrow liability accounts and corresponding cash and investments. The total of escrow liabilities should match the total of escrow assets.

For each month of the year, the detailed subsidiary ledger for cash and investments was out of balance with the general ledger. The largest discrepancy noted was $3,374,180 in February 2010. In June 2010, the Authority made an adjusting entry of $3,076,474 to reconcile the escrow cash and investment balances tracked in the separate software system to the escrow assets and recorded on the general ledger at June 30, 2010.

As for the escrow liability balances, this system also requires numerous manual adjustments to reconcile the detailed subsidiary ledger to the general ledger. As of June 30, 2010, the amount of unreconciled liabilities totaled $9,483.

The Authority should be reconciling the subsidiary records to the general ledger on a monthly basis and resolving discrepancies timely. Because the Authority does not have an integrated system that would simultaneously update cash, investments, liabilities and the general ledger, they must maintain an up-to-date manual reconciliation to ensure funds are properly tracked.

Authority management stated that through the internal audit process they were made aware of inconsistencies that exist within the escrow reconciliation process between the detailed subsidiary ledgers and the general ledger. As a result staff conducted monthly reconciliations and prepared written procedures to identify the discrepancies between the general ledger escrow assets and liabilities amounts to the two detailed subsidiary ledgers. Once the variances remained stable an adjustment was made to the general ledger to reconcile the balances to the detailed subsidiary ledger amounts. We believe the process established to maintain monthly reconciliations will ensure timely resolutions of any discrepancies and through the internal audit process we can monitor the effectiveness of such procedures and make continual improvements to this process as needed.

Without adequately reconciling the deposits held in escrow, the Authority may not have adequate funds on hand to satisfy liabilities incurred that are funded with escrow balances. (Finding Code No. 10-04).

Finding 10-04 Inadequate Reconciliation Procedures for Deposits Held in Escrow (Continued)

Recommendation

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

Authority Response

The Authority concurs with the recommendation and will continue to evaluate the policies and procedures established to conduct regular reconciliations of escrow asset and liability accounts to prevent unidentified variances. The escrow reconciliation process will continue to be reviewed through the internal audit process to ensure variances are identified and resolved in a timely manner. In addition, the Authority is reviewing "Best Practices" for escrow reconciliations with the assistance of an outside consultant.

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

Schedule of Findings and Responses

Year Ended June 30, 2010

Finding 10-05 Duplicate Vendors in the Accounts Payable Master Vendor List

The Illinois Housing Development Authority's (Authority) accounts payable master vendor list has duplicate vendors.

During our testing of the master vendor list, we noted of the 7,324 vendor records there were 2,042 duplicate records (28%) representing 602 vendors. The vendors had the same name but were given different vendor identification numbers in the accounts payable system. Below is a breakdown of instances of duplication:

- 24 vendors were in the system 10 times or more
- 45 vendors were in the system 5 to 9 times
- 533 vendors were in the system 2 to 4 times

Good business practices would necessitate that the master vendor listing be reviewed for possible duplicate vendors or other inappropriate vendor data such as inactive vendors. The Fiscal Control and Internal Auditing Act (30 ILCS 10/1002) requires each State Agency to establish and maintain an effective system of internal control, which would include controls over the master vendor listing.

Authority management stated that an upgrade of the Accounts Payable system occurred at the end of December 2009 and staff received training at that time on the new features. It was recommended by the software vendor not to conduct a purge until one year after the upgrades so by December 2010. A large number of duplicate vendors related to real estate tax payments that had several different parcels however payment of taxes has since moved to an electronic tax payment system that allows for multiple parcels to be attached to a single payment. Staff also are in the process of writing new procedures to manage the process for adding new vendors and for periodic updates to maintain a master vendor list. We believe the scheduled purge for December 2010 will address many of the duplicate vendors identified and through the establishment of a regular purge process we can continually monitor the maintenance of an accurate master vendor list.

Without adequate procedures to prevent multiple vendors from being created in the accounts payable system or to detect and purge multiple vendors in the accounts payable system, there exists the risk of an accounting error or a misappropriation of assets. (Finding Code No. 10-05).

Recommendation

We recommend that the Authority implement procedures to assign one vendor identification number per vendor to prevent multiple vendors from being created on the system. We also recommend the Authority implement procedures to review the master vendor list regularly and purge duplicate vendor names from the system.

Authority Response

The Authority concurs with the recommendation and will be implementing procedures to manage the vendor identification numbers assigned to vendors to prevent multiple vendors in the accounts payable system. A purge of inactive and duplicate vendors was already planned for the end of December 2010 based upon vendor guidelines given during the system upgrades that occurred in December 2009. Once the scheduled purge occurs management believes a significant number of inactive and duplicate vendors will be eliminated. In addition procedures will be written to review the master vendor list regularly and to establish a regular purge cycle to ensure an accurate master vendor list is maintained.

Finding 10-06 No Formal Process to Evaluate and Estimate Allowance for Loan Loss in the Single Family Loan Program

The Illinois Housing Development Authority (Authority) did not have a formal process to evaluate and estimate allowance for loan losses for the Single Family Loan Program.

In previous years, the Authority carried pool insurance on 100% of its Single Family Program loans. With pool insurance, the Authority was able to recover all losses and, therefore, a separate loan loss reserve was not necessary.

During our review of the draft financial statements for the year ended June 30, 2010, we noted that the Authority had 673 loans totaling $65,525,828 in the Single Family Program Fund that were not covered by pool insurance. The Authority attempted, but could not obtain pool insurance on these loans due to poor economic conditions. By not having the pool insurance, there is a risk that some of the loan receivable balances might not be collected.

In the past, the Authority relied on 100% of the loan portfolio being covered by pool insurance, therefore, not requiring an estimate to be recorded for loan losses. Since the Authority does not have a formal process to estimate loan losses in the Single Family Program Fund, they took industry data for similar entities and the Authority recorded an adjustment for an allowance for loan loss in the Single Family Program Fund in the amount of $1,324,389. This issue is in the Financial Statement Adjustment finding at 10-01.

The calculation of the allowance for loan loss estimate requires various elements of monitoring and evaluating the collectability of loan receivable balances. In accordance with generally accepted accounting principles, the estimate should be supported by detailed information including information regarding segment of loans, identifying various risks of loans, considering general economic conditions and applying a factor to each segment.

Authority management stated that during a recent review of the outstanding mortgage loans for the Single Family Program Fund it was determined that 9.39% of the Program mortgage loans were not covered by pool insurance and therefore a potential risk exists. Since in previous years pool insurance has been sufficient protection against uncollectible loan balances there was no formal procedure to estimate losses in the portfolio. Once the exposure was identified for those loans without pool insurance management agreed an estimated loss should be recorded in the financial statements. Since the Authority has ceased issuing whole loans and moved to mortgage backed securities we believe this will further lessen the risk associated with the portfolio. Authority management believes that a formal procedure to estimate losses is needed while this element continues to exist in the portfolio.

The result of not having pool insurance for these loans creates a risk of loss. Without a formal process to evaluate and estimate potential losses in the Single Family Program Fund, the allowance for loan loss could be understated. (Finding Code No. 10-06)

Recommendation

We recommend the Authority develop a formal process to evaluate and estimate the allowance for loan loss for the Single Family Program Fund.

Finding 10-06 No Formal Process to Evaluate and Estimate Allowance for Loan Loss in the Single Family Loan Program (Continued)

<u>Authority Response</u>

The Authority concurs with the recommendation to develop a formal process to evaluate and estimate the allowance for loan loss for the Single Family Program Fund while the identified risk of loans without pool insurance continues to exist in the portfolio. The Authority will evaluate the loss history and performance of the portfolio to develop policies and procedures to estimate an allowance for loan loss based upon these findings. Since the Authority has changed direction from issuing any future whole loans and moved to mortgage backed securities we believe this will further lessen the risk of loss associated with the portfolio.