# ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Financial Statements

June 30, 2013

(With Independent Auditors' Report Thereon)

McGladrey

Assurance ▪ Tax ▪ Consulting

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

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

Agency Officials

| | |
|---|---|
| Executive Director | Mary R. Kenney |
| Assistant Executive Director/Chief of Staff | Bryan E. Zises |
| General Counsel | Maureen G. Ohle |
| Chief Financial Officer | Hazim Taib |
| Controller | Michele Williams |

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

<u>Summary</u>

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 LLP.

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

<u>Summary of Findings</u>

The auditors identified matters involving the Authority's internal control over financial reporting that they considered to be significant deficiencies. The significant deficiencies are described in the accompanying schedule of findings listed in the table of contents as finding 2013-001 (Loan Receivable Balance and Allowance for Loan Loss balance Overstated) and 2013-002 (Capital Assets Not Being Depreciated) and 2013-003 (Loan Interest Receivable and Revenue Overstated).

<u>Exit Conference</u>

On October 31, 2013, the Illinois Housing Development Authority waived the exit conference relating to the audit of the June 30, 2013 financial statements.

The responses to the recommendations were provided in correspondence from Michele Williams, Controller, on October 31, 2013.

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

**Report on the Financial Statements**

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Illinois Housing Development Authority (the Authority), a component unit of the State of Illinois, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Illinois Housing Development Authority (the Authority), a component unit of the State of Illinois, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information:*
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 5 - 13), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information:*
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Supplementary Information (pages 64 – 74) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

McGladrey LLP

Schaumburg, Illinois
November 5, 2013

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

Management's Discussion and Analysis

June 30, 2013

(Unaudited)

This section of the Illinois Housing Development Authority's (the Authority) annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2013. Please read it in conjunction with the Authority's financial statements, which follow this section.

**Financial Highlights**

- Net position of the Authority increased $45.7 million, to $878.4 million as of June 30, 2013, from an increase in the Authority's business-type ($35.9 million) and governmental ($9.8 million) activities.
- The increase in net position, after transfers, of the Authority's business-type activities increased $13.8 million from the prior year primarily due to decreases in the estimated losses on program loans ($22.4 million), lower interest expense ($5.1 million), and increases in investment income ($3.4 million), partially offset by lower other operating revenues ($8.0 million) and lower net transfers in ($6.1 million).
- Authority debt issuances during fiscal year 2013 totaled $292.3 million. The Authority's debt outstanding (net of discounts and premiums) of $1,446.8 million as of June 30, 2013 was $64.6 million below the amount outstanding as of June 30, 2012.
- The Authority issued two new series of multifamily Housing Bonds totaling $133.3 million to securitize existing multifamily loans, refund previously issued Housing Bonds and refund the Administrative Fund. This is the first issuance of Housing Bonds since 2008.
- The Authority issued three new series of single family Housing Revenue Bonds totaling $140.9 million secured by Government National Mortgage Association ("GNMA") certificates and Fannie Mae mortgage backed securities ("FNMA") to fund its homeownership loan program.
- The Authority purchased a multifamily FNMA DUS MBS totaling $10.8 million and financed it with funds from the Federal Home Loan Bank of Chicago.
- Loan originations for the year totaled $44.2 million and $82.2 million in the Authority's governmental and business-type activities, respectively, compared to fiscal year 2012 loan originations of $33.1 million and $40.7 million, respectively.
- During fiscal year 2013 the Authority has continued to address foreclosure issues throughout the State of Illinois through ongoing implementation of the Hardest Hit Fund ("HHF") Program. Under the Hardest Hit Fund, the Authority approved and disbursed $92 million in direct mortgage payment assistance that helped 5,729 households avoid foreclosure on their homes. The Authority further expanded its efforts through the launching of a statewide resource, the Illinois Foreclosure Prevention Network ("IFPN"). The referral resource provided homeowners with a central location to receive information on foreclosure prevention efforts that produced 34,662 website hits; 11,301 hotline calls; 2,610 attendees at events; and 57,243 housing counseling referrals.

**Overview of the Financial Statements**

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

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

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

The government-wide statements report information about the Authority as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the Authority's assets 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 nine 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 position.
- Proprietary funds – The Authority's primary activities are in its four enterprise funds, which activities are accounted for in a manner similar to businesses operating in the private sector. Funding has primarily arisen through the issuances of bonds, both tax-exempt and taxable, the proceeds of which are primarily used to make various types of loans to finance low and moderate-income housing. Funding from IHDA Dispositions LLC (the LLC) is primarily rental incomes collected by the property until such time as disposition occurs. The net position of these funds represents accumulated earnings since their inception and is generally restricted for program purposes.

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

Management's Discussion and Analysis

June 30, 2013

(Unaudited)

## Financial Analysis of the Authority as a Whole

### Net Position

The combined net position of the Authority increased by $45.7 million, or 5.5%, from the June 30, 2012 amount. The following table shows a summary of changes from prior year amounts.

**Net Position**
(In millions of dollars)

| | Governmental activities | | Business-type activities | | Total | | Inc./(Dec.) | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | Amount | % |
| Current assets: | | | | | | | | |
| Cash and investments – unrestricted | $ 140.5 | $ 142.3 | $ 421.8 | $ 341.6 | $ 562.3 | $ 483.9 | $ 78.4 | 16.2 % |
| Program loans receivable | 7.9 | 8.1 | 59.2 | 41.5 | 67.1 | 49.6 | 17.5 | 35.3 |
| Other current assets | (3.6) | (2.0) | 18.7 | 10.6 | 15.1 | 8.6 | 6.5 | 75.6 |
| Total current assets | 144.8 | 148.4 | 499.7 | 393.7 | 644.5 | 542.1 | 102.4 | 18.9 |
| Investments – restricted | - | - | 555.1 | 575.1 | 555.1 | 575.1 | (20.0) | (3.5) |
| Net program loans receivable | 618.6 | 598.7 | 912.0 | 1,048.5 | 1,530.6 | 1,647.2 | (116.6) | (7.1) |
| Capital assets, net | 0.1 | 0.1 | 29.0 | 30.2 | 29.1 | 30.3 | (1.2) | (4.0) |
| Other assets | 0.1 | 0.1 | 138.1 | 127.1 | 138.2 | 127.2 | 11.0 | 8.6 |
| Total assets | 763.6 | 747.3 | 2,133.9 | 2,174.6 | 2,897.5 | 2,921.9 | (24.4) | (0.8) |
| Deferred outflow of resources: | | | | | | | | |
| Accumulated decrease in fair value of hedge derivatives | - | - | 2.5 | 3.2 | 2.5 | 3.2 | (0.7) | (21.9) |
| Current liabilities: | | | | | | | | |
| Due to State of Illinois | 23.0 | 20.5 | - | - | 23.0 | 20.5 | 2.5 | 12.2 |
| Bonds and notes payable | - | - | 123.0 | 243.2 | 123.0 | 243.2 | (120.2) | (49.4) |
| Deposits held in escrow | - | - | 164.5 | 174.9 | 164.5 | 174.9 | (10.4) | (5.9) |
| Other current liabilities | 42.7 | 37.5 | 40.7 | 42.3 | 83.4 | 79.8 | 3.6 | 4.5 |
| Total current liabilities | 65.7 | 58.0 | 328.2 | 460.4 | 393.9 | 518.4 | (124.5) | (24.0) |
| Noncurrent liabilities | | | | | | | | |
| Due to State of Illinois | 301.2 | 302.4 | - | - | 301.2 | 302.4 | (1.2) | (0.4) |
| Bonds and notes payable | - | - | 1,323.9 | 1,268.2 | 1,323.9 | 1,268.2 | 55.7 | 4.4 |
| Other liabilities | - | - | 2.5 | 3.3 | 2.5 | 3.3 | (0.8) | (24.2) |
| Total noncurrent liabilities | 301.2 | 302.4 | 1,326.4 | 1,271.5 | 1,627.6 | 1,573.9 | 53.7 | 3.4 |
| Total liabilities | 366.9 | 360.4 | 1,654.6 | 1,731.9 | 2,021.5 | 2,092.3 | (70.8) | (3.4) |
| Deferred inflow of resources: | | | | | | | | |
| Accumulated increase in fair value of hedging derivatives | - | - | 0.1 | 0.1 | 0.1 | 0.1 | - | - |
| Net position: | | | | | | | | |
| Net investment in capital assets | 0.1 | 0.1 | (6.7) | (6.6) | (6.6) | (6.5) | (0.1) | 1.5 |
| Restricted | 396.6 | 386.8 | 370.5 | 350.3 | 767.1 | 737.1 | 30.0 | 4.1 |
| Unrestricted | - | - | 117.9 | 102.1 | 117.9 | 102.1 | 15.8 | 15.5 |
| Total net position | $ 396.7 | $ 386.9 | $ 481.7 | $ 445.8 | $ 878.4 | $ 832.7 | $ 45.7 | 5.5 % |

**Governmental Activities**

Net position of the Authority's governmental activities increased $9.8 million, or 2.5%, to $396.7 million, mainly from increases in the Federal HOME program due to the conversion of grant revenues to program loans receivable and grant receipts in the Build Illinois Bond ("BIB") Program and Nonmajor Governmental Programs, partially offset by decreases in the Hardest Hit Fund ("HHF") program. No net position of the Authority's other two governmental activities are recorded on the Authority's financial statements. The equity of the Illinois Affordable Housing Trust Fund (Housing Program) is recorded as due to the State of Illinois. All revenues of the Rental Housing Support Program 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 $19.7 million, or 3.3%, to $626.5 million primarily attributable to the HHF program and nonmajor governmental funds. Cash and investments decreased by $1.8 million, or 1.3%. State statute and federal regulations restrict the use of the governmental funds to program activities.

Due to the State of Illinois (current and non-current) increased $1.3 million. This item reflects a liability for the State of Illinois' interest in the equity of the Housing Program as the Authority acts only as the administrator of the Housing Program and accounts for the interest in the equity to be that of the State of Illinois.

**Business-type Activities**

Net position of the Authority's business-type activities increased $35.9 million, to $481.7 million consisting of an increase in net position before transfers and special items of $30.7 million and the annual transfer of $5.2 million from the Affordable Housing Trust Fund. Program loans receivable (current and non-current) decreased $118.8 million, or 10.9%, to $971.2 million from decreases in the Authority's Single Family Program Fund ($88.6 million) and Administrative Fund ($51.1 million), offset by increases in Mortgage Loan Program Funds ($20.9 million). The decrease in program loans receivable in the Single Family Program was due to Illinois whole loans being packaged into GNMA certificates and FNMA MBS.

Cash and investments (current and noncurrent) increased $60.2 million, or 6.6%, mainly from increases in the Mortgage Loan Program ($84.2 million due to the securitization of existing multifamily loans) and Administrative Fund ($65.6 million due to Federal Home Loan Bank advances to purchase mortgage-backed securities and gains from the sale of MBS), partially offset by decreases in the Single Family Program Funds ($90.0 million).

Total bonds and notes payable (current and noncurrent) decreased $64.5 million, or 4.3%, from increases of $96.9 million in the Mortgage Loan Program Fund and $9.0 million in the Administrative Fund, offset by a decrease in the Single Family Program Fund ($170.5 million).

Deposits held in escrow decreased $10.4 million, or 5.9% due to lower required funding levels.

Restricted net position of the Authority's business-type activities increased $22.0 million, or 6.3%, of which $20.2 million were from increases within the Authority's bond funds. Except for net position invested in capital assets within the Mortgage Loan Program ($5.8 million deficit) and the net position ($9.0 million deficit) of the Multifamily Housing Revenue Bonds (Marywood) and Multifamily Bonds (Turnberry), which are classified as unrestricted, all net position of the Authority's bond funds are classified as restricted. The remaining restricted increases in net position were from the FAF program, earnings of which are recorded in the Authority's Administrative Fund.

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

Management's Discussion and Analysis

June 30, 2013

(Unaudited)

**Statement of Activities**

The statement of activities shows the sources of the Authority's changes in net position as they arise through its various programs and functions. Seven programs, the Illinois Affordable Housing Trust Fund, the HOME Program, the Rental Housing Support Program, the ARRA Fund, the Hardest Hit Fund, the Neighborhood Stabilization Program and the Build Illinois Bond Program are shown as major governmental activities while the nonmajor governmental activities include the Foreclosure Prevention Program and the Community Development Block Grant Fund. The business-type activities consist of two housing lending programs, the results of which are primarily recorded within the funds comprising the two major bond funds (the Mortgage Loan Program Fund and the Single Family Program Fund), the LLC, which maintains and operates rental properties until such time as disposition occurs, 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 position for the fiscal year ended June 30, 2013 is shown in the following table.

**Changes in Net Position**

(In millions of dollars)

| | Governmental activities | | Business-type activities | | Total | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | $ 17.8 | $ 6.5 | $ 89.7 | $ 102.7 | $ 107.5 | $ 109.2 |
| Operating/grant/federal revenues | 211.6 | 269.6 | 135.0 | 143.0 | 346.6 | 412.6 |
| Capital contributions | - | - | 0.2 | - | 0.2 | - |
| General revenues: | | | | | | |
| Investment income | - | - | 8.3 | 4.9 | 8.3 | 4.9 |
| Total revenues | 229.4 | 276.1 | 233.2 | 250.6 | 462.6 | 526.7 |
| Expenses: | | | | | | |
| Direct | 214.4 | 172.5 | 191.2 | 228.6 | 405.6 | 401.1 |
| Administrative | - | - | 11.3 | 11.4 | 11.3 | 11.4 |
| Total expenses | 214.4 | 172.5 | 202.5 | 240.0 | 416.9 | 412.5 |
| Increase in net position before transfers and special items | 15.0 | 103.6 | 30.7 | 10.6 | 45.7 | 114.2 |
| Special items | - | - | - | 6.3 | - | 6.3 |
| Transfers | (5.2) | (5.2) | 5.2 | 5.2 | - | - |
| Increase in net position | $ 9.8 | $ 98.4 | $ 35.9 | $ 22.1 | $ 45.7 | $ 120.5 |

### Governmental Activities

Revenues of the Authority's governmental activities decreased $46.7 million from the prior year, primarily due to lower revenues in Federal ARRA Fund ($70.2 million), Federal HOME Program ($14.3 million), Rental Housing Support Program ($10.4 million) and Build Illinois Bond Program ($9.8 million), partially offset by increases in Hardest Hit Fund ($39.3 million), Neighborhood Stabilization Program ($10.5 million) and in Nonmajor Governmental Funds ($10.2 million).

Direct expenses of the Authority's governmental activities increased $41.9 million from the prior year, primarily due to increases in the Hardest Hit Fund Program ($94.6 million), Build Illinois Bond Program ($11.1 million), Neighborhood Stabilization Program ($10.8 million) and Nonmajor Governmental Funds ($8.0 million), partially offset by decreases within the Federal ARRA Fund ($67.9 million) and Rental Housing Support Program ($10.4 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 $17.4 million from the prior year from decreases in charges for services ($13 million) and federal assistance ($8.0 million), offset by increased unrestricted investment income ($3.4 million) and capital contributions ($.2 million). Charges for services mainly consist of interest income on program loans ($55.2 million), program investment income ($5.2 million), servicing and development fees ($14.2 million), other income ($19.6 million) and rental incomes and vacancies ($2.1 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 $7.2 million from the prior year due primarily to decreases in the fair value of investments.

Direct expenses of the Authority's business-type activities, which consist primarily of interest expense ($51.9 million) on Authority debt incurred to fund its various lending programs and the pass-through of federal assistance programs' funds ($133.0 million), decreased $37.5 million from the prior year, due mainly to decreased estimated losses on program loans receivable ($22.4 million), decreases in program grants ($3.0 million), lower federal assistance ($7.6 million) and lower interest expense ($5.1 million).

The Authority's business-type activities also generated $8.3 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 $21.5 million (See the Statement of Activities) and thus provided most of the Authority's increase in net position.

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

Management's Discussion and Analysis

June 30, 2013

(Unaudited)

## Proprietary Fund Results

Net position of the Authority's proprietary funds increased from the June 30, 2012 amount by 35.9 million, to $481.7 million. The following table summarizes the statement of revenues, expenses, and changes in fund net position of the Authority's proprietary funds for the fiscal years ended June 30, 2013 and 2012.

**Changes in Net Position/Proprietary Funds**

(In millions of dollars)

| | Administrative Fund | | Mortgage Loan Program Fund | | Single Family Program Fund | | IHDA Dispositions, LLC | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Operating revenues: | | | | | | | | |
| Interest earned on program loans | $ 3.7 | $ 3.9 | $ 24.4 | $ 26.5 | $ 27.1 | $ 26.5 | $ - | $ - |
| Investment income | 3.1 | 4.9 | 0.1 | 1.5 | 5.1 | 10.9 | - | - |
| Federal assistance programs | 129.1 | 136.7 | 3.9 | 3.9 | - | - | - | - |
| Service fees | 13.8 | 14.0 | - | - | - | - | - | - |
| Development fees | 0.4 | 1.4 | - | - | - | - | - | - |
| HUD savings | 2.1 | 2.5 | - | - | - | - | - | - |
| Rental income and vacancies | - | - | - | - | - | - | 2.0 | 1.7 |
| Other | 13.4 | 10.7 | 4.4 | 5.5 | 0.1 | - | 0.1 | 0.1 |
| Total operating revenues | 165.6 | 174.1 | 32.8 | 37.4 | 32.3 | 37.4 | 2.1 | 1.8 |
| Operating expenses: | | | | | | | | |
| Interest expense | 0.7 | 0.2 | 24.2 | 24.4 | 26.8 | 32.4 | - | - |
| Federal assistance programs | 129.1 | 136.7 | 3.9 | 3.9 | - | - | - | - |
| Salaries and benefits | 14.7 | 13.5 | - | - | - | - | 0.3 | 0.3 |
| Professional fees | 0.6 | 0.5 | - | - | - | - | - | - |
| Other general and administrative | 1.2 | 2.7 | 0.2 | 0.3 | 2.0 | 1.3 | 0.2 | 0.4 |
| Financing costs | 0.3 | 0.3 | 0.6 | 0.7 | 2.9 | 2.3 | - | - |
| Program grants | 2.1 | 1.6 | - | 1.3 | - | 2.2 | - | - |
| Change in accrual for estimated losses on mortgage participation certificate program | (0.9) | 0.6 | - | - | - | - | - | - |
| Reversal of estimated losses on real estate held for sale | - | - | - | - | - | (0.8) | - | - |
| Reversal of estimated losses on program loans receivable | (2.4) | 2.2 | (0.2) | 1.9 | (5.2) | 10.4 | - | - |
| Operating expenses | - | - | - | - | - | - | 0.6 | 0.4 |
| Taxes and insurance | - | - | - | | - | - | 0.6 | 0.3 |
| Total operating expenses | 145.4 | 158.3 | 28.7 | 32.5 | 26.5 | 47.8 | 1.7 | 1.4 |
| Operating income (loss) | 20.2 | 15.8 | 4.1 | 4.9 | 5.8 | (10.4) | 0.4 | 0.4 |
| Capital contribution | - | - | | - | - | - | 0.2 | - |
| Special item | - | - | - | 6.3 | - | - | - | - |
| Transfers | (1.7) | (0.9) | 5.2 | (1.1) | 1.7 | 0.9 | - | 6.3 |
| Change in net position | 18.5 | 14.9 | 9.3 | 10.1 | 7.5 | (9.5) | 0.6 | 6.7 |
| Net position at beginning of year | 142.1 | 127.2 | 213.0 | 202.9 | 84.1 | 93.6 | 6.7 | - |
| Net position at end of year | $ 160.6 | $ 142.1 | $ 222.3 | $ 213.0 | $ 91.6 | $ 84.1 | $ 7.3 | $ 6.7 |

Net position of the Administrative Fund increased $18.5 million, compared to the prior year increase of $14.9 million. Administrative Fund operating income was $20.2 million, an increase of $4.4 million from the prior year, and net transfers (out) were $1.7 million compared to $0.9 million in the prior year. The fiscal year 2013 increase in operating earnings was primarily from decreased provisions for estimated losses on program loans receivable ($4.6 million) and increases in other revenue ($2.7 million), partially offset by decreases in investment income ($1.8 million) and development fees ($1.0 million).

Net position of the Mortgage Loan Program Fund increased $9.3 million, compared to a prior year increase of $10.1 million, due to operating income of $4.1 million and net transfers in of $5.2 million. Operating income was $0.8 million below the prior year, primarily due to lower provisions ($2.1 million) for estimated losses on program loans receivable and decreases in other revenue ($1.1 million), partially offset by decreases in interest earned on program loans ($2.1 million). The net transfer in represents the annual transfer (in) of $5.2 million from the Illinois Affordable Housing Trust Fund.

Net position of the Single Family Program Fund increased $7.5 million, compared to a prior year decrease of $9.5 million. Operating income was $16.2 million higher than the prior year operating loss primarily due to decreased provisions ($15.6 million) for estimated losses on program loans, lower interest expense ($5.6 million) and higher interest earned on program loans ($.6 million), partially offset by decreased investment income ($5.8 million).

Net position of the LLC increased $0.6 million, compared to a prior year increase of $6.7 million, due to a decrease of $6.3 million in net transfers in offset by a $.2 million foreclosed property received in the fiscal year. These amounts represent the transfer of properties from the Illinois Affordable Housing Trust Fund to the LLC.

**Authority Debt**

Authority gross debt issuances during fiscal year 2013 totaled $292.3 million with the issuance of Housing Bonds ($133.3 million) within the Mortgage Loan Program Fund, Housing Revenue Bonds ($140.9 million) within the Single Family Program Fund and Federal Home Loan Bank Advances ($18.0 million) within the Administrative Fund. Debt retirements within the Mortgage Loan, Single Family Program and Administrative Funds were $38.0 million, $311.0 million and $9.1 million, respectively. Total bonds and notes payable decreased $64.6 million. For additional information, see Note 8, Bonds and Notes Payable in the Notes to Financial Statements.

During fiscal year 2013, the Authority's Issuer Credit Ratings remained at A1 (Stable) by Moody's Investors Service, A+ (Positive) by Standard and Poor's and AA- (Stable) by Fitch Ratings.

On August 19, 2013, Standard and Poor's upgraded the Authority's Issuer Credit Rating to AA- from A+ and revised the outlook to stable from positive. The upgrade impacts all bond programs with the Authority's general obligation pledge.

**Economic Factors**

During fiscal year 2013, as interest rates hovered at all-time low, the Authority saw a rise in the application for multifamily and single family financings. In the bond market, the Authority saw an increase in demand for highly rated securities as investors were looking for an alternative to Treasuries. As such, the Authority issued two series of multifamily bonds under the Mortgage Loan Program Fund totaling $133.3 million to take advantage of the low interest rates and to support its multifamily funding and production.

The Authority also pursued crossover buyers, such as MBS investors, to fund its homeownership program by issuing three series of single family bonds under the Single Family Program Fund totaling $140.9 million.

While the Authority remained committed to issuing bonds, the Authority utilized a loan from the Federal Home Loan Bank of Chicago to finance one multifamily development as it was deemed more cost effective.

With investment yields of United States Government and Agency obligations remaining historically low, the Authority continued investing and trading in mortgage-backed securities, specifically in GNMA and FNMA MBS that provide higher investment yields and allow the Authority to pursue its mission in affordable housing.

**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 Position
June 30, 2013

| | Governmental activities | Business-type activities | Total |
|---|---|---|---|
| Assets: | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ 95,714,023 | $ 266,332,940 | $ 362,046,963 |
| Funds held by State Treasurer | 5,356,506 | - | 5,356,506 |
| Investments | 39,415,404 | 155,421,848 | 194,837,252 |
| Investment income receivable | 8,734 | 193,729 | 202,463 |
| Investment income receivable – restricted | - | 924,410 | 924,410 |
| Program loans receivable | 7,904,552 | 59,211,603 | 67,116,155 |
| Grant receivable | 3,531,464 | - | 3,531,464 |
| Securities lending collateral | 1,357,000 | - | 1,357,000 |
| Interest receivable on program loans | 369,200 | 8,677,182 | 9,046,382 |
| Internal balances | (8,869,358) | 8,869,358 | - |
| Tenant accounts receivable | - | 21,469 | 21,469 |
| Utility deposits | - | 3,167 | 3,167 |
| Total current assets | 144,787,525 | 499,655,706 | 644,443,231 |
| Noncurrent assets: | | | |
| Investments – restricted | - | 555,116,035 | 555,116,035 |
| Program loans receivable, net of current portion | 662,272,275 | 940,194,017 | 1,602,466,292 |
| Less allowance for estimated losses | (43,630,140) | (28,160,353) | (71,790,493) |
| Net program loans receivable | 618,642,135 | 912,033,664 | 1,530,675,799 |
| Unamortized bond issuance costs | - | 10,855,023 | 10,855,023 |
| Real estate held for sale, net | - | 16,784,870 | 16,784,870 |
| Due from Fannie Mae | - | 91,310,964 | 91,310,964 |
| Due from Freddie Mac | - | 4,736,347 | 4,736,347 |
| Land | - | 2,600,000 | 2,600,000 |
| Capital assets, net | 106,525 | 28,985,876 | 29,092,401 |
| Derivative instrument asset | - | 112,919 | 112,919 |
| Other | - | 11,756,245 | 11,756,245 |
| Total noncurrent assets | 618,748,660 | 1,634,291,943 | 2,253,040,603 |
| Total assets | 763,536,185 | 2,133,947,649 | 2,897,483,834 |
| Deferred outflow of resources: | | | |
| Accumulated decrease in fair value of hedging derivatives | - | 2,485,432 | 2,485,432 |

(Continued)

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**
(A Component Unit of the State of Illinois)
Statement of Net Position (Continued)
June 30, 2013

| | Governmental activities | Business-type activities | Total |
|---|---|---|---|
| Liabilities: | | | |
| Current liabilities: | | | |
| Due to grantees | $ 40,950,324 | $ - | $ 40,950,324 |
| Due to State of Illinois | 22,967,929 | - | 22,967,929 |
| Securities lending collateral obligation | 1,357,000 | - | 1,357,000 |
| Bonds and notes payable | - | 122,978,879 | 122,978,879 |
| Accrued interest payable | - | 19,740,171 | 19,740,171 |
| Unearned revenue | - | 10,997,984 | 10,997,984 |
| Deposits held in escrow | - | 164,523,449 | 164,523,449 |
| Accrued liabilities and other | 408,562 | 7,662,771 | 8,071,333 |
| Amounts due brokers for securities purchased | - | 1,730,000 | 1,730,000 |
| Accrued property taxes | - | 551,833 | 551,833 |
| Prepaid rent | - | 2,410 | 2,410 |
| Total current liabilities | 65,683,815 | 328,187,497 | 393,871,312 |
| Noncurrent liabilities: | | | |
| Due to State of Illinois | 301,194,524 | - | 301,194,524 |
| Bonds and notes payable, net of current portion | - | 1,323,864,696 | 1,323,864,696 |
| Derivative instrument liability | - | 2,485,432 | 2,485,432 |
| Security deposits | - | 77,815 | 77,815 |
| Total noncurrent liabilities | 301,194,524 | 1,326,427,943 | 1,627,622,467 |
| Total liabilities | 366,878,339 | 1,654,615,440 | 2,021,493,779 |
| Deferred inflows of resources: | | | |
| Accumulated increase in fair value of hedging derivatives | - | 112,919 | 112,919 |
| Net position: | | | |
| Net investment in capital assets | 106,525 | (6,705,131) | (6,598,606) |
| Restricted for bond resolution purposes | - | 330,198,761 | 330,198,761 |
| Restricted for loan and grant programs | 396,551,321 | 40,331,426 | 436,882,747 |
| Unrestricted | - | 117,879,666 | 117,879,666 |
| Total net position | $ 396,657,846 | $ 481,704,722 | $ 878,362,568 |

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, 2013

| | | Program revenues | | | Net (expenses) revenues and changes in net position | | |
|---|---|---|---|---|---|---|---|
| **Functions/programs** | **Expenses** | **Charges for services and interest income** | **Operating grant/federal revenues** | **Capital contributions** | **Governmental activities** | **Business-type activities** | **Total** |
| Governmental activities: | | | | | | | |
| Illinois Affordable Housing Trust Program | $ 5,289,502 | $ 1,580 | $ 10,487,922 | $ - | $ 5,200,000 | $ - | $ 5,200,000 |
| HOME Program | 12,790,574 | 2,381,722 | 16,520,918 | - | 6,112,066 | - | 6,112,066 |
| Rental Housing Support Program | 10,562,975 | 84,181 | 10,478,794 | - | - | - | - |
| ARRA Program | 839,334 | 242,531 | - | - | (596,803) | - | (596,803) |
| Hardest Hit Fund Program | 136,412,486 | 14,026,833 | 113,500,000 | - | (8,885,653) | - | (8,885,653) |
| Neighborhood Stabilization Program | 22,613,929 | 1,090,894 | 21,363,900 | - | (159,135) | - | (159,135) |
| Build Illinois Bond Program | 16,406,436 | 1,611 | 24,447,133 | - | 8,042,308 | - | 8,042,308 |
| Other Programs | 9,481,266 | - | 14,724,990 | - | 5,243,724 | - | 5,243,724 |
| Total governmental activities | 214,396,502 | 17,829,352 | 211,523,657 | - | 14,956,507 | - | 14,956,507 |
| Business-type activities: | | | | | - | | |
| Administrative | 11,277,002 | 7,765,863 | - | - | - | (3,511,139) | (3,511,139) |
| Multi-Family Mortgage Loan Programs | 27,537,440 | 47,492,901 | - | - | - | 19,955,461 | 19,955,461 |
| Multi-Family Federal Assistance Programs | 133,016,259 | - | 133,016,259 | - | - | - | - |
| Single-Family Mortgage Loan Programs | 27,917,401 | 27,317,952 | - | - | - | (599,449) | (599,449) |
| Tax Credit Authorization and Monitoring | 1,050,276 | 4,831,797 | - | - | - | 3,781,521 | 3,781,521 |
| FAF Lending Program | - | 101,911 | 2,015,328 | - | - | 2,117,239 | 2,117,239 |
| IHDA Dispositions LLC | 1,733,517 | 2,199,174 | - | 179,900 | - | 645,557 | 645,557 |
| Total business-type activities | 202,531,895 | 89,709,598 | 135,031,587 | 179,900 | - | 22,389,190 | 22,389,190 |
| Total Authority | $ 416,928,397 | $ 107,538,950 | $ 346,555,244 | $ 179,900 | 14,956,507 | 22,389,190 | 37,345,697 |
| | General revenues: | | | | | | |
| | Unrestricted investment income | | | | - | 8,291,214 | 8,291,214 |
| | Transfers | | | | (5,200,000) | 5,200,000 | - |
| | Total general revenues and transfers | | | | (5,200,000) | 13,491,214 | 8,291,214 |
| | Change in net position | | | | 9,756,507 | 35,880,404 | 45,636,911 |
| | Net position at beginning of year | | | | 386,901,339 | 445,824,318 | 832,725,657 |
| | Net position at end of year | | | | $ 396,657,846 | $ 481,704,722 | $ 878,362,568 |

See accompanying notes to financial statements.

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

Balance Sheet
June 30, 2013

| | Major Funds | | | |
|---|---|---|---|---|
| | **Illinois Affordable Housing Trust Fund** | **HOME Program Fund** | **Rental Housing Support Program Fund** | **ARRA Fund** |
| Assets: | | | | |
| Current assets: | | | | |
| Cash | $ 17,330,524 | $ - | $ 1,526,507 | $ 451,866 |
| Funds held by State Treasurer | - | 5,356,506 | - | - |
| Investments | - | - | 39,415,404 | - |
| Investment income receivable | - | - | 8,413 | - |
| Program loans receivable | 5,465,868 | 2,223,640 | - | 136,976 |
| Grant receivable | 1,269,678 | 146,966 | 317,085 | - |
| Securities lending collateral | - | 1,357,000 | - | - |
| Interest receivable on program loans | 171,537 | 192,279 | - | 5,384 |
| Total current assets | 24,237,607 | 9,276,391 | 41,267,409 | 594,226 |
| Noncurrent assets: | | | | |
| Program loans receivable, net of current portion | 319,036,831 | 231,410,473 | - | 73,197,249 |
| Less allowance for estimated losses | (17,842,307) | (7,876,864) | - | (1,282,394) |
| Net program loans receivable | 301,194,524 | 223,533,609 | - | 71,914,855 |
| Total noncurrent assets | 301,194,524 | 223,533,609 | - | 71,914,855 |
| Total assets | $ 325,432,131 | $ 232,810,000 | $ 41,267,409 | $ 72,509,081 |
| Liabilities and Fund Balances: | | | | |
| Current liabilities: | | | | |
| Deferred revenue | $ - | $ 192,279 | $ - | $ 5,384 |
| Due to grantees | - | - | 40,950,324 | - |
| Due to other funds | 1,269,678 | 146,966 | 317,085 | - |
| Due to State of Illinois | 22,967,929 | - | - | - |
| Securities lending collateral obligation | - | 1,357,000 | - | - |
| Other | - | 408,562 | - | - |
| Total current liabilities | 24,237,607 | 2,104,807 | 41,267,409 | 5,384 |
| Noncurrent liabilities: | | | | |
| Due to State of Illinois | 301,194,524 | - | - | - |
| Total liabilities | 325,432,131 | 2,104,807 | 41,267,409 | 5,384 |
| Fund balances: | | | | |
| Restricted | - | 230,705,193 | - | 72,503,697 |
| Total fund balances | - | 230,705,193 | - | 72,503,697 |
| Total liabilities and fund balances | $ 325,432,131 | $ 232,810,000 | $ 41,267,409 | $ 72,509,081 |

Amounts reported for governmental activities in the statement of net position are different due to:
Deferral of interest receivable on certain program loans receivable
Capital assets

Net position of governmental activities

See accompanying notes to financial statements.

| Hardest Hit Fund | Neighborhood Stabilization Program Fund | Build Illinois Bond Program Fund | Nonmajor Governmental Funds | Total |
|---|---|---|---|---|
| $ 36,787,707 | $ - | $ 37,003,378 | $ 2,614,041 | $ 95,714,023 |
| - | - | - | - | 5,356,506 |
| - | - | - | - | 39,415,404 |
| 321 | - | - | - | 8,734 |
| 78,068 | - | - | - | 7,904,552 |
| - | 1,376,529 | - | 421,206 | 3,531,464 |
| - | - | - | - | 1,357,000 |
| - | - | - | - | 369,200 |
| 36,866,096 | 1,376,529 | 37,003,378 | 3,035,247 | 153,656,883 |
| | | | | |
| 33,108,385 | - | - | 5,519,337 | 662,272,275 |
| (16,593,227) | - | - | (35,348) | (43,630,140) |
| 16,515,158 | - | - | 5,483,989 | 618,642,135 |
| 16,515,158 | - | - | 5,483,989 | 618,642,135 |
| $ 53,381,254 | $ 1,376,529 | $ 37,003,378 | $ 8,519,236 | $ 772,299,018 |
| | | | | |
| $ - | $ - | $ - | $ - | $ 197,663 |
| - | - | - | - | 40,950,324 |
| 5,337,894 | 1,376,529 | - | 421,206 | 8,869,358 |
| - | - | - | - | 22,967,929 |
| - | - | - | - | 1,357,000 |
| - | - | - | - | 408,562 |
| 5,337,894 | 1,376,529 | - | 421,206 | 74,750,836 |
| | | | | |
| - | - | - | - | 301,194,524 |
| 5,337,894 | 1,376,529 | - | 421,206 | 375,945,360 |
| | | | | |
| 48,043,360 | - | 37,003,378 | 8,098,030 | 396,353,658 |
| 48,043,360 | - | 37,003,378 | 8,098,030 | 396,353,658 |
| $ 53,381,254 | $ 1,376,529 | $ 37,003,378 | $ 8,519,236 | |
| | | | | |
| | | | | 197,663 |
| | | | | 106,525 |
| | | | | $ 396,657,846 |

**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, 2013

| | Major Funds | | | |
|---|---|---|---|---|
| | **Illinois Affordable Housing Trust Fund** | **HOME Program Fund** | **Rental Housing Support Program Fund** | **ARRA Fund** |
| Revenues: | | | | |
| Grant from State of Illinois | $ 10,487,922 | $ - | $ 10,478,794 | $ - |
| Federal funds | - | 16,520,918 | - | - |
| Interest and investment income | 1,580 | 2,405,324 | 84,181 | 242,531 |
| Total revenues | 10,489,502 | 18,926,242 | 10,562,975 | 242,531 |
| Expenditures: | | | | |
| Grants | 3,016,932 | 11,015,019 | 9,977,661 | - |
| General and administrative | 2,270,990 | 1,892,333 | 585,314 | - |
| Program income transferred to State of Illinois | 1,580 | - | - | - |
| Provision for (reversal of) estimated losses on program loans receivable | - | (116,778) | - | 839,334 |
| Total expenditures | 5,289,502 | 12,790,574 | 10,562,975 | 839,334 |
| Excess of revenues over (under) expenditures | 5,200,000 | 6,135,668 | - | (596,803) |
| Other financing uses: | | | | |
| Transfers out | (5,200,000) | - | - | - |
| Net change in fund balances | - | 6,135,668 | - | (596,803) |
| Fund balances at beginning of year | - | 224,569,525 | - | 73,100,500 |
| Fund balances at end of year | $ - | $ 230,705,193 | $ - | $ 72,503,697 |

Amounts reported for governmental activities in the statement of activities are different due to:
Deferral of interest receivable on certain program loans receivable
Capital outlay
Depreciation and amortization on capital assets
Change in net position of governmental activities

See accompanying notes to financial statements.

| Hardest Hit Fund | Neighborhood Stabilization Program Fund | Build Illinois Bond Program Fund | Nonmajor Governmental Funds | Total |
|---|---|---|---|---|
| $ - | $ - | $ 24,447,133 | $ 4,075,859 | $ 49,489,708 |
| 113,500,000 | 21,363,900 | - | 10,649,131 | 162,033,949 |
| 14,026,833 | 1,090,894 | 1,611 | - | 17,852,954 |
| 127,526,833 | 22,454,794 | 24,448,744 | 14,724,990 | 229,376,611 |
| | | | | |
| 109,852,028 | 21,264,751 | 16,406,436 | 8,546,922 | 180,079,749 |
| 11,330,244 | 1,349,178 | - | 898,996 | 18,327,055 |
| - | - | - | - | 1,580 |
| 15,220,692 | - | - | 35,348 | 15,978,596 |
| 136,402,964 | 22,613,929 | 16,406,436 | 9,481,266 | 214,386,980 |
| | | | | |
| (8,876,131) | (159,135) | 8,042,308 | 5,243,724 | 14,989,631 |
| | | | | |
| - | - | - | - | (5,200,000) |
| | | | | |
| (8,876,131) | (159,135) | 8,042,308 | 5,243,724 | 9,789,631 |
| 56,919,491 | 159,135 | 28,961,070 | 2,854,306 | |
| $ 48,043,360 | $ - | $ 37,003,378 | $ 8,098,030 | |
| | | | | |
| | | | | (23,602) |
| | | | | 43,674 |
| | | | | (53,196) |
| | | | | $ 9,756,507 |

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

(A Component Unit of the State of Illinois)

Proprietary Funds

Statement of Net Position

June 30, 2013

| | Administrative Fund | Mortgage Loan Program Fund | Single Family Program Fund | IHDA Dispositions LLC | Total |
|---|---|---|---|---|---|
| Assets: | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | $ 181,686,666 | $ 48,371,765 | $ 34,701,357 | $ 1,573,152 | $ 266,332,940 |
| Investments | 155,421,848 | - | - | - | 155,421,848 |
| Investment income receivable | 193,729 | - | - | - | 193,729 |
| Investment income receivable - restricted | 9,175 | 163,608 | 751,627 | - | 924,410 |
| Program loans receivable | 783,398 | 44,796,331 | 13,631,874 | - | 59,211,603 |
| Interest receivable on program loans | 81,857 | 1,450,754 | 7,144,571 | - | 8,677,182 |
| Due from other funds | 14,226,116 | 14,313,392 | 345,457 | - | 28,884,965 |
| Tenant accounts receivable | - | - | - | 21,469 | 21,469 |
| Utility deposits | - | - | - | 3,167 | 3,167 |
| Total current assets | 352,402,789 | 109,095,850 | 56,574,886 | 1,597,788 | 519,671,313 |
| Noncurrent assets: | | | | | |
| Investments – restricted | 11,179,905 | 233,663,145 | 310,272,985 | - | 555,116,035 |
| Program loans receivable, net of current portion | 34,656,870 | 505,417,506 | 400,119,641 | - | 940,194,017 |
| Less allowance for estimated losses | (4,247,372) | (16,504,774) | (7,408,207) | - | (28,160,353) |
| Net program loans receivable | 30,409,498 | 488,912,732 | 392,711,434 | - | 912,033,664 |
| Unamortized bond issuance costs | - | 5,524,521 | 5,330,502 | - | 10,855,023 |
| Real estate held for sale, net | - | 326,368 | 16,458,502 | - | 16,784,870 |
| Due from Fannie Mae | - | 91,310,964 | - | - | 91,310,964 |
| Due from Freddie Mac | - | 4,736,347 | - | - | 4,736,347 |
| Land | - | - | - | 2,600,000 | 2,600,000 |
| Capital assets, net | 676,536 | 24,603,333 | - | 3,706,007 | 28,985,876 |
| Derivative instrument asset | - | 112,919 | - | - | 112,919 |
| Other | 832,236 | 159,433 | 10,682,214 | 82,362 | 11,756,245 |
| Total noncurrent assets | 43,098,175 | 849,349,762 | 735,455,637 | 6,388,369 | 1,634,291,943 |
| Total assets | 395,500,964 | 958,445,612 | 792,030,523 | 7,986,157 | 2,153,963,256 |
| Deferred outflow of resources: | | | | | |
| Accumulated decrease in fair value of hedge derivatives | - | - | 2,485,432 | - | 2,485,432 |

(Continued)

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

(A Component Unit of the State of Illinois)

Proprietary Funds

Statement of Net Position (Continued)

June 30, 2013

| | Administrative Fund | Mortgage Loan Program Fund | Single Family Program Fund | IHDA Dispositions LLC | Total |
|---|---|---|---|---|---|
| Liabilities: | | | | | |
| Current liabilities: | | | | | |
| Bonds and notes payable | $ 3,885,883 | $ 89,954,996 | $ 29,138,000 | $ - | $ 122,978,879 |
| Accrued interest payable | 67,907 | 10,192,467 | 9,479,797 | - | 19,740,171 |
| Deferred revenue | 10,690,880 | 307,104 | - | - | 10,997,984 |
| Deposits held in escrow | 164,523,449 | - | - | - | 164,523,449 |
| Accrued liabilities and other | 6,635,794 | 904,359 | 84,913 | 37,705 | 7,662,771 |
| Amounts due brokers for securities purchased | 1,730,000 | - | - | - | 1,730,000 |
| Due to other funds | 14,658,849 | 4,911,433 | 445,325 | - | 20,015,607 |
| Accrued property taxes | - | - | - | 551,833 | 551,833 |
| Prepaid rent | - | - | - | 2,410 | 2,410 |
| Total current liabilities | 202,192,762 | 106,270,359 | 39,148,035 | 591,948 | 348,203,104 |
| Noncurrent liabilities: | | | | | |
| Bonds and notes payable, net of current portion | 32,775,176 | 629,764,846 | 661,324,674 | - | 1,323,864,696 |
| Derivative instrument liability | - | - | 2,485,432 | - | 2,485,432 |
| Security deposits | - | - | - | 77,815 | 77,815 |
| Total noncurrent liabilities | 32,775,176 | 629,764,846 | 663,810,106 | 77,815 | 1,326,427,943 |
| Total liabilities | 234,967,938 | 736,035,205 | 702,958,141 | 669,763 | 1,674,631,047 |
| Deferred inflows of resources: | | | | | |
| Accumulated increase in fair value of hedging derivatives | - | 112,919 | - | - | 112,919 |
| Net position: | | | | | |
| Net investment in capital assets | 676,536 | (7,381,667) | - | - | (6,705,131) |
| Restricted for bond resolution purposes | - | 238,640,947 | 91,557,814 | - | 330,198,761 |
| Restricted for loan and grant programs | 40,331,426 | | - | - | 40,331,426 |
| Unrestricted | 119,525,064 | (8,961,792) | - | 7,316,394 | 117,879,666 |
| Total net position | $ 160,533,026 | $ 222,297,488 | $ 91,557,814 | $ 7,316,394 | $ 481,704,722 |

See accompanying notes to financial statements.

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

Statement of Revenues, Expenses, and Changes in Fund Net Position
Year ended June 30, 2013

| | Administrative Fund | Mortgage Loan Program Fund | Single Family Program Fund | IHDA Dispositions LLC | Total |
|---|---|---|---|---|---|
| Operating revenues: | | | | | |
| Interest and other investment income | $ 5,486,047 | $ 930,829 | $ 7,004,019 | $ - | $ 13,420,895 |
| Net decrease in fair value of investments | (2,348,072) | (832,735) | (1,948,874) | - | (5,129,681) |
| Total investment income | 3,137,975 | 98,094 | 5,055,145 | - | 8,291,214 |
| Interest earned on program loans | 3,695,351 | 24,465,273 | 27,088,960 | - | 55,249,584 |
| Federal assistance programs | 129,158,231 | 3,858,028 | - | - | 133,016,259 |
| Service fees | 13,857,848 | - | - | - | 13,857,848 |
| Development fees | 384,510 | - | - | - | 384,510 |
| HUD savings | 2,117,239 | - | - | - | 2,117,239 |
| Rental income | - | - | - | 2,626,264 | 2,626,264 |
| Vacancies and adjustments | - | - | - | (546,239) | (546,239) |
| Other | 13,420,288 | 4,414,776 | 81,507 | 119,149 | 18,035,720 |
| Total operating revenues | 165,771,442 | 32,836,171 | 32,225,612 | 2,199,174 | 233,032,399 |
| Operating expenses: | | | | | |
| Interest expense | 691,605 | 24,294,254 | 26,883,190 | - | 51,869,049 |
| Federal assistance programs | 129,158,231 | 3,858,028 | - | - | 133,016,259 |
| Salaries and benefits | 14,777,341 | - | - | 318,303 | 15,095,644 |
| Professional fees | 591,991 | - | - | - | 591,991 |
| Other general and administrative | 1,258,009 | 233,974 | 2,013,807 | 214,599 | 3,720,389 |
| Financing costs | 310,323 | 590,236 | 2,888,248 | - | 3,788,807 |
| Program grants | 2,105,455 | - | - | - | 2,105,455 |
| Change in accrual for estimated losses on mortgage participation certificate program | (946,959) | - | - | - | (946,959) |
| Reversal of estimated losses on program loans receivable | (2,446,277) | (227,270) | (5,235,808) | - | (7,909,355) |
| Advertising expenses | - | - | - | 36,486 | 36,486 |
| Operating expenses | - | - | - | 131,956 | 131,956 |
| Utilities | - | - | - | 224,398 | 224,398 |
| Maintenance expenses | - | - | - | 184,766 | 184,766 |
| Taxes and insurance | - | - | - | 621,843 | 621,843 |
| Depreciation | - | - | - | 1,166 | 1,166 |
| Total operating expenses | 145,499,719 | 28,749,222 | 26,549,437 | 1,733,517 | 202,531,895 |
| Operating income | 20,271,723 | 4,086,949 | 5,676,175 | 465,657 | 30,500,504 |
| Capital contributions | - | - | - | 179,900 | 179,900 |
| Transfers in | - | 5,200,000 | 1,742,268 | - | 6,942,268 |
| Transfers out | (1,742,268) | - | - | - | (1,742,268) |
| Total capital contributions and transfers | (1,742,268) | 5,200,000 | 1,742,268 | 179,900 | 5,379,900 |
| Change in net position | 18,529,455 | 9,286,949 | 7,418,443 | 645,557 | 35,880,404 |
| Net position at beginning of year | 142,003,571 | 213,010,539 | 84,139,371 | 6,670,837 | 445,824,318 |
| Net position at end of year | $ 160,533,026 | $ 222,297,488 | $ 91,557,814 | $ 7,316,394 | $ 481,704,722 |

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, 2013

| | Administrative Fund | Mortgage Loan Program Fund | Single Family Program Fund | IHDA Dispositions LLC | Total |
|---|---|---|---|---|---|
| Cash flows from operating activities: | | | | | |
| Receipts for program loans, interest and service fees | $ 64,314,536 | $ 86,372,093 | $ 109,198,127 | $ - | $ 259,884,756 |
| Receipts for rental operations | - | - | - | 2,118,578 | 2,118,578 |
| Payments for program loans | (178,345) | (82,007,524) | - | - | (82,185,869) |
| Receipts for federal assistance programs | 129,158,231 | 3,858,028 | - | - | 133,016,259 |
| Payments for federal assistance programs | (129,158,231) | (3,858,028) | - | - | (133,016,259) |
| Payments for credit enhancements | - | (4,110,621) | - | - | (4,110,621) |
| Payments for program grants | (2,105,455) | - | - | - | (2,105,455) |
| Payments to suppliers | (2,647,495) | (788,624) | (5,987,551) | - | (9,423,670) |
| Payments to employees | (14,725,396) | - | - | (318,303) | (15,043,699) |
| Payments for rental operations | - | - | - | (1,294,130) | (1,294,130) |
| Other receipts | 15,150,288 | 5,981,845 | - | - | 21,132,133 |
| Net cash provided by operating activities | 59,808,133 | 5,447,169 | 103,210,576 | 506,145 | 168,972,023 |
| Cash flows from noncapital financing activities: | | | | | |
| Proceeds from sale of revenue bonds and notes | 18,057,500 | 133,380,000 | 140,864,675 | - | 292,302,175 |
| Principal paid on revenue bonds and notes | (9,066,441) | (37,975,000) | (311,045,019) | - | (358,086,460) |
| Interest paid on revenue bonds and notes | (648,980) | (29,603,235) | (29,657,698) | - | (59,909,913) |
| Due to other funds | (24,995) | 497,576 | 5,677 | - | 478,258 |
| Due from other funds | (3,316,453) | 19,160 | 5,836 | - | (3,291,457) |
| Transfers in | - | 5,200,000 | 1,742,268 | - | 6,942,268 |
| Transfers out | (1,742,268) | - | - | - | (1,742,268) |
| Net cash provided by (used in) noncapital financing activities | 3,258,363 | 71,518,501 | (198,084,261) | - | (123,307,397) |
| Cash flows from capital financing and related activities: | | | | | |
| Acquisition of capital assets | (602,246) | (467,706) | - | - | (1,069,952) |
| Cash flows from investing activities: | | | | | |
| Purchase of investment securities | (452,946,920) | (322,432,979) | (1,263,916,879) | - | (2,039,296,778) |
| Proceeds from sales and maturities of investment securities | 355,627,656 | 236,644,254 | 1,373,129,781 | - | 1,965,401,691 |
| Interest received on investments | 3,058,728 | 7,704,447 | 4,863,683 | - | 15,626,858 |
| Net cash provided by (used in) investing activities | (94,260,536) | (78,084,278) | 114,076,585 | - | (58,268,229) |
| Net increase (decrease) in cash and cash equivalents | (31,796,286) | (1,586,314) | 19,202,900 | 506,145 | (13,673,555) |
| Cash and cash equivalents at beginning of year | 213,482,952 | 49,958,079 | 15,498,457 | 1,067,007 | 280,006,495 |
| Cash and cash equivalents at end of year | $ 181,686,666 | $ 48,371,765 | $ 34,701,357 | $ 1,573,152 | $ 266,332,940 |

(Continued)

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**
(A Component Unit of the State of Illinois)
Proprietary Funds
Statement of Cash Flows (Continued)
Year ended June 30, 2013

| | Administrative Fund | Mortgage Loan Program Fund | Single Family Program Fund | IHDA Dispositions LLC | Total |
|---|---|---|---|---|---|
| Reconciliation of operating income to net cash provided by operating activities: | | | | | |
| Operating income | $ 20,271,723 | $ 4,086,949 | $ 5,676,175 | $ 465,657 | $ 30,500,504 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | | |
| Investment income | (3,137,975) | (98,094) | (5,055,145) | - | (8,291,214) |
| Interest expense | 691,605 | 24,294,254 | 26,883,190 | - | 51,869,049 |
| Depreciation and amortization | 119,157 | 2,367,069 | - | 1,166 | 2,487,392 |
| Loss on disposal of capital assets | - | - | - | 8,826 | 8,826 |
| Change in accrual for estimated losses on mortgage participation certificate program | (946,959) | - | - | - | (946,959) |
| Reversal of estimated losses on program loans receivable | (2,446,277) | (227,270) | (5,237,309) | - | (7,910,856) |
| Changes in assets and liabilities: | | | | | |
| Program loans receivable | 53,500,570 | (20,878,787) | 88,925,591 | - | 121,547,374 |
| Interest receivable on program loans | 95,960 | (67,211) | (4,982,179) | - | (4,953,430) |
| Other liabilities | (7,715,398) | 41,235 | (1,783,006) | 92,394 | (9,364,775) |
| Other assets | (633,099) | 39,645 | (1,216,741) | (66,046) | (1,876,241) |
| Tenants accounts receivable | - | - | - | 4,629 | 4,629 |
| Utility deposits | - | - | - | 8,345 | 8,345 |
| Due from Fannie Mae | - | (7,133,821) | - | - | (7,133,821) |
| Due from Freddie Mac | - | 3,023,200 | - | - | 3,023,200 |
| Total adjustments | 39,527,584 | 1,360,220 | 97,534,401 | 49,314 | 138,471,519 |
| Net cash provided by operating activities | $ 59,799,307 | $ 5,447,169 | $ 103,210,576 | $ 514,971 | $ 168,972,023 |
| Noncash investing, capital and financing activities: | | | | | |
| Transfer of foreclosed assets | $ - | $ 310,126 | $ 22,406,960 | $ 179,900 | $ 22,717,086 |
| The fair value of investments decreased | $ (2,662,819) | $ (1,337,344) | $ (8,058,071) | $ - | $ (12,058,234) |

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, 2013, as shown on the Authority's financial statements consist of both general and special limited obligations of the Authority (see Note 8). The full faith and credit of the Authority are pledged for payment of general obligation bonds and notes. The Authority has the power under the Act to have up to $3.6 billion of general and special limited obligation bonds and notes outstanding, excluding those issued to refund outstanding bonds and notes. At June 30, 2013, amounts outstanding against this limitation were approximately $1.8 billion.

The IHDA Dispositions LLC (the LLC) was organized on September 25, 2012 as a member-managed limited liability company under the Illinois Limited Liability Company Act. The LLC was organized by, and is a component unit of, the Illinois Housing Development Authority (the Authority), a body politic and corporate of the State of Illinois. The sole member of the LLC is the Authority. To the extent provided by the Illinois Limited Liability Company Act, the Authority's liability is limited. The LLC maintains, improves and disposes of multi-family properties, acquired through foreclosure or deed-in-lieu of foreclosure, that are owned by single asset entity LLC's of which the LLC will be the sole member. On December 5, 2012, the Authority's interest in Illinois Housing Authority LLC, which owns Marywood Apartment Homes (Marywood), was transferred to the LLC. Tenant rental receipts and other operating expenses of the property are reported by the LLC until such time as disposition occurs. Since the LLC qualifies as a disregarded entity-single member LLC, income from the LLC would pass through to the 100% owner, the Authority.

## 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 one component unit, the IHDA Dispositions LLC.

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

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

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

**Basis of Presentation**

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

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

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

*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.

*Hardest Hit Fund*

The Authority is designated program administrator for the Hardest Hit Fund (“HHF”) for grants appropriated to the State of Illinois by the United States Department of the Treasury (“Treasury”) as authorized by the Emergency Economic Stabilization Act of 2008 (Public Law 110-343), as amended, as the same may be amended from time to time (“EESA”). The funds can be used 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. Approved grants are paid directly to mortgage loan servicers and the Authority is responsible for compliance monitoring and reporting of these funds.

*Build Illinois Bond Program Fund*

The Authority's Build Illinois Bond Program ("BIBP") is funded by bond proceeds, allocated for affordable housing, from the Build Illinois Bond Fund. BIBP funds are appropriated to the Illinois Department of Revenue by the General Assembly. Under this program, the Authority makes affordable housing grants, loans and investments for low-income families, individuals, senior citizens and persons with disabilities, and at-risk displaced veterans.

*Neighborhood Stabilization Program Fund*

The Authority is the designated administrator of the Neighborhood Stabilization Program ("NSP"), for the State of Illinois. The program is funded by the U. S. Department of Housing and Urban Development ("HUD"). NSP provides funding to projects located in areas of greatest need to acquire, rehabilitate, and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within their communities.

The Authority reports the following major proprietary funds:

*Administrative Fund*

Development fee and financing fee income related to multi-family mortgage loans, income from service fees, and operating expenses of the Authority are accounted for in the Administrative Fund. In addition, the Administrative Fund has provided for supplemental financing of certain developments through residual income loans and below market financing for various developments through the Authority's Housing Partnership Program (see Note 5), and its lending program in conjunction with a debt service savings sharing agreement (the "FAF Savings Program") with the United States Department of Housing and Urban Development ("HUD") (see Note 13).

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

*IHDA Dispositions LLC*

The IHDA Dispositions LLC (the "LLC") maintains, improves and disposes of multi-family properties, acquired through foreclosure or deed-in-lieu of foreclosure, that are owned by single asset entity LLC's of which IHDA Dispositions LLC will be the sole member. Tenant rental receipts and other operating expenses of the property are reported by the LLC until such time as disposition occurs. Since the LLC qualifies as a disregarded entity-single member LLC, income from the LLC would pass through to the 100% owner, the Authority.

**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 and non-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").

**Fund Balances**

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

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

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

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

**Assigned –** This consists of net amounts that are constrained by the Authority's intent to be used for specific purposes, but that are neither restricted not committed.

**Unassigned –** This consists of residual deficit fund balances.

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

**Net Position**

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

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

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

All net position of the governmental activities column of the government-wide financial statements 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.)

The use of assets of each of the proprietary fund program funds is restricted by the related bond and note resolutions of the Authority. Certain amounts in the above program funds are considered subject to the restriction that they be applied to the financing of housing for the respective program purposes or to the retirement of obligations issued for such purposes; these amounts may include certain investment earnings attributable to the respective fund net position. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, then unrestricted resources when they are needed.

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

Designations of net position represents tentative plans by the Authority for financial resource utilization in a future period as documented in the minutes or budgeting process for a succeeding year. Such plans are subject to change from original authorizations and may never result in expenditures.

A portion of the Authority's Administrative Fund unrestricted net position as of June 30, 2013 are designated as follows:

| | |
|---|---|
| Downpayment Assistance Program | $ 5,000,000 |
| To pay expenses for planned technology enhancements | 5,000,000 |
| To pay possible losses arising in the Multi-Family Bond Program attributable, but not limited to, delinquencies or defaults on uninsured or unsubsidized loans | 15,000,000 |
| Provide funds to purchase homeownership mortgage loans and/or mortgage-backed securities under the Homeownership Mortgage Loan Program which will eventually be purchased with proceeds from future issuance of Authority debt or sold in the secondary market | 50,000,000 |
| Provide funds and reserves to support the Mortgage Participation Certificate Program, including the purchase and/or repurchase of loans and/or certificates within the Program | 40,000,000 |
| | $ 115,000,000 |

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

**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 position.

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.



(Continued)

**Investments**

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

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

**Program Loans Receivable**

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

**Capital Assets**

Capital assets 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 and amortization is on a straight-line basis over a period of five to ten years, depending upon the nature of the asset. Leasehold improvements are amortized over the term of the lease. Depreciation and amortization expenses for fiscal year 2013 were $119,157. Capital assets in the Mortgage Loan Program Fund represent 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, 2013, the net carrying value of ML-181 was $24,603,333 which is net of accumulated depreciation of $17,378,069. Depreciation expense for fiscal year 2013 was $2,367,069. The Authority will continue to own and operate ML-181 until the sale or other disposition of the development occurs.

Capital assets for governmental activities at June 30, 2013 totaling $193,114 are used in the Hardest Hit Fund program. Depreciation and amortization for these items are recorded on a straight-line basis over three years and amounted to $53,196 during fiscal year 2013.

At June 30, 2013, capital assets within the LLC consist of buildings at $3,706,007, net of accumulated depreciation, and land at $2,600,000. Accumulated depreciation for fiscal year 2013 totaling $73,893 was calculated on a straight-line basis from the date of acquisition by the LLC to the date that the LLC contracted to put the buildings up for sale.



(Continued)

### LLC Property

At June 30, 2013, three multi-family properties were reported by the LLC as follows:

| Property Name | Net Carrying Value | Total No. of Units | Out-of-service Units | Estimated Annual Real Estate Taxes | FY 2013 Management Fees |
|---|---|---|---|---|---|
| Marywood Apartment Homes | $ 6,127,273 | 260 | 17 | $ 530,000 | $ 83,337 |
| Kankakee Scattered Sites | 79,900 | 6 | - | 10,200 | 9,000 |
| School Street Apartments | 98,834 | 10 | 1 | 9,800 | 6,800 |
| | $ 6,306,007 | 276 | 18 | $ 550,000 | $ 99,137 |

Each of the these properties is subject to one or more land use restriction agreements (LURA) that restrict occupancy to households that are low income, very low income, or extremely low income. The Authority recorded the LURAs against each property at the time it originally provided financing and enforces the LURAs until it disposes of the properties.

The Authority has listed the Marywood and Kankakee properties for sale with a licensed real estate broker, and has made School Street available for sale through a notice of sale, and will evaluate all offers that are received. The LLC reviews all properties for any impairments whenever events or changes in circumstances indicate that the current carrying value of the assets may not be recoverable. The LLC has recorded the carrying amount of the Marywood at its most recent appraised value. Kankakee and School Street are valued at current listing amounts.

### Real Estate Held for Sale

Real estate held for sale arises from foreclosures or other mortgage default-related actions on properties pledged as collateral on mortgage loans. Real estate held for sale is recorded at the lesser of 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 or fair market value less costs to sell. Since a substantial majority of all such loans are covered by pool insurance, based on the Authority's past experience, it is anticipated that the Authority will recover a majority 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 amortized 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 8), 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.

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

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, HOME Program, Rental Housing Support Program, Hardest Hit Fund, Neighborhood Stabilization Program and Nonmajor Governmental Funds is absorbed by these programs. Similarly, other related special assistance programs and resolutions of various bond programs allow for these program 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. The Authority has no other post-employment benefits (OPEB).

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

| Balance June 30, 2012 | Additions | Retirements | Balance June 30, 2013 | Due Within One Year |
|---|---|---|---|---|
| $ 693,043 | $ 1,640,323 | $ (1,588,378) | $ 744,988 | $ 744,988 |

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

### Provision for Estimated Losses on Program Loans

The Authority provides for estimated losses on program loans in its proprietary and governmental funds based upon the periodic review and evaluation of the multi-family and developer loan portfolios and provides additional amounts, if it deems necessary, for estimated losses for individual loans in the funds. In making such review and evaluation, the Authority considers current economic conditions, occupancy and rental level projections, financial statement analyses, on-site inspections, independent appraisals of certain developments, insurance coverage, and such other factors as it deems necessary. The estimated losses of the single family loan portfolio are based upon a periodic review and evaluation of the whole loan portfolio, excluding real estate owned properties and considers such factors as delinquencies, interest costs, holding costs, sales proceeds, and mortgage insurance recoveries for estimating losses. The estimated losses of the Hardest Hit Fund are based upon non-recoverable fees and the ability to resell the acquired mortgage loan portfolio.

### New and Pending Accounting Pronouncements

Statement No. 65, *Items Previously Reported as Assets and Liabilities* establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The Authority is required to implement this Statement for the year ending June 30, 2014.

Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62* was established to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. The Authority is required to implement this Statement for the year ending June 30, 2014.

Statement No. 68, *Accounting and Financial Reporting for Pensions* requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). The Authority is required to implement this Statement for the year ending June 30, 2015.

Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. The Authority is required to implement this Statement for the year ending June 30, 2014.

Management has not determined the impact of the pending pronouncements not yet adopted on its financial statements.

## 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.

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

As of June 30, 2013, the Authority had the following 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 | $ 32,910,828 | $ 32,910,828 | $ - | $ - | $ - |
| Sweep Accounts-Money Market Fund | 233,557,245 | 233,557,245 | - | - | - |
| | $ 266,468,073 | $ 266,468,073 | $ - | $ - | $ - |

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, 2013, the Authority had the following investments:

| | | Investment maturities (in years) | | | |
|---|---|---|---|---|---|
| Investment | Carrying Amount | Less than 1 | 1 - 5 | 6 - 10 | More than 10 |
| Demand repurchase agreements | $ 312,845 | $ - | $ 300,000 | $ - | $ 12,845 |
| Federal Home Loan Bank Bonds | 108,200,781 | 108,200,781 | - | - | - |
| Federal Farm Credit Bank Bonds | 3,024,238 | 1,700,816 | 1,323,422 | - | - |
| Federal Home Loan Mortgage Corp. | 9,844,014 | 8,382,884 | - | - | 1,461,130 |
| Federal National Mortgage Assn. Benchmark Notes | 1,593,891 | - | - | - | 1,593,891 |
| Federal National Mortgage Assn. Discount Notes | 87,109,588 | 87,109,588 | - | - | - |
| Federal Home Loan Bank Discount Notes | 146,271,499 | 146,271,499 | - | - | - |
| Federal Home Loan Mortgage Corp. Discount Notes | 57,175,892 | 57,175,892 | - | - | - |
| Government National Mortgage Association | 210,023,005 | - | - | - | 210,023,005 |
| Federal National Mortgage Assn. | 65,505,102 | 5,155,050 | 1,194,060 | - | 59,155,992 |
| Municipal Obligations | 3,508,866 | 1,309,828 | 2,199,038 | - | - |
| United States Treasury Strips | 1,102,762 | - | - | - | 1,102,762 |
| United States Treasury Bonds | 7,252,383 | - | 129,770 | 7,122,613 | - |
| United States Treasury Notes | 49,028,421 | 43,045,664 | 5,982,757 | - | - |
| | $ 749,953,287 | $ 458,352,002 | $ 11,129,047 | $ 7,122,613 | $ 273,349,625 |

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 Government and Agency Obligations are rated Aaa by Moody's and/or AA+ 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 Authority's investments in municipal obligations are rated Aa3 by Moody's and, $1,729,395 is rated AAA and $1,779,472 is rated AA by Standard & Poors.

The counterparties, carrying amount of the repurchase agreements, and ratings as of June 30, 2013 are listed below.

| Counterparty | Rating S&P / Moody's | Carrying Value |
|---|---|---|
| Morgan Guaranty Trust Company | A+ (STABLE) /Aa3 | $ 300,000 |
| Westdeutsche Landesbank (1) | NR (N/R) /Aa1 | 12,845 |
| Total Investments | | $ 312,845 |
| Bank of America | A (NEGATIVE) /A3 | $ 32,910,828 |
| Total Cash and Cash Equivalents | | $ 32,910,828 |

(1) Rating is 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, 2013, 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. A portion of the LLC's cash consisted of checking and money market accounts held in the names of property management agents, however, the LLC has the sole right to these account balances. The Authority's investments at June 30, 2013 were held in the Authority's name in separate Authority custodial accounts. Collateral is pledged in the Authority's name and consists of U.S. Treasury obligations.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in any one single issuer. The Authority's policy does not limit the amounts the Authority may invest in any one issuer. The Authority is considered to have a concentration of credit risk if its investments in any one single issuer (other than securities explicitly guaranteed by the U.S. government) are greater than 5% of total investments. Investments which comprise more than 5% of the Authority's investments as of June 30, 2013 are as follows:

| Investment | Fair Value |
|---|---|
| Federal Home Loan Bank | $ 254,472,280 |
| Federal National Mortgage Association | 154,208,581 |
| Federal Home Loan Mortgage Corporation | 67,019,906 |

**Securities Lending Transactions**

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

During fiscal year 2013, Duetsche Bank AG lent U.S. Treasury and U.S. agency securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregated market value of the loaned securities. Loans are marked to market daily. If the market value of collateral falls below 100%, the borrower must provide additional collateral to raise the market value to 100%.

The State Treasurer did not impose any restrictions during fiscal year 2013 on the amount of the loans available or the eligible securities. In the event of borrower default, Deutsche Bank AG provides the State Treasurer with counterparty default indemnification. Deutsche Bank AG is obligation to indemnify the State Treasurer of the Deutsche Bank AG loses any securities, collateral or investments of the State Treasurer in Deutsche Bank AG's custody. Moreover, there were no losses during fiscal year 2013 resulting from a default of the borrowers or Deutsche Bank AG.

During fiscal year 2013, the State Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank AG and marked to market daily at no less than 102%. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. The State Treasurer had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent. The securities lending cash collateral received that was invested in repurchase agreements and the fair value of the securities on loan for the State Treasurer as of June 30, 2013 were $6,763,623,576 and $6,742,892,101, respectively. The Authority's share of the securities lending cash collateral and associated liability was $1,357,000 as of June 30, 2013.

## 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, 2013 consisted of the following:

| | Payable From | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Receivable To** | **Affordable Housing Trust Fund** | **Home Program** | **Rental Housing Support** | **Hardest Hit Fund** | **Neighborhood Stabilization Program** | **Nonmajor Governmental Funds** | **Administrative** | **Mortgage Loan Program** | **Single Family Program** | **Total** |
| Administrative | $1,269,678 | $146,966 | $317,085 | $5,337,894 | $1,376,529 | $421,206 | $ - | $4,911,433 | $445,325 | $14,226,116 |
| Mortage Loan Program | - | - | - | - | | - | 14,313,392 | - | - | 14,313,392 |
| Single Family Program | - | - | - | - | | - | 345,457 | - | - | 345,457 |
| | $1,269,678 | $146,966 | $317,085 | $5,337,894 | $1,376,529 | $421,206 | $14,658,849 | $4,911,433 | $445,325 | $28,884,965 |

The interfund accounts receivable (payable) between the Mortgage Loan Program Fund and the Administrative Fund primarily consist of a fiscal year 2000 operating transfer of $10.4 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 Innsbruck Apartments mortgage obligations were paid in full to the Authority on June 21, 2013. The Authority intends to apply a portion of the proceeds from the payoff to satisfy the $4.4 million interfund payable from the Administrative Fund to the Mortgage Loan Program. The Authority intends to reverse the remaining amounts of the transfers upon the disposition of Lakeshore Plaza and Larkin Village.

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

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, 2012 consisted of the following:

| | Transfers Out | | |
|---|---|---|---|
| **Transfers in** | **Illinois Affordable Housing Trust** | **Administrative** | **Total** |
| Mortgage Loan Program | $ 5,200,000 | $ - | $ 5,200,000 |
| Single Family Program | - | 1,742,268 | 1,742,268 |
| | $ 5,200,000 | $ 1,742,268 | $ 6,942,268 |

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, 2013 totaled $5,200,000. The $1,742,268 transfer from the Administrative Fund to the Single Family Program Fund was, primarily, to pay issuance and other costs of Housing Revenue Bonds.

## Note 5. Program Loans Receivable

The following summarizes program loans receivable activity for the Authority for the year ended June 30, 2013:

| | Net program loans receivable June 30, 2012 | Loan disbursements | Loan repayments | Change in loan loss provision | Change in net deferred fees | Net program loans receivable June 30, 2013 |
|---|---|---|---|---|---|---|
| Governmental Funds: | | (Dollars in thousands) | | | | |
| Illinois Affordable Housing Trust Fund | $ 308,203 | $ 3,727 | $ (10,150) | $ 4,881 | $ - | $ 306,661 |
| HOME Program Fund | 224,119 | 4,484 | (2,963) | 117 | - | 225,757 |
| ARRA Program | 73,095 | - | (204) | (839) | - | 72,052 |
| Hardest Hit Fund | 1,373 | 30,441 | - | (15,221) | - | 16,593 |
| Community Development Block Grant Fund | - | 5,519 | - | (35) | - | 5,484 |
| Total Governmental Funds | $ 606,790 | $ 44,171 | $ (13,317) | $ (11,097) | $ - | $ 626,547 |
| Proprietary Funds: | | | | | | |
| Administrative Fund | $ 82,247 | $ 178 | $ (53,735) | $ 2,503 | $ - | $ 31,193 |
| Mortgage Loan Program Fund Housing Bonds | 410,729 | 66,549 | (48,120) | 890 | 18 | 430,066 |
| Multifamily Initiative Bonds | 50,761 | 12,403 | (4,848) | (235) | - | 58,081 |
| Multifamily Housing Revenue Bonds (Marywood) | 8,327 | - | - | - | - | 8,327 |
| Multifamily Bonds (Turnberry) | 4,899 | - | (61) | (244) | - | 4,594 |
| Affordable Housing Program Trust Fund Bonds | 38,105 | 3,056 | (8,336) | (184) | - | 32,641 |
| Total Mortgage Loan Program Fund | 512,821 | 82,008 | (61,365) | 227 | 18 | 533,709 |
| Single Family Program Fund | 494,968 | - | (92,836) | 5,236 | (1,025) | 406,343 |
| Total Proprietary Funds | $ 1,090,036 | $ 82,186 | $ (207,936) | $ 7,966 | $ (1,007) | $ 971,245 |

Loans receivable in the Mortgage Loan Program Fund are secured by first mortgage liens on the related developments. Each development is subject to a regulatory agreement under which the Authority has certain powers relating to rents, profits, occupancy, management, and operations. Monies are required to be deposited in reserve accounts monthly by all mortgagors for real estate tax reserves and by substantially all mortgagors for insurance and replacement reserves. See Note 9 regarding these reserves and other deposits held in escrow.

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

At June 30, 2013, for loans financed under the Mortgage Loan Program Fund, amounts in arrears equal to more than two months debt service payments and required deposits to tax and insurance and/or replacement reserves were $1,132,893 and $1,134,057, respectively.

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

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

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

The Authority's policy for converting mortgage loans, except for loans financed under the Single Family Mortgage Loan Program, to 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, 2013, the accrual of interest and service fee income was suspended on approximately $2.0 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 $553,000 in the Mortgage Loan Program Fund and $187,000 in the Administrative Fund. In addition, the Authority does not accrue interest income on approximately $10.9 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 $184,000.

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, 2013, loans receivable under this program were approximately $236,000.

In June 1994, the Authority entered into a Risk Sharing Agreement (Agreement) with HUD that permitted the Authority to participate in HUD's 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, 2013, has entered into fifty-two Risk Sharing Loans totaling $300,246,699 and elected that HUD assume 10% to 90% of the loss with respect to those loans. Ten of these loans totaling $58,212,699 were financed through the issuance of the Authority's Housing Bonds, twelve loans totaling $79,620,000 were financed through the issuance of the Authority's Multifamily Initiative Bonds and one loan in the amount of $15,460,000 was financed through the issuance of the Authority's Multi-Family Housing Revenue Bonds (Marywood), The remaining twenty-nine loans totaling $146,954,000 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 fiscal year 2009 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 collectability, and

 (Continued)

believes that the allowances for estimated losses at June 30, 2013 in the accompanying financial statements are adequate to cover estimated losses of the loans.

At June 30, 2013 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.

As of June 30, 2013, for mortgage loans insured with Ambac Assurance Corporation (Ambac Loans) on multi-family housing developments under the Authority's Mortgage Participation Certificate Program, the Authority has entered into five Ambac Loans totaling $20,211,200. 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. Ambac has guaranteed repayment of principal and interest due on a timely or accelerated basis in accordance with the agreement between the Authority and Ambac. The agreement allows (or provides) the Authority to share its risk with Ambac on the aggregate loan portfolio after the satisfaction of certain requirements and thresholds.

At June 30, 2013, 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, a substantial majority of all delinquent mortgage loans receivable at June 30, 2013, 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 5.75%, 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, 2013 are as follows:

| | Principal due by June 30 | | | | |
|---|---|---|---|---|---|
| **Interest rate %** | **2014** | **2015 - 2019** | **2020 - 2029** | **After 2029** | **Total** |
| | | | (Dollars in thousands) | | |
| 0 – 0. 99 | $ 1,709 | $ 8,999 | $ 45,767 | $ 95,830 | $ 152,305 |
| 1 – 1.99 | 3,136 | 15,088 | 59,504 | 73,201 | 150,929 |
| 2 – 3.99 | 502 | 2,778 | 6,801 | 7,428 | 17,509 |
| 4 – 5.75 | 119 | 688 | 1,854 | 1,099 | 3,760 |
| | $ 5,466 | $ 27,553 | $ 113,926 | $ 177,558 | $ 324,503 |

Loans are made through the HOME Program in order to provide decent and affordable housing, particularly housing for low- and very low-income Americans. Interest rates on these loans are set at below market rates and have ranged from 0% to 6.50%, with most rates set at 2.0% or below. The approximate aging of the receivables of the HOME program as of June 30, 2013 are as follows:

| | Principal due by June 30 | | | | |
|---|---|---|---|---|---|
| **Interest rate %** | **2014** | **2015 - 2019** | **2020 - 2029** | **After 2029** | **Total** |
| | (Dollars in thousands) | | | | |
| 0 – 0. 99 | $ 106 | $ 3,782 | $ 30,372 | $ 23,108 | $ 57,368 |
| 1 – 1.99 | 1,787 | 15,224 | 74,487 | 69,268 | 160,766 |
| 2 – 3.99 | 226 | 2,196 | 3,349 | 4,021 | 9,792 |
| 4 – 6.50 | 105 | 1,076 | 3,838 | 689 | 5,708 |
| | $ 2,224 | $ 22,278 | $ 112,046 | $ 97,086 | $ 233,634 |

The Authority has reviewed each program loan receivable, including those for developments in the construction or rent-up phases, for the purpose of determining ultimate collectability. The Authority believes that the allowances for estimated losses at June 30, 2013 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, 2013:

| | **Allowance for estimated losses June 30, 2012** | **Provision for estimated losses** | **Write-offs of uncollectible losses, net of recoveries** | **Allowance for estimated losses June 30, 2013** |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| Illinois Affordable Housing Trust Fund | $ 22,723 | $ (590) | $ (4,290) | $ 17,843 |
| HOME Program Fund | 7,994 | (117) | - | 7,877 |
| ARRA Fund | 443 | 839 | - | 1,282 |
| Hardest Hit Fund | 1,372 | 15,221 | - | 16,593 |
| Community Development Block Grant Fund | - | 35 | - | 35 |
| Total governmental funds | $ 32,532 | $ 15,388 | $ (4,290) | $ 43,630 |
| Administrative Fund | $ 6,750 | $ (2,447) | $ (56) | $ 4,247 |
| Mortgage Loan Program Fund | 16,732 | (227) | - | 16,505 |
| Single Family Program Fund | 12,645 | (5,237) | - | 7,408 |
| Total proprietary funds | $ 36,127 | $ (7,911) | $ (56) | $ 28,160 |

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, 2013, the Authority has requested three such certifications totaling $618,871, 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.



(Continued)

Scheduled receipts of principal on proprietary fund program loans receivable in the five years subsequent to June 30, 2013 and thereafter are as follows (dollars in thousands):

| | | |
|---|---|---|
| 2014 | $ | 59,212 |
| 2015 | | 36,012 |
| 2016 | | 48,855 |
| 2017 | | 66,483 |
| 2018 | | 34,106 |
| After 2018 | | 754,738 |
| | $ | 999,406 |

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

## Note 6. Real Estate Held for Sale

An analysis of other real estate owned is as follows:

| | | Mortgage Loan Program | | Single Family Program | | Total |
|---|---|---|---|---|---|---|
| Balance at 6/30/12 | $ | 108,461 | $ | 11,522,315 | $ | 11,630,776 |
| Transfers of loans | | 310,126 | | 22,406,960 | | 22,717,086 |
| Proceeds received | | (92,219) | | (17,470,773) | | (17,562,992) |
| Balance at 6/30/13 | $ | 326,368 | $ | 16,458,502 | $ | 16,784,870 |

## Note 7. Capital Assets

Capital asset activity for the year ended June 30, 2013 for governmental activities was as follows:

| | | Balance June 30, 2012 | | Additions | | Deletions | | Balance June 30, 2013 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| Capital Assets Being Depreciated: | | | | | | | | |
| Furniture and Equipment | $ | 149,440 | $ | 43,674 | $ | - | $ | 193,114 |
| Total Capital Assets Being Depreciated | | 149,440 | | 43,674 | | - | | 193,114 |
| **Accumulated Depreciation** | | | | | | | | |
| Furniture and Equipment | | 33,393 | | 53,196 | | - | | 86,589 |
| Total Accumulated Depreciation | | 33,393 | | 53,196 | | - | | 86,589 |
| **Capital Assets, Net of Depreciation** | $ | 116,047 | $ | (9,522) | $ | - | $ | 106,525 |

Capital asset activity for the year ended June 30, 2013 for business-type activities was as follows:

| | Balance June 30, 2012 | Additions | Deletions | Balance June 30, 2013 |
|---|---|---|---|---|
| **Cost** | | | | |
| IHDA Dispositions, LLC | | | | |
| Land | $ 2,600,000 | $ - | $ - | $ 2,600,000 |
| **Capital Assets Being Depreciated** | | | | |
| Administrative Fund | | | | |
| Furniture and Equipment | 1,839,017 | 602,246 | 38,920 | 2,402,343 |
| Mortgage Loan Program Fund | | | | |
| Real Estate | 41,513,696 | 467,706 | - | 41,981,402 |
| IHDA Dispositions, LLC | | | | |
| Building | 3,600,000 | 179,900 | - | 3,779,900 |
| Total Capital Assets Being Depreciated | 46,952,713 | 1,249,852 | 38,920 | 48,163,645 |
| Total Capital Assets | 49,552,713 | 1,249,852 | 38,920 | 50,763,645 |
| **Accumulated Depreciation** | | | | |
| Administrative Fund | | | | |
| Furniture and Equipment | 1,636,744 | 119,157 | 30,094 | 1,725,807 |
| Mortgage Loan Program Fund | | | | |
| Real Estate | 15,011,000 | 2,367,069 | - | 17,378,069 |
| IHDA Dispositions, LLC | | | | |
| Building | 72,727 | 1,166 | - | 73,893 |
| Total Accumulated Depreciation | 16,720,471 | 2,487,392 | 30,094 | 19,177,769 |
| **Capital Assets, Net of Depreciation** | $ 32,832,242 | $(1,237,540) | $ 8,826 | $ 31,585,876 |

## Note 8. Bonds and Notes Payable

Bonds and notes outstanding are general obligations ("G.O.") of the Authority with the exception of Homeowner Mortgage Revenue Bonds, Housing Revenue Bonds, Multifamily Initiative Bonds, Affordable Housing Program Trust Fund Bonds and Multi-family Bonds (Turnberry), which are special limited obligations ("S.L.O.") of the Authority. Certain bonds are payable from pledged property as defined in their respective general resolutions. Housing Revenue Bonds are payable from pledged mortgage-backed securities. Certain issues of Multifamily Initiative Bonds are credit enhanced by Fannie Mae and Freddie Mac. 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 $0.9 billion (principal) in S.L.O. Bonds as noted in the following schedules for the Mortgage Loan Program and Single Family Program Funds. The total principal and interest remaining to be paid on the S.L.O. Bonds is $1.5 billion. For bonds payable from pledged property, interest paid for the current year was $34.4 million, and total related mortgage loan principal and interest received were $106.1 million and $24.5 million, respectively.

Bonds and notes outstanding at June 30, 2013 are as follows. The June 30, 2012 amounts are shown for comparative purposes only.

### *Mortgage Loan Program Fund*

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

| | Maturity dates | Interest rate range % | Debt class | Amount June 30 2013 | Amount June 30 2012 |
|---|---|---|---|---|---|
| Housing Bonds: | | | | | |
| 1999 Series A | 2014-2031 | 4.75-5.25 % | G.O. | $ - | $ 4,750,000 |
| 2003 Series A | 2014-2046 | 4.20-5.05 | G.O. | 17,275,000 | 17,775,000 |
| 2003 Series B | 2014-2041 | 3.95-5.05 | G.O. | 31,135,000 | 33,925,000 |
| 2003 Series C | 2014-2035 | 4.20-4.95 | G.O. | 3,885,000 | 4,190,000 |
| 2004 Series A | 2014-2040 | 2.90-4.70 | G.O. | 16,160,000 | 17,325,000 |
| 2004 Series B(1) | 2014-2035 | Variable | G.O. | 4,500,000 | 4,600,000 |
| 2004 Series C | 2014-2045 | 4.75-5.45 | G.O. | 9,380,000 | 9,895,000 |
| 2005 Series A | 2014-2036 | 3.70-4.60 | G.O. | 13,815,000 | 18,305,000 |
| 2005 Series C | 2015-2042 | 4.38-5.00 | G.O. | 9,930,000 | 10,075,000 |
| 2005 Series D | 2014-2048 | 4.88 | G.O. | 6,260,000 | 6,325,000 |
| 2005 Series E | 2014-2036 | 3.90-4.80 | G.O. | 23,950,000 | 24,375,000 |
| 2005 Series F (Taxable) | 2014-2029 | 5.11-5.84 | G.O. | 12,330,000 | 13,235,000 |
| 2006 Series A | 2014-2039 | 4.90-5.05 | G.O. | 7,520,000 | 7,655,000 |
| 2006 Series B | 2014-2047 | 4.75-5.00 | G.O. | 12,790,000 | 12,965,000 |
| 2006 Series D | 2014-2042 | 4.85-5.00 | G.O. | 5,845,000 | 5,920,000 |
| 2006 Series E | 2014-2042 | 4.30-4.95 | G.O. | 7,615,000 | 7,720,000 |
| 2006 Series F | 2014-2047 | 4.30-5.00 | G.O. | 3,500,000 | 3,595,000 |
| 2006 Series G | 2014-2037 | 5.10-4.85 | G.O. | 28,100,000 | 33,360,000 |
| 2006 Series H (Taxable) | 2014-2029 | 5.41-6.06 | G.O. | 7,985,000 | 8,605,000 |
| 2006 Series I | 2014-2049 | 4.70-4.85 | G.O. | 6,980,000 | 7,045,000 |
| 2006 Series J | 2014-2049 | 4.50-5.00 | G.O. | 3,350,000 | 3,385,000 |
| 2006 Series K | 2014-2024 | 4.10-4.60 | G.O. | 2,180,000 | 2,435,000 |
| 2006 Series M | 2014-2048 | 4.00-4.50 | G.O. | 11,855,000 | 11,985,000 |
| 2007 Series A | 2014-2048 | 4.13-5.55 | G.O. | 4,285,000 | 4,700,000 |
| 2007 Series C | 2014-2045 | 4.00-5.38 | G.O. | 9,295,000 | 9,395,000 |
| 2007 Series D | 2014-2043 | 3.90-5.05 | G.O. | 20,135,000 | 20,615,000 |
| 2007 Series E (Taxable) | 2014-2033 | 5.66-6.54 | G.O. | 7,345,000 | 7,785,000 |
| 2007 Series F | 2014-2044 | 4.70-5.35 | G.O. | 6,480,000 | 6,560,000 |
| 2007 Series G | 2014-2044 | 4.70-5.35 | G.O. | 5,390,000 | 5,460,000 |
| 2008 Series A(1) | 2027 | Variable | G.O. | 12,730,000 | 13,090,000 |
| 2008 Series B(1) | 2014-2028 | Variable | G.O. | 31,985,000 | 33,285,000 |
| 2008 Series C(1) | 2042 | Variable | G.O. | 5,185,000 | 5,270,000 |
| 2013 Series B (Taxable) | 2014-2047 | 0.45-4.79 | G.O. | 127,605,000 | - |
| 2013 Series C | 2014-2048 | 1.75-4.60 | G.O. | 5,775,000 | - |
| | | | | 482,550,000 | 375,605,000 |
| Less unamortized discount thereon | | | | 125,511 | 129,073 |
| Less deferred loss on refunding | | | | 3,439,798 | 5,074,700 |
| Plus deferred gain on refunding | | | | 505,155 | 630,080 |
| Total Housing Bonds | | | | 479,489,846 | 371,031,307 |

(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 .07 to .13% at June 30, 2013. 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 7.5%, Prime Rate or Adjusted One Month LIBOR rate for the Housing Bonds 2008 A, B and C. The current 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, 2014, respectively, and will be renewed.

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.

| | Maturity dates | Interest rate range % | Debt class | Amount June 30 2013 | Amount June 30 2012 |
|---|---|---|---|---|---|
| Multifamily Initiative Bonds: | | | | | |
| Series 2009B | 2014-2051 | 3.50 | S.L.O. | $ 26,250,000 | $ 30,730,000 |
| Series 2009C | 2014-2051 | 3.01 | S.L.O. | 22,040,000 | 22,430,000 |
| Series 2009D | 2014-2041 | 3.48 | S.L.O. | 59,070,000 | 59,500,000 |
| Series 2009E | 2014-2042 | 2.32 | S.L.O. | 4,700,000 | 7,700,000 |
| Series 2009F | 2014-2041 | 2.32 | S.L.O. | 5,700,000 | 5,770,000 |
| Series 2009G | 2014-2041 | 2.32 | S.L.O. | 8,530,000 | 8,640,000 |
| Series 2009H | 2014-2041 | 2.32 | S.L.O. | 11,190,000 | 11,230,000 |
| Series 2009I | 2014-2051 | 2.32 | S.L.O. | 9,570,000 | 9,570,000 |
| Series 2009J | 2014-2043 | 1.47 | S.L.O. | 19,090,000 | 19,090,000 |
| Total Multifamily Initiative Bonds | | | | 166,140,000 | 174,660,000 |
| Multifamily Housing Revenue Bonds: | | | | | |
| Marywood Apartment Homes | | | | | |
| HUD Riskshare Debenture | 2014 | 5.00 | G.O. | 14,884,996 | 14,884,996 |
| Multifamily Bonds: | | | | | |
| Turnberry Village II Apartments | 2014-2045 | 4.50-4.75 | S.L.O. | 4,865,000 | 4,935,000 |
| Affordable Housing Program | | | | | |
| Trust Fund Bonds: | | | | | |
| Series 2004 (Taxable) | 2014-2026 | 5.50-6.21 | S.L.O. | 31,840,000 | 33,420,000 |
| Series 2005 A (Taxable) | 2014-2027 | 5.60-6.35 | S.L.O. | 22,500,000 | 23,870,000 |
| Total Affordable Housing Program Trust Fund Bonds | | | | 54,340,000 | 57,290,000 |
| Total Mortgage Loan Program Fund | | | | $ 719,719,842 | $ 622,801,303 |

***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 2013 | Amount June 30 2012 |
|---|---|---|---|---|---|
| Residental Mortgage Revenue Bonds: | | | | | |
| 1983 Series A | 2015 | 10.872 % | G.O. | $ 4,228 | $ 3,803 |
| 1983 Series B | 2015 | 10.746 | G.O. | 4,236 | 3,815 |
| 1984 Series B | 2016 | 11.257 | G.O. | 3,768 | 3,377 |
| 1985 Series A | 2017 | 10.75 | G.O. | 3,435 | 3,094 |
| 1987 Series B | 2015 | 8.13 | G.O. | 100,000 | 100,000 |
| 1987 Series C | 2014 | 7.50 | G.O. | 100,000 | 100,000 |
| 1987 Series D | 2018 | 8.65 | G.O. | 100,000 | 100,000 |
| Total Residental Mortgage Revenue Bonds | | | | $ 315,667 | $ 314,089 |

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 2013 | Accreted value June 30 2012 | Aggregate value to be redeemed |
|---|---|---|---|---|---|
| 1983 Series A | Maturity 2/1/15 | $ 180 | $ 4,228 | $ 3,803 | $ 5,000 |
| 1983 Series B | Maturity 2/1/15 | 193 | 4,236 | 3,815 | 5,000 |
| 1984 Series B | Maturity 2/1/16 | 166 | 3,768 | 3,377 | 5,000 |
| 1985 Series A | Maturity 2/1/17 | 190 | 3,435 | 3,094 | 5,000 |

(1) Amounts reflect original issue amounts of capital appreciation bonds outstanding as of June 30, 2013.

| | Maturity dates | Interest rate range % | Debt class | Amount June 30 2013 | Amount June 30 2012 |
|---|---|---|---|---|---|
| Housing Revenue Bonds: | | | | | |
| Series 2011-1A | 2013-2041 | 3.285 % | S.L.O. | $ 15,059,007 | $ 16,957,604 |
| Series 2011-1B | 2013-2041 | 3.285 | S.L.O. | 35,187,095 | 40,568,963 |
| Series 2011-1C | 2013-2041 | 3.285 | S.L.O. | 7,500,000 | 7,500,000 |
| Series 2012A (Taxable) | 2013-2042 | 2.625 | S.L.O. | 39,399,289 | - |
| Series 2013A | 2013-2043 | 2.450 | S.L.O. | 78,226,675 | - |
| Series 2013B (Taxable) | 2013-2043 | 2.750 | S.L.O. | 21,212,579 | - |
| | | | | 196,584,645 | 65,026,567 |
| Plus unamortized premium thereon | | | | 916,016 | 1,078,452 |
| Less unamortized discount thereon | | | | 946,275 | 963,750 |
| Total Housing Revenue Bonds | | | | $ 196,554,386 | $ 65,141,269 |

| | Maturity dates | Interest rate range % | Debt class | Amount June 30 2013 | Amount June 30 2012 |
|---|---|---|---|---|---|
| Homeowner Mortgage Revenue Bonds: | | | | | |
| 1998 Series A (Taxable) | 2013-2016 | 6.45-6.52 | S.L.O. | $ 825,000 | $ 1,120,000 |
| 1998 Series D (remarketed 10/7/98) | 2013-2018 | 5.00 | S.L.O. | - | 4,530,000 |
| 1998 Series D (remarketed 12/17/98) | 2013-2018 | 5.05 | S.L.O. | - | 2,585,000 |
| 1998 Series D (remarketed 4/29/99) | 2013-2018 | 5.10 | S.L.O. | - | 4,880,000 |
| 2001 Series C | 2013-2018 | 4.55-5.10 | S.L.O. | - | 4,705,000 |
| 2001 Series F (Taxable) (1) | 2016-2021 | Variable | S.L.O. | 10,000,000 | 10,000,000 |
| 2002 Series B (Taxable) (2) | 2013-2023 | Variable | S.L.O. | 3,750,000 | 4,295,000 |
| 2002 Series C | 2013-2032 | 4.00-5.30 | S.L.O. | - | 29,555,000 |
| 2003 Series B | 2013-2034 | 4.00-5.15 | S.L.O. | 20,830,000 | 23,000,000 |
| 2004 Series A | 2013-2035 | 3.35-4.75 | S.L.O. | 15,730,000 | 17,950,000 |
| 2004 Series A-3 (3) | 2026-2035 | Variable | S.L.O. | 10,675,000 | 10,675,000 |
| 2004 Series C | 2013-2035 | 4.35-5.35 | S.L.O. | 39,125,000 | 43,530,000 |
| 2004 Series C-3 (3) | 2025-2035 | Variable | S.L.O. | 16,000,000 | 16,000,000 |
| 2005 Series A | 2013-2036 | 3.70-4.80 | S.L.O. | 23,345,000 | 26,650,000 |
| 2005 Series A-3 (3) | 2025-2036 | Variable | S.L.O. | 20,000,000 | 20,000,000 |
| 2005 Series C | 2013-2036 | 3.70-5.25 | S.L.O. | 56,345,000 | 63,715,000 |
| 2006 Series A | 2013-2037 | 3.95-5.00 | S.L.O. | 44,130,000 | 52,345,000 |
| 2006 Series C | 2013-2038 | 4.15-5.15 | S.L.O. | 77,220,000 | 87,920,000 |
| 2007 Series A | 2013-2038 | 4.00-4.90 | S.L.O. | 48,870,000 | 52,625,000 |
| 2007 Series D | 2013-2039 | 4.40-5.35 | S.L.O. | 41,765,000 | 47,690,000 |
| 2007 Series H (remarketed 1/30/08) | 2013-2039 | 3.25-5.20 | S.L.O. | 42,565,000 | 46,585,000 |
| 2008 Series A | 2013-2039 | 3.25-5.20 | S.L.O. | 5,095,000 | 5,695,000 |
| 2009 Series B | 2013 | Variable | S.L.O. | - | 179,000,000 |
| 2009 Series B-1 | 2028-2042 | 3.70 | S.L.O. | - | 18,510,000 |
| 2011 Series A | 2013-2019 | 2.30-4.55 | S.L.O. | 6,675,000 | 8,710,000 |
| 2011 Series B | 2013-2029 | 2.30-5.38 | S.L.O. | 9,755,000 | 12,170,000 |
| | | | | 492,700,000 | 794,440,000 |
| Plus unamortized premium thereon | | | | 892,621 | 1,055,471 |
| Total Homeowner Mortgage Revenue Bonds | | | | 493,592,621 | 795,495,471 |
| Total Single Family Program Fund | | | | $ 690,462,674 | $ 860,950,829 |

(1) In accordance with the indenture, interest rates on the bonds are determined and paid monthly based upon an index of one month LIBOR rate plus 0.40% for 2001 Series F. The variable rates paid on the subject bonds was .5982% at June 30, 2013. The Authority has entered into pay-fixed, receive variable, interest rate swap agreements in connection with these bonds, the objective of which is to establish a maximum debt service which may be paid over the life of the underlying bonds.

(2) In accordance with the indenture, interest rates on the bonds are determined and paid semi-annually based upon an index of one month LIBOR rate plus 0.415%. The variable rates paid on the subject bonds was .6088% at June 30, 2013.

(3) In accordance with the indenture, interest rates on the bonds are determined weekly and are paid monthly at a rate established by the Remarketing Agents on each Rate Determination Date. The variable rates paid on the subject bonds ranged from .07 to .08% at June 30, 2013. 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 C-3 and HMRB 2005 Subseries A-3 will expire on July 13, 2015 and March 10, 2016, respectively. The liquidity agreement for HMRB 2004 Subseries A-3 will expire on March 16, 2014 and will be renewed.

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.

### *Administrative Fund*

Outstanding debt of the Administrative Fund is as follows:

| | Maturity date | Interest rate | Debt class | Amount June 30 2013 | Amount June 30 2012 |
|---|---|---|---|---|---|
| Federal Home Loan Bank Advances: | | | | | |
| | 2012 | 0.15% | Loan | $ - | $ 5,000,000 |
| | 2013 | 0.35% | Loan | 3,750,000 | - |
| | 2022 | 2.31% | Loan | 7,000,000 | 7,000,000 |
| | 2022 | 2.32% | Loan | 15,670,000 | 15,670,000 |
| | 2027 | 2.70% | Loan | 10,241,059 | - |
| Total Administrative Fund | | | | $ 36,661,059 | $ 27,670,000 |

The following summarizes the debt activity for the Authority's proprietary funds for the year ended June 30, 2013:

| | June 30, 2012 | Additions | Deductions | June 30, 2013 | Amount due within one year |
|---|---|---|---|---|---|
| Administrative Fund | $ 27,670,000 | $ 18,057,500 | $ (9,066,441) | $ 36,661,059 | $ 3,885,883 |
| Mortgage Loan Program Fund: | | | | | |
| Housing Bonds | 375,605,000 | 133,380,000 | (26,435,000) | 482,550,000 | 69,815,000 |
| Discount on Housing Bonds | (129,073) | - | 3,562 | (125,511) | - |
| Deferred loss on refunding Housing Bonds | (5,074,700) | - | 1,634,902 | (3,439,798) | - |
| Deferred gain on refunding Housing Bonds | 630,080 | - | (124,925) | 505,155 | - |
| Multifamily Initiative Bonds | 174,660,000 | - | (8,520,000) | 166,140,000 | 2,080,000 |
| Multifamily Housing Revenue Bonds (Marywood) | 14,884,996 | - | - | 14,884,996 | 14,884,996 |
| Multifamily Bonds (Turnberry II) | 4,935,000 | - | (70,000) | 4,865,000 | 65,000 |
| Affordable Housing Program Trust Fund Bonds | 57,290,000 | - | (2,950,000) | 54,340,000 | 3,110,000 |
| Total Mortgage Loan Program Fund | 622,801,303 | 133,380,000 | (36,461,461) | 719,719,842 | 89,954,996 |
| Single Family Program Fund: | | | | | |
| Residential Mortgage Revenue Bonds | 314,089 | 1,578 | - | 315,667 | 100,000 |
| Homeowner Mortgage Revenue Bonds | 794,440,000 | - | (301,740,000) | 492,700,000 | 25,485,000 |
| Premium on Homeowner Mortgage Revenue Bonds | 1,055,471 | - | (162,850) | 892,621 | - |
| Housing Revenue Bonds | 65,026,567 | 140,863,097 | (9,305,019) | 196,584,645 | 3,553,000 |
| Premium on Housing Revenue Bonds | 1,078,452 | - | (162,436) | 916,016 | - |
| Discount on Housing Revenue Bonds | (963,750) | - | 17,475 | (946,275) | - |
| Total Single Family Program Fund | 860,950,829 | 140,864,675 | (311,352,830) | 690,462,674 | 29,138,000 |
| Total Proprietary Funds | $ 1,511,422,132 | $ 292,302,175 | $ (356,880,732) | $ 1,446,843,575 | $ 122,978,879 |

### *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, 2013 was late by approximately 7 days. 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, 2013, the following outstanding bonds are considered defeased.

| Issue | Amount |
|---|---|
| Insured Mortgage Housing Development Bonds, 1976 Series A | $ 1,890,000 |
| Multi-Family Housing Bonds, 1981 Series A | 22,040,000 |
| | $ 23,930,000 |

***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, 2013, there were thirty-eight series of such bonds or notes outstanding, with an aggregate principal amount payable of $365,540,022.

***Assets Restricted for Capital and Debt Service Reserves***

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

| Bonds | Requirement |
|---|---|
| Affordable Housing Program Trust Fund Bonds | Maximum amounts of principal, sinking fund installments and interest due in the then current or any future bond year for all bonds then outstanding. |
| Housing Bonds | The amount established by each series resolution, currently six months of maximum principal and interest payments. |
| Multifamily Initiative Bonds | The maximum amount of principal and interest due on any interest payment date excluding the final interest payment date. |
| Homeowner Mortgage Revenue Bonds<br>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, 2013, these amounts, which were not less than the amounts required, are as follows:

| | |
|---|---|
| Housing Bonds | $ 18,182,190 |
| Multifamily Initiative Bonds | 2,003,738 |
| Homeowner Mortgage Revenue Bonds | 20,028,434 |
| | $ 40,214,362 |

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 | $ 255,927 |
| Housing Bonds, 2004 Series B | 500,000 |
| Affordable Housing Program Trust Fund Bonds, Series 2004 and 2005A | 6,499,659 |

Debt service requirements (dollars in millions) through 2018 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: | | | | | | | | |
| 2014 | $ 3.9 | $ 1.2 | $ 90.0 | $ 27.4 | $ 29.1 | $ 27.0 | $ 123.0 | $ 55.6 |
| 2015 | 0.1 | 1.2 | 23.8 | 28.5 | 18.0 | 27.3 | 41.9 | 57.0 |
| 2016 | 0.1 | 1.2 | 23.9 | 28.3 | 19.8 | 27.5 | 43.8 | 57.0 |
| 2017 | 0.2 | 1.2 | 22.0 | 28.0 | 21.4 | 27.6 | 43.6 | 56.8 |
| 2018 | 0.2 | 1.2 | 23.3 | 27.6 | 21.2 | 27.6 | 44.7 | 56.4 |
| Five years ending June 30: | | | | | | | | |
| 2019-2023 | 23.6 | 5.1 | 104.6 | 121.1 | 110.5 | 123.9 | 238.7 | 250.1 |
| 2024-2028 | 8.6 | 0.6 | 99.0 | 90.0 | 118.4 | 95.2 | 226.0 | 185.8 |
| 2029-2033 | - | - | 100.5 | 63.2 | 149.2 | 62.5 | 249.7 | 125.7 |
| 2034-2038 | - | - | 98.6 | 39.7 | 148.6 | 23.6 | 247.2 | 63.3 |
| 2039-2043 | - | - | 97.9 | 19.3 | 53.4 | 2.9 | 151.3 | 22.2 |
| 2044-2048 | - | - | 33.3 | 4.2 | - | - | 33.3 | 4.2 |
| 2049-2052 | - | - | 5.8 | 0.3 | - | - | 5.8 | 0.3 |
| | $ 36.7 | $ 11.7 | $ 722.7 | $ 477.6 | $ 689.6 | $ 445.1 | $ 1,449.0 | $ 934.4 |

*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, 2013 has one active swap contract and three active interest rate caps. Details are shown in the following tables.

| | Changes in Fair Value | | Fair Value at June 30, 2013 | | |
|---|---|---|---|---|---|
| Business-type activities | Classification | Amount | Classification | Amount | Notional |
| Cash flow hedges: | | | | | |
| Pay-fixed interest rate swap: | | | | | |
| Series 2001 F | Deferred outflow | $ 697,510 | Debt* | $ (2,485,432) | $ 10,000,000 |
| Rate caps | Deferred inflow | 5,649 | Debt** | 112,919 | 49,900,000 |

* The fair value is classified as derivative instrument liability
** The fair value is classified as derivative instrument asset

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) |
|---|---|---|---|---|---|---|---|
| Active Swap contract: | | | | | | | |
| HMRB*: | | | | | | | |
| Series 2001 F | $ 10,000,000 | 01/2002 | 6.615 | %1 mo LIBOR +40bp | $ (2,485,432) | 08/2020 | A-/Baa2 |
| Active Interest Rate Caps: | | | | | | | |
| HB**: | | | | | | | |
| Series 2008 A | 12,730,000 | 01/2013 | 5.75 | N/A | 19,839 | 12/2017 | AA-/Aa1 |
| Series 2008 B | 31,985,000 | 07/2011 | 5.50 | N/A | 11,933 | 06/2016 | A/A2 |
| Series 2008 C | 5,185,000 | 06/2006 | 4.75 | N/A | 81,147 | 06/2021 | A/A3 |

*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 three 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, 2013 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 contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or an anticipated reduction in the associated bonds payable category.

Because interest rates have declined since the implementation of the swap agreement, it had negative fair value as of June 30, 2013. 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, 2013, the Authority was not exposed to credit risk for the swap that had negative fair value. As interest rates change and the fair value becomes positive, the Authority is exposed to credit risk in the amount of the swap's or cap's fair value. The Authority is exposed to credit risk on the caps with positive fair value (2008 A, 2008 B, and 2008 C). The aggregate fair value of hedging derivative instruments with positive fair value at June 30, 2013 was $112,919. 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, 2013, 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**
**Derivative Payments and Associated Debt**

| | Variable-rate bonds | | Interest rate | |
|---|---|---|---|---|
| | **Principal** | **Interest** | **swap, net** | **Total** |
| Year ending June 30: | | | | |
| 2014 | $ 1,950,000 | $ 68,566 | $ 642,122 | $ 2,660,688 |
| 2015 | 2,060,000 | 66,878 | 642,122 | 2,769,000 |
| 2016 | 3,070,000 | 65,142 | 642,122 | 3,777,264 |
| 2017 | 4,290,000 | 60,416 | 545,804 | 4,896,220 |
| 2018 | 4,295,000 | 54,627 | 417,379 | 4,767,006 |
| Five years ending June 30: | | | | |
| 2023 | 18,615,000 | 192,894 | 481,592 | 19,289,486 |
| 2028 | 24,785,000 | 106,294 | - | 24,891,294 |
| 2033 | 2,465,000 | 26,392 | - | 2,491,392 |
| 2038 | 1,780,000 | 11,478 | - | 1,791,478 |
| 2043 | 1,090,000 | 2,727 | - | 1,092,727 |
| Total | $ 64,400,000 | $ 655,414 | $ 3,371,141 | $ 68,426,555 |

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

## Note 9. Deposits Held in Escrow

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

## Note 10. Leases

The Authority leases office facilities at two locations, 401 N. Michigan Ave. ("401 facility") and 122 S. Michigan Ave. ("122 facility") in Chicago, Illinois.

The lease for the 401 facility extends through July 31, 2016 and 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 $895,000 for fiscal year 2013, plus approximately $898,000 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. Under this lease, total rent expense for fiscal year 2013 was $1,587,403.

The 122 facility is leased through July 31, 2016 under a space utilization agreement with another Illinois agency. Total rent expense under this agreement for fiscal year 2013 was $331,573.

The future minimum lease commitments of the two leases subsequent to June 30, 2013 are as follows:

| Year | 401 Facility | 122 Facility |
|---|---|---|
| 2014 | $ 948,236 | $ 342,657 |
| 2015 | 974,636 | 353,928 |
| 2016 | 1,001,036 | 364,073 |
| 2017 | 83,603 | 31,279 |
| | $ 3,007,511 | $ 1,091,937 |

## Note 11. 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, 2013, is an estimated rebate liability of $174,928.

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 directors and officers liability, general liability, employee health, 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. Insurance coverage has not changed significantly since the prior year.

## Note 12. Retirement Plan

The Authority provides a defined contribution retirement plan for the benefit of its employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Full time employees are eligible to participate in and are fully vested in the plan from the date of employment. All plan assets and investments are administered by a trustee, which maintains an individual account for each participant. The Authority contributes 6% of its employees' salaries and employees, at their option, may contribute up to 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 2013 was $16,879,490. The Authority's contributions were calculated using the base salary amount of $16,657,717. The Authority contributed $999,463 or 6.00% of the base salary amount, in fiscal year 2013. Employee contributions amounted to $1,002,443 in fiscal year 2013, or approximately 6.02% of the base salary amount.

## Note 13. Commitments

At June 30, 2013, unexpended funds held by the Authority in the form of cash and investments amounting to $10,408,058 in the Multifamily Initiative Bond accounts were identified for the purpose of constructing and rehabbing properties.

At June 30, 2013, the Authority had authorized loans and grants totaling $19,850,154 for the Illinois Affordable Housing Trust Fund.

Under the HOME Program, $457.2 million and $10.7 for federal fiscal years 1992 through 2010 and 2013, 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, 2013, the Authority had authorized loans and grants totaling $17,279,698 for the HOME Program.

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

These redemptions were accomplished through the issuance of the Authority's Multi-Family Housing Bonds, 1991 Series A and B, 1992 Series A and B, and 1993 Series A and B. In November of 2006, the Authority entered into a new agreement (the "FAF Refunding Agreement") with HUD at the time of delivery of the Authority's Housing Bonds, 2006 Series G to refund the Multi-Family Housing Bonds, 1991 Series A, 1992 Series A, and 1993 Series A. Pursuant to federal legislation and a written agreement with the Authority, HUD has agreed to share a portion of such savings (the "FAF Savings Program") with the Authority in order to create and maintain affordable housing opportunities for individuals of "very low income" (as such term is defined in the 1937 Housing Act) in the State. These savings, which are to be used solely for the purpose stated above, became available beginning in fiscal year 1992 for the 1991 Series A and B Bonds, in fiscal year 1993 for the 1992 Series A and B Bonds, in fiscal year 1994 for the 1993 Series A and B Bonds, and in fiscal year 2008 for the 2006 Series E, and are recorded as other income of the Administrative Fund. At June 30, 2013, loans receivable under this program were approximately $30.6 million.

## Note 14. Subsequent Events

On August 19, 2013, Standard and Poor's upgraded the Authority's Issuer Credit Rating to AA- from A+ and revised the outlook to stable from positive. The upgrade impacts all bond programs with the Authority's general obligation pledge.

On August 21, 2013, the IHDA Dispositions LLC sold a portion of Marywood Apartment Homes for $4.1 million.

On September 20, 2013, the Authority created IHDA Dispositions 2013-3 LLC to take ownership of School Street Apartments and is expected to complete the transfer during the month of October 2013.

On September 11, 2013, in connection with a matter pending before Judge Starck in the Circuit Court of the Nineteenth Judicial Circuit, Lake County, Illinois (Gen No. 11 L 418), Section 3-5018 of the Counties Code (55 ILCS 5/3-5018) was declared to be unconstitutional. Section 3-5018 contains the provisions related to the Rental Housing Support Program State surcharge that funds the Rental Housing Support Program Fund which Fund finances the eligible uses set forth more specifically in the Rental Housing Support Program Act (310 ILCS 105/). The Authority, in its capacity as administrator of the Rental Housing Support Program, is currently reviewing the ruling in coordination with the Office of the Illinois Attorney General and the Governor's Office of General Counsel.

On October 18, 2013, the Authority approved the purchase price for the remaining portion of the Marywood Apartment Homes in the amount of $4.15 million.

On October 30, 2013, the Authority issued bonds under a stand-alone indenture in the amount of $14,207,000. Proceeds from the bonds were used to finance the acquisition and rehabilitation of Blue Island SLF, LLC. The bonds are special limited obligations and not general obligations of the Authority. The bonds are secured by assets under the indenture.

On October 30, 2013, the Authority issued bonds under a stand-alone indenture in the amount of $16,926,210. Proceeds from the bonds were used to provide funds for first-time homebuyers under its homeownership program. The bonds are limited obligations and not general obligations of the Authority. The bonds are secured with Fannie Mae mortgage-backed securities and Ginnie Mae certificates.

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**
(A Component Unit of the State of Illinois)
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2013

| | Foreclosure Prevention Program Fund | Community Development Block Grant Fund | Total |
|---|---|---|---|
| Assets: | | | |
| Current Assets: | | | |
| Cash | $ 2,614,041 | $ - | $ 2,614,041 |
| Grant receivable | 175,142 | 246,064 | 421,206 |
| Total current assets | 2,789,183 | 246,064 | 3,035,247 |
| Noncurrent assets: | | | |
| Program loans receivable, net of current portion | - | 5,519,337 | 5,519,337 |
| Less allowance for estimated losses | - | (35,348) | (35,348) |
| Net program loans receivable | - | 5,483,989 | 5,483,989 |
| Total noncurrent assets | - | 5,483,989 | 5,483,989 |
| Total assets | $ 2,789,183 | $ 5,730,053 | $ 8,519,236 |
| Liabilities and Fund Balances: | | | |
| Current liabilities: | | | |
| Due to other funds | $ 175,142 | $ 246,064 | $ 421,206 |
| Total current liabilities | $ 175,142 | $ 246,064 | $ 421,206 |
| Fund balances: | | | |
| Restricted | 2,614,041 | 5,483,989 | 8,098,030 |
| Total fund balances | 2,614,041 | 5,483,989 | 8,098,030 |
| Total liabilities and fund balances | $ 2,789,183 | $ 5,730,053 | $ 8,519,236 |

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

(A Component Unit of the State of Illinois)

Nonmajor Governmental Funds

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

Year ended June 30, 2013

| | **Foreclosure Prevention Program Fund** | **Community Development Block Grant Fund** | **Total** |
|---|---|---|---|
| Revenues: | | | |
| Grant from State of Illinois | $ 4,075,859 | $ - | $ 4,075,859 |
| Federal funds | - | 10,649,131 | 10,649,131 |
| Total revenues | 4,075,859 | 10,649,131 | 14,724,990 |
| Expenditures: | | | |
| Grants | 3,923,127 | 4,623,795 | 8,546,922 |
| General and administrative | 392,997 | 505,999 | 898,996 |
| Provision for estimated losses on program loans receivable | - | 35,348 | 35,348 |
| Total expenditures | 4,316,124 | 5,165,142 | 9,481,266 |
| Net change in fund balances | (240,265) | 5,483,989 | 5,243,724 |
| Fund balances at beginning of year | 2,854,306 | - | 2,854,306 |
| Fund balances at end of year | $ 2,614,041 | $ 5,483,989 | $ 8,098,030 |

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

Combining Schedule of Net Position
June 30, 2013

| | 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 | $ 35,275,513 | $ 12,394,447 | $ - | $ 269,033 | $ 432,772 | $ 48,371,765 |
| Investment income receivable – restricted | 144,975 | 739 | - | - | 17,894 | 163,608 |
| Program loans receivable | 41,058,947 | 1,133,917 | - | 64,301 | 2,539,166 | 44,796,331 |
| Interest receivable on program loans | 1,114,208 | 218,191 | - | 20,772 | 97,583 | 1,450,754 |
| Due from other funds | 14,291,452 | - | - | 21,940 | - | 14,313,392 |
| Total current assets | 91,885,095 | 13,747,294 | - | 376,046 | 3,087,415 | 109,095,850 |
| Noncurrent assets: | | | | | | |
| Investments – restricted | 196,723,661 | 1,995,695 | - | - | 34,943,789 | 233,663,145 |
| Program loans receivable, net of current portion | 393,898,786 | 57,198,897 | 15,039,073 | 4,823,198 | 34,457,552 | 505,417,506 |
| Less allowance for estimated losses | (4,891,276) | (252,284) | (6,711,970) | (293,250) | (4,355,994) | (16,504,774) |
| Net program loans receivable | 389,007,510 | 56,946,613 | 8,327,103 | 4,529,948 | 30,101,558 | 488,912,732 |
| Unamortized bond issuance costs | 3,051,947 | 599,426 | - | - | 1,873,148 | 5,524,521 |
| Real estate held for sale, net | 326,368 | - | - | - | - | 326,368 |
| Due from Fannie Mae | - | 91,310,964 | - | - | - | 91,310,964 |
| Due from Freddie Mac | - | 4,736,347 | - | - | - | 4,736,347 |
| Capital assets, net | 24,603,333 | - | - | - | - | 24,603,333 |
| Derivative instrument asset | 112,919 | - | - | - | - | 112,919 |
| Other | 135,659 | - | - | - | 23,774 | 159,433 |
| Total noncurrent assets | 613,961,397 | 155,589,045 | 8,327,103 | 4,529,948 | 66,942,269 | 849,349,762 |
| Total assets | 705,846,492 | 169,336,339 | 8,327,103 | 4,905,994 | 70,029,684 | 958,445,612 |
| Liabilities: | | | | | | |
| Current liabilities: | | | | | | |
| Bonds and notes payable | 69,815,000 | 2,080,000 | 14,884,996 | 65,000 | 3,110,000 | 89,954,996 |
| Accrued interest payable | 7,604,827 | 1,763,885 | 469,290 | 75,588 | 278,877 | 10,192,467 |
| Deferred revenue | 307,104 | - | - | - | - | 307,104 |
| Accrued liabilities and other | 387,080 | 369,616 | - | - | 147,663 | 904,359 |
| Due to other funds | 2,843,372 | 121,834 | 1,893,553 | 6,462 | 46,212 | 4,911,433 |
| Total current liabilities | 80,957,383 | 4,335,335 | 17,247,839 | 147,050 | 3,582,752 | 106,270,359 |
| Noncurrent liabilities: | | | | | | |
| Bonds and notes payable, net of current portion | 409,674,846 | 164,060,000 | - | 4,800,000 | 51,230,000 | 629,764,846 |
| Total noncurrent liabilities | 409,674,846 | 164,060,000 | - | 4,800,000 | 51,230,000 | 629,764,846 |
| Total liabilities | 490,632,229 | 168,395,335 | 17,247,839 | 4,947,050 | 54,812,752 | 736,035,205 |
| Deferred inflows of resources: | | | | | | |
| Accumulated increase in fair value of hedging derivatives | 112,919 | - | - | - | - | 112,919 |
| Net position: | | | | | | |
| Net investment in capital assets | (7,381,667) | - | - | - | - | (7,381,667) |
| Restricted for bond resolution purposes | 222,483,011 | 941,004 | - | - | 15,216,932 | 238,640,947 |
| Unrestricted | - | - | (8,920,736) | (41,056) | - | (8,961,792) |
| Total net position | $ 215,101,344 | $ 941,004 | $ (8,920,736) | $ (41,056) | $ 15,216,932 | $ 222,297,488 |

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

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position
Year ended June 30, 2013

| | 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 | $ 871,536 | $ 3,226 | $ - | $ - | $ 56,067 | $ 930,829 |
| Net increase (decrease) in fair value of investments | (828,744) | 1,191 | - | - | (5,182) | (832,735) |
| Total investment income | 42,792 | 4,417 | - | - | 50,885 | 98,094 |
| Interest earned on program loans | 20,425,964 | 2,812,499 | - | 249,639 | 977,171 | 24,465,273 |
| Federal assistance programs | 3,858,028 | - | - | - | - | 3,858,028 |
| Other | 4,414,776 | - | - | - | - | 4,414,776 |
| Total operating revenues | 28,741,560 | 2,816,916 | - | 249,639 | 1,028,056 | 32,836,171 |
| Operating expenses: | | | | | | |
| Interest expense | 17,046,093 | 2,364,188 | 744,250 | 228,075 | 3,911,648 | 24,294,254 |
| Federal assistance programs | 3,858,028 | - | - | - | - | 3,858,028 |
| Other general and administration | - | 233,974 | - | - | - | 233,974 |
| Financing costs | 480,342 | 36,625 | - | 5,956 | 67,313 | 590,236 |
| Provision for (reversal of) estimated losses on program loans receivable | (889,627) | 234,625 | - | 243,765 | 183,967 | (227,270) |
| Total operating expenses | 20,494,836 | 2,869,412 | 744,250 | 477,796 | 4,162,928 | 28,749,222 |
| Operating income (loss) | 8,246,724 | (52,496) | (744,250) | (228,157) | (3,134,872) | 4,086,949 |
| Transfers in | - | - | - | - | 5,200,000 | 5,200,000 |
| Total transfers | - | - | - | - | 5,200,000 | 5,200,000 |
| Change in net position | 8,246,724 | (52,496) | (744,250) | (228,157) | 2,065,128 | 9,286,949 |
| Net position at beginning of year | 206,854,620 | 993,500 | (8,176,486) | 187,101 | 13,151,804 | 213,010,539 |
| Net position at end of year | $ 215,101,344 | $ 941,004 | $ (8,920,736) | $ (41,056) | $ 15,216,932 | $ 222,297,488 |

**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, 2013

| | 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 | $ 69,030,571 | $ 7,692,842 | $ - | $ 312,074 | $ 9,336,606 | $ 86,372,093 |
| Receipts for real estate held for sale | - | - | - | - | - | - |
| Payments for program loans | (66,549,330) | (12,402,580) | - | - | (3,055,614) | (82,007,524) |
| Receipts for federal assistance programs | 3,858,028 | - | - | - | - | 3,858,028 |
| Payments for federal assistance programs | (3,858,028) | - | - | - | - | (3,858,028) |
| Payments for credit enhancements | - | (4,110,621) | - | - | - | (4,110,621) |
| Payments to suppliers | (412,796) | (302,559) | - | (5,956) | (67,313) | (788,624) |
| Other receipts | 5,981,845 | - | - | - | - | 5,981,845 |
| Net cash provided by (used in) operating activities | 8,050,290 | (9,122,918) | - | 306,118 | 6,213,679 | 5,447,169 |
| Cash flows from noncapital financing activities: | | | | | | |
| Proceeds from sale of revenue bonds and notes | 133,380,000 | - | - | - | - | 133,380,000 |
| Principal paid on revenue bonds and notes | (26,435,000) | (8,520,000) | - | (70,000) | (2,950,000) | (37,975,000) |
| Interest paid on revenue bonds and notes | (24,133,181) | (1,027,442) | (744,250) | (229,125) | (3,469,237) | (29,603,235) |
| Due to other funds | (349,645) | 74,131 | 744,250 | 703 | 28,137 | 497,576 |
| Due from other funds | 19,160 | - | - | - | - | 19,160 |
| Transfers in | - | - | - | - | 5,200,000 | 5,200,000 |
| Net cash provided by (used in) noncapital financing activities | 82,481,334 | (9,473,311) | - | (298,422) | (1,191,100) | 71,518,501 |
| Cash flows from capital financing and related activities: | | | | | | |
| Acquisition of capital assets | (467,706) | - | - | - | - | (467,706) |
| Cash flows from investing activities: | | | | | | |
| Purchase of investment securities | (260,155,898) | (2,971,259) | - | (549,706) | (58,756,116) | (322,432,979) |
| Proceeds from sales and maturities of investment securities | 194,542,663 | 975,564 | - | 549,706 | 40,576,321 | 236,644,254 |
| Interest received on investments | 7,664,438 | 3,678 | - | - | 36,331 | 7,704,447 |
| Net cash used in investing activities | (57,948,797) | (1,992,017) | - | - | (18,143,464) | (78,084,278) |
| Net increase (decrease) in cash and equivalents | 32,115,121 | (20,588,246) | - | 7,696 | (13,120,885) | (1,586,314) |
| Cash and cash equivalents at beginning of year | 3,160,392 | 32,982,693 | - | 261,337 | 13,553,657 | 49,958,079 |
| Cash and cash equivalents at end of year | $ 35,275,513 | $ 12,394,447 | $ - | $ 269,033 | $ 432,772 | $ 48,371,765 |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | | | |
| Operating income (loss) | $ 8,246,724 | $ (52,496) | $ (744,250) | $ (228,157) | $ (3,134,872) | $ 4,086,949 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | | |
| Investment income | (42,792) | (4,417) | - | - | (50,885) | (98,094) |
| Interest expense | 17,046,093 | 2,364,188 | 744,250 | 228,075 | 3,911,648 | 24,294,254 |
| Depreciation and amortization | 2,367,069 | - | - | - | - | 2,367,069 |
| Provision for (reversal of) estimated losses on program loans receivable | (889,627) | 234,625 | - | 243,765 | 183,967 | (227,270) |
| Changes in assets and liabilities: | | | | | | |
| Program loans receivable | (18,665,929) | (7,554,121) | - | 61,109 | 5,280,154 | (20,878,787) |
| Interest receivable on program loans | (122,798) | 31,884 | - | 1,326 | 22,377 | (67,211) |
| Other liabilities | 73,195 | (31,960) | - | - | - | 41,235 |
| Other assets | 38,355 | - | - | - | 1,290 | 39,645 |
| Due from Fannie Mae | - | (7,133,821) | - | - | - | (7,133,821) |
| Due from Freddie Mac | - | 3,023,200 | - | - | - | 3,023,200 |
| Total adjustments | (196,434) | (9,070,422) | 744,250 | 534,275 | 9,348,551 | 1,360,220 |
| Net cash provided by (used in) operating activities | $ 8,050,290 | $ (9,122,918) | $ - | $ 306,118 | $ 6,213,679 | $ 5,447,169 |
| Noncash investing, capital and financing activities: | | | | | | |
| Transfer of foreclosed assets | $ 310,126 | $ - | $ - | $ - | $ - | $ 310,126 |
| The fair value of investments increased (decreased) | $ (1,393,075) | $ 867 | $ - | $ 25 | $ 54,839 | $ (1,337,344) |

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

Combining Schedule of Net Position
June 30, 2013

| | Homeowner Mortgage Revenue Bonds | Residential Mortgage Revenue Bonds | Housing Revenue Bonds | Total |
|---|---|---|---|---|
| Assets: | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ 33,126,858 | $ 147,820 | $ 1,426,679 | $ 34,701,357 |
| Investment income receivable – restricted | 142,338 | 8,389 | 600,900 | 751,627 |
| Program loans receivable | 13,631,874 | - | - | 13,631,874 |
| Interest receivable on program loans | 7,144,571 | - | - | 7,144,571 |
| Due from other funds | 345,457 | - | - | 345,457 |
| Total current assets | 54,391,098 | 156,209 | 2,027,579 | 56,574,886 |
| Noncurrent assets: | | | | |
| Investments – restricted | 107,419,867 | 300,000 | 202,553,118 | 310,272,985 |
| Program loans receivable, net of current portion | 400,119,641 | - | - | 400,119,641 |
| Less allowance for estimated losses | (7,408,207) | - | - | (7,408,207) |
| Net program loans receivable | 392,711,434 | - | - | 392,711,434 |
| Unamortized bond issuance costs | 3,362,761 | - | 1,967,741 | 5,330,502 |
| Real estate held for sale, net | 16,458,502 | - | - | 16,458,502 |
| Other | 10,682,214 | - | - | 10,682,214 |
| Total noncurrent assets | 530,634,778 | 300,000 | 204,520,859 | 735,455,637 |
| Total assets | 585,025,876 | 456,209 | 206,548,438 | 792,030,523 |
| Deferred outflow of resources: | | | | |
| Accumulated decrease in fair value of hedging derivatives | 2,485,432 | - | - | 2,485,432 |
| Liabilities: | | | | |
| Current liabilities: | | | | |
| Bonds and notes payable | 25,485,000 | 100,000 | 3,553,000 | 29,138,000 |
| Accrued interest payable | 9,017,091 | 10,115 | 452,591 | 9,479,797 |
| Accrued liabilities and other | 72,413 | - | 12,500 | 84,913 |
| Due to other funds | 229,428 | - | 215,897 | 445,325 |
| Total current liabilities | 34,803,932 | 110,115 | 4,233,988 | 39,148,035 |
| Noncurrent liabilities: | | | | |
| Bonds and notes payable, net of current portion | 468,107,621 | 215,667 | 193,001,386 | 661,324,674 |
| Derivative instrument liability | 2,485,432 | - | - | 2,485,432 |
| Total noncurrent liabilities | 470,593,053 | 215,667 | 193,001,386 | 663,810,106 |
| Total liabilities | 505,396,985 | 325,782 | 197,235,374 | 702,958,141 |
| Net position: | | | | |
| Restricted for bond resolution purposes | 82,114,323 | 130,427 | 9,313,064 | 91,557,814 |
| Total net position | $ 82,114,323 | $ 130,427 | $ 9,313,064 | $ 91,557,814 |

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

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position
Year ended June 30, 2013

| | Homeowner Mortgage Revenue Bonds | Residential Mortgage Revenue Bonds | Housing Revenue Bonds | Total |
|---|---|---|---|---|
| Operating revenues: | | | | |
| Interest and other investment income | $ 3,296,656 | $ 20,286 | $ 3,687,077 | $ 7,004,019 |
| Net increase (decrease) in fair value of investments | (2,324,611) | 5 | 375,732 | (1,948,874) |
| Total investment income | 972,045 | 20,291 | 4,062,809 | 5,055,145 |
| Interest earned on program loans | 27,088,960 | - | - | 27,088,960 |
| Other | 81,507 | - | - | 81,507 |
| Total operating revenues | 28,142,512 | 20,291 | 4,062,809 | 32,225,612 |
| Operating expenses: | | | | |
| Interest expense | 24,245,845 | 25,853 | 2,611,492 | 26,883,190 |
| Other general and administrative | 2,013,807 | - | - | 2,013,807 |
| Financing costs | 2,321,627 | - | 566,621 | 2,888,248 |
| Reversal of estimated losses on program loans receivable | (5,235,808) | - | - | (5,235,808) |
| Total operating expenses | 23,345,471 | 25,853 | 3,178,113 | 26,549,437 |
| Operating income (loss) | 4,797,041 | (5,562) | 884,696 | 5,676,175 |
| Transfers in | - | - | 1,742,268 | 1,742,268 |
| Total transfers | - | - | 1,742,268 | 1,742,268 |
| Change in net position | 4,797,041 | (5,562) | 2,626,964 | 7,418,443 |
| Net position at beginning of year | 77,317,282 | 135,989 | 6,686,100 | 84,139,371 |
| Net position at end of year | $ 82,114,323 | $ 130,427 | $ 9,313,064 | $ 91,557,814 |

**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, 2013

| | Homeowner Mortgage Revenue Bonds | Residential Mortgage Revenue Bonds | Housing Revenue Bonds | Total |
|---|---|---|---|---|
| Cash flows from operating activities: | | | | |
| Receipts for program loans, interest and service fees | $ 109,198,127 | $ - | $ - | $ 109,198,127 |
| Receipts for real estate held for sale | - | - | - | - |
| Payments to suppliers | (5,421,313) | - | (566,238) | (5,987,551) |
| Net cash provided by (used in) operating activities | 103,776,814 | - | (566,238) | 103,210,576 |
| Cash flows from noncapital financing activities: | | | | |
| Proceeds from sale of revenue bonds and notes | - | 1,578 | 140,863,097 | 140,864,675 |
| Principal paid on revenue bonds and notes | (301,740,000) | - | (9,305,019) | (311,045,019) |
| Interest paid on revenue bonds and notes | (25,828,096) | (25,853) | (3,803,749) | (29,657,698) |
| Due to other funds | (210,220) | - | 215,897 | 5,677 |
| Due from other funds | 5,836 | - | - | 5,836 |
| Transfers in | - | - | 1,742,268 | 1,742,268 |
| Net cash provided by (used in) noncapital financing activities | (327,772,480) | (24,275) | 129,712,494 | (198,084,261) |
| Cash flows from investing activities: | | | | |
| Purchase of investment securities | (1,123,877,368) | - | (140,039,511) | (1,263,916,879) |
| Proceeds from sales and maturities of investment securities | 1,364,701,281 | 150,987 | 8,277,513 | 1,373,129,781 |
| Interest received on investments | 1,149,287 | 20,347 | 3,694,049 | 4,863,683 |
| Net cash provided by (used in) investing activities | 241,973,200 | 171,334 | (128,067,949) | 114,076,585 |
| Net increase in cash and cash equivalents | 17,977,534 | 147,059 | 1,078,307 | 19,202,900 |
| Cash and cash equivalents at beginning of year | 15,149,324 | 761 | 348,372 | 15,498,457 |
| Cash and cash equivalents at end of year | $ 33,126,858 | $ 147,820 | $ 1,426,679 | $ 34,701,357 |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Operating income ( loss) | $ 4,797,041 | $ (5,562) | $ 884,696 | $ 5,676,175 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Investment income | (972,045) | (20,291) | (4,062,809) | (5,055,145) |
| Interest expense | 24,245,845 | 25,853 | 2,611,492 | 26,883,190 |
| Reversal of estimated losses on program loans receivable | (5,237,309) | - | - | (5,237,309) |
| Changes in assets and liabilities: | | | | |
| Program loans receivable | 88,925,591 | - | - | 88,925,591 |
| Interest receivable on program loans | (4,982,179) | - | - | (4,982,179) |
| Other liabilities | (1,783,389) | - | 383 | (1,783,006) |
| Other assets | (1,216,741) | - | - | (1,216,741) |
| Total adjustments | 98,979,773 | 5,562 | (1,450,934) | 97,534,401 |
| Net cash provided by (used in) operating activities | $ 103,776,814 | $ - | $ (566,238) | $ 103,210,576 |
| Noncash investing, capital and financing activities: | | | | |
| Transfer of foreclosed assets | $ 22,406,960 | $ - | $ - | $ 22,406,960 |
| The fair value of investments increased (decreased) | $ (2,870,613) | $ 29 | $ (5,187,487) | $ (8,058,071) |

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**
(A Component Unit of the State of Illinois)
IHDA Dispositions LLC

Combining Schedule of Net Position
June 30, 2013

| | Marywood Apartment Homes | Kankakee Scattered Sites | School Street Apartments | Total |
|---|---|---|---|---|
| Assets: | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ 1,565,654 | $ 5,608 | $ 1,890 | $ 1,573,152 |
| Tenant accounts receivable | 4,058 | 7,076 | 10,335 | 21,469 |
| Utility deposits | 3,167 | - | - | 3,167 |
| Total current assets | 1,572,879 | 12,684 | 12,225 | 1,597,788 |
| Land | 2,600,000 | - | - | 2,600,000 |
| Capital assets, net | 3,527,273 | 79,900 | 98,834 | 3,706,007 |
| Other | 82,362 | - | - | 82,362 |
| Total noncurrent assets | 6,209,635 | 79,900 | 98,834 | 6,388,369 |
| Total assets | 7,782,514 | 92,584 | 111,059 | 7,986,157 |
| Liabilities: | | | | |
| Current liabilities: | | | | - |
| Accrued liabilities and other | 32,293 | 1,004 | 4,408 | 37,705 |
| Accrued property taxes | 541,839 | 4,877 | 5,117 | 551,833 |
| Prepaid rent | 2,410 | - | - | 2,410 |
| Total current liabilities | 576,542 | 5,881 | 9,525 | 591,948 |
| Noncurrent liabilities: | | | | |
| Security deposits | 73,586 | 2,929 | 1,300 | 77,815 |
| Total noncurrent liabilities | 73,586 | 2,929 | 1,300 | 77,815 |
| Total liabilities | 650,128 | 8,810 | 10,825 | 669,763 |
| Net position: | | | | |
| Unrestricted | 7,132,386 | 83,774 | 100,234 | 7,316,394 |
| Total net position | $ 7,132,386 | $ 83,774 | $ 100,234 | $ 7,316,394 |

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**
(A Component Unit of the State of Illinois)
IHDA Dispositions LLC

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position
Year ended June 30, 2013

| | Marywood Apartment Homes | Kankakee Scattered Sites | School Street Apartments | Total |
|---|---|---|---|---|
| Operating revenues: | | | | |
| Rental income | $ 2,570,889 | $ 32,065 | $ 23,310 | $ 2,626,264 |
| Vacancies and adjustments | (525,888) | (12,951) | (7,400) | (546,239) |
| Other | 79,749 | 35,100 | 4,300 | 119,149 |
| Total operating revenues | 2,124,750 | 54,214 | 20,210 | 2,199,174 |
| Operating expenses: | | | | |
| Salaries and benefits | 318,303 | - | - | 318,303 |
| Other general and administrative | 200,258 | 9,270 | 5,071 | 214,599 |
| Advertising expenses | 36,396 | 90 | - | 36,486 |
| Operating expenses | 123,657 | 3,043 | 5,256 | 131,956 |
| Utilities | 217,200 | 4,664 | 2,534 | 224,398 |
| Maintenance expenses | 171,386 | 12,548 | 832 | 184,766 |
| Taxes and insurance | 596,001 | 20,725 | 5,117 | 621,843 |
| Depreciation | - | - | 1,166 | 1,166 |
| Total operating expenses | 1,663,201 | 50,340 | 19,976 | 1,733,517 |
| Operating income (loss) | 461,549 | 3,874 | 234 | 465,657 |
| Capital contributions | - | 79,900 | 100,000 | 179,900 |
| Change in net position | 461,549 | 83,774 | 100,234 | 645,557 |
| Net position at beginning of year | 6,670,837 | - | - | 6,670,837 |
| Net position at end of year | $ 7,132,386 | $ 83,774 | $ 100,234 | $ 7,316,394 |

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**
(A Component Unit of the State of Illinois)
IHDA Dispositions LLC

Combining Schedule of Cash Flows
Year ended June 30, 2013

| | Marywood Apartment Homes | Kankakee Scattered Sites | School Street Apartments | Total |
|---|---|---|---|---|
| Cash flows from operating activities: | | | | |
| Receipts for rental operations | $ 2,055,057 | $ 44,393 | $ 19,128 | $ 2,118,578 |
| Payments to employees | (318,303) | - | - | (318,303) |
| Payments for rental operations | (1,238,107) | (38,785) | (17,238) | (1,294,130) |
| Net cash provided by (used in) operating activities | 498,647 | 5,608 | 1,890 | 506,145 |
| Net increase in cash and cash equivalents | 498,647 | 5,608 | 1,890 | 506,145 |
| Cash and cash equivalents at beginning of year | 1,067,007 | - | - | 1,067,007 |
| Cash and cash equivalents at end of year | $ 1,565,654 | $ 5,608 | $ 1,890 | $ 1,573,152 |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Operating income (loss) | $ 461,549 | $ 3,874 | $ 234 | $ 465,657 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization | - | - | 1,166 | 1,166 |
| Changes in assets and liabilities: | | | | |
| Other liabilities | 95,991 | (6,912) | 3,315 | 92,394 |
| Other assets | (66,046) | - | - | (66,046) |
| Tenant accounts receivable | (1,192) | 8,646 | (2,825) | 4,629 |
| Utility deposits | 8,345 | - | - | 8,345 |
| Total adjustments | 37,098 | 1,734 | 1,656 | 40,488 |
| Net cash provided by (used in) operating activities | $ 498,647 | $ 5,608 | $ 1,890 | $ 506,145 |

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Illinois Housing Development Authority (the Authority), a component unit of the State of Illinois, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 5, 2013.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2013-001, 2013-002 and 2013-003 that we consider 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*.

**Authority's Response to Findings**

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

**Purpose of this Report**

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

McGladrey LLP

Schaumburg, Illinois
November 5, 2013

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

Schedule of Findings and Responses

Year Ended June 30, 2013

**Finding 2013-001 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 25 loans totaling approximately $23 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 there were 70 requests outstanding with the Attorney General's Office before regular communications were established during August 2011. Currently, there are 21 requests outstanding and awaiting approval for write-off, a reduction of 49 requests since that time. During FY13, the Authority received write-off approval for 23 loans totaling $4,438,428. The Authority has continued to be successful in addressing outstanding loan write-off requests submitted to the Attorney General's Office and continued to maintain regular follow-up and communication on any outstanding requests.

The significant effect of not writing off the loan balances and the corresponding allowance results in overstatements of the Authority's loans receivable balance and the allowance for loan loss balance. (Finding Code No. 2013-001, 12-01, 11-02, 10-03, 09-02, 08-03)

Recommendation

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

Authority Response

Authority management concurs with the recommendation and continues to hold regular meetings between staff in the Legal, Accounting, Loan & Portfolio Management and Multifamily departments to collaboratively review the documents required for a write-off request submission to the Attorney General's office. We believe this additional level of monitoring has contributed to attaining a higher rate of approvals on first time requests submitted for write off to the Attorney General's office. In addition the Authority continues to track the status of requests submitted to the Attorney General's office that may be nearing the 60 day deadline communicated by the Attorney General's office for a timely response on such requests.

**Finding 2013-002 Capital Assets Not Being Depreciated**

The Illinois Housing Development Authority (Authority) did not depreciate capital asset additions made to real estate owned.

During our testing over capital assets held in the Mortgage Loan Program Fund, we noted capital spending on property held by the Authority was not being depreciated. After this was brought to their attention, the Authority recorded an audit adjustment of $1,567,069 to correct the accumulated depreciation expense on those capital assets.

In accordance with generally accepted accounting principles, assets that have a useful life that extends more than one year should be capitalized and depreciated over the useful life of the asset. The Authority's policy is to depreciate the building improvements over 40 years.

Authority management stated that the depreciation expense for capital spending on property held by the Authority was not adjusted properly due to an oversight.

Failure to record depreciation on the capital assets caused the Authority's total assets to be overstated by $1,567,069 and net income was also overstated by $1,567,069. (Finding Code No. 2013-002)

Recommendation

We recommend the Authority implement procedures to ensure additions to capital assets are included in the annual calculation for depreciation.

Authority Response

Authority management concurs with the recommendation and notes that this occurrence related to investment property that was reclassified as a capital asset a number of years ago. The Authority's practice is to properly calculate depreciation expense for all capital additions at the time of occurrence. At a minimum on an annual basis a supervisory review of all capital additions will occur to ensure all activities have been properly recorded and included in the depreciation calculation.

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

Schedule of Findings and Responses

Year Ended June 30, 2013

**Finding 2013-003 Loan Interest Receivable and Revenue Overstated**

The Illinois Housing Development Authority (Authority) over accrued interest receivable for program loans in the Single Family Loan Program Fund.

During our testing over interest receivable on loans in the Single Family Loan Program Fund, we noted there was an error in the amount of loan interest receivable and loan interest revenue recorded as of year-end. The Authority over accrued loan interest receivable and loan interest revenue by $1,811,176. An entry was recorded to the financial statements to correct this error.

In accordance with generally accepted accounting principles good internal controls include a review of year end journal entries to ensure accuracy of the amounts recorded in the financial statements.

The Authority management stated that the overstatement of accrued interest was caused in part by a change in methodology on the treatment of single family whole loans.

Failure to properly record accrued interest caused the Authority's assets to be overstated by $1,811,176 and income was also overstated by $1,811,176. (Finding # 2013-003)

Recommendation

We recommend the Authority implement procedures to ensure reports used to record accrued interest at year end are reviewed for accuracy.

Authority Response

Authority management concurs with the recommendation and with this change in methodology taking effect in fiscal year 2013, the factors considered for accruing interest on the single family whole loans will be reviewed, at a minimum, on an annual basis to ensure assumptions used to recognize amounts recorded as accrued interest and related interest income are recorded properly and reviewed for accuracy.

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

Schedule of Findings and Responses

Prior Year Findings Not Repeated

Year Ended June 30, 2013

None.