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

Financial Statements

June 30, 2009

(With Independent Auditors' Report Thereon)

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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	DeShana L. Forney	7/1/2008 – 9/17/2009
Executive Director	Gloria Materre	9/18/2009 - Current
General Counsel	Mary R. Kenney	
Chief Financial Officer	Robert W. Kugel	
Controller	James J. Kregor	

Agency Officials are located at:

401 North Michigan Avenue, Suite 700
Chicago, Illinois 60611

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

Financial Statement Report

Summary

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

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

Summary of Findings

The auditors identified matters involving the Agency's internal control over financial reporting that they considered to be significant deficiencies. The significant deficiencies are described in the accompanying Schedule of Findings on pages 63 - 64, as finding 09-01 (Inconsistencies in the Loan Monitoring and Loan Rating System) and finding 09-02 (Loan Receivable Balance and Allowance for Loan Loss balance Overstated).

Exit Conference

On Monday, October 19, 2009, the Illinois Housing Development Authority waived the exit conference relating to the audit of the June 30, 2009 financial statements.

The responses to the recommendations were provided in a letter from Mr. Robert W. Kugel, Chief Financial Officer dated October 22, 2009.

McGladrey & Pullen
Certified Public Accountants

Independent Auditors' Report

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

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Illinois Housing Development Authority (the Authority), a component unit of the State of Illinois, as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Authority as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2009 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

McGladrey & Pullen, LLP

Schaumburg, Illinois
October 23, 2009

This section of the Illinois Housing Development Authority's (Authority) annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2009. Please read it in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- Net assets of the Authority increased $33.4 million, to $575.4 million as of June 30, 2009, from an increase in the Authority's business-type ($13.8 million) and governmental ($19.6 million) activities.
- The increase in net assets, before transfers, of the Authority's business-type activities decreased $9.5 million from the prior year due primarily to lower investment income ($13.2 million, primarily from lower investment yields), increases ($3.0 million) in the estimated losses on program loans receivables and a decline in interest earned on program loans ($2.1 million), partially offset by lower interest expense ($5.9 million), and increases in other income ($3.9 million).
- Authority debt issuances during fiscal year 2009 totaled $16.6 million. The Authority's debt outstanding (net of discounts and premiums) of $1,546.6 million as of June 30, 2009 was $98.4 million below the amount outstanding as of June 30, 2008, due primarily to redemptions of $74.0 million and $42.1 million in its Mortgage Loan and Single Family Program Funds, respectively.
- Loan originations for the year totaled $52.2 million and $122.5 million in the Authority's governmental and business-type activities, respectively, compared to fiscal year 2008 loan originations of $45.6 million and $340.5 million, respectively. Loan originations within the Single Family Program Fund were the lowest since fiscal year 1994.

Overview of the Financial Statements

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

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

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

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

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

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

Financial Analysis of the Authority as a Whole

Net Assets – The combined net assets of the Authority increased by $33.4 million, or 6.2%, from the June 30, 2008 amount. The following table shows a summary of changes from prior year amounts.

Net Assets
(In millions of dollars)

	Governmental activities		Business-type activities		Total		Inc./(Dec.)	
	2009	2008	2009	2008	2009	2008	Amount	%
Current assets:								
Cash and investments – unrestricted	$ 61.7	$ 63.6	$ 32.5	$ 90.1	$ 94.2	$ 153.7	$ (59.5)	(38.7) %
Program loans receivable	8.5	8.0	46.4	55.1	54.9	63.1	(8.2)	(13.0)
Other current assets	0.3	0.3	10.0	9.0	10.3	9.3	1.0	10.8
Total current assets	70.5	71.9	88.9	154.2	159.4	226.1	(66.7)	(29.5)
Investments – restricted	-	-	604.7	630.9	604.7	630.9	(26.2)	(4.2)
Net program loans receivable	484.3	445.4	1,390.4	1,437.9	1,874.7	1,883.3	(8.6)	(0.5)
Capital assets, net	-	-	28.6	29.2	28.6	29.2	(0.6)	(2.1)
Other assets	-	-	21.5	23.9	21.5	23.9	(2.4)	(10.0)
Total assets	554.8	517.3	2,134.1	2,276.1	2,688.9	2,793.4	(104.5)	(3.7)
Current liabilities:								
Due to State of Illinois	44.3	68.4	-	-	44.3	68.4	(24.1)	(35.2)
Bonds and notes payable	-	-	105.0	106.7	105.0	106.7	(1.7)	(1.6)
Deposits held in escrow	-	-	154.3	166.1	154.3	166.1	(11.8)	(7.1)
Other current liabilities	24.1	1.5	47.5	93.1	71.6	94.6	(23.0)	(24.3)
Total current liabilities	68.4	69.9	306.8	365.9	375.2	435.8	(60.6)	(13.9)
Noncurrent liabilities								
Due to State of Illinois	296.7	277.3	-	-	296.7	277.3	19.4	7.0
Bonds and notes payable	-	-	1,441.6	1,538.3	1,441.6	1,538.3	(96.7)	(6.3)
Total noncurrent liabilities	296.7	277.3	1,441.6	1,538.3	1,738.3	1,815.6	(77.3)	(4.3)
Total liabilities	365.1	347.2	1,748.4	1,904.2	2,113.5	2,251.4	(137.9)	(6.1)
Net assets:								
Invested in capital assets, net of related debt	-	-	(8.2)	(8.7)	(8.2)	(8.7)	0.5	(5.7)
Restricted	189.7	170.1	311.8	296.0	501.5	466.1	35.4	7.6
Unrestricted	-	-	82.1	84.6	82.1	84.6	(2.5)	(3.0)
Total net assets	$ 189.7	$ 170.1	$ 385.7	$ 371.9	$ 575.4	$ 542.0	$ 33.4	6.2 %

Governmental Activities

Net assets of the Authority's governmental activities increased $19.6 million, or 11.5%, to $189.7 million from an increase in the HOME program, due to the conversion of grant revenues to program loans receivable. No net assets of the Authority's other two governmental activities are recorded on the Authority's financial statements. The equity of the Affordable Housing Trust Fund (Housing Program) is recorded as due to the State of Illinois. All revenues of the Rental Housing Support Program are ultimately disbursed as grant or administrative expenses, and therefore no equity is recorded on the Authority's financial statements.

Total program loans receivable (current and non-current), increased by $39.4 million, or 8.7%, to $492.8 million due mainly to continued strong demand in both the Housing Program and the HOME Program for loans to support low and very low income housing. Cash and investments decreased by $1.9 million, or 3.0%, due primarily to timing differences in year end collections, as the Authority was holding lower amounts pending disbursement of funds to the State. State statute and federal regulations restrict the use of the Housing Program, the HOME program and the Rental Housing Support Program to program activities.

Due to the State of Illinois (current and non-current) decreased $4.7 million. This item reflects a liability for the State of Illinois' interest in the equity of the Housing Program as the Authority acts only as the administrator of the Housing Program and accounts for the interest in the equity to be that of the State of Illinois.

Business-type Activities

Net assets of the Authority's business-type activities increased $13.8 million, to $385.7 million consisting of an increase in net assets before transfers of $8.6 million and the annual transfer ($5.2 million) from the Affordable Housing Trust Fund. Program loans receivable (current and non-current) decreased $56.2 million, or 3.8%, to $1,436.8 million from decreases in the Authority's Single Family Program Fund ($81.2 million), partially offset by increases in the Authority's Administrative Funds ($16.0 million) and the Mortgage Loan Program Funds ($9.0 million), both of which were impacted by the inclusion of additional Mortgage Participation Certificate Program Loans acquired during the fiscal year. The decrease in program loans receivable in the Single Family Program was due to adverse market conditions, characterized by an inability to issue Mortgage Revenue Bonds during the fiscal year, which severely limited the Authority's loan origination activities, combined with loan prepayments. The fiscal year 2009 decline in Single Family Program Fund loans receivable ended a period of four straight year-to-year increases following a three year period of decreases. Loan originations of $23.8 million within the Program Fund were the lowest since fiscal year 1994.

Cash and investments (current and non-current) decreased $83.8 million, or 11.6% from decreases within the Mortgage Loan Programs ($88.3 million) and Administrative Funds ($67.3 million), partially offset by an increase in the Single Family Program Funds ($71.5 million). The decrease within the Mortgage Loan Programs was primarily from 1) The acquisition of two Mortgage Participation Certificate loans totaling $66.1 million and 2) The transfer of $35.0 million to the Single Family Program. The decrease in Administrative Funds cash and investments was mainly the result of the fiscal year 2009 acquisition of $33.9 million of Mortgage Participation Certificate loans, for which the liability for procurement of these loans was recognized as of the prior year-end, plus the acquisition of additional Mortgage Participation Certificate loans during the fiscal year in an amount totaling $15.8 million. In addition, deposits held in escrow decreased $11.8 million. The increase within the Single Family Programs resulted from the above noted transfer from the Mortgage Loan Program and the accumulation of mortgage principal repayments that will be used to redeem debt.

Total bonds and notes payable (current and non-current) decreased $98.4 million, or 6.0%, from decreases of $57.8 million and $42.3 million in the Mortgage Loan and Single Family Programs, respectively, partially offset by a $1.7 million increase in Administrative Funds debt. The Authority issued no debt in its mortgage loan programs during fiscal year 2009.

Deposits held in escrow decreased $11.8 million, or 7.1% due to reductions in funding levels and the pre-payments of loans for which escrow amounts had been maintained.

Other current liabilities decreased $45.6 million due primarily to the fiscal year 2009 acquisition of mortgage participation certificate loans with an outstanding principal balance of approximately $33.9 million, the purchase obligation for which a previous year-end liability had been recorded, and a $13.1 million reduction in a liability to HUD, due to a year end settlement transaction. Net assets invested in capital assets at June 30, 2009 was ($8.2) million compared to ($8.7) million at the prior year-end. During fiscal year 2008, the Authority reclassified Lakeshore Plaza (ML-181) to a capital asset from the previous classification as real estate held for sale. The related debt outstanding exceeds the carrying value of ML-181.

Restricted net assets of the Authority's business-type activities increased $15.8 million, or 14.1%, of which $14.1 were from increases within the Authority's bond funds. Except for net assets invested in capital assets within the Mortgage Loan Program ($8.4 million) and the net assets ($4.1 million) of the Multifamily Housing Revenue Bonds (Marywood), which are classified as unrestricted, all net assets of the Authority's bond funds are classified as restricted. The remaining restricted increases in net assets were from the FAF program, earnings of which are recorded in the Authority's Administrative Fund.

Statement of Activities

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

A condensed summary of changes in net assets for the fiscal year ended June 30, 2009 is shown in the following table.

Changes in Net Assets

(In millions of dollars)

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	$ 2.9	$ 4.2	$ 108.3	$ 116.5	$ 111.2	$ 120.7
Operating/grant/federal revenues	90.3	46.9	140.6	139.8	230.9	186.7
General revenues:						
Investment income		-	1.3	3.9	1.3	3.9
Total revenues	93.2	51.1	250.2	260.2	343.4	311.3
Expenses:						
Direct	68.4	38.1	225.7	228.5	294.1	266.6
Administrative	-	-	15.9	13.6	15.9	13.6
Total expenses	68.4	38.1	241.6	242.1	310.0	280.2
Increase in net assets before transfers	24.8	13.0	8.6	18.1	33.4	31.1
Transfers	(5.2)	(5.2)	5.2	5.2	-	-
Increase in net assets	$ 19.6	$ 7.8	$ 13.8	$ 23.3	$ 33.4	$ 31.1

Governmental Activities

Revenues of the Authority's governmental activities increased $42.1 million from the prior year. Federal revenues of the HOME Program were $10.5 million above the prior year, due mainly to higher loan disbursements. Revenues arising from the Rental Housing Support Program increased $29.0 million due to increased grant awards as the program is continuing its expansion throughout the State.

Direct expenses of the Authority's governmental activities increased $30.3 million from the prior year, primarily due to increased expenses of the Rental Housing Support Program ($28.9 million). The Rental Housing Support Program recorded its first activities in fiscal year 2007, and activities have continued to increase as a number of new grant commitments to additional entities throughout the State were made. 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 $10.1 million from the prior year from a decrease in charges for services ($8.2 million) and unrestricted investment income ($2.6 million), partially offset by an increase in federal revenues ($0.8 million). Charges for services consist primarily of interest income on program loans ($76.1 million), program investment income ($8.8 million), servicing fees ($10.0 million), and other income ($12.8 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 $10.5 million from the prior year due primarily to lower investment yields and lower amounts invested, as funds were used to acquire Mortgage Participation Certificate loans and to redeem debt.

Direct expenses of the Authority's business-type activities, which consist primarily of interest expense ($75.5 million) on Authority debt incurred to fund its various lending programs and the pass-through of federal assistance programs' funds ($138.9 million), decreased $2.8 million from the prior year, due mainly to the lower interest expense ($5.9 million), partially offset by $3.0 million increased estimated losses on program loans receivable. The direct expenses also include Administrative Fund allocations of expenses of Authority departments directly involved in the production or monitoring activities associated with the programs, as well as certain costs, both internally and externally incurred, associated with these programs. Administrative expenses, which are incurred within the Authority's Administrative Fund and which include all other administrative and supportive functions and all overhead expenses, were $2.3 million above the prior year due mainly to the allocation to the Mortgage Loan Program of all provisions for estimated losses on program loans receivable and estimated losses on mortgage participation certificate program within the Authority's Administrative Funds, as all provisions for purposes of this Statement are considered to be part of the Mortgage Loan Program. In last year's Statement, reversals of $1.3 million were retained as Administrative Expenses.

The Authority's business-type activities also generated $1.3 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 $18.4 million (See the Statement of Activities) and thus provided most of the Authority's increase in net assets.

Proprietary Fund Results

Net assets of the Authority's proprietary funds increased from the June 30, 2008 amount by $13.8 million, to $385.7 million. The following table summarizes the statement of revenues, expenses, and changes in fund net assets of the Authority's proprietary funds for the fiscal years ended June 30, 2009 and 2008.

(In millions of dollars)

	Administrative Fund		Mortgage Loan Program Fund		Single Family Program Fund	
	2009	2008	2009	2008	2009	2008
Operating revenues:						
Interest earned on program loans	$ 5.6	$ 1.5	$ 28.0	$ 32.4	$ 42.5	$ 44.3
Investment income	1.3	3.9	2.8	7.7	5.9	11.6
Federal assistance programs	134.5	133.2	4.4	5.1	-	-
Service fees	10.0	9.7	-	-	-	-
Development fees	0.6	0.2	-	-	-	-
HUD savings	1.7	1.7	-	-	-	-
Other	7.9	4.0	4.9	4.9	-	-
Total operating revenues	161.6	154.2	40.1	50.1	48.4	55.9
Operating expenses:						
Interest expense	0.2	0.1	27.9	32.0	47.4	49.3
Federal assistance programs	134.5	133.2	4.4	5.1	-	-
Salaries and benefits	13.7	12.6	-	-	-	-
Professional fees	1.2	1.1	-	-	0.6	0.1
Other general and administrative	3.1	3.3	-	-	0.1	0.1
Financing costs	0.3	0.2	0.7	0.6	0.8	0.8
Program grant	1.7	1.7	-	-	-	-
Provision for estimated losses on program loans receivable and mortgage certification program	3.1	(1.3)	1.8	3.2	-	-
Total operating expenses	157.8	150.9	34.8	40.9	48.9	50.3
Operating income	3.8	3.3	5.3	9.2	(0.5)	5.6
Transfers in (out), net	(0.5)	(2.6)	(29.3)	5.2	35.0	2.6
Change in net assets	3.3	0.7	(24.0)	14.4	34.5	8.2
Net assets at beginning of year	114.0	113.3	195.9	181.5	62.0	53.8
Net assets at end of year	$ 117.3	$ 114.0	$ 171.9	$ 195.9	$ 96.5	$ 62.0

Net assets of the Administrative Fund increased $3.3 million, compared to the prior year increase of $0.7 million. Administrative Fund operating income was $3.8 million, an increase of $0.5 million from the prior year, and net operating transfers (out) were $0.5 million compared to net transfers (out) of $2.6 million in the prior year. The fiscal year 2009 increase in operating earnings was primarily from an increase in interest earned on program loans ($4.1 million, primarily from the inclusion of interest earned on purchased Mortgage Participation Certificate loans and the receipt of past due, and un-accrued, interest on the refinancing and settlement of a loan), and higher Other Income ($3.9 million, primarily from increased tax credit program revenues and income from the above mentioned settlement), partially offset by provisions for estimated losses on mortgage participation certificate program and provisions for estimated losses on program loans receivable ($3.1 million), compared to reversals of $1.3 million in the prior fiscal year, and lower investment income ($2.6 million) due to lower yields on investments and the use of funds to acquire Mortgage Participation Certificate loans.

Operating transfers (out) of $0.5 million were $2.1 million below the prior year operating transfer (out) due to no transfers being made to the Single Family Program Fund to fund bond issuance costs, as no bond issuances were made during the fiscal year.

Net assets of the Mortgage Loan Program Fund decreased $24.0 million, compared to a prior year increase of $14.4 million, as operating income of $5.3 million was offset by net transfers (out) of $29.3 million. Operating income was $3.9 million below the prior year, primarily from lower investment income of $4.9 million, partially offset by lower provisions ($1.4 million) for estimated losses on program loans receivable. Investment income declined due to lower investment rates and lower investment amounts, as funds were used to acquire Mortgage Participation Certificate loans, which provided for significantly increased yields. Net transfers included a transfer of $35.0 million to the Single Family Program Funds, the proceeds of which the Authority intends to use in support of a single family loan program. The net transfer (out) was partially offset by the annual transfer (in) of $5.2 million from the Affordable Housing Trust Fund.

Net assets of the Single Family Program Fund increased $34.5 million, or $26.3 million above the prior year increase as an operating loss of $0.5 million was offset by net transfer (in) from the Mortgage Loan Program Fund of $35.0 million. The net transfer (in) was for the purpose of acquiring single-family mortgage loans or mortgage backed securities and will provide further security for the Bonds issued under the Homeowner General Resolution. The Program Operating loss was $6.1 million below the prior year operating income due primarily to a $5.7 million decline in investment income.

Authority Debt

Authority debt issuances during fiscal year 2009 totaled $16.6 million (net of discounts and deferred gains and losses), with activity consisting of an issuance of a HUD Riskshare Debenture ($14.9 million) in conjunction with the retirement of Multifamily Housing Revenue Bonds (Marywood) due to foreclosure proceedings regarding this property, and a $1.7 million increase in the Administrative Funds term loan. Debt retirements within the Mortgage Loan and Single Family Program Funds were $74.0 million and $42.1 million, respectively. Total bonds and notes payable decreased $98.4 million. For additional information, see Note G, Bonds and Notes Payable in the Notes to Financial Statements.

During fiscal year 2009, the Authority's Issuer Credit Ratings remained at A+/A1/A+ by Fitch Ratings, Moody's Investors Service and Standard & Poor's Ratings Services respectively. The Moody's rating on the Authority Homeowner Mortgage Revenue Bonds was downgraded from Aa2 to Aa3 in June 2009.

Economic Factors

A number of financial institutions providing insurance, investment guarantees or other assurance services to the Authority received ratings downgrades during fiscal year 2008, as a result of the economic disruptions occurring within the credit and liquidity markets. The declines resulted in the financial institutions no longer being able to meet bond resolution or other contractual requirements for the procurement of new contracts, thus limiting the Authority's supply for services.

Although substantially all mortgage loans funded by the Homeowner Mortgage Revenue Bonds were covered by pool insurance as of June 30, 2009, due to the ratings downgrades noted above, accompanied by premium increases of insurers that continue to meet the Authority ratings criteria and a decline in mortgage rates, the Authority during fiscal year 2009 was severely limited in its capacity to originate such loans in a cost effective manner. These financial institutions, however, continued to meet the obligations of their existing contracts during fiscal year 2009.

The Authority is implementing programs in which it would originate and securitize such loans backed by government guarantees. In addition, the credit markets have improved to the extent that the Authority expects to again issue bonds within its Single Family Program Fund, for the purpose of obtaining funds to acquire or to securitize mortgage loans, in the near future.

Investment yields of United States agency and United States Government obligations, which comprise over 90% of the Authority's investment portfolio, are remaining at historically low levels and continue to depress the Authority's investment income.

The Authority, pursuant to Section 1602 of the American Recovery and Reinvestment Act of 2009 ("ARRA") has applied to the Treasury to exchange a portion of its 2009 Federal Tax Credits and has received a grant allocation in the amount of $55,395,657. In addition, HUD has awarded a Tax Credit Assistance Program ("TCAP") to the Authority in the amount of $94,676,979 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 will be allocated to sub-grantees and the Authority will be responsible for the monitoring and reporting of the use of these funds.

Contacting the Authority's Financial Management

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

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)
Statement of Net Assets
June 30, 2009

	Governmental activities	Business-type activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	$ 33,074	$ 6,746,752	$ 6,779,826
Funds held by State Treasurer	255,258	-	255,258
Investments	61,412,966	25,746,817	87,159,783
Investment income receivable	-	68,121	68,121
Investment income receivable – restricted	-	1,381,276	1,381,276
Program loans receivable	8,552,000	46,438,000	54,990,000
Grant receivable	1,068,919	-	1,068,919
Interest receivable on program loans	270,492	5,141,151	5,411,643
Amounts due from brokers for securities matured	-	2,329,836	2,329,836
Internal balances	(1,068,919)	1,068,919	-
Total current assets	70,523,790	88,920,872	159,444,662
Noncurrent assets:			
Investments – restricted	-	604,656,751	604,656,751
Program loans receivable, net of current portion	508,271,723	1,410,092,112	1,918,363,835
Less allowance for estimated losses	(23,960,000)	(19,670,000)	(43,630,000)
Net program loans receivable	484,311,723	1,390,422,112	1,874,733,835
Unamortized bond issuance costs	-	15,136,266	15,136,266
Real estate held for sale, net	-	5,578,744	5,578,744
Capital assets, net	-	28,638,477	28,638,477
Other	-	727,817	727,817
Total noncurrent assets	484,311,723	2,045,160,167	2,529,471,890
Total assets	554,835,513	2,134,081,039	2,688,916,552
Liabilities:			
Current liabilities:			
Due to grantees	24,136,083	-	24,136,083
Due to State of Illinois	44,273,795	-	44,273,795
Bonds and notes payable	-	105,045,000	105,045,000
Accrued interest payable	-	29,049,439	29,049,439
Unearned revenue	-	1,134,715	1,134,715
Deposits held in escrow	-	154,333,914	154,333,914
Amounts held on behalf of others	-	611,588	611,588
Accrued liabilities and other	-	16,668,912	16,668,912
Total current liabilities	68,409,878	306,843,568	375,253,446
Noncurrent liabilities:			
Due to State of Illinois	296,713,263	-	296,713,263
Bonds and notes payable, net of current portion	-	1,441,546,624	1,441,546,624
Total noncurrent liabilities	296,713,263	1,441,546,624	1,738,259,887
Total liabilities	365,123,141	1,748,390,192	2,113,513,333
Net assets:			
Invested in capital assets, net of related debt	-	(8,246,523)	(8,246,523)
Restricted for bond resolution purposes	-	280,921,136	280,921,136
Restricted for loan and grant programs	189,712,372	30,910,551	220,622,923
Unrestricted	-	82,105,683	82,105,683
Total net assets	$ 189,712,372	$ 385,690,847	$ 575,403,219

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, 2009

		Program revenues		Net (expenses) revenues and changes in net assets		
Functions/programs	Expenses	Charges for services and interest income	Operating grant/federal revenues	Governmental activities	Business-type activities	Total
Governmental activities:						
Illinois Affordable Housing Trust Fund	$ 13,878,458	$ 766,503	$ 18,311,955	$ 5,200,000	$ -	$ 5,200,000
HOME Program	14,491,992	1,758,655	32,336,665	19,603,328	-	19,603,328
Rental Housing Support Program	40,059,571	390,704	39,668,867	-	-	-
Total governmental activities	68,430,021	2,915,862	90,317,487	24,803,328	-	24,803,328
Business-type activities:						
Administrative	15,918,818	530,753	-	-	(15,388,065)	(15,388,065)
Multi-Family Mortgage Loan Programs	35,887,831	54,241,959	-	-	18,354,128	18,354,128
Multi-Family Federal Assistance Programs	138,933,160	-	138,933,160	-	-	-
Single-Family Mortgage Loan Programs	50,231,570	48,724,158	-	-	(1,507,412)	(1,507,412)
Tax Credit Authorization and Monitoring	578,207	4,729,820	-	-	4,151,613	4,151,613
FAF Lending Program	-	83,871	1,656,916	-	1,740,787	1,740,787
Total business-type activities	241,549,586	108,310,561	140,590,076	-	7,351,051	7,351,051
Total Authority	$ 309,979,607	$ 111,226,423	$ 230,907,563	24,803,328	7,351,051	32,154,379
	General revenues:					
	Unrestricted investment income			-	1,253,333	1,253,333
	Transfers			(5,200,000)	5,200,000	-
	Total general revenues and transfers			(5,200,000)	6,453,333	1,253,333
	Change in net assets			19,603,328	13,804,384	33,407,712
	Net assets at beginning of year			170,109,044	371,886,463	541,995,507
	Net assets at end of year			$ 189,712,372	$ 385,690,847	$ 575,403,219

See accompanying notes to financial statements.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)
Governmental Funds
Balance Sheet
June 30, 2009

	Illinois Affordable Housing Trust Fund	HOME Program Fund	Rental Housing Support Program Fund	Total
Assets				
Current assets:				
Cash	$ 25,572	$ -	$ 7,502	$ 33,074
Funds held by State Treasurer	-	255,258	-	255,258
Investments	37,284,385	-	24,128,581	61,412,966
Program loans receivable	6,813,000	1,739,000	-	8,552,000
Grant receivable	508,164	486,792	73,963	1,068,919
Interest receivable on program loans	150,838	119,654	-	270,492
Due from other funds	-	12,453	-	12,453
Total current assets	44,781,959	2,613,157	24,210,046	71,605,162
Noncurrent assets:				
Program loans receivable, net of current portion	315,963,263	192,308,460	-	508,271,723
Less allowance for estimated losses	(19,250,000)	(4,710,000)	-	(23,960,000)
Net program loans receivable	296,713,263	187,598,460	-	484,311,723
Total noncurrent assets	296,713,263	187,598,460	-	484,311,723
Total assets	$ 341,495,222	$ 190,211,617	$ 24,210,046	$ 555,916,885
Liabilities and Fund Balances				
Current liabilities:				
Deferred revenue	$ -	$ 119,654	$ -	$ 119,654
Due to grantees	-	-	24,136,083	24,136,083
Due to other funds	508,164	499,245	73,963	1,081,372
Due to State of Illinois	44,273,795	-	-	44,273,795
Total current liabilities	44,781,959	618,899	24,210,046	69,610,904
Noncurrent liabilities:				
Due to State of Illinois	296,713,263	-	-	296,713,263
Total liabilities	341,495,222	618,899	24,210,046	366,324,167
Fund balances:				
Reserved for loans receivable	-	187,598,460	-	187,598,460
Unreserved	-	1,994,258	-	1,994,258
Total fund balances	-	189,592,718	-	189,592,718
Total liabilities and fund balances	$ 341,495,222	$ 190,211,617	$ 24,210,046	
Amounts reported for governmental activities in the statement of net assets are different due to the deferral of interest receivable on certain program loans				119,654
Net assets of governmental activities				$ 189,712,372

See accompanying notes to financial statements.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year ended June 30, 2009

	Illinois Affordable Housing Trust Fund	HOME Program Fund	Rental Housing Support Program Fund	Total
Revenues:				
Grant from State of Illinois	$ 18,311,955	$ -	$ 39,668,867	$ 57,980,822
Federal HOME funds	-	32,336,665	-	32,336,665
Interest and investment income	766,503	1,748,928	390,704	2,906,135
Total revenues	19,078,458	34,085,593	40,059,571	93,223,622
Expenditures:				
Grants	10,671,955	11,457,171	39,756,339	61,885,465
General and administrative	2,440,000	1,889,821	303,232	4,633,053
Program income transferred to State of Illinois	766,503	-	-	766,503
Provision for estimated losses on program loans receivable	-	1,145,000	-	1,145,000
Total expenditures	13,878,458	14,491,992	40,059,571	68,430,021
Excess of revenues over expenditures	5,200,000	19,593,601	-	24,793,601
Other financing uses:				
Transfer out	(5,200,000)	-	-	(5,200,000)
Net change in fund balances	-	19,593,601	-	19,593,601
Fund balances at beginning of year	-	169,999,117	-	
Fund balances at end of year	$ -	$ 189,592,718	$ -	
Amounts reported for governmental activities in the statement of activities are different due to the deferral of interest receivable on certain program loans receivable				9,727
Change in net assets of governmental activities				$ 19,603,328

See accompanying notes to financial statements.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)
Proprietary Funds
Statement of Net Assets
June 30, 2009

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	Total
Assets:				
Current assets:				
Cash and cash equivalents	$ 173,577	$ 220,265	$ 6,352,910	$ 6,746,752
Investments	25,746,817	-	-	25,746,817
Investment income receivable	68,121	-	-	68,121
Investment income receivable - restricted	207,941	237,267	936,068	1,381,276
Program loans receivable	1,982,000	25,141,000	19,315,000	46,438,000
Interest receivable on program loans	152,666	1,155,812	3,832,673	5,141,151
Amounts due from brokers for securities matured	2,329,836	-	-	2,329,836
Due from other funds	5,276,398	14,332,552	-	19,608,950
Total current assets	35,937,356	41,086,896	30,436,651	107,460,903
Noncurrent assets:				
Investments – restricted	184,086,698	110,835,062	309,734,991	604,656,751
Program loans receivable, net of current portion	88,803,717	557,582,902	763,705,493	1,410,092,112
Less allowance for estimated losses	(4,335,000)	(15,335,000)	-	(19,670,000)
Net program loans receivable	84,468,717	542,247,902	763,705,493	1,390,422,112
Unamortized bond issuance costs	-	6,257,916	8,878,350	15,136,266
Real estate held for sale, net	982	17,550	5,560,212	5,578,744
Capital assets, net	129,907	28,508,570	-	28,638,477
Other	699,288	28,529	-	727,817
Total noncurrent assets	269,385,592	687,895,529	1,087,879,046	2,045,160,167
Total assets	305,322,948	728,982,425	1,118,315,697	2,152,621,070
Liabilities:				
Current liabilities:				
Bonds and notes payable	-	19,985,000	85,060,000	105,045,000
Accrued interest payable	76,365	10,251,019	18,722,055	29,049,439
Deferred revenue	827,611	307,104	-	1,134,715
Deposits held in escrow	154,333,914	-	-	154,333,914
Amounts held on behalf of others	12,225	599,363	-	611,588
Accrued liabilities and other	12,242,540	3,215,435	1,210,937	16,668,912
Due to other funds	14,345,005	3,076,281	1,118,745	18,540,031
Total current liabilities	181,837,660	37,434,202	106,111,737	325,383,599
Noncurrent liabilities:				
Bonds and notes payable, net of current portion	6,233,333	519,646,365	915,666,926	1,441,546,624
Total liabilities	188,070,993	557,080,567	1,021,778,663	1,766,930,223
Net assets:				
Invested in capital assets, net of related debt	129,907	(8,376,430)	-	(8,246,523)
Restricted for bond resolution purposes	-	184,384,102	96,537,034	280,921,136
Restricted for loan and grant programs	30,910,551	-	-	30,910,551
Unrestricted	86,211,497	(4,105,814)	-	82,105,683
Total net assets	$ 117,251,955	$ 171,901,858	$ 96,537,034	$ 385,690,847

See accompanying notes to financial statements.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Year ended June 30, 2009

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	Total
Operating revenues:				
Interest and other investment income	$ 1,205,144	$ 2,496,697	$ 5,550,733	$ 9,252,574
Net increase in fair value of investments	48,189	366,445	334,399	749,033
Total investment income	1,253,333	2,863,142	5,885,132	10,001,607
Interest earned on program loans	5,570,926	27,975,830	42,484,777	76,031,533
Federal assistance programs	134,470,130	4,463,030	-	138,933,160
Service fees	10,041,960	-	-	10,041,960
Development fees	605,461	-	-	605,461
HUD savings	1,740,787	-	-	1,740,787
Other	7,929,310	4,870,152	-	12,799,462
Total operating revenues	161,611,907	40,172,154	48,369,909	250,153,970
Operating expenses:				
Interest expense	208,175	27,837,350	47,462,485	75,508,010
Federal assistance programs	134,470,130	4,463,030	-	138,933,160
Salaries and benefits	13,679,799	-	-	13,679,799
Professional fees	1,209,115	-	564,532	1,773,647
Other general and administrative	3,155,074	-	111,646	3,266,720
Financing costs	371,446	723,681	741,456	1,836,583
Program grant	1,666,667	-	-	1,666,667
Provision for estimated losses on mortgage participation certificate program	2,585,000	-	-	2,585,000
Provision for estimated losses on program loans receivable	475,000	1,825,000	-	2,300,000
Total operating expenses	157,820,406	34,849,061	48,880,119	241,549,586
Operating income (loss)	3,791,501	5,323,093	(510,210)	8,604,384
Transfers in	464	5,669,942	35,000,000	40,670,406
Transfers out	(469,704)	(35,000,000)	(702)	(35,470,406)
Total transfers	(469,240)	(29,330,058)	34,999,298	5,200,000
Change in net assets	3,322,261	(24,006,965)	34,489,088	13,804,384
Net assets at beginning of year	113,929,694	195,908,823	62,047,946	371,886,463
Net assets at end of year	$ 117,251,955	$ 171,901,858	$ 96,537,034	$ 385,690,847

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, 2009

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	Total
Cash flows from operating activities:				
Receipts for program loans, interest and service fees	$ 18,324,686	$ 96,365,863	$ 148,113,671	$ 262,804,220
Payments for program loans	(70,186,561)	(78,302,342)	(26,593,562)	(175,082,465)
Receipts for federal assistance programs	134,470,130	4,463,030	-	138,933,160
Payments for federal assistance programs	(134,470,130)	(4,463,030)	-	(138,933,160)
Payment for program grant	(1,666,667)	-	-	(1,666,667)
Payments to suppliers	(6,087,274)	(847,418)	(1,308,545)	(8,243,237)
Payments to employees	(13,521,154)	-	-	(13,521,154)
Payments for amounts held on behalf of others	(2,145,307)	-	-	(2,145,307)
Other receipts	7,929,310	4,870,152	-	12,799,462
Net cash provided by (used in) operating activities	(67,352,967)	22,086,255	120,211,564	74,944,852
Cash flows from noncapital financing activities:				
Proceeds from sale of revenue bonds and notes	1,666,666	14,884,996	1,031	16,552,693
Principal paid on revenue bonds and notes	-	(72,675,909)	(42,258,839)	(114,934,748)
Interest paid on revenue bonds and notes	(190,821)	(27,660,770)	(48,175,630)	(76,027,221)
Due to other funds	(146,803)	1,330,919	613,497	1,797,613
Due from other funds	(2,324,711)	149,275	533	(2,174,903)
Transfers in	464	5,669,942	35,000,000	40,670,406
Transfers out	(469,704)	(35,000,000)	(702)	(35,470,406)
Net cash used in noncapital financing activities	(1,464,909)	(113,301,547)	(54,820,110)	(169,586,566)
Cash flows from investing activities:				
Purchase of investment securities	(804,565,323)	(1,010,455,656)	(1,080,341,133)	(2,895,362,112)
Proceeds from sales and maturities of investment securities	869,408,418	1,098,509,220	1,008,401,257	2,976,318,895
Interest received on investments	1,637,665	2,976,853	6,146,042	10,760,560
Net cash provided by (used in) investing activities	66,480,760	91,030,417	(65,793,834)	91,717,343
Net decrease in cash and cash equivalents	(2,337,116)	(184,875)	(402,380)	(2,924,371)
Cash and cash equivalents at beginning of year	2,510,693	405,140	6,755,290	9,671,123
Cash and cash equivalents at end of year	$ 173,577	$ 220,265	$ 6,352,910	$ 6,746,752
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ 3,791,501	$ 5,323,093	$ (510,210)	$ 8,604,384
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Investment income	(1,253,333)	(2,863,142)	(5,885,132)	(10,001,607)
Interest expense	208,175	27,837,350	47,462,485	75,508,010
Depreciation and amortization	18,484	800,000	-	818,484
Provision for estimated losses on program loans receivable	475,000	1,825,000	-	2,300,000
Changes in assets and liabilities:				
Program loans receivable	(16,456,800)	(11,184,036)	78,461,742	50,820,906
Interest receivable on program loans	(74,304)	493,952	573,590	993,238
Other liabilities	(52,834,471)	(123,737)	109,089	(52,849,119)
Other assets	3,247,924	(22,225)	-	3,225,699
Amounts held on behalf of others	(2,145,307)	-	-	(2,145,307)
Amounts due from brokers for securities matured	(2,329,836)	-	-	(2,329,836)
Total adjustments	(71,144,468)	16,763,162	120,721,774	66,340,468
Net cash provided by (used in) operating activities	$ (67,352,967)	$ 22,086,255	$ 120,211,564	$ 74,944,852
The fair value of investments increased (decreased)	$ (234,706)	$ (513,403)	$ (200,936)	$ (949,045)

See accompanying notes to financial statements.

Note A — Authorizing Legislation

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

The bonds and notes outstanding as of June 30, 2009, as shown on the Authority's financial statements consist of both general and special limited obligations of the Authority (see note G). The full faith and credit of the Authority are pledged for payment of general obligation bonds and notes. The Authority has the power under the Act to have up to $3,600,000,000 of general and special limited obligation bonds and notes outstanding, excluding those issued to refund outstanding bonds and notes. At June 30, 2009, amounts outstanding against this limitation were approximately $1,923,500,000.

Note B — Summary of Significant Accounting Policies

The following summarizes the significant accounting policies of the Authority:

Reporting Entity

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

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

(b) Fiscal dependency on the primary government.

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

Basis of Presentation

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

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

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

The Authority reports the following major governmental funds:

Illinois Affordable Housing Trust Fund

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

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

HOME Program Fund

The Authority is designated program administrator for the HOME Investment Partnerships Program (HOME Program) for the State, the funds of which are appropriated to the 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.

The Authority reports the following major proprietary funds:

Administrative Fund

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

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

Mortgage Loan Program Fund

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

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

Single Family Program Fund

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

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

Basis of Accounting

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

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

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

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

Fund Equity

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

The designations of the Authority's Administrative Fund unrestricted net assets as of June 30, 2009 are as follows:

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

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

Net Assets

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

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

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

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

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

Use of Estimates

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

Risks and Uncertainties

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

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

Cash and Cash Equivalents

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

Investments

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

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

Program Loans Receivable

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

(Continued)

Capital Assets

Capital assets in the Administrative Fund consist of investments in furniture, fixtures, and equipment; computer hardware; computer software; and leasehold improvements and are defined by the Authority as assets with an initial, individual cost of $5,000 or more. Depreciation or amortization is on a straight-line basis over a period of five to ten years, depending upon the nature of the asset. Leasehold improvements are amortized over the term of the lease. Depreciation and amortization expenses for fiscal year 2009 were approximately $18,500. Capital assets in the Mortgage Loan Program Fund represents the net carrying value of Lakeshore Plaza (ML-181), which the Authority acquired by deed in lieu of foreclosure on April 27, 1990. The Authority records depreciation against ML-181 on a straight-line basis over forty years, as past market conditions did not allow for a sale of the property. At June 30, 2009, the net carrying value of ML-181 was $28,508,570 and accumulated depreciation was $12,611,000. The Authority will continue to own and operate ML-181 until the sale or other disposition of the development occurs. Depreciation expense for fiscal year 2009 was $800,000.

Real Estate Held for Sale

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

Bond Discount, Issuance Costs and Deferred Amounts on Refunding

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

Operations

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

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

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

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

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

Compensated Absences

The Authority grants vacation and sick leave to all employees and accrues for unused compensated absences. Vacations are allotted on a calendar year basis and are intended to be taken during that year. Unused sick leave allowance is carried forward and accumulated. In the event of termination, employees are paid for all earned but unused vacation time and, within a maximum time limit, for one half of accumulated sick leave earned. At June 30, 2009, unused compensated absences, which are included in current other liabilities, were $683,036. These amounts are recorded in and liquidated from the Administrative Fund. The Authority has no other post-employment benefits.

Provision for Estimated Losses on Program Loans

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

New Accounting Pronouncements

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

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

The Authority has yet to determine the impact of implementing these Statements.

Note C—Cash and Investments

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

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

Interest Rate Risk

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

As of June 30, 2009, 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	$ 41,403,047	$ -	$ -	$ 4,563,423	$ 36,839,624
United States agency obligations	586,959,735	558,152,482	23,508,652	2,529,464	2,769,137
United States Government obligations	63,307,665	41,951,200	6,697,642	5,723,720	8,935,103
Municipal obligations and other	146,087	-	100,832	-	45,255
	$ 691,816,534	$ 600,103,682	$ 30,307,126	$ 12,816,607	$ 48,589,119

Demand repurchase agreements are collateralized by obligations of the United States Government or its agencies, or direct investments of such obligations and have one-day demand of funds provisions exercisable at the Authority's option. The market value of securities subject to such agreements must be maintained at least equal to

100% of the principal of and accrued interest on the invested funds by marking to market at least weekly and using an immediate under value cure provision.

Credit Risk

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

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

The counterparties to the demand repurchase agreements are institutions whose unsecured debt securities are rated at least equal to the ratings on the Authority's debt, or in the case of short-term program fund investments, the highest short-term rating category. The counterparties, carrying amount of the repurchase agreements, and ratings as of June 30, 2009 are listed below.

Counterparty	Rating (Outlook) S&P / Moody's	Carrying amount
Bayerische Landesbank (1)	AAA (Stable) / Aaa	$ 11,107,063
Morgan Guaranty Trust	AA- (Negative) / Aa1	879,715
Morgan Stanley & Co. Inc.	A (Negative) / A2	1,822,603
Trinity Plus Funding Co.	AA+ (Stable) / --	3,809,490
Westdeutsche Landesbank (1)	AA (Stable) / Aa2	23,784,176
		$ 41,403,047

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

Custodial Credit Risk

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

The Authority's cash and cash equivalents at June 30, 2009, consisted of sweep accounts, held in the Authority's name, with the funds in these accounts invested in money market funds that invest in U.S. Treasury securities, or were held in accounts that were either FDIC insured or collateralized with U.S. government obligations. The Authority's investments at June 30, 2009 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 investment in any one single issuer is greater than 5% of the total fixed income investments. Investments which comprise more than 5% of the Authority's investments as of June 30, 2009 are as follows:

Investment	Amount
Federal Home Loan Bank	$ 220,724,842
Federal Home Loan Mortgage Corporation	206,302,910
Federal National Mortgage Association	155,786,807

Note D—Interfund Receivables, Payables, and Transfers

Interfund Balances

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

Interfund accounts receivable (payable) balances at June 30, 2009 consisted of the following:

	Payable From						
Receivable To	Illinois Affordable Housing Trust	HOME Program	Rental Housing Support Program	Administrative	Mortgage Loan Program	Single Family Program	Total
HOME Program	$ -	$ -	$ -	$ 12,453	$ -	$ -	$ 12,453
Administrative	508,164	499,245	73,963	-	3,076,281	1,118,745	5,276,398
Mortgage Loan Program	-	-	-	14,332,552	-	-	14,332,552
	$ 508,164	$ 499,245	$ 73,963	$ 14,345,005	$ 3,076,281	$ 1,118,745	$ 19,621,403

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

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

Transfers

Transfers for the year ended June 30, 2009 consisted of the following:

	Transfers Out				
Transfer in	Illinois Affordable Housing Trust	Administrative	Mortgage Loan Program	Single Family Program	Total
Administrative	$ -	$ -	$ -	$ 464	$ 464
Mortgage Loan Program	5,200,000	469,704	-	238	5,669,942
Single Family Program	-	-	35,000,000	-	35,000,000
	$ 5,200,000	$ 469,704	$ 35,000,000	$ 702	$ 40,670,406

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, 2009 totaled $5,200,000. During fiscal year 2009, transfers of $35,000,000 were made from the Mortgage Loan Program to the Single Family Program for the purpose of acquiring single-family mortgage loans or mortgage-backed securities. The amounts transferred will provide further security for the Bonds issued under the Homeowner General Resolution. The $469,704 transfer from the Administrative Fund to the Mortgage Loan Program was to provide principal and interest payments on the Multifamily Housing Revenue Bonds, Series 2003 (Marywood Apartment Homes), for which the borrower defaulted and did not provide funds sufficient to make the payments due September 2, 2008.

Note E—Program Loans Receivable

The Authority has loans throughout the State, of which approximately two-thirds are in the Chicago metropolitan area. The following summarizes the Program Loans Receivable activity for the Authority for the year ended June 30, 2009:

	Net program loans receivable June 30, 2008	Loan disbursements	Loan repayments	Change in loan loss provision	Change in net deferred fees	Net program loans receivable June 30, 2009
			(Dollars in thousands)			
Governmental Funds:						
Illinois Affordable Housing Trust Fund	$ 283,705	$ 29,864	$ (5,543)	$ (4,500)	$ -	$ 303,526
HOME Program Fund	169,706	22,325	(1,548)	(1,145)	-	189,338
Total Governmental Funds	$ 453,411	$ 52,189	$ (7,091)	$ (5,645)	$ -	$ 492,864
Proprietary Funds:						
Administrative Fund	$ 70,470	$ 20,411	$ (5,661)	$ (475)	$ 1,706	$ 86,451
Mortgage Loan Program Fund:						
Housing Bonds	485,209	78,260	(63,508)	(1,590)	526	498,897
Multifamily Housing Revenue Bonds (Marywood)	11,254	-	-	-	-	11,254
Multifamily Bonds (Turnberry)	5,164	-	(50)	-	-	5,114
Affordable Housing Program Trust Fund Bonds	56,719	-	(4,361)	(235)	-	52,123
Total Mortgage Loan Program Fund	558,346	78,260	(67,919)	(1,825)	526	567,388
Single Family Program Fund	864,231	23,845	(102,481)		(2,574)	783,021
Total Proprietary Funds	$ 1,493,047	$ 122,516	$ (176,061)	$ (2,300)	$ (342)	$ 1,436,860

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 H 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, 2009, 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 $751,148 and $1,301,224, respectively.

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

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

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

The Authority has a second mortgage agreement relating to a $4.7 million first mortgage for Innsbruck Apartments, ML-19. Under this agreement, upon the development's payment of a debt service amount as set forth in the agreement, the Authority, from its Administrative Fund, was obligated to subsidize debt service payments related to the first mortgage up to a maximum of $6.2 million. The subsidy payments were applied to receivables within the Mortgage Loan Program. The maximum subsidy amount was reached in May 1999, after which the development became fully obligated for debt service of the receivables of the above bond accounts. The development is obligated to reimburse the Administrative Fund debt service subsidy payments from a portion of residual receipts generated from the development or upon sale of the development.

The Authority's policy for converting mortgage loans, except for loans financed under the Single Family Mortgage Loan Program, to non-accrual status is to discontinue the accrual of interest when a loan becomes 90 days past due. In addition, the Authority does not accrue interest income of 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, 2009, the accrual of interest and service fee income was suspended on approximately $3.1 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 $457,000 in the Mortgage Loan Program Fund and $36,000 in the Administrative Fund. In addition, the Authority does not accrue interest income on approximately $12.5 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 $205,000.

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, 2009, loans receivable under this program were approximately $1.8 million.

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

The Authority, as of June 30, 2009, has entered into thirty-nine Risk Sharing Loans totaling $220,975,699 and elected that HUD assume 10% to 90% of the loss with respect to those loans. Except for eleven loans totaling $67,412,699 financed through the issuance of the Authority's Housing Bonds and one loan in the amount of $15,460,000 financed through the issuance of the Authority's Multi-Family Housing Revenue Bonds (Marywood), these loans are not included in the Authority's financial statements as the Authority sold 100% participation interests in the loans to outside parties.

Marywood Apartments Homes, L.P., the borrower for the Marywood Apartment Homes development, has defaulted under the loans made by the Authority, which include the Risk Sharing Loan within the Authority's Multi-Family Housing Revenue Bonds (Marywood) and loans within the Administrative Fund and Housing Bond Fund Accounts. The Authority has filed a foreclosure action and a claim with HUD for payment of the Risk Share Insurance. HUD has paid to the Authority during the fiscal year the Risk Share Insurance and the Authority has taken the proceeds of the insurance and redeemed the Authority's Multi-Family Housing Revenue Bonds (Marywood). The Risk Share Insurance regulations required the Authority to issue to HUD a debenture, which bears interest at an annual rate of 5% and matures in five years, in the amount of $14,884,995, 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 believes that the allowances for estimated losses at June 30, 2009 in the accompanying financial statements are adequate to cover estimated losses of the loans.

At June 30, 2009, for loans financed under the Risk Sharing Program where the Authority sold 100% participation interests in the loans to outside parties, there were no amounts in arrears equal to more than two months debt service payments or required deposits to tax and insurance and/or replacement reserves.

In December 2000, the Authority received a commitment from Ambac Assurance Corporation (Ambac) under which Ambac will insure mortgage loans (Ambac Loans) on multi-family housing developments under the Authority's Mortgage Participation Certificate Program. Ambac has guaranteed repayment of principal and interest due on a timely or accelerated basis in accordance with the agreement between the Authority and Ambac. The agreement allows (or provides) the Authority to share its risk with Ambac on the aggregate loan portfolio after the satisfaction of certain requirements and threshholds. As of June 30, 2009, the Authority has entered into eight Ambac Loans totaling $32,392,200. Except for one loan in the amount of $5,320,000 financed through the issuance of the Authority's Multifamily Bonds (Turnberry), these loans are not included in the Authority's financial statements as the Authority sold 100% participation interests in the loans to outside parties.

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

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

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

At June 30, 2009, for loans financed under the Mortgage Participation Certificate Program where the Authority sold 100% participation interests in the loans to outside parties, there were no amounts in arrears equal to more than two months debt service payments or required deposits to tax and insurance and/or replacement reserves.

With respect to the mortgage loans funded by the Homeowner Mortgage Revenue Bonds, substantially all delinquent mortgage loans receivable at June 30, 2009, were covered by pool insurance, which provides for an aggregate limit equal to 3.5% of the aggregate original principal amount of mortgage loans so covered, less a deductible ranging from 0% to 1.0% of the aggregate of the original amount of all mortgage loans covered.

Loans made through the Illinois Affordable Housing Trust Fund are to acquire, construct, rehabilitate, develop, operate, insure, and retain affordable single family and multi-family housing for low and very low-income households. Interest rates on these loans are set at below market rates and have ranged from 0% to 5.0%, with most rates set at 2.0% or below. Loans have maturities of up to 40 years, with some loans carrying deferred payment terms. The approximate aging of the Illinois Affordable Housing Trust Fund receivables as of June 30, 2009 are as follows:

	Principal due by June 30				
Interest rate %	2010	2015	2025	After 2025	Total
			(Dollars in thousands)		
0 – 0. 99	$ 3,016	$ 9,373	$ 37,377	$ 101,891	$ 151,657
1 – 1.99	2,728	14,637	47,019	85,353	149,737
2 – 3.99	975	2,394	6,838	8,310	18,517
4 – 5.00	94	491	1,789	491	2,865
	$ 6,813	$ 26,895	$ 93,023	$ 196,045	$ 322,776

The approximate aging of the receivables of the HOME program as of June 30, 2009 are as follows:

	Principal due by June 30				
Interest rate %	2010	2015	2025	After 2025	Total
			(Dollars in thousands)		
0 – 0. 99	$ 234	$ 3,723	$ 18,166	$ 34,840	$ 56,963
1 – 1.99	1,211	9,474	49,885	67,387	127,957
2 – 3.99	220	1,293	2,680	354	4,547
4 – 6.50	74	518	1,871	2,117	4,580
	$ 1,739	$ 15,008	$ 72,602	$ 104,698	$ 194,047

The Authority has reviewed each program loan receivable, including those for developments in the construction or rent-up phases, for the purpose of determining ultimate collectibility. The Authority believes that the allowances for estimated losses at June 30, 2009 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, 2009:

	Allowance for estimated losses June 30, 2008	Provision for estimated losses	Write-offs of uncollectible losses, net of Recoveries	Allowance for estimated losses June 30, 2009
		(Dollars in thousands)		
Illinois Affordable Housing Trust Fund	$ 14,750	$ 4,500	$ -	$ 19,250
HOME Program Fund	3,565	1,145	-	4,710
Total governmental funds	$ 18,315	$ 5,645	$ -	$ 23,960
Administrative Fund	$ 3,860	$ 475	$ -	$ 4,335
Mortgage Loan Program Fund	13,510	1,825	-	15,335
Total proprietary funds	$ 17,370	$ 2,300	$ -	$ 19,670

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, 2009, the Authority has requested nine such certifications totaling $1,467,067, all for loans within the Illinois Affordable Housing Trust Fund. Additional certification requests are anticipated to be filed as loss amounts are determined following the conclusion of foreclosure or other loss mitigation activities. The Authority has established provisions for estimated losses against such loans requested and to be requested for such certifications in amounts equal to the outstanding principal balances of the loans.

Scheduled receipts of principal on proprietary fund program loans receivable in the five years subsequent to June 30, 2009 and thereafter are as follows:

2010	$ 46,438,000
2011	46,931,000
2012	49,545,000
2013	51,482,000
2014	92,736,000
After 2014	1,169,398,000
	$ 1,456,530,000

Note F—Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Cost				
Capital Assets Being Depreciated:				
Administrative Fund				
Leasehold Improvements	$ 1,805,108	$ -	$ -	$ 1,805,108
Furniture and Equipment	1,965,730	-	102,491	1,863,239
Total Administrative Fund	3,770,838	-	102,491	3,668,347
Mortgage Loan Program Fund				
Real Estate	40,821,023	298,547	-	41,119,570
Total Capital Assets Being Depreciated	44,591,861	298,547	102,491	44,787,917
Accumulated Depreciation				
Administrative Fund				
Leasehold Improvements	1,805,108	-	-	1,805,108
Furniture and Equipment	1,817,339	18,484	102,491	1,733,332
Total Administrative Fund	3,622,447	18,484	102,491	3,538,440
Mortgage Loan Program Fund				
Real Estate	11,811,000	800,000	-	12,611,000
Total Accumulated Depreciation	15,433,447	818,484	102,491	16,149,440
Capital Assets, Net of Depreciation	$ 29,158,414	$ (519,937)	$ -	$ 28,638,477

Note G—Bonds and Notes Payable

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

Bonds and notes outstanding at June 30, 2009 are as follows. The June 30, 2008 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 2009	Amount June 30 2008
Housing Bonds:					
1999 Series A	2008-2031	4.55-5.25 %	G.O.	$ 10,415,000	$ 24,405,000
2003 Series A	2008-2046	3.50-5.05	G.O.	19,155,000	19,575,000
2003 Series B	2010-2040	3.30-5.05	G.O.	44,415,000	46,540,000
2003 Series C	2008-2034	3.50-4.95	G.O.	5,055,000	5,325,000
2004 Series A	2013-2039	2.90-4.70	G.O.	20,555,000	21,545,000
2004 Series B(1)	2007-2034	Variable	G.O.	7,000,000	7,710,000
2004 Series C	2008-2045	3.90-5.45	G.O.	11,295,000	11,715,000
2005 Series A	2008-2035	3.05-4.60	G.O.	21,290,000	31,225,000
2005 Series B (Taxable)	2008-2012	4.64-5.02	G.O.	720,000	1,550,000
2005 Series C	2015-2042	4.38-5.00	G.O.	10,470,000	10,590,000
2005 Series D	2008-2047	4.88	G.O.	6,490,000	6,540,000
2005 Series E	2011-2036	3.65-4.80	G.O.	24,760,000	24,760,000
2005 Series F (Taxable)	2008-2029	4.80-5.84	G.O.	16,400,000	17,460,000
2006 Series A	2008-2038	4.00-5.05	G.O.	8,040,000	8,130,000
2006 Series B	2008-2046	4.75-5.00	G.O.	13,450,000	13,590,000
2006 Series D	2008-2042	4.85-5.00	G.O.	6,120,000	6,180,000
2006 Series E	2008-2042	3.90-4.95	G.O.	8,005,000	8,095,000
2006 Series F	2008-2047	3.90-5.00	G.O.	3,855,000	3,930,000
2006 Series G	2008-2037	3.85-4.85	G.O.	50,810,000	54,105,000
2006 Series H (Taxable)	2008-2028	5.12-6.06	G.O.	10,275,000	10,770,000
2006 Series I	2009-2048	4.70-4.85	G.O.	7,210,000	7,230,000
2006 Series J	2009-2048	4.50-5.00	G.O.	3,475,000	3,480,000
2006 Series K	2008-2023	3.88-4.60	G.O.	6,400,000	16,020,000
2006 Series M	2008-2047	3.65-4.50	G.O.	12,330,000	12,440,000
2007 Series A	2008-2048	3.70-5.55	G.O.	5,865,000	6,195,000
2007 Series C	2009-2044	3.60-5.38	G.O.	9,605,000	9,605,000
2007 Series D	2008-2043	3.60-5.05	G.O.	39,845,000	46,500,000
2007 Series E (Taxable)	2008-2033	5.66-6.54	G.O.	8,930,000	9,265,000
2007 Series F	2009-2044	4.70-5.35	G.O.	6,775,000	6,775,000
2007 Series G	2009-2044	4.70-5.35	G.O.	5,640,000	5,640,000
2008 Series A(1)	2027	Variable	G.O.	14,170,000	14,170,000
2008 Series B(1)	2008-2027	Variable	G.O.	36,885,000	37,885,000
2008 Series C(1)	2041	Variable	G.O.	5,500,000	5,570,000
				461,205,000	514,515,000
Less unamortized discount thereon				138,654	141,512
Less deferred loss on refunding				9,405,908	10,919,417
Plus deferred gain on refunding				1,080,931	1,258,207
Total Housing Bonds				$ 452,741,369	$ 504,712,278

(Continued)

	Maturity dates	Interest rate range %	Debt class	Amount June 30 2009	Amount June 30 2008
Multifamily Housing Revenue Bonds:					
Marywood Apartment					
Homes, Series 2003	2008-2045	4.50-5.20 %	S.L.O.	$ -	$ 15,500,000
HUD Riskshare Debenture	2013	5.00	G.O	14,884,996	-
Total Multifamily Housing Revenue Bonds				14,884,996	15,500,000
Multifamily Bonds:					
Turnberry Village II Apartments	2009-2045	4.50-4.75	S.L.O.	5,115,000	5,170,000
Affordable Housing Program					
Trust Fund Bonds:					
Series 2004	2009-2026	4.55-6.21	S.L.O.	39,375,000	40,725,000
Series 2005 A	2009-2027	5.60-6.35	S.L.O.	27,515,000	31,315,000
Total Affordable Housing Program Trust Fund Bonds				66,890,000	72,040,000
Total Mortgage Loan Program Fund				$ 539,631,365	$ 597,422,278

(1) In accordance to the indenture, interest rates on the bonds are determined weekly and are paid monthly at a rate established by the Remarketing Agents on each Rate Determination Date. The variable rates paid on the subject bonds ranged from 0.35% to 1.25% at June 30, 2009. Pursuant to the liquidity agreements, the bonds are subject for purchase by liquidity providers (Liquidity Providers) in the event of a tender by bondholders (Bank Bonds). Subject to other provisions within the liquidity agreements, the Bank Bonds will bear interest at a rate specified within the agreements and continue to be subject for remarketing by Remarketing Agents. In the event the Remarketing Agents are unable to remarket the Bank Bonds over a certain period of time, the Bank Bonds are subject to a put whereby the Authority is required to purchase and redeem the Bank Bonds over a period stated within the agreements. The Authority has a take-out agreement with the liquidity providers to convert the bonds to an installment loan payable over a three-to-five year period. The interest rate that is to be paid during the liquidity and the put periods is 1 Month LIBOR plus 50 basis points for the Housing Bonds 2004 Series B, and the higher of 7%, Prime Rate or Federal Funds Rate plus 50 basis points for the Housing Bonds 2008 A, B and C. The liquidity agreements for Housing Bonds 2004 Series B and Housing Bonds 2008 A, B and C will expire on March 31, 2014 and April 30, 2011, respectively.

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

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 2009	Amount June 30 2008
Residental Mortgage Revenue Bonds:					
1983 Series A	2015	10.872 %	G.O.	$ 2,768	$ 2,491
1983 Series B	2015	10.746	G.O.	2,787	2,510
1984 Series B	2016	11.257	G.O.	2,431	2,179
1985 Series A	2017	10.75	G.O.	2,260	2,035
1987 Series B	2014	8.13	G.O.	100,000	100,000
1987 Series C	2014	7.50	G.O.	100,000	100,000
1987 Series D	2017	8.65	G.O.	100,000	100,000
Total Residental Mortgage Revenue Bonds				$ 310,246	$ 309,215

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 2009	Accreted value June 30 2008	Aggregate value to be redeemed
1983 Series A	Maturity 2/1/15	$ 180	$ 2,768	$ 2,491	$ 5,000
1983 Series B	Maturity 2/1/15	193	2,787	2,510	5,000
1984 Series B	Maturity 2/1/16	166	2,431	2,179	5,000
1985 Series A	Maturity 2/1/17	190	2,260	2,035	5,000

(1) Amounts reflect original issue amounts of capital appreciation bonds outstanding as of June 30, 2009.

	Maturity dates	Interest rate range %	Debt class	Amount June 30 2009	Amount June 30 2008
Homeowner Mortgage					
Revenue Bonds:					
1996 Series E	2008-2010	5.55-5.65 %	S.L.O.	$ 395,000	$ 955,000
1996 Series F	2008-2010	5.05	S.L.O.	145,000	630,000
1997 Series A	2008-2009	5.30-5.50	S.L.O.	—	875,000
1997 Series B (remarketed 4/30/98)	2008-2028	4.90-5.50	S.L.O.	2,500,000	3,295,000
1997 Series B (remarketed 6/29/98)	2008-2028	5.20-5.40	S.L.O.	8,970,000	9,545,000
1997 Series C	2008-2010	4.85-5.10	S.L.O.	—	540,000
1997 Series D	2008-2009	5.05	S.L.O.	35,000	505,000
1997 Series D-3 (Taxable)	2022-2028	6.60	S.L.O.	795,000	830,000
1998 Series A (Taxable)	2008-2028	6.45-6.52	S.L.O.	2,555,000	2,900,000
1998 Series D (remarketed 10/7/98)	2008-2029	4.55-5.20	S.L.O.	11,650,000	12,600,000
1998 Series D (remarketed 12/17/98)	2008-2029	4.55-5.25	S.L.O.	6,565,000	7,100,000
1998 Series D (remarketed 4/29/99)	2008-2017	4.70-5.10	S.L.O.	11,360,000	12,680,000
1998 Series E (Taxable)	2008-2029	5.66-5.91	S.L.O.	4,360,000	5,015,000
1998 Series G	2008-2029	5.00-5.25	S.L.O.	11,950,000	12,250,000
1999 Series D	2008-2016	5.20-5.45	S.L.O.	4,570,000	5,225,000
1999 Series G	2008-2031	5.30-5.65	S.L.O.	775,000	1,230,000
2000 Series B	2008-2031	5.15	S.L.O.	40,000	310,000
2000 Series C-4 (Taxable)	2008-2031	8.19	S.L.O.	1,070,000	1,285,000
2000 Series D	2008-2012	5.05-5.45	S.L.O.	1,250,000	2,115,000
2000 Series E	2008-2013	4.95-5.50	S.L.O.	2,115,000	2,630,000
2001 Series A	2008-2032	4.50-5.50	S.L.O.	25,740,000	26,845,000
2001 Series C	2008-2032	4.35-5.55	S.L.O.	26,350,000	27,700,000
2001 Series D (Taxable) (1)	2008-2032	Variable	S.L.O.	755,000	1,790,000
2001 Series E	2008-2033	4.55-5.60	S.L.O.	26,375,000	28,095,000
2001 Series F (Taxable) (1)	2016-2020	Variable	S.L.O.	10,000,000	10,000,000

(Continued)

	Maturity dates	Interest rate range %	Debt class	Amount June 30 2009	Amount June 30 2008
Homeowner Mortgage					
Revenue Bonds (continued):					
2002 Series A	2008-2033	4.60-5.63 %	S.L.O.	$ 23,025,000	$ 23,705,000
2002 Series B (Taxable) (2)	2008-2023	Variable	S.L.O.	6,395,000	7,055,000
2002 Series C	2008-2033	3.70-5.40	S.L.O.	36,835,000	38,300,000
2003 Series B	2008-2034	3.00-5.15	S.L.O.	38,195,000	40,350,000
2004 Series A	2008-2034	2.40-4.75	S.L.O.	29,945,000	31,725,000
2004 Series A-3 (3)	2026-2034	Variable	S.L.O.	10,675,000	10,675,000
2004 Series C	2008-2034	4.00-5.35	S.L.O.	59,015,000	60,170,000
2004 Series C-3 (3)	2025-2034	Variable	S.L.O.	16,000,000	16,000,000
2005 Series A	2008-2035	3.00-5.00	S.L.O.	45,630,000	48,845,000
2005 Series A-3 (3)	2025-2035	Variable	S.L.O.	20,000,000	20,000,000
2005 Series C	2008-2035	3.25-5.25	S.L.O.	90,075,000	92,895,000
2006 Series A	2008-2036	3.55-5.00	S.L.O.	79,100,000	82,385,000
2006 Series B (Taxabl)	2008-2036	5.01-5.31	S.L.O.	6,705,000	11,360,000
2006 Series C	2008-2037	3.88-5.15	S.L.O.	121,670,000	123,295,000
2007 Series A	2008-2037	3.85-4.90	S.L.O.	63,810,000	64,625,000
2007 Series D	2008-2038	4.00-5.35	S.L.O.	64,215,000	64,875,000
2007 Series H	2017-2039	1.85-1.98	S.L.O.	61,010,000	61,010,000
2007 Series H (remarketed 1/30/08)	2009-2039	3.05-5.20	S.L.O.	55,930,000	56,000,000
2008 Series A	2009-2038	2.95-5.20	S.L.O.	10,285,000	10,725,000
				998,835,000	1,040,940,000
Plus unamortized premium thereon				1,581,680	1,735,519
Total Homeowner Mortgage Revenue Bonds				1,000,416,680	1,042,675,519
Total Single Family Program Fund				$1,000,726,926	$1,042,984,734

(1) In accordance to the indenture, interest rates on the bonds are determined and paid monthly based upon an index of one month LIBOR rate plus 0.30% for 2001 Series D and an index of one month LIBOR rate plus 0.40% for 2001 Series F. The variable rates paid on the subject bonds ranged from 0.62% to 0.72% at June 30, 2009. The Authority has entered into pay-fixed, receive variable, interest rate swap agreements in connection with these bonds, the objective of which is to establish a maximum debt service which may be paid over the life of the underlying bonds.

(2) In accordance to the indenture, interest rates on the bonds are determined and paid monthly based upon an index of one month LIBOR rate plus 0.415%. The variable rates paid on the subject bonds was 0.735% at June 30, 2009.

(3) In accordance to the indenture, interest rates on the bonds are determined weekly and are paid monthly at a rate established by the Remarketing Agents on each Rate Determination Date. The variable rates paid on the subject bonds ranged from 0.36% to 0.50% at June 30, 2009. 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, 3 Month LIBOR plus 150 basis points for the HMRB 2004 Subseries C-3 and the higher of Prime Rate or Federal Funds Rate plus 50 basis points (or “Base Rate”) plus 100 basis points for the first 60 days and Base Rate plus 200 points thereafter for the HMRB 2005 Subseries A-3.The liquidity agreements for HMRB 2004 Subseries A-3, HMRB Subseries C-3 and HMRB 2005 Subseries A-3 will expire on March 16, 2014, July 13, 2012 and March 1, 2010 respectively.

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

Administrative Fund

Outstanding debt of the Administrative Fund is as follows:

				Amount June 30	
	Maturity date	Interest rate	Debt class	2009	2008
Term loans	2012	4.18-5.45%	Loan	$ 6,233,333	$ 4,566,667

The Authority has entered into an agreement with a bank to obtain one or more term loans up to a total of $10,000,000, of which $5,000,000 is collateralized by a lien and security interest in the Lakeshore Plaza Development. As of June 30, 2009, the Authority had loans totaling $6,233,333 against this agreement, at an interest rate of 5.45% for a borrowing of $1,666,667, 5.03% for a borrowing of $2,900,000 and 4.18% for a borrowing of $1,666,666.

The following summarizes the debt activity for the Authority's proprietary funds for the year ended June 30, 2009:

	June 30, 2008	Additions	Deductions	June 30, 2009	Amount due within one year
Administrative Fund	$ 4,566,667	$ 1,666,666	$ -	$ 6,233,333	$ -
Mortgage Loan Program Fund:					
Housing Bonds	514,515,000	-	(53,310,000)	461,205,000	17,350,000
Discount on Housing Bonds	(141,512)	-	2,858	(138,654)	-
Deferred loss on refunding Housing Bonds	(10,919,417)	-	1,513,509	(9,405,908)	-
Deferred gain on refunding Housing Bonds	1,258,207	-	(177,276)	1,080,931	-
Multifamily Housing Revenue Bonds (Marywood)	15,500,000	14,884,996	(15,500,000)	14,884,996	-
Multifamily Bonds (Turnberry II)	5,170,000	-	(55,000)	5,115,000	60,000
Affordable Housing Program Trust Fund Bonds	72,040,000	-	(5,150,000)	66,890,000	2,575,000
Total Mortgage Loan Program Fund	597,422,278	14,884,996	(72,675,909)	539,631,365	19,985,000
Single Family Program Fund:					
Residential Mortgage Revenue Bonds	309,215	1,031	-	310,246	-
Homeowner Mortgage Revenue Bonds	1,040,940,000	-	(42,105,000)	998,835,000	85,060,000
Premium on Homeowner Mortgage Revenue Bonds	1,735,519	-	(153,839)	1,581,680	-
Total Single Family Program Fund	1,042,984,734	1,031	(42,258,839)	1,000,726,926	85,060,000
Total Proprietary Funds	$ 1,644,973,679	$ 16,552,693	$ (114,934,748)	$ 1,546,591,624	$ 105,045,000

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, 2009, the following outstanding bonds are considered defeased.

Issue	Amount
Insured Mortgage Housing Development Bonds, 1976 Series A	$ 3,345,000
Multi-Family Housing Bonds, 1981 Series A	22,040,000
Housing Finance Bonds, 1999 Series B	4,925,000
Housing Finance Bonds, 2000 Series A	8,460,000
	$ 38,770,000

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, 2009, there were thirty-eight series of such bonds or notes outstanding, with an aggregate principal amount payable of $370,020,232.

Assets Restricted for Capital and Debt Service Reserves

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

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

The amounts of such reserves, for measurement purposes against the various bond resolution reserve requirements, are valued at book value or par, or, if purchased at less than par, at their cost to the Authority. At June 30, 2009, these amounts, which were not less than the amounts required, are as follows:

Housing Bonds	$ 20,802,355
Homeowner Mortgage Revenue Bonds	29,704,666
	$ 50,507,021

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

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

Other Maturity Information

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

Issue	Maturity on or after	Redemption price		
Housing Bonds, 1999 A	July 1, 2009	101	to	100
Homeowner Mortgage Revenue Bonds:				
1997 Series B remarketed April 30, 1998	July 1, 2009	101	to	100
1997 Series B remarketed June 29, 1998	July 1, 2009	101	to	100
1997 Series C	July 1, 2009	101	to	100
1997 Series D	July 1, 2009	101	to	100
1998 Series A	July 1, 2009	100.5	to	100
1998 Series C	July 1, 2009	100.5	to	100
1998 Series D remarketed October 7, 1998	July 1, 2009	101.5	to	100
1998 Series E	July 1, 2009	101.5	to	100
1998 Series D remarketed December 17, 1998	July 1, 2009	101.5	to	100
1998 Series D remarketed April 29, 1999	July 1, 2009	101.5	to	100
1998 Series G	July 1, 2009	101	to	100

Debt service requirements (dollars in millions) through 2014 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:								
2010	$ -	$ 0.3	$ 20.0	$ 23.8	$ 85.1	$ 44.1	$ 105.1	$ 68.2
2011	-	0.3	22.8	23.0	22.9	42.5	45.7	65.8
2012	6.2	0.3	24.0	22.2	24.5	41.6	54.7	64.1
2013	-	-	23.2	21.2	26.4	40.6	49.6	61.8
2014	-	-	38.4	20.3	27.2	39.4	65.6	59.7
Five years ending June 30:								
2015-2019	-	-	108.1	83.0	142.3	177.9	250.4	260.9
2020-2024	-	-	80.3	61.9	147.6	144.5	227.9	206.4
2025-2029	-	-	77.6	44.4	201.6	102.0	279.2	146.4
2030-2034	-	-	55.4	31.4	210.7	52.8	266.1	84.2
2035-2039	-	-	54.4	17.5	110.9	11.6	165.3	29.1
2040-2044	-	-	32.1	7.0	-	-	32.1	7.0
2045-2049	-	-	11.8	1.1	-	-	11.8	1.1
	$ 6.2	$ 0.9	$ 548.1	$ 356.8	$ 999.2	$ 697.0	$ 1,553.5	$ 1,054.7

*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, 2009 has two active swap contracts and four interest rate caps. Details are shown in the following table.

Associated bond issue	Notional amounts	Effective date	Fixed rate paid		Variable rate received	Fair values(1)	Termi-nation date	Counter-party credit rating(2)
Swap contracts:								
HMRB*:								
Series 2001 D	$ 755,000	07/01	6.13	%	1 mo LIBOR +30bp	$ (10,922)	02/2010	AA-/Aa1
Series 2001 F	10,000,000	01/02	6.615		1 mo LIBOR +40bp	(2,281,455)	08/2020	A/A2
Interest Rate Caps:								
HB**:								
Series 2004 B	7,000,000	03/04	5.00		N/A	10,364	04/2012	AA-/Aa1
Series 2008 A	14,170,000	01/08	5.75		N/A	39,927	12/2012	AA-/Aa1
Series 2008 B	36,885,000	07/06	5.50		N/A	21,180	06/2011	AA-/Aa1
Series 2008 C	5,500,000	06/06	4.75		N/A	41,805	06/2021	A+/Aa3

*Homeowner Mortgage Revenue Bonds
**Housing Bonds
(1) includes accrued interest.
(2) Standard & Poors/Moody's

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

The terms, fair values, and credit ratings of the outstanding agreements as of June 30, 2009 are shown in the above table. The notional amounts of the swaps match the principal amounts of the associated debt. The Authority's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated bonds payable category.

Because interest rates have declined since the implementation of the swap agreements, both had negative fair value as of June 30, 2009. The negative fair values may be countered by reductions in total interest payments required under the variable-rate bonds, creating lower synthetic interest rates. Because the coupons on the Authority's variable rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value changes.

As of June 30, 2009, the Authority was not exposed to credit risk for the swaps that had negative fair values. As interest rates change and the fair values become positive, the Authority is exposed to credit risk in the amount of the swaps' fair value. Fair value is a factor only upon termination.

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

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

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

On October 5, 2008 the counterparty to a swap agreement entered into on April 10, 2002 in connection with the Authority's Homeowner Mortgage Revenue Bonds 2002 Series B filed bankruptcy, which constituted a default under the swap agreement and triggered a termination of the agreement. On November 24, 2008, as required under the swap agreement, the Authority issued a Notice of an Event of Default to the counterparty setting an early termination date of November 24, 2008. The Authority is obligated to pay a settlement amount under the agreement and as of June 30, 2009 has recorded a liability of $428,967 for such settlement.

As of June 30, 2009, debt service requirements of the Authority's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows:

Illinois Housing Development Authority
Swap Payments and Associated Debt

	Variable-rate bonds		Interest rate	
	Principal	Interest	swaps, net	Total
Year ending June 30:				
2010	$ 2,305,000	$ 387,257	$ 618,152	$ 3,310,409
2011	2,450,000	371,417	589,500	3,410,917
2012	2,605,000	354,606	589,500	3,549,106
2013	1,860,000	339,450	589,500	2,788,950
2014	1,970,000	331,145	589,500	2,890,645
Five years ending June 30:				
2019	18,335,000	1,441,541	2,328,525	22,105,066
2024	17,360,000	903,283	176,850	18,440,133
2029	22,350,000	460,169	-	22,810,169
2034	2,785,000	137,810	-	2,922,810
2039	1,485,000	39,756	-	1,524,756
Greater than 2039	805,000	6,263	-	811,263
Total	$ 74,310,000	$ 4,772,697	$ 5,481,527	$ 84,564,224

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

Note H—Deposits Held in Escrow

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

Note I—Leases

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

The office lease provides for annual base rent of approximately $816,000 for the fiscal year 2009, plus approximately $889,000 in fiscal year 2009 for the Authority's 7.16% share of ownership taxes and operating expenses, which also are subject to adjustment, based on the actual costs incurred by the lessor.

For fiscal year 2009, total rent expense of the Authority was $1,619,682.

The future minimum lease commitments in the five years subsequent to June 30, 2009 and thereafter are as follows:

2010	$ 842,632
2011	869,033
2012	895,434
2013	921,835
2014	948,236
2015-2016	1,975,675
	$ 6,452,845

Note J—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, 2009, is an estimated rebate liability of $3,425,694.

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

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

Note K—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 2009 was $12,999,761. The Authority's contributions were calculated using the base salary amount of $12,839,967. The Authority contributed $770,398 or 6% of the base salary amount, in fiscal year 2009. Employee contributions amounted to $872,993 in fiscal year 2009, or 6.8% of the base salary amount.

Note L—Commitments

At June 30, 2009, unexpended funds held by the Authority in the form of cash and investments amounting to $35,001,488 in the Homeowner Mortgage Revenue Bond accounts were identified for the purpose of purchasing various mortgage loans. At June 30, 2009, unexpended bond proceeds held by the Authority in the form of cash and investments amounting to $1,467,500 in the Housing Bond accounts were identified for the purpose of making various mortgage loans.

At June 30, 2009, the Authority had authorized commitments for loans and grants totaling $31,441,597 for the Illinois Affordable Housing Trust Fund.

Under the HOME Program, $376.9 million and $24.2 million for federal fiscal years 1992 through 2008 and 2009, 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, 2009, the Authority had authorized commitments for loans and grants totaling $17,399,125 for the HOME Program.

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

These redemptions were accomplished through the issuance of the Authority's Multi-Family Housing Bonds, 1991 Series A and B, 1992 Series A and B, and 1993 Series A and B. In November of 2006, the Authority entered into a new agreement (the "FAF Refunding Agreement") with HUD at the time of delivery of the Authority's Housing Bonds, 2007 Series G to refund the Multi-Family Housing Bonds, 1991 Series A, 1992 Series A, and 1993 Series A. Pursuant to federal legislation and a written agreement with the Authority, HUD has agreed to share a portion of such savings (the FAF Savings Program) with the Authority in order to create and maintain affordable housing opportunities for individuals of “very low income” (as such term is defined in the 1937 Housing Act) in the State. These savings, which are to be used solely for the purpose stated above, became available beginning in fiscal year 1992 for the 1991 Series A and B Bonds and in fiscal year 1994 for the 1993 Series A and B Bonds, and are recorded as other income of the Administrative Fund. At June 30, 2009, loans receivable under this program were approximately $20.1 million.

Note M—Subsequent Events

Section 1602 of the American Recovery and Reinvestment Act of 2009 (Public Law 111-5) (“ARRA”) authorizes the Authority to exchange 2007, 2008 and 2009 Federal Tax Credits for grant funds from the United States Department of Treasury (“Treasury”) and to make sub-grants to affordable housing developments that have received or will receive awards of Federal Tax Credits between October 1, 2006 and September 30, 2009. In addition, Title XII of ARRA authorizes the HUD to make grants to state housing credit agencies to make loans or grants to affordable housing developments that have received or will receive awards of Federal Tax Credits between October 1, 2006 and September 30, 2009. The funding program under Section 1602 of ARRA is known as “Section 1602”: the funding program under Title XII of ARRA is known as the Tax Credit Assistance Program or “TCAP”. The Authority has designated the funds received under Section 1602 and TCAP as the “Equity Replacement Program”.

Pursuant to Section 1602, the Authority has applied to Treasury to exchange a portion of its 2009 Federal Tax Credits and has received a grant allocation in the amount of $55,395,657. In addition, HUD has awarded a TCAP allocation to the Authority in the amount of $94,676,979 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.

On August 21, 2009, the Authority authorized the allocation of TCAP funds totaling amounts not to exceed $46,944,456 and Section 1602 funds totaling amounts not to exceed $24,010,195 to various projects.

On September 18, 2009, the Authority authorized additional allocations of TCAP funds totaling amounts not to exceed $34,241,005 and Section 1602 funds totaling amounts not to exceed $14,297,469 to various projects.

On October 16, 2009, the Authority authorized additional allocations of TCAP funds totaling amounts not to exceed $14,974,974 and Section 1602 funds totaling amounts not to exceed $10,316,329 to various projects.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)
Mortgage Loan Program Fund
Combining Schedule of Net Assets
June 30, 2009

	Housing Bonds	Multifamily Housing Revenue Bonds (Marywood)	Multifamily Bonds (Turnberry)	Affordable Housing Program Trust Fund Bonds	Total
Assets:					
Current assets:					
Cash and cash equivalents	$ 151,958	$ -	$ 234	$ 68,073	$ 220,265
Investment income receivable – restricted	180,891	-	-	56,376	237,267
Program loans receivable	19,955,000	-	52,000	5,134,000	25,141,000
Interest receivable on program loans	1,057,910	-	22,801	75,101	1,155,812
Due from other funds	14,310,612	-	21,940	-	14,332,552
Total current assets	35,656,371	-	96,975	5,333,550	41,086,896
Noncurrent assets:					
Investments – restricted	92,135,202	-	227,939	18,471,921	110,835,062
Program loans receivable, net of current portion	485,872,288	15,039,073	5,062,343	51,609,198	557,582,902
Less allowance for estimated losses	(6,930,000)	(3,785,000)	-	(4,620,000)	(15,335,000)
Net program loans receivable	478,942,288	11,254,073	5,062,343	46,989,198	542,247,902
Unamortized bond issuance costs	2,920,801	-	-	3,337,115	6,257,916
Real estate held for sale, net	17,550	-	-	-	17,550
Capital assets, net	28,508,570	-	-	-	28,508,570
Other	-	-	-	28,529	28,529
Total noncurrent assets	602,524,411	11,254,073	5,290,282	68,826,763	687,895,529
Total assets	638,180,782	11,254,073	5,387,257	74,160,313	728,982,425
Liabilities:					
Current liabilities:					
Bonds and notes payable	17,350,000	-	60,000	2,575,000	19,985,000
Accrued interest payable	9,365,351	469,291	79,338	337,039	10,251,019
Deferred revenue	307,104	-	-	-	307,104
Amounts held on behalf of others	599,363	-	-	-	599,363
Accrued liabilities and other	3,012,375	-	-	203,060	3,215,435
Due to other funds	3,038,938	5,600	3,943	27,800	3,076,281
Total current liabilities	33,673,131	474,891	143,281	3,142,899	37,434,202
Noncurrent liabilities:					
Bonds and notes payable, net of current portion	435,391,369	14,884,996	5,055,000	64,315,000	519,646,365
Total liabilities	469,064,500	15,359,887	5,198,281	67,457,899	557,080,567
Net assets:					
Invested in capital assets, net of related debt	(8,376,430)	-	-	-	(8,376,430)
Restricted for bond resolution purposes	177,492,712	-	188,976	6,702,414	184,384,102
Unrestricted	-	(4,105,814)	-	-	(4,105,814)
Total net assets	$ 169,116,282	$ (4,105,814)	$ 188,976	$ 6,702,414	$ 171,901,858

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)
Mortgage Loan Program Fund
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets
Year ended June 30, 2009

	Housing Bonds	Multifamily Housing Revenue Bonds (Marywood)	Multifamily Bonds (Turnberry)	Affordable Housing Program Trust Fund Bonds	Total
Operating revenues:					
Interest and other investment income	$ 1,684,198	$ 8,235	$ 2,485	$ 801,779	$ 2,496,697
Net increase in fair value of investments	185,154	-	109	181,182	366,445
Total investment income	1,869,352	8,235	2,594	982,961	2,863,142
Interest earned on program loans	26,057,916	-	262,064	1,655,850	27,975,830
Federal assistance programs	4,463,030	-	-	-	4,463,030
Other	4,870,152	-	-	-	4,870,152
Total operating revenues	37,260,450	8,235	264,658	2,638,811	40,172,154
Operating expenses:					
Interest expense	22,193,223	784,266	213,094	4,646,767	27,837,350
Federal assistance programs	4,463,030	-	-	-	4,463,030
Financing costs	637,043	3,406	3,787	79,445	723,681
Provision for estimated losses on program loans receivable	1,590,000	-	-	235,000	1,825,000
Total operating expenses	28,883,296	787,672	216,881	4,961,212	34,849,061
Operating income (loss)	8,377,154	(779,437)	47,777	(2,322,401)	5,323,093
Transfers in	238	469,704	-	5,200,000	5,669,942
Transfers out	(10,000,000)	-	-	(25,000,000)	(35,000,000)
Total transfers	(9,999,762)	469,704	-	(19,800,000)	(29,330,058)
Change in net assets	(1,622,608)	(309,733)	47,777	(22,122,401)	(24,006,965)
Net assets at beginning of year	170,738,890	(3,796,081)	141,199	28,824,815	195,908,823
Net assets at end of year	$ 169,116,282	$ (4,105,814)	$ 188,976	$ 6,702,414	$ 171,901,858

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, 2009

	Housing 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	$ 90,024,623	$ -	$ 314,294	$ 6,026,946	$ 96,365,863
Payments for program loans	(78,302,342)	-	-	-	(78,302,342)
Receipts for federal assistance programs	4,463,030	-	-	-	4,463,030
Payments for federal assistance programs	(4,463,030)	-	-	-	(4,463,030)
Payments to suppliers	(734,774)	(3,406)	(29,793)	(79,445)	(847,418)
Other receipts	4,870,152	-	-	-	4,870,152
Net cash provided by (used in) operating activities	15,857,659	(3,406)	284,501	5,947,501	22,086,255
Cash flows from noncapital financing activities:					
Proceeds from sale of revenue bonds and notes	-	14,884,996	-	-	14,884,996
Principal paid on revenue bonds and notes	(51,970,909)	(15,500,000)	(55,000)	(5,150,000)	(72,675,909)
Interest paid on revenue bonds and notes	(22,569,562)	(578,113)	(213,919)	(4,299,176)	(27,660,770)
Due to other funds	1,350,636	3,406	(4,308)	(18,815)	1,330,919
Due from other funds	149,275	-	-	-	149,275
Transfers in	238	469,704	-	5,200,000	5,669,942
Transfers out	(10,000,000)	-	-	(25,000,000)	(35,000,000)
Net cash used in noncapital financing activities	(83,040,322)	(720,007)	(273,227)	(29,267,991)	(113,301,547)
Cash flows from investing activities:					
Purchase of investment securities	(856,838,136)	(17,274,254)	(828,241)	(135,515,025)	(1,010,455,656)
Proceeds from sales and maturities of investment securities	921,824,763	17,985,775	813,712	157,884,970	1,098,509,220
Interest received on investments	1,981,941	8,235	2,594	984,083	2,976,853
Net cash provided by (used in) investing activities	66,968,568	719,756	(11,935)	23,354,028	91,030,417
Net decrease in cash and cash equivalents	(214,095)	(3,657)	(661)	33,538	(184,875)
Cash and cash equivalents at beginning of year	366,053	3,657	895	34,535	405,140
Cash and cash equivalents at end of year	$ 151,958	$ -	$ 234	$ 68,073	$ 220,265
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ 8,377,154	$ (779,437)	$ 47,777	$ (2,322,401)	$ 5,323,093
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Investment income	(1,869,352)	(8,235)	(2,594)	(982,961)	(2,863,142)
Interest expense	22,193,223	784,266	213,094	4,646,767	27,837,350
Depreciation and amortization	800,000	-	-	-	800,000
Provision for estimated losses on program loans receivable	1,590,000	-	-	235,000	1,825,000
Changes in assets and liabilities:					
Program loans receivable	(15,594,572)	-	49,855	4,360,681	(11,184,036)
Interest receivable on program loans	458,937	-	2,375	32,640	493,952
Other liabilities	(97,731)	-	(26,006)	-	(123,737)
Other assets	-	-	-	(22,225)	(22,225)
Total adjustments	7,480,505	776,031	236,724	8,269,902	16,763,162
Net cash provided by (used in) operating activities	$ 15,857,659	$ (3,406)	$ 284,501	$ 5,947,501	$ 22,086,255
The fair value of investments increased (decreased)	$ (698,997)	$ (2,312)	$ 242	$ 187,664	$ (513,403)

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)
Single Family Program Fund
Combining Schedule of Net Assets
June 30, 2009

	Homeowner Mortgage Revenue Bonds	Residential Mortgage Revenue Bonds	Total
Assets:			
Current assets:			
Cash and cash equivalents	$ 6,351,943	$ 967	$ 6,352,910
Investment income receivable – restricted	927,679	8,389	936,068
Program loans receivable	19,315,000	-	19,315,000
Interest receivable on program loans	3,832,673	-	3,832,673
Total current assets	30,427,295	9,356	30,436,651
Noncurrent assets:			
Investments – restricted	309,273,013	461,978	309,734,991
Program loans receivable, net of current portion	763,705,493	-	763,705,493
Unamortized bond issuance costs	8,878,350	-	8,878,350
Real estate held for sale, net	5,560,212	-	5,560,212
Total noncurrent assets	1,087,417,068	461,978	1,087,879,046
Total assets	1,117,844,363	471,334	1,118,315,697
Liabilities:			
Current liabilities:			
Bonds and notes payable	85,060,000	-	85,060,000
Accrued interest payable	18,711,940	10,115	18,722,055
Accrued liabilities and other	1,210,937	-	1,210,937
Due to other funds	1,118,745	-	1,118,745
Total current liabilities	106,101,622	10,115	106,111,737
Noncurrent liabilities:			
Bonds and notes payable, net of current portion	915,356,680	310,246	915,666,926
Total liabilities	1,021,458,302	320,361	1,021,778,663
Net assets:			
Restricted for bond resolution purposes	96,386,061	150,973	96,537,034
Total net assets	$ 96,386,061	$ 150,973	$ 96,537,034

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)
Single Family Program Fund
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets
Year ended June 30, 2009

	Homeowner Mortgage Revenue Bonds	Residential Mortgage Revenue Bonds	Total
Operating revenues:			
Interest and other investment income	$ 5,527,609	$ 23,124	$ 5,550,733
Net increase in fair value of investments	334,328	71	334,399
Total investment income	5,861,937	23,195	5,885,132
Interest earned on program loans	42,484,777	-	42,484,777
Total operating revenues	48,346,714	23,195	48,369,909
Operating expenses:			
Interest expense	47,437,179	25,306	47,462,485
Professional fees	564,532	-	564,532
Other general and administrative	111,646	-	111,646
Financing costs	741,456	-	741,456
Total operating expenses	48,854,813	25,306	48,880,119
Operating loss	(508,099)	(2,111)	(510,210)
Transfers in	35,000,000	-	35,000,000
Transfers out	(702)	-	(702)
Total transfers	34,999,298	-	34,999,298
Change in net assets	34,491,199	(2,111)	34,489,088
Net assets at beginning of year	61,894,862	153,084	62,047,946
Net assets at end of year	$ 96,386,061	$ 150,973	$ 96,537,034

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, 2009

	Homeowner Mortgage Revenue Bonds	Residential Mortgage Revenue Bonds	Total
Cash flows from operating activities:			
Receipts for program loans, interest and service fees	$ 148,113,671	$ -	$ 148,113,671
Payments for program loans	(26,593,562)	-	(26,593,562)
Payments to suppliers	(1,308,545)	-	(1,308,545)
Net cash provided by operating activities	120,211,564	-	120,211,564
Cash flows from noncapital financing activities:			
Proceeds from sale of revenue bonds and notes	-	1,031	1,031
Principal paid on revenue bonds and notes	(42,258,839)	-	(42,258,839)
Interest paid on revenue bonds and notes	(48,150,324)	(25,306)	(48,175,630)
Due to other funds	613,497	-	613,497
Due from other funds	533	-	533
Transfers in	35,000,000	-	35,000,000
Transfers out	(702)	-	(702)
Net cash used in noncapital financing activities	(54,795,835)	(24,275)	(54,820,110)
Cash flows from investing activities:			
Purchase of investment securities	(1,080,016,343)	(324,790)	(1,080,341,133)
Proceeds from sales and maturities of investment securities	1,008,074,726	326,531	1,008,401,257
Interest received on investments	6,122,791	23,251	6,146,042
Net cash provided by (used in) investing activities	(65,818,826)	24,992	(65,793,834)
Net increase (decrease) in cash and cash equivalents	(403,097)	717	(402,380)
Cash and cash equivalents at beginning of year	6,755,040	250	6,755,290
Cash and cash equivalents at end of year	$ 6,351,943	$ 967	$ 6,352,910
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	$ (508,099)	$ (2,111)	$ (510,210)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Investment income	(5,861,937)	(23,195)	(5,885,132)
Interest expense	47,437,179	25,306	47,462,485
Changes in assets and liabilities:			
Program loans receivable	78,461,742	-	78,461,742
Interest receivable on program loans	573,590	-	573,590
Other liabilities	109,089	-	109,089
Total adjustments	120,719,663	2,111	120,721,774
Net cash provided by operating activities	$ 120,211,564	$ -	$ 120,211,564
The fair value of investments increased (decreased)	$ (200,903)	$ (33)	$ (200,936)

McGladrey & Pullen
Certified Public Accountants

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

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

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Illinois Housing Development Authority (the Authority), a component unit of the State of Illinois, as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in findings 09-01 and 09-02 in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

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

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

McGladrey & Pullen, LLP

Schaumburg, Illinois
October 23, 2009

Finding 09-01 Inconsistencies in the Loan Monitoring and Loan Rating System

The Illinois Housing Development Authority (Authority) has inconsistencies in the process for monitoring problem loans and inconsistencies in the evaluation of factors used to rate loans for the allowance for loan loss estimate.

The Authority's Assets Management Services Department performs an annual property inspection and loan review in order to rate loans for the calculation of the allowance for loan loss estimate. We tested over 250 loans for various aspects of compliance with established procedures to rate loans. During one of our tests we noted that two loan ratings were not updated in the system, resulting in an under reserve of $239,442. In addition, 3 loans did not contain the proper support for the change in loan rating during the year.

During our audit of the Authority's loan receivable balances, we noted the "watch list"; a tool to monitor problem loans, was incomplete according to the Authority's rating policies of a "watch list" loan. The Authority's policy states any loan rated a 5, 6, 7 or 8 should be listed on the "watch list". The Authority had 252 loans rated a 5, 6, 7 or 8. Of the 252 loans, 82 loans were listed on the "watch list".

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

Authority management stated that the loan monitoring and rating system, which was implemented in stages beginning in May 2007, with the adoption of a comprehensive Loan Loss Rating Policy, includes risk analysis of the entire multi-family portfolio. The Authority recognizes that inconsistencies have occurred as its staff continues to adjust to new procedures to implement the policy. The Authority stated that it is continuing its efforts to reduce any inconsistencies or weaknesses detected.

The allowance for loan loss estimate as of June 30, 2009 was $43,630,000. Without consistent tools to monitor and rate the collectability of the loans, the estimate could be over or under stated. (Finding Code No. 09-01, 08-02).

Recommendation

We recommend that the Authority develop policies and procedures to ensure the "watch list" reports are complete and accurate. In addition, we recommend the Authority implement procedures to ensure that the Asset Management Services department receives the necessary documents to accurately perform their annual loan review, and update the loan ratings in the Asset Management System.

Authority Response

The Authority concurs with the recommendations and is continuing its efforts to correct inconsistencies as it continues to implement its comprehensive Loan Loss Rating Policy. The Authority is in the process of rewriting its watch list criteria, policy and procedures to more precisely define criteria for inclusion in the watch list, as the current criteria appear to be overly inclusive. The revised procedures will also address the requirements to receive documentation necessary to accurately perform annual loan reviews and to update the loan ratings in the Asset Management System.

Finding # 09-02 Loan Receivable Balance and Allowance for Loan Loss Balance Overstated

The Illinois Housing Development Authority (Authority) has loan balances 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 loans totaling approximately $17.2 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 be written off.

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

Authority management stated that eight additional loans were certified by the Authority during fiscal year 2009 as uncollectible, but the Authority has not yet received the approval from the Attorney General's Office to write off any of these loans. The Authority is continuing to submit additional requests. Approximately one-half of the loan amounts for which a 100% allowance is recorded are still in the foreclosure, settlement or workout process and are not yet at a point in which they can be certified as being uncollectible.

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. 09-02, 08-03).

Recommendation

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

Authority Response

The Authority concurs with the recommendation and will continue to work with the Attorney General's Office to obtain approvals to write-off the uncollectible loan balances.

Prior Year Findings Not Repeated

Year ended June 30, 2009

A. Inadequate Reconciliation Procedures for Deposits Held in Escrow

In the prior fiscal year, the Authority did not have an adequate process for reconciling the general ledger with the subsidiary ledger used to account for deposits held in escrow. (Finding Code No. 08-01, 07-03)

During the current fiscal year, the Authority implemented procedures to reconcile the deposits held in escrow balances