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

Compliance Examination

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

Year Ended June 30, 2017

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

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Year ended June 30, 2017

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ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Agency Officials

Executive Director	Audra A. Hamernik
Assistant Executive Director / Chief of Staff	Debra Olson
General Counsel	Maureen G. Ohle
Chief Financial Officer	Nandini Natarajan
Controller	Vanessa Boykin

Agency Officials are located at:

111 East Wacker Drive, Suite 1000
Chicago, Illinois 60601

ILLINOIS HOUSING
DEVELOPMENT AUTHORITY
www.ihda.org

111 E. Wacker Drive
Suite 1000
Chicago IL 60601
312.836.5200

Bruce Rauner, *Governor*

January 31, 2018

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

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Illinois Housing Development Authority (The Authority). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Authority's compliance with the following assertions during the year ended June 30, 2017. Based on this evaluation, we assert that during the year ended June 30, 2017, the Authority has materially complied with the assertions below.

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

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

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

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

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

Yours truly,

Illinois Housing Development Authority

Audra Hamernik, Executive Director

Nandini Natarajan, Chief Financial Officer

Maureen G. Ohle, General Counsel

Vanessa Boykin, Controller

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Compliance Report Summary

Year ended June 30, 2017

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

Accountants' Report

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

Summary of Findings

Number of	Current report	Prior report
Findings	4	8
Repeated findings	4	5
Prior recommendations implemented or not repeated	4	9

Details of findings are presented in this report.

Schedule of Findings and Questioned Costs

Findings (*Government Auditing Standards*)

Item No.	Page	Description	Finding Type
2017-001	16	Inadequate Allowance for Loan Loss Methodology and Loan Rating Review Process	Material weakness
2017-002	19	Inaccurate Financial Reporting	Significant deficiency

Findings *(Federal Compliance)*

Item No.	Page	Description	Finding Type
2017-003	21	Inaccurate Reporting of Federal Expenditures on the Schedule of Expenditures of Federal Awards (SEFA)	Material weakness and noncompliance
2017-004	24	Failure to Follow Established Subrecipient Monitoring Procedures for the Section 8 Project-Based Cluster Program	Significant deficiency and noncompliance

(Continued)

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Compliance Report Summary

Year ended June 30, 2017

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

Item No.	Page	Description	Finding Type
2017-001	16	Inadequate Allowance for Loan Loss Methodology and Loan Rating Review Process	Noncompliance and material weakness
2017-002	19	Inaccurate Financial Reporting	Noncompliance and material weakness

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

Item No.	Page	Description	Finding Type
A	26	Failure to Reconcile Cash and Investment Accounts	Significant deficiency
B	26	Inadequate Segregation of Duties for Journal Entries	Significant deficiency

Prior Year Findings Not Repeated (*Federal Compliance*)

Item No.	Page	Description	Finding Type
C	26	Failure to Follow Established Subrecipient Monitoring Procedures for the HOME Investment Partnerships Program	Noncompliance and significant deficiency

Prior Year Findings Not Repeated *(State Compliance)*

Item No.	Page	Description	Finding Type
D	26	Inadequate Controls Over User Access to Information Systems	Noncompliance and significant deficiency

(Continued)

Exit Conference

On January 18, 2018, the Illinois Housing Development Authority waived the exit conference relating to the Single Audit and State Compliance examination.

The responses to the recommendations were provided by Vanessa Boykin, Controller, in an email dated January 24, 2018.

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Suite 5500
200 East Randolph Drive
Chicago, IL 60601-6436

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

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

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the Illinois Housing Development Authority's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2017. The management of the Illinois Housing Development Authority (the Authority) is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

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

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

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

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

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

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

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KPMG International Cooperative ("KPMG International"), a Swiss entity.

We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2017. However, the results of our procedures disclosed instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings and questioned costs as findings 2017-001 and 2017-002.

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

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

Internal Control

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 2017-001 and 2017-002 to be material weaknesses.

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

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

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

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Illinois Housing Development Authority (the Authority), a component unit of the State of Illinois, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 27, 2017, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to October 27, 2017.

The accompanying supplementary information for the year ended June 30, 2017 in Schedules 1 through 9 is presented for the purposes of additional analysis and is not a required part of the basic financial statements of the Authority. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information for the year ended June 30, 2017 in Schedules 1 through 9 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2017 in Schedules 1 through 9 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2017.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the Authority's basic financial statements as of and for the year ended June 30, 2016 (not presented herein), and have issued our report thereon dated December 12, 2016, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The accompanying supplementary information for the year ended June 30, 2016 in Schedules 1, 2, and 5 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2016 financial statements. The accompanying supplementary information for the year ended June 30, 2016 in Schedules 1, 2, and 5 has been subjected to the auditing procedures applied in the audit of the June 30, 2016 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2016 in Schedules 1, 2, and 5 is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived.

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

/s/ KPMG LLP

Chicago, Illinois
January 31, 2018

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

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

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

As Special Assistant Auditors for the Auditor General of the State of Illinois, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Illinois Housing Development Authority (the Authority), a component unit of the State of Illinois, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 27, 2017.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as finding 2017-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as finding 2017-002 to be a significant deficiency.

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Compliance and Other Matters

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

Authority's Response to Findings

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

Purpose of this Report

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

/s/ KPMG LLP

Chicago, Illinois
October 27, 2017

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

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

Report on Compliance for Each Major Federal Program

We have audited the Illinois Housing Development Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2017. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

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Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as findings 2017-003 and 2017-004. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2017-003 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2017-004 to be a significant deficiency.

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Authority, a component unit of the State of Illinois, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated October 27, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

/s/ KPMG LLP

Chicago, Illinois
January 31, 2018

(1) Summary of Auditors' Results

Financial Statements

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

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

• Material weakness(es) identified?	X	Yes		No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	X	Yes		None reported
Noncompliance material to the financial statements noted?		Yes	X	No

Federal Awards

Internal control deficiencies over major programs disclosed by the audit:

• Material weakness(es) identified?	X	Yes		No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	X	Yes		None reported
Type of auditors' report issued on compliance for major programs:	Unmodified for all major programs			
Audit findings that are required to be reported in accordance with 2 CFR 200.516(a):	X	Yes		No

Identification of Major Programs

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

Dollar threshold used to distinguish between Type A and Type B programs:	$3,000,000			
Auditee qualified as low-risk auditee:		Yes	X	No

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

Finding 2017-001 – Inadequate Allowance for Loan Loss Methodology and Loan Rating Review Process

The Illinois Housing Development Authority (Authority) was unable to support the historical detail assumptions used in its allowance for loan loss calculation for the multi-family loan programs. Additionally, the Authority has not established adequate internal controls for ensuring the allowance for loan loss is properly calculated and presented in its financial statements.

During our audit, we reviewed the allowance for loan loss methodology for the multi-family loan program and noted that the Authority could not produce an analysis supporting the rationale for its calculation of the loan loss reserve factors (probability of default and expected loss) that are used in its allowance for loan loss calculation. The Authority has not documented how the loan loss reserve factors for the multi-family loan programs have been historically calculated and over what period the probability of default is measured. Further, the Authority did not perform back-testing (typically performed on at least an annual basis) on its allowance for loan loss estimates for the multi-family loan programs to determine whether the allowance for loan loss produces estimates that have been historically sufficient to cover incurred losses over a period of time that aligns with the period used to estimate the probability of default values.

Additionally, we reviewed the allowance for loan loss methodology for the Hardest Hit program and found that the cash flow analysis provided by the Authority did not support the reserve rate used.

Furthermore, during our testing of 40 multi-family loan relationships risk ratings (66 loans) as of June 30, 2017, we noted differences in the ratings determined by the Authority on their loan rating scale compared to our independent ratings determined during our review. We found the Authority’s risk ratings to be reasonable for 18 of the 40 relationships (26 of the 66 loans) and we found the Authority’s risk ratings to be unreasonable for 22 of the 40 relationships (40 of the 66 loans).

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

- 15 differences in Housing Trust Fund loan ratings resulted in an under reserve of $66,772 for the Illinois Affordable Housing Trust Fund. A proposed adjustment for these differences was not recorded by the Authority.
- 11 differences in HOME loan ratings resulted in an under reserve of $1,344,064 for the HOME Program Fund. A proposed adjustment for these differences was not recorded by the Authority.
- Five differences in Administrative loan ratings resulted in an over reserve of $126,542 for the Administrative Fund. A proposed adjustment for these differences was not recorded by the Authority.
- Five differences in Housing Bonds loan ratings resulted in an under reserve of $1,053,269 for the Mortgage Loan Program Fund. A proposed adjustment for these differences was not recorded by the Authority.

- One difference in a Multifamily Initiative Bonds loan rating resulted in an under reserve of $1,948 for the Mortgage Loan Program Fund. A proposed adjustment for this difference was not recorded by the Authority.
- Three differences in Risk Sharing loan ratings resulted in an under reserve of $635,306 for the Accrued liabilities and other balance reported for the Administrative Fund. A proposed adjustment for these differences was not recorded by the Authority.

Additionally, the Authority identified 19 loans which incorrectly reported reserve amounts at June 30, 2017. The following differences are attributable to calculation errors when applying the Authority's allowance for loan loss rating policy:

- 14 differences in Housing Trust Fund loan ratings resulted in an under reserve of $4,105,709 for the Illinois Affordable Housing Trust Fund. A proposed adjustment for these differences was recorded by the Authority.
- One difference in a HOME loan rating resulted in an under reserve of $128,436 for the HOME Program Fund. A proposed adjustment for this difference was recorded by the Authority.
- Three differences in Administrative loan ratings resulted in an under reserve of $1,799,250 for the Administrative Fund. A proposed adjustment for these differences was recorded by the Authority.
- One difference in a Housing Bonds loan rating resulted in an under reserve of $1,714 for the Mortgage Loan Program Fund. A proposed adjustment for this difference was not recorded by the Authority.

Additionally, there were four loans where our testing indicated that the loans were in the write-off process as of year-end; however, the Authority did not fully reserve for the related loan losses as of year-end. This resulted in the following differences:

- Four differences in Housing Trust Fund loan ratings resulted in an under reserve of $317,124 for the Illinois Affordable Housing Trust Fund. A proposed adjustment for these differences was not recorded by the Authority.

Furthermore, the Authority misclassified the allowance for estimated losses of six Single Family loans as real estate held for sale, which resulted in an over reserve of $135,824 for the allowance for estimated losses-real estate held for sale and an under reserve of $41,264 for the allowance for estimated losses-program loans receivable. A proposed adjustment for these differences was recorded by the Authority.

Generally accepted accounting principles require the estimate for the allowance for loan loss to be supported by appropriate assumptions and accurate information. Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system or systems of internal fiscal and administrative controls to: (1) resources are utilized efficiently, effectively and in compliance with applicable law; (2) obligations and costs are in compliance with applicable law; (3) funds, property and other assets and resources are safeguarded against waste,

(Continued)

loss, unauthorized use, and misappropriation; (4) revenues, expenditures, and transfers of assets resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources; and (5) funds held outside the State Treasury are managed, used, and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exist. Effective internal controls should include procedures to ensure the assumptions used in the allowance for loan loss calculation are appropriate and that loan ratings are adequately documented.

Authority management stated the Authority implemented a new allowance for loan loss policy for multifamily loan programs immediately prior to year-end. As a result of the short implementation timeline, a limited number of calculation errors occurred due to manual corrections of figures or the logic used to calculate loss reserve amounts. Authority management stated the uncorrected differences were due to the application and interpretation of the Authority's Board-Approved loan loss reserve policy and methodology that differs from the auditor's.

Failure to support the assumptions in the allowance for loan loss calculation and failure to properly calculate the allowance for loan loss may result in the misstatement of the allowance for loan loss in the Authority's financial statements. (Finding Code No. 2017-001, 2016-002, 2015-002, 2014-001)

Recommendation:

We recommend the Authority review its current policies and procedures to ensure the assumptions used in the allowance for loan loss calculation are appropriate and that loan ratings are adequately documented.

Authority Response:

The Authority will continue to perform back testing to further support the assumptions used in the allowance for loan loss calculation. In addition, review of current policies, procedures, and controls will be completed to ensure assumptions are applied accurately and that ratings are adequately supported.

The Authority notes the new loan loss reserve policy adopted by its Board was based on an analysis of actual losses incurred from June 30th, 2002 to June 30th, 2017. That analysis showed that the multifamily loan portfolio has experienced 50 losses with an average aggregate write-off of $1.7 M per year (or 0.13% of the portfolio). The Authority's FY 2017 estimated loan loss for the $1.2B multifamily portfolio was $34M (2.6% of the portfolio).

Finding 2017-002 – Inaccurate Financial Reporting

The Illinois Housing Development Authority (Authority) has not established adequate internal controls over the financial reporting process.

During our audit of the financial statements as of June 30, 2017, we noted the following:

- The Authority incorrectly recorded $21,450,000 of bank note cash collateral within the Administrative Fund as a current liability as of June 30, 2017, when the amounts were due to be paid more than one year after June 30, 2017. As a result, noncurrent liabilities were understated by $21,450,000, and current liabilities were overstated by $21,450,000. A proposed adjustment for this reclassification was recorded by the Authority.

- The Authority incorrectly recorded $4,200,000 of operating expenses, $1,043,311 of depreciation, $550,098 of capital expenditures, and $350,000 of prepaid expenses related to a capital asset as reductions to other income within the Mortgage Loan Program fund. As a result, other income was understated by $6,143,409, other general and administrative expenses were understated by $5,244,377, fixed assets (net) were understated by $549,032, and other assets were understated by $350,000. A proposed adjustment for these differences was recorded by the Authority.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system or systems of internal fiscal and administrative controls to: (1) resources are utilized efficiently, effectively and in compliance with applicable law; (2) obligations and costs are in compliance with applicable law; (3) funds, property and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation; (4) revenues, expenditures, and transfers of assets resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources; and (5) funds held outside the State Treasury are managed, used, and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exist. Effective internal controls should include procedures to accurately record financial transactions and accurately prepare financial statements.

Authority management stated the bank note cash collateral misclassification was due to management oversight, while the other income errors were due to management’s application of the Authority’s internal policies and procedures.

Failure to accurately record financial transactions results in the misstatement of the Authority’s financial statements. (Finding Code No. 2017-002, 2016-001, 2015-001)

Recommendation:

We recommend the Authority review its current internal control policies and procedures to ensure financial transactions are accurately reported in the general ledger and the financial statements.

Authority Response:

The Authority will review the classifications for all current and non-current liabilities to ensure proper reporting. Additionally, the Authority made the appropriate change to the internal policies and procedures to adhere to GAAP.

(3) Findings and Questioned Costs Relating to Federal Awards

Federal Agency: U.S. Department of Housing and Urban Development (USHUD)
U.S. Department of the Treasury (Treasury)

Program Name: Section 8 Project-Based Cluster
HOME Investment Partnerships Program
National Foreclosure Mitigation Counseling Program

CFDA No. and Program Expenditures: 14.182/14.856 ($96,490,747)
14.239 ($283,303,004)
21.000 ($903,235)

Award Numbers: IL901MR0001/IL901MR0003/IL901MR0004/
IL901MR0006/IL901MR0007/IL901MR0008 (14.182/14.856)
M17-SG170100M16-SG170100/M15-SG-170100/
M14-SG-170100 (14.239)
PL114-113X1350/PL113-235X1350 (21.000)

Federal Award Year: 10/1/15-9/30/16; 10/1/16-9/30/17 (14.182/14.856)
10/1/14-9/30/15; 10/1/15-9/30/16; 10/1/16-9/30/17 (14.239)
10/1/15-6/30/17 (21.000)

Questioned Costs: None

Finding 2017-003 – *Inaccurate Reporting of Federal Expenditures on the Schedule of Expenditures of Federal Awards (SEFA)*

Condition Found:

Expenditures were not properly reported on the SEFA provided by the Authority for our final major program determination. Specifically, we noted the total expenditures and amounts passed through to subrecipients were reported incorrectly as follows:

Program	CFDA Number	Item	Reported Amount	Actual Amount	Overstatement/ (Understatement)
HOME	14.239	Administrative expenditures	$1,844,335	$1,444,381	$399,954
HOME	14.239	Current year loan disbursements	$18,177,641	$18,513,800	($336,159)
HOME	14.239	Total expenditures	$283,366,799	$283,303,004	$63,795

HOME	14.239	Amounts passed through to subrecipients – program income expenditures	$3,406,352	$3,006,398	$399,954
HOME	14.239	Amounts passed through to subrecipients – current year loan disbursements	$18,177,641	$18,513,800	($336,159)
HOME	14.239	Amounts passed through to subrecipients – total expenditures	$281,522,464	$281,458,669	$63,795

Criteria or Requirement:

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

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

Cause:

In discussing these conditions with Authority officials, they stated the initial errors in the Federal expenditures and amounts passed through to subrecipients reported on the SEFA were due to errors in calculating expenditures.

Possible Asserted Effect:

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

Repeat Finding:

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

Statistical Sampling:

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

Recommendation:

We recommend the Authority review its current procedures to ensure the schedule of expenditures of Federal awards is prepared accurately and in accordance with the Uniform Guidance.

Views of Authority Officials:

The Authority concurs with the recommendation. For the HOME Program, the Accounting staff will review program income payouts to determine its use either to fund administrative reimbursement requests or to fund program loan disbursements.

Subsequently, a reconciliation will occur to review the Benedict loan system fiscal year loan disbursement report, for the HOME Program, against the HUD PR07 report for the same program. The reconciliation will further assist with revealing the use and application of program income for the HOME Program.

Federal Agency:	U.S. Department of Housing and Urban Development (USHUD)
Program Name:	Section 8 Project-Based Cluster
CFDA # and Program Expenditures:	14.182/14.856 ($96,490,747)
Award Numbers:	IL901MR0001/IL901MR0003/IL901MR0004/ IL901MR0006/IL901MR0007/ IL901MR0008
Federal Award Year:	10/1/15-9/30/16; 10/1/16-9/30/17
Questioned Costs:	None

Finding 2017-004 – ***Failure to Follow Established Subrecipient Monitoring Procedures for the Section 8 Project-Based Cluster Program***

Condition Found:

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

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

During our testwork over on-site review procedures performed for 25 subrecipients (with expenditures of $45,311,692) of the Section 8 Cluster program, we noted the Authority did not follow its established on-site monitoring procedures as follows:

- The Authority did not receive written responses to the findings of the on-site reviews for two subrecipients (with expenditures of $9,442,992) and appropriate follow-up action was not taken.
- The Authority did not complete the on-site review file for one subrecipient (with expenditures totaling $4,978,732) within 90 days. The delay in completing the on-site reviews was 28 days.
- The Authority did not notify one subrecipient (with expenditures totaling $4,464,260) of findings from the on-site monitoring review in a timely manner. Specifically, the finding notification was sent 75 days after the review of the inspection (30 day requirement) and 78 days after the inspection was conducted (60 day requirement).

Amounts passed through to subrecipients under the Section 8 program during the year ended June 30, 2017 totaled $92,230,996.

(Continued)

Criteria or Requirement:

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

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

Cause:

In discussing these conditions with Authority officials, they stated these exceptions were the result of staffing constraints and a lack of cooperation by the development owners.

Possible Asserted Effect:

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

Repeat Finding

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

Statistical Sampling:

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

Recommendation:

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

Views of Authority Officials

The Authority agrees with the recommendation. Additionally, the Asset Management department is being reorganized to help clarify roles and responsibilities to ensure tasks are completed in accordance with procedures.

Government Auditing Standards

A. Failure to Reconcile Cash and Investment Accounts

In the prior year, the Authority did not prepare month-end reconciliations of the Authority's cash and investment general ledger account balances to external bank account balances. (Finding Code No. 2016-003)

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

B. Inadequate Segregation of Duties for Journal Entries

In the prior year, the Authority had not established adequate internal controls over the information systems used in its financial reporting process. (Finding Code No. 2016-004)

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

Federal Compliance

C. Failure to Follow Established Subrecipient Monitoring Procedures for the HOME Investment Partnerships Program

In the prior year, the Authority did not follow its established policies and procedures for monitoring subrecipients of the HOME Investment Partnerships Program. (Finding Code No. 2016-006, 2015-006, 2014-004, 2013-007)

In the current year, similar exceptions were not identified in the follow up procedures performed.

State Compliance

D. Inadequate Controls Over User Access to Information Systems

In the prior year, the Authority had not established adequate user access controls over information systems used in its financial reporting process. (Finding Code No. 2016-008)

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

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)
Financial Related Information Summary
Year ended June 30, 2017

Financial related information presented in this section of the report includes the following:

- Financial Related Schedules:
  - Schedule of Expenditures of Federal Awards
  - Notes to the Schedule of Expenditures of Federal Awards

The Schedule of Expenditures of Federal Awards presented in this section has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, it is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The findings and auditors' reports on compliance testing and internal control related to federal awards are presented in the Compliance Report section of this report.

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

Schedule of Expenditures of Federal Awards

Year ended June 30, 2017

Federal Agency/Program or Cluster Title	**CFDA number**	**Expenditures**	**Amounts passed through to subrecipients**
U.S. Department of Housing and Urban Development:			
Interest Reduction Payments – Rental and Cooperative Housing for Lower Income Families	14.103	$ 495,582	495,582
Section 8 Project-Based Cluster:			
Section 8 New Construction and Substantial Rehabilitation	14.182	90,907,640	87,221,796
Lower Income Housing Assistance Program – Section 8 Moderated Rehabilitation	14.856	5,583,107	5,009,200
Total Section 8 Project-Based Cluster		96,490,747	92,230,996
HOME Investment Partnerships Program:			
Administrative expenditures	14.239	1,444,381	—
Program Income expenditures	14.239	3,406,352	3,006,398
Beginning loan balances	14.239	259,938,471	259,938,471
Current year loan disbursements	14.239	18,513,800	18,513,800
Total HOME Investment Partnerships Program		283,303,004	281,458,669
Passed through the State of Illinois:			
CDBG – State Administered Small Cities Program Cluster:			
Neighborhood Stabilization Program I – Program Income	14.228	114,251	114,251
Total CDBG – State Administered Small Cities Program Cluster		114,251	114,251
U.S. Department of Treasury:			
Passed through NeighborWorks America:			
National Foreclosure Mitigation Counseling Program			
Administrative expenditures	21.000	113,950	—
Grant Expenditures	21.000	789,285	789,285
Total National Foreclosure Mitigation Counseling Program		903,235	789,285
Total		$ 381,306,819	375,088,783

See accompanying notes to the schedule of expenditures of federal awards.
See accompanying independent auditors' report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2017

(1) General

The accompanying Schedule of Expenditures of Federal Awards (Schedule) summarizes the federal awards expended by the Authority for the year ended June 30, 2017.

(2) Summary of Significant Accounting Policies

Basis of Accounting

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

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

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

Expense/Expenditure

Amounts reported as expenses in the Schedule of Expenditures of Federal Awards include $6,218,036 in administrative expenditures funded by fees collected (program income) by the Authority.

(3) Federal Loan Program

The HOME program is administered directly by the Authority and balances and transactions relating to this program are included in the Authority's financial statements. Loans made by the Authority to eligible subrecipients under the HOME program during the fiscal year ended June 30, 2017 was $21,520,198.

The balance of loans outstanding under the HOME program was $277,744,528 and $259,938,471 at June 30, 2017 and 2016, respectively. The Authority received administrative fees of 1,844,335 under the HOME program during the fiscal year ended June 30, 2017. The balance of loans outstanding at June 30, 2017 consist of the following amounts:

Outstanding balance as of 7/1/16	$	259,938,471
Loans disbursed		21,520,198
Repayments, net of interest		(3,714,141)
Outstanding balance as of 6/30/17	$	277,744,528

(4) Indirect Costs

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

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

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)
Supplementary Information for State Compliance Purposes Summary
Year ended June 30, 2017

Summary

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis Section:
  - Comparative Schedule of Cash Receipts
  - Schedule of Changes in Authority Property
  - Furniture, Equipment, and Leasehold Improvements
  - Analysis of Significant Account Balances
  - Analysis of Administrative Costs
  - Description of Cash Accounts
  - Description of Investments
  - Affordable Housing Trust Fund
  - Schedule of Federal and Nonfederal Expenses
- Analysis of Operations Section (Unaudited):
  - Authority Functions and Planning Program (Unaudited)
  - Analysis of Significant Account Balances (Unaudited)
  - Analysis of Significant Variations in Revenue and Significant Variations in Expenditures/Expenses (Unaudited)
  - Average Number of Employees (Unaudited)
  - Emergency Purchases (Unaudited)
  - Summary Production Data (Unaudited)
  - Service Efforts and Accomplishments (Unaudited)
    - Multi-family and Single Family Production – Activities Closed or Placed into Service Since Inception (Unaudited)
    - Unit Production by Percent of Area Median Income Since Inception (Unaudited)
    - Unit Production by Economic Development Region Since Inception (Unaudited)

This information relates to the Authority’s proprietary funds unless otherwise noted.

The accountants’ report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that the Fiscal Schedules and Analysis Section has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors’ opinion, it is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived. The accountants’ report also states the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, they do not express an opinion or provide any assurance on it.

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

Fiscal Schedules and Analysis Section

Comparative Schedule of Cash Receipts

Years ended June 30, 2017 and 2016

	2017	2016
Administrative Fund:		
Cash received from:		
Interest from program loans	$ 1,285,343	2,225,277
Service fees from program loans	9,234,024	10,437,703
Principal from program loans and other	27,315,004	28,818,269
	37,834,371	41,481,249
Proceeds from federal assistance programs	97,716,978	108,917,341
Proceeds from sale of revenue bonds and notes	784,300,000	84,380,041
Receipts for bank note cash collateral	42,470,000	—
Interest on investments	31,320,890	23,630,574
Proceeds from sales and maturities of investment securities	2,026,616,179	830,412,270
Other	11,947,583	4,906,346
Total	$ 3,032,206,001	1,093,727,821
Mortgage Loan Program Fund – Housing Bonds:		
Cash received from:		
Interest from program loans	$ 15,687,203	20,888,709
Principal from program loans	110,263,314	26,474,195
	125,950,517	47,362,904
Proceeds from federal assistance programs	172,586	743,169
Proceeds from sale of revenue bonds and notes	54,415,000	—
Interest on investments	776,156	864,355
Proceeds from sales and maturities of investment securities	368,398,667	269,080,453
Other	45,910,139	9,238,127
Total	$ 595,623,065	327,289,008

(Continued)

Schedule 1

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Comparative Schedule of Cash Receipts

Years ended June 30, 2017 and 2016

		2017	2016
Single Family Program Fund:			
Cash received from:			
Interest from program loans	$	12,295,260	11,813,442
Principal from program loans		39,855,731	45,883,720
Receipts for real estate held for sale		1,885,678	5,440,418
		54,036,669	63,137,580
Interest on investments		8,883,009	16,427,006
Proceeds from sale of revenue bonds		210,575,661	162,360,077
Proceeds from sales and maturities of investment securities		267,199,403	199,002,567
Transfer of funds from administrative funds		2,572,099	25,577,662
Other		17,361,973	863,615
Total	$	560,628,814	467,368,507
Illinois Affordable Housing Trust Fund:			
Cash received from:			
Interest on investments	$	49,506	29,283
Grant from State of Illinois		2,890,022	10,603,369
Total	$	2,939,528	10,632,652
Mortgage Loan Program Fund – Affordable Housing Program Trust Fund Bonds:			
Cash received from:			
Interest from program loans	$	200,431	306,704
Principal from program loans		9,157,781	3,818,788
		9,358,212	4,125,492
Interest on investments		172,517	—
Transfer of funds from Illinois Affordable Housing Trust Fund		5,200,000	5,200,000
Proceeds from sales and maturities of investment securities		100,512,176	29,431,984
Other		14,165,278	—
Total	$	129,408,183	38,757,476

(Continued)

Schedule 1

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

Fiscal Schedules and Analysis Section

Comparative Schedule of Cash Receipts

Years ended June 30, 2017 and 2016

		2017	2016
HOME Program Fund:			
Cash received from:			
Interest from program loans	$	2,025,855	2,011,706
Principal from program loans		3,777,936	2,693,677
Other		167,775	570,508
		5,971,566	5,275,891
Interest on investments		15,455	11,654
Federal HOME funds		19,980,350	15,395,061
Total	$	25,967,371	20,682,606
Mortgage Loan Program Fund – Multifamily Revenue Bonds			
Cash received from:			
Interest from program loans	$	1,334,928	—
Principal from program loans		340,675	—
		1,675,603	—
Proceeds from sale of revenue bonds and notes		50,715,534	—
Interest on investments		24,278	—
Proceeds from sales and maturities of investment securities		32,196,035	—
Other		28,340,876	—
Total	$	112,952,326	—
IHDA Dispositions LLC:			
Cash received from:			
Receipts from operations	$	56,578	49,528
Receipts from sale of properties		—	204,222
Total	$	56,578	253,750

(Continued)

Schedule 1

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Comparative Schedule of Cash Receipts

Years ended June 30, 2017 and 2016

		2017	2016
Rental Housing Support Program Fund:			
Cash received from:			
Interest on investments	$	273,799	75,390
Grant from State of Illinois		31,021,586	23,597,926
Total	$	31,295,385	23,673,316
Mortgage Loan Program Fund – Multifamily Initiative Bonds:			
Cash received from:			
Interest from program loans	$	1,988,888	2,095,414
Principal from program loans		6,291,469	2,615,751
Other		1,437,213	1,443,920
		9,717,570	6,155,085
Interest on investments		25,504	—
Proceeds from sales and maturities of investment securities		13,689,200	2,076,735
Total	$	23,432,274	8,231,820
ARRA Fund:			
Cash received from:			
Interest from program loans	$	207,396	200,942
Principal from program loans		314,840	147,033
Total	$	522,236	347,975
Hardest Hit Fund:			
Cash received from:			
Principal from program loans	$	9,069,547	10,236,366
Borrower payments		253,670	1,674,180
		9,323,217	11,910,546
Interest on investments		228,641	4,568
Federal grant funds		143,015,524	50,603,557
Total	$	152,567,382	62,518,671

(Continued)

Schedule 1

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Comparative Schedule of Cash Receipts

Years ended June 30, 2017 and 2016

		2017	**2016**
Build Illinois Bond Program Fund:			
Cash received from:			
Interest on investments	$	1,568,575	669,030
Total	$	1,568,575	669,030
Foreclosure Prevention Program Fund:			
Cash received from:			
Grant from State of Illinois	$	4,293,709	102,511
Total	$	4,293,709	102,511
Community Development Block Grant Fund:			
Cash received from:			
Federal grant funds	$	—	1,513,226
Total	$	—	1,513,226
Neighborhood Stabilization Program Fund:			
Cash received from:			
Grant recapture payments	$	64,986	935,826
Total	$	64,986	935,826
Abandoned Property Program Fund:			
Cash received from:			
Grant from State of Illinois	$	9,775,516	80,821
Total	$	9,775,516	80,821
Section 811 Project Rental Assistance Demonstration Program Fund:			
Cash received from:			
Federal grant funds	$	312,247	237,141
Total	$	312,247	237,141

See accompanying independent accountants' report.

Schedule 2

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

Fiscal Schedules and Analysis Section

Schedule of Changes in Authority Property

Year ended June 30, 2017

Description	Balance at June 30, 2016	Additions	Depreciation and amortization expense	Retirements	Balance at June 30, 2017
Real estate	$ 44,663,892	1,512,971	—	—	46,176,863
Accumulated depreciation – real estate	(20,269,584)	—	(1,044,378)	—	(21,313,962)
Furniture and equipment	94,065	52,863	—	(61,091)	85,837
Accumulated depreciation – furniture and equipment	(88,941)	—	(12,446)	61,091	(40,296)
Computer equipment	762,539	326,415	—	—	1,088,954
Accumulated depreciation – computer equipment	(480,081)	—	(76,606)	—	(556,687)
Computer software	2,832,196	470,981	—	(245,492)	3,057,685
Accumulated amortization – computer software	(2,143,753)	—	(434,759)	238,488	(2,340,024)
Leasehold improvements	3,435	—	—	(3,435)	—
Accumulated amortization – leasehold improvements	(3,148)	—	(287)	3,435	—
	$ 25,370,620	2,363,230	(1,568,476)	(7,004)	26,158,370

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

See accompanying independent accountants’ report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Furniture, Equipment, and Leasehold Improvements

June 30, 2017

The Authority leased office facilities at two locations, 401 N. Michigan Ave. (401 facility) and 122 S. Michigan Ave. (122 facility) in Chicago, Illinois until November 6, 2016. Rent expense incurred for fiscal year 2017 at the 401 facility and 122 facility was $903,434 and $131,089, respectively.

The Authority entered into a ten-year lease at 111 E. Wacker Drive in Chicago, Illinois, which commenced on November 6, 2016. The office lease provides for annual base rent of approximately $815,680 for fiscal year 2017, plus approximately $629,856 for the Authority's 6.5974% share of ownership taxes and operating expenses, which also are subject to adjustment, based on the actual costs incurred by the lessor. Base rent, ownership taxes and operating expenses totaling $180,692 per month are abated for the first ten months of the lease. Under this lease, total rent expense for fiscal year 2017 was $1,821,411.

Capital assets in the Administrative Fund consist of investments in furniture, fixtures, and equipment; computer hardware; computer software; and leasehold improvements and are defined by the Authority as assets with an initial, individual historical cost of $5,000 or more. Depreciation and amortization is on a straight-line basis over a period of five to ten years, depending upon the nature of the asset. Leasehold improvements are amortized over the term of the lease.

The Authority records depreciation against Lakeshore Plaza (ML-181) on a straight-line basis over forty years. At June 30, 2017, the net carrying value of ML-181 was $24,862,901 which is net of accumulated depreciation of $21,313,962. Depreciation expense for fiscal year 2017 was $1,044,378. Although the Authority does not regularly own and operate properties as part of its normal business operations for the benefit of furthering their affordable housing mission it is within their scope to do so. Since its acquisition ML-181 has continued to be owned and operated by the Authority as part of its business operations and therefore is reported as a capital asset. The Authority will continue to evaluate the operation of ML-181 and its impact on operations accordingly.

Capital assets for governmental activities at June 30, 2017, having a net carrying value of $107,148, are used in the Hardest Hit Fund (HHF). Depreciation and amortization for these items are recorded on a straight-line basis over three years and amounted to $54,933 during fiscal year 2017.

See accompanying independent accountants' report.

Schedule 4

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Analysis of Significant Account Balances

June 30, 2017

At June 30, 2017, total net outstanding bonds and notes payable were approximately $67.3 million above the prior fiscal year-end. Issuance of the following bonds and notes (showing a balance outstanding at June 30, 2017) occurred during fiscal year 2017 (in millions):

Housing Bonds, 2017 Series A	$	54.4
Multifamily Revenue Bonds, 2016 Series A		24.4
Multifamily Revenue Bonds, 2017 Series A		26.0
Homeowner Mortgage Revenue Bonds, 2016 Series B		35.2
Homeowner Mortgage Revenue Bonds, 2016 Series C		104.8
Revenue Bonds, 2017 Series A		61.8
Administrative Fund Direct Bank Notes		42.5
Administrative Fund Federal Home Loan Bank Advances		9.4

The Authority redeemed $143.5 million of Mortgage Loan Program Fund Bonds, $113.2 million of Single Family Program Fund Bonds, and $775.1 million of Administrative Fund Direct Bank Loans and Federal Home Loan Bank Advances during the fiscal year.

As of June 30, 2017, the Authority had the following debt outstanding (net of unamortized discount and premium, thereon):

	Number of outstanding issues		Balance June 30, 2017
			(In millions)
Housing Bonds	17	$	272.5
Multifamily Initiative Bonds	9		138.6
Multifamily Revenue Bonds	2		50.4
Total Mortgage Loan Program Fund	28		461.5
Residential Mortgage Revenue Bonds	1		0.1
Homeowner Mortgage Revenue Bonds	16		363.9
Housing Revenue Bonds	7		129.6
Revenue Bonds	2		131.0
Total Single Family Program Fund	26		624.6
Administrative Fund	11		61.5
Total Proprietary Funds	65	$	1,147.6

See accompanying independent accountants' report.

Schedule 5

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Analysis of Administrative Costs

Year ended June 30, 2017

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

Description		2017	2016
Employee holiday/annual reception	$	7,300	5,502

See accompanying independent accountants' report.

Schedule 6

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Description of Cash Accounts

June 30, 2017

The Authority's cash and cash equivalents for proprietary funds at June 30, 2017 were maintained in bank accounts, as follows:

Administrative Fund:		
The Northern Trust Company – HUD Section 8 Depository	$	48,165
Bank of America		7,532,606
Bank of New York		164,508,104
Chase Bank		2,229,596
Federal Home Loan Bank of Chicago		385,966
Total Administrative Fund		174,704,437
Mortgage Loan Program Fund:		
Housing Bonds:		
Bank of New York		86,693,519
Multifamily Initiative Bonds:		
Bank of New York		360,196
Multifamily Revenue Bonds:		
Bank of New York		12,282,354
Affordable Housing Program Trust Fund Bonds:		
Bank of New York		15,798
Total Mortgage Loan Program Fund		99,351,867
Single Family Program Fund:		
Homeowner Mortgage Revenue Bonds:		
Bank of New York		3,471,255
Residential Mortgage Revenue Bonds:		
Bank of New York		4,425
Housing Revenue Bonds:		
Bank of New York		6,324,128
Revenue Bonds:		
Bank of New York		2,738,571
Total Single Family Program Fund		12,538,379
Illinois Housing Authority, LLC:		
Prairie State Bank and Trust		7,360
Total Illinois Housing Authority, LLC		7,360
Total Proprietary Funds	$	286,602,043

See accompanying independent accountants' report.

Schedule 7

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Description of Investments

June 30, 2017

The fair value of investments for the Authority's governmental and proprietary funds at June 30, 2017 is delineated by type, as follows:

		Fair value
United States Agency Obligations	$	955,380,231
United States Government Obligations		21,556,683
Certificates of Deposit		21,450,000
Commercial Paper		11,144,223
Demand Repurchase Agreements		100,000
	$	1,009,631,137

See accompanying independent accountants' report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Affordable Housing Trust Fund

June 30, 2017

The Authority is the designated administrator of the Illinois Affordable Housing Program. The program is funded by the Illinois Affordable Housing Trust Fund with funds generated from the State real estate transfer tax collected by the Illinois Department of Revenue and held within the State Treasury. At June 30, 2017, total funds held were $13,894,695, which consisted of cash and cash equivalents held by the Authority escrow agent for pending disbursement of loans and grants.

See accompanying independent accountants' report.

Schedule 9

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Fiscal Schedules and Analysis Section

Schedule of Federal and Nonfederal Expenses

Year ended June 30, 2017

		Amount	Percent
Federal expenditures (A)	$	121,368,348	40%
Nonfederal expenditures/expenses		183,217,211	60%
Total expenditures/expenses		304,585,559	100%
Less amount representing loans and applied program income		(21,190,268)	
Total expenses (B)	$	283,395,291	

Source:
(A) Schedule of Expenditures of Federal Awards (excluding beginning loan balances)
(B) Statement of Activities for the year ended June 30, 2017

See accompanying independent accountants' report.

Authority Functions and Planning Program

The Authority is a body politic and corporate of the State of Illinois (the "State") created pursuant to the Illinois Housing Development Act (20 ILCS 3805/) (the "Act"). The Authority is governed by a nine-member Board. Pursuant to the Act, the Board is to include a senior citizen age 60 or older, not more than three members from any one county in the State and not more than five members from any one political party. Members serve four-year staggered terms and are appointed by the then-current Governor with the advice and consent of the Senate. Audra Hamernik is the current Executive Director of the Authority. In addition, the Authority employs a staff of approximately 278 persons, including persons who have experience and responsibilities in the areas of finance, accounting, mortgage loan underwriting, planning, housing development, market analysis, law, and housing marketing and management.

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

The Authority's operations are financed by fees and charges paid by borrowers, interest income from investment securities, proceeds from the sale of mortgage-backed securities, and other administration fees. No State General Revenue Funds are received by the Authority for its operations, and no State tax dollars are provided directly to the Authority, except as a partial reimbursement of expenses related to the administration of the Illinois Affordable Housing Program, the Rental Housing Support Program, Abandoned Properties Program, and the Foreclosure Prevention Fund.

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

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

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

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

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

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

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

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

The Authority, through federal grants provided through the National Foreclosure Mitigation Counseling Program (NFMC), also allocated grants to various partner agencies to fund free foreclosure counseling help for homeowners throughout Illinois. This program concluded June 30, 2017.

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

The Authority is the administrator of the helpline and housing counseling component of Cook County Mortgage Foreclosure Mediation Program which provides legal guidance to homeowners facing foreclosure through the use of a mediator to facilitate discussions between the mortgage company and the borrower for an end solution. The contract for this program expires November 30, 2017.

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

The Authority is the administrator for the Hardest Hit Fund (HHF) for funding appropriated to the State of Illinois by the United States Department of the Treasury (Treasury) to stabilize neighborhoods and provide targeted aid to families struggling with the effects of the economic and housing market downturn. Congress reauthorized HHF funding in its FY 2017 appropriations bill. Four sub-programs exist under the Illinois Hardest Hit Fund program:

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

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

The Authority is the State-level Tax Credit administrator for the Federal Low Income Housing Tax Credit Program, designed to encourage the production of affordable rental housing that primarily targets households earning less than 60% of the area median income, providing an income tax credit to qualifying investors of low-income housing. Project developers typically syndicate these credits up front at a discounted rate to raise cash equity to help finance developments. The limited partner tax credit investor pays a fee in exchange for dollar-for-dollar reduction in federal tax liability. The City of Chicago serves in the same capacity as a local tax credit administrator for its’ allowed home rule proportional allotment of credits. The LIHTC program is governed by a Qualified Allocation Plan (QAP), most recently approved as a two-year QAP for calendar years 2018 and 2019.

The Authority was designated the program administrator for Section 1602 of the American Recovery and Reinvestment Act of 2009 (ARRA) for grants appropriated to the State of Illinois by the United States

Department of the Treasury to finance construction or acquisition and rehabilitation of low-income rental housing in lieu of low-income housing tax credits. In addition, HUD made awards to the Authority under the Tax Credit Assistance Program (TCAP) to facilitate the development of projects that received or will receive funding in order to be completed and placed in service in accordance with the requirements of Section 42 of the Internal Revenue Code of 1986 and the regulations promulgated thereunder. These awards were then allocated to sub-grantees and the Authority is responsible for the monitoring and reporting of the use of these funds. These funds have been expended and the program is now expired.

The Authority serves as the “participating jurisdiction” for the Federal HOME program. Since 1992, $505.4 million has been allocated to be administered by the Authority under the HOME provisions of the 1990 National Affordable Housing Act. As the participating jurisdiction, the Authority receives the funds directly from the Federal government. IHDA’s HOME program is used primarily for rental housing development for 60% AMI households.

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

The Authority is the statewide administrator of the National Housing Trust Fund (NHTF). Under this program, $4.3 million and $7.2 million for Federal fiscal years 2016 and 2017, respectively, have been allocated to be administered by the Authority. The NHTF was authorized as part of the Housing and Economic Recovery Act of 2008 and was established as a permanent federal program with its main funding being dedicated funding coming from Government Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac, which are not subject to the appropriations process. Due to receivership issues, funds were first collected by FHFA in 2015 and were made available in April 2016. HUD’s Interim Rule requires that the NHTF Allocation Plan be inserted as a component of a state’s 5-year Consolidated Plan, following the Consolidated Plan public participation requirements. Funding is targeted to Very Low-Income and Extremely Low-Income households with 90% of funds annually required to be used for rental housing.

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

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

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

The Authority has entered into a financing agreement with the Federal Financing Bank (FFB), an arm of the United States Department of Treasury, for selling beneficial ownership interests in mortgage loans originated by housing finance agencies and insured under the FHA-HFA Risk Sharing Program. The Authority sells beneficial ownership interest in its mortgages under this program to FFB, which will be evidenced by certificates of participation from the Authority. The monthly mortgage payments from the borrower will be used to repay the interest to the FFB and principal payments will reflect the scheduled mortgage principal payments.

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

With respect to certain outstanding debt, which as of June 30, 2017 comprised approximately 0.01% of the Authority’s outstanding debt, in the event the Authority determines at any time that its monies are insufficient to pay principal of and interest on its bonds in the next State fiscal period, the Chairman of the Authority shall certify the deficiency to the Governor, who shall include the amount in the State budget. However, payment of any amounts by the State on behalf of the Authority is subject to appropriation by the General Assembly. Accordingly, the Illinois Housing Development Act does not create a legally enforceable obligation on the part of the State for the payment of such monies nor does it create a debt enforceable against the State.

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

Planning Program

In 2016, IHDA created a new Strategic Planning and Reporting (SPAR) department to consolidate the Authority’s planning functions. The SPAR department is comprised of the former Office of Housing Coordination Services and Strategic Planning and Research departments as well as the former Compliance group which had been responsible for managing required reporting on fund balances and uses. The SPAR department works with virtually all of IHDA's departments to provide data services, planning, analysis, programmatic input, technical assistance and performance measurements that allow the Authority to better identify and accept those developments that achieve the Authority's goals of providing low and moderate economically integrated housing throughout the state, while at the same time maintaining the financial viability of the Authority. In addition to these functions, SPAR provides background research, analysis, and direct planning that allows IHDA to provide leadership throughout the state on a variety of planning fronts:

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

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

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

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

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

(Continued)

Analysis of Significant Account Balances

Cash and investments of the Authority's proprietary funds increased $253.8 million from June 30, 2016 to $1,255.2 million at June 30, 2017. This increase is primarily a net result of the following factors:

(a) Cash receipts from interest, service fees, and principal on program loans exceeded interest paid on revenue bonds and notes by $204.7 million.

(b) Proceeds from the sale of revenue bonds and notes exceeded principal repayments of debt by $67.3 million.

(c) Interest received on investments and transfers in (net) totaled $46.4 million.

(d) Receipts for bank note cash collateral and other receipts totaled $69.7 million.

(e) Payments to suppliers and employees totaled $38.1 million.

(f) Payments for loan originations and grants totaled $90.4 million.

Net program loans receivable of the Authority's proprietary funds decreased approximately $101.3 million during fiscal year 2017, consisting of decreases in the Authority's Single Family Program Fund ($37.4 million) and Mortgage Loan Program Fund ($79.2 million), offset by increases in the Administrative Fund ($15.3 million). The decrease in program loans receivable in the Single Family Program Fund was due to Illinois whole loans being packaged into GNMA certificates and FNMA mortgage-backed securities.

Net position of the Authority's governmental activities increased $102.9 million from the June 30, 2016 balance primarily from increases in the Hardest Hit Fund (HHF) Program ($67.3 million), Federal HOME Program Fund ($20.0 million) and Nonmajor Governmental Funds ($15.6 million). No net position of the Authority's other two governmental activities are recorded on the Authority's financial statements. The equity of the Illinois Affordable Housing Trust Fund is recorded as due to the State of Illinois. All revenues of the Rental Housing Support Program (RHSP) Fund are ultimately disbursed as grant or administrative expenses, and therefore no net position is recorded on the Authority's financial statements.

Net program loans receivable for the Authority's governmental activities increased by $1.7 million primarily attributable to increases in the Federal HOME Program Fund ($17.5 million), partially offset by decreases in the Illinois Affordable Housing Trust Fund ($10.4 million) and HHF Program ($6.9 million). Cash and investments increased by $91.7 million, primarily attributable to increases in the HHF Program ($79.5 million), HOME Program Fund ($2.5 million) and Nonmajor Governmental Funds ($8.3 million). State statute and federal regulations restrict the use of governmental funds to program activities.

Bank note cash collateral increased $42.5 million in fiscal year 2017 due to the deposit of funds which are expected to repay the purchaser of short-term tax-exempt construction loan notes upon their maturity.

A portion of the Authority's Administrative Funds Unrestricted Net Position has been designated by resolution. Net Position designated by resolution of the Authority ($180.0 million) increased from the amount designated as of June 30, 2016. The Members of the Authority have designated $90.0 million to purchase homeownership mortgage loans and/or mortgage-backed securities under the Homeownership Mortgage Loan Program which

(Continued)

will eventually be purchased with proceeds from future issuances of Authority debt or sold in the secondary market, $50.0 million to finance Multi-Family loans originated under the Mortgage Loan Program, $20.0 million to provide funds to support single family homeownership in the State of Illinois through second lien position loans and/or grants, $5.0 million to pay possible losses arising in the Homeownership Program attributable, but not limited to, delinquencies or defaults on uninsured or unsubsidized loans, $5.0 million to pay possible losses arising in the Multi-Family Bond Program attributable, but not limited to, delinquencies or defaults on uninsured or unsubsidized loans, and $10.0 million to pay expenses for planned technology program enhancements.

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

Proprietary Funds

Interest earned on program loans decreased by $5.1 million, or 13.7% mainly due to the prepayment of mortgage loans. Decreases mainly occurred within the Authority's Mortgage Loan Program Fund ($2.3 million) and Single Family Program Fund ($1.8 million). Investment income decreased $1.0 million or 2.4% mainly from a decrease in the Single Family Program Fund ($7.5 million) due to decreased fair market value of investments, partially offset by an increase in the Administrative Fund ($6.5 million). Other revenues increased $4.7 million (21.4%), mainly due to the receipt of funds in the Single Family Program Fund from a legal settlement.

Interest expense decreased $3.6 million, or 10.6% primarily from a decrease within the Mortgage Loan Program Fund ($4.2 million) due to lower outstanding debt, offset by an increase in the Single Family Program Fund ($0.9 million).

Operating expenses, other than interest expense and federal assistance programs, increased approximately $2.2 million. The major components of the change were:

a. A $2.0 million (11.8%) increase in salaries and benefits primarily due to increased employee head count and compensation levels. The average number of full-time equivalent employees for fiscal years 2013 through 2017 is listed in the Analysis of Operations-Average Number of Employees section of this report.

b. A $5.3 million (143.2%) increase in general and administrative mainly due to a change in the application of internal policies and procedures for the operating expenses and depreciation related to a capital asset within the Mortgage Loan Program Fund.

c. A $1.6 million (37.2%) increase in financing costs due to increased debt activity.

d. A $2.7 million (67.0%) increase in provision for estimated losses on program loans receivable

e. A $7.1 million (77.2%) decrease in provision for estimated losses on real estate held for sale.

f. A $1.6 million (100.0%) decrease in program grant expenses due to lower program funding.

Governmental Activities

Total revenues of the Authority's governmental activities increased $113.6 million from the prior year due to increases in the HOME Program Fund ($4.2 million), Rental Housing Support Program Fund ($7.6 million), HHF ($91.2 million) and Nonmajor Governmental Funds ($18.3 million), offset by a decrease in the Illinois Affordable Housing Trust Fund ($7.7 million),.

(Continued)

Total expenditures of the Authority's governmental activities increased $27.0 million from the prior year, due to increases in the Rental Housing Support Program Fund ($7.6 million) and HHF ($40.8 million), offset by decreases in the Illinois Affordable Housing Trust Fund ($7.7 million), HOME Program Fund ($2.1 million), and Nonmajor Governmental Funds ($11.6 million). The transfer ($5.2 million) from the governmental activities to the Authority's business-type activities represents an annual transfer pursuant to the Illinois Affordable Housing Act, from the Illinois Affordable Housing Trust Fund to the Mortgage Loan Program Fund.

Average Number of Employees

	2017	2016	2015	2014
Financial and computer services	44	40	41	42
Human resources, administration, and legal	36	37	41	44
Director's office and housing programs	198	161	158	167
Total	278	238	240	253

Emergency Purchases

One emergency purchase was made during fiscal year 2017 totaling $76,211 to provide relocation services for the Authority's move to a new office facility.

Summary Production Data

Unit production for fiscal year 2017 was 14,158 units, and total production since Authority inception was 294,324 units.

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

Service Efforts and Accomplishments

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

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

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

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

Analysis of Operations Section (Unaudited)

Service Efforts and Accomplishments

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

June 30, 2017

(Unaudited)

	Active		No longer active (3)		Total	
Portfolio	**Developments**	**Units**	**Developments**	**Units**	**Developments**	**Units**
Multi-family Programs	1,528	120,612	418	25,497	1,946	146,109
Single Family Programs (1)	456	4,789	970	24,526	1,426	29,315
Technical Assistance	2	—	69	1,513	71	1,513
MCC & MRB (2)	—	117,387	—	—	—	117,387
Totals	1,986	242,788	1,457	51,536	3,443	294,324

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

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

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

See accompanying independent accountants' report.

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

Analysis of Operations Section (Unaudited)

Service Efforts and Accomplishments

Unit Production by Percent of Area Median Income Since Inception

June 30, 2017

(Unaudited)

Percent of Area Median Income	Multi-family and single family programs	MCC & MRB (1) (2)	Total
Less than 30%	7,894	1,860	9,754
31%–50%	58,994	18,106	77,100
51%–80%	94,118	51,182	145,300
81%–100%	—	27,331	27,331
101%–120%	557	13,264	13,821
Greater than 121% or Market	15,374	5,644	21,018
Totals	176,937	117,387	294,324

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

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

See accompanying independent accountants’ report.

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

Analysis of Operations Section (Unaudited)

Service Efforts and Accomplishments

Unit Production by Economic Development Region Since Inception

June 30, 2017

(Unaudited)

	Programs				
Region (1)	**Multi-Family**	**Single Family**	**Technical Assistance**	**MCC & MRB (2)**	**Total Developments**
Central	7,323	1,164	—	7,765	16,252
East Central	3,602	591	—	4,404	8,597
North Central	7,230	2,203	—	10,823	20,256
Northeast	94,520	6,629	13	63,774	164,936
Northern Stateline	4,160	831	—	8,952	13,943
Northwest	7,411	2,419	—	5,706	15,536
Southeastern	2,313	893	—	1,934	5,140
Southern	3,261	4,839	—	2,788	10,888
Southwestern	4,866	3,426	—	8,395	16,687
West Central	2,577	1,349	—	2,846	6,772
Statewide	8,846	4,971	1,500	—	15,317
Total	146,109	29,315	1,513	117,387	294,324

(1) Counties included in each region are as follows:

Central – Cass, Christian, Greene, Logan, Macon, Menard, Montgomery, Morgan, Moultrie, Sangamon, Scott, and Shelby (Metro areas Decatur and Springfield)

East Central – Champaign, Douglas. Ford, Iroquois, Platt, and Vermilion (Metro area Champaign)

North Central – Dewitt, Fulton, Livingston, Marshall, Mason, Mclean, Peoria, Seark, Tazewell, and Woodford (Metro areas Bloomington Normal and Peoria)

Northeast – Cook, DeKalb, DuPage, Grundy, Kane, Kankakee, Kendall, Lake, McHenry, and Will (Metro areas Chicago, DeKalb, and Kankakee)

Northern Stateline – Boone, Ogle, Stephenson, and Winnebago (Metro area Rockford)

Northwest – Bureau, Carroll, Henry, Jo Daviess, La Salle, Lee, Mercer, Rock Island, Putnam, and Whiteside (Metro area Rock Island)

Southeastern – Clark, Clay, Coles, Crawford, Cumberland, Edgar, Effingham, Fayette, Jasper Lawrence, Marion, and Richland

Southern – Alexander, Edwards, Franklin, Gallatin, Hamilton, Hardin, Jackson, Jefferson, Johnson, Massac. Perry, Pope, Pulaski, Saline Union, Wabash, Wayne, White, and Williamson

Southwestern – Bond, Calhoun, Clinton, Jersey, Madison, Macoupin, Monroe, Randolph, St. Clair, and Washington (Metro area East St. Louis)

West Central – Adams, Brown, Hancock, Henderson, Knox, McDonough, Pike, Schuyler, and Warren

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

See accompanying independent accountants’ report.