WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Financial Statements
For the Years Ended
June 30, 2014 and 2013
and Independent Auditors' Report

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

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INDEPENDENT AUDITORS' REPORT

To the Members
Wisconsin Housing and Economic Development Authority
Madison, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of Wisconsin Housing and Economic Development Authority, as of and for the year ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Wisconsin Housing and Economic Development Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Wisconsin Housing and Economic Development Authority as of June 30, 2014 and 2013, and the respective changes in financial position and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 – 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wisconsin Housing and Economic Development Authority's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2014, on our consideration of Wisconsin Housing and Economic Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wisconsin Housing and Economic Development Authority's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Milwaukee, Wisconsin
September 23, 2014

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

(A Component Unit of the State of Wisconsin)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Wisconsin Housing and Economic Development Authority (Authority), created in 1972 by an act of the Wisconsin Legislature, facilitates the purchase, construction and rehabilitation of housing for families of low and moderate-income by providing or participating in the origination of mortgage loans and tax credits, as well as providing economic development financing guarantees and tax credits. The Authority has two major loan programs, which are the Home Ownership Mortgage Loan Program (Single Family) and the Multifamily Mortgage Loan Program (Multifamily). Among the additional programs the Authority administers are the Wisconsin Development Reserve Fund, the Home Improvement Loan Program, the Low Income Housing Tax Credit Program, the New Markets Tax Credit Program, the State Small Business Credit Initiative and the Participation Lending Program.

The various loan program activities are all considered proprietary and are accounted for in a manner similar to businesses operating in the private sector. Funding has primarily arisen through the issuances of bonds, both tax-exempt and taxable, the proceeds of which are used to make loans to finance low and moderate-income housing. The Net Position of these programs represents accumulated earnings since their inception and is generally restricted for program purposes.

This section of the Authority's annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2014 compared to the fiscal years that ended on June 30, 2013 and 2012. Please read it in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights – Fiscal Year 2014

Fiscal year 2014 net income before the adjustment for a change in the market value of investments increased 42.0% from fiscal year 2013 to $26.5 million. Single Family loan originations continued to improve and outpaced fiscal year 2013. However, the Authority currently sells all of these loans on the secondary market upon closing so although the rate of prepayments decreased slightly as historically low mortgage rates began to rise, the portfolio contracted in fiscal year 2014.

The following are financial highlights for fiscal year 2014:

- The Authority reported net income of $28.9 million which resulted in a 2.9% increase in net position during fiscal year 2014.

- Mortgage and MBS investment income is down $8.4 million to $94.3 million. This 8.4% decline is primarily due to the continued high level of loan prepayments coupled with the fact that all new Single Family loans are sold upon closing. Loan prepayments totaled $187.1 million (Single Family $149.8 million and Multifamily $37.3 million). This was a decrease of $89.0 million from the prior year. Loan originations totaled $191.7 million (Single Family $141.0 million and Multifamily $50.7 million) which was a decrease of $12.4 million from fiscal year 2013.

- Investment interest income of $4.1 million represented a 141.2% increase from the prior year primarily as the result of an adjustment to reflect a change in the market value of the Authority's investments.

- Interest expense and debt financing costs of $55.3 million are $18.1 million or 24.7% lower than fiscal year 2013. The decrease is attributable to the continued high level of prepayments of outstanding Authority mortgage loans which in turn allowed the Authority the ability to call higher rate variable bonds.

- As of June 30, 2014, the Authority's long-term issuer credit rating (ICR) and bond resolution ratings were unchanged. The Authority has an Issuer's Credit Rating (ICR) from Moody's Investors Services (Moody's) of Aa3 and from Standard and Poor's (S&P) of AA-. All individual bond resolutions have credit ratings equal to or better than the Authority's ICR.

Financial Highlights – Fiscal Year 2013

Fiscal year 2013 net income before the adjustment for a change in the market value of investments rose slightly from fiscal year 2012 to $18.7 million. The Authority experienced a very successful year of loan fundings in the Multifamily program as well as the highest level of Single Family loan originations since the financial crisis halted lending late in 2008. However, prepayments remained high due to continued availability of historically low mortgage rates and all new Single Family loans were sold upon closing which resulted in the portfolio contracting again in fiscal year 2013. The Economic Development loan products that were rolled out during fiscal year 2012 were expanded in 2013.

We anticipate that both Single Family and Economic Development loan volume will expand again in 2014.

The following are financial highlights for fiscal year 2013:

- The Authority reported net income of $12.5 million which resulted in a 2.1% increase in net position during fiscal year 2013.

- Mortgage and MBS investment income of $102.7 million is down 20.3% as loan prepayments continued to exceed loan originations. Loan prepayments totaled $276.1 million (Single Family $224 million and Multifamily $52.1 million). This was a decrease of $9.7 million from the prior year. Loan originations and MBS investment purchases totaled $204.1 million (Single Family $105.5 million and Multifamily $98.6 million) which was a decrease of $41.8 million from fiscal year 2012.

- Investment interest income of $1.7 million represented a 71.2% decrease from the prior year primarily as the result of an adjustment to reflect a change in the market value of the Authority's investments.

- Interest expense and debt financing costs of $73.4 million are $14.6 million or 16.6% lower than fiscal year 2012. The decrease is attributable to the continued high level of prepayments of outstanding Authority mortgage loans which in turn allowed the Authority the ability to call higher rate variable bonds.

- As of June 30, 2013, the Authority's long-term issuer credit rating (ICR) and bond resolution ratings were unchanged. The Authority has an Issuer's Credit Rating (ICR) from Moody's Investors Services (Moody's) of Aa3 and from Standard and Poor's (S&P) of AA-. All individual bond resolutions have credit ratings equal to or better than the Authority's ICR.

Statements of Net Position - Comparative Fiscal Year 2014

The following condensed statements of net position show a summary of changes, in dollars and percentages, between fiscal years ended June 30, 2014 and 2013. The Authority reported a change in net position of $28.9 million for the year ended June 30, 2014.

Wisconsin Housing and Economic Development Authority
Statements of Net Position
June 30, 2014 and 2013
(Millions of Dollars)

			Increase / (Decrease)	
	2014	2013	Amount	%
Cash and cash equivalents	390.2	459.2	(69.0)	(15.0)
Mortgage loans and interest receivable	1,529.7	1,719.7	(190.0)	(11.0)
Mortgage-backed security investments and interest receivable	94.0	98.3	(4.3)	(4.4)
Investments and interest receivable	112.6	142.0	(29.4)	(20.7)
Security lending cash collateral	3.5	3.4	0.1	2.9
Other assets	21.3	27.3	(6.0)	(22.0)
Total Assets	2,151.3	2,449.9	(298.6)	(12.2)
Deferred Outflow of Resources[1]	52.2	68.3	(16.1)	(23.6)
Accrued interest payable	13.8	18.0	(4.2)	(23.3)
Bonds and notes payable	1,393.1	1,707.9	(314.8)	(18.4)
Interest Rate Swap Agreements	52.2	68.3	(16.1)	(23.6)
Security lending liability	5.0	5.1	(0.1)	(2.0)
Other liabilities	112.3	109.5	2.8	2.6
Total Liabilities	1,576.4	1,908.8	332.4	17.4
Net investment in capital assets	7.2	6.2	1.0	16.1
Restricted by bond resolutions	419.1	408.9	10.2	2.5
Restricted by contractual agreements	193.4	193.0	0.4	0.2
Unrestricted	7.4	1.3	6.1	469.2
Total Net Position	627.1	609.4	17.7	2.9

1 – Derivative instruments relating Interest Rate Swap Agreements

Schedule may not foot due to rounding

Total assets of the Authority as of June 30, 2014 were $2.2 billion which represents a decline of 12.2% from the prior year. The Authority's mortgage loan portfolio continued to contract as a result of continued loan prepayments in both the Single Family and Multifamily programs. In addition, all new Single Family loans are sold upon closing which generates front-end revenue, but does not increase the Authority's loan portfolio.

Mortgage loans and interest receivable of $1.5 billion decreased 11.0% and mortgage backed security investments decreased by $4.3 million or 4.4% to $94.0 million because although the rate of loan prepayments was down in fiscal 2014 when compared to the last several years, it is still unusually high. In addition, Multifamily loan originations decreased by $47.9 million, which when combined with the fact that all Single Family loans originated during the year were sold resulted in the Authority's loan portfolio contracting by 11.0%.

Liabilities decreased by $332.4 million to $1.6 billion. The largest reduction was in the bonds and notes payable category and was the result of early calls of high rate variable debt made possible by the cash flow generated from loan prepayments and scheduled redemptions.

Overall, net position, increased $17.7 million during fiscal year 2014. Net income of $28.9 million was partially offset by an $11.2 million restatement of net position to account for the implementation of GASB 65. The various lending programs and investments within the Authority's business segments generated the change in net position prior to the restatement. The business segment contributions for fiscal year 2014 are as follows: $14.7 million in Single Family bond resolutions, $7.6 million in Multifamily Housing Revenue bond resolutions, $6.8 million in the General Fund (including subsidiary change in net assets) and ($200,000) in State of Wisconsin Programs.

As of June 30, 2014, the Authority's long-term issuer credit rating (ICR) and bond resolution ratings were unchanged. The Authority has an Issuer's Credit Rating (ICR) from Moody's Investors Services (Moody's) of Aa3 and from Standard and Poor's (S&P) of AA-. All individual bond resolutions have credit ratings equal to or better than the Authority's ICR.

Statements of Net Position - Comparative Fiscal Year 2013

The following condensed statements of net position show a summary of changes, in dollars and percentages, between fiscal years ended June 30, 2013 and 2012. The Authority reported a change in net position of $12.5 million for the year ended June 30, 2013.

Wisconsin Housing and Economic Development Authority
Statements of Net Position
June 30, 2013 and 2012
(Millions of Dollars)

	2013	2012	Increase / (Decrease) Amount	%
Cash and cash equivalents	459.2	747.0	(287.8)	(38.5)
Mortgage loans and interest receivable	1,719.7	1,995.4	(275.7)	(13.8)
Mortgage-backed security investments and interest receivable	98.3	114.6	(16.3)	(14.2)
Investments and interest receivable	142.0	225.8	(83.8)	(37.1)
Security lending cash collateral	3.4	4.2	(0.8)	(19.1)
Other assets	27.3	26.6	0.7	2.6
Total Assets	2,449.9	3,113.6	(663.7)	(21.3)
Deferred Outflow of Resources[1]	68.3	106.9	(38.6)	(36.1)
Accrued interest payable	18.0	23.4	(5.4)	(23.1)
Bonds and notes payable	1,707.9	2,341.6	(633.7)	(27.1)
Interest Rate Swap Interest [1]	68.3	106.9	(38.6)	(36.1)
Security lending liability	5.1	6.3	(1.2)	(19.0)
Other liabilities	109.5	145.4	(35.9)	(24.7)
Total Liabilities	1,908.8	2,623.6	(714.8)	(27.3)
Net investment in capital assets	6.2	5.2	1.0	19.2
Restricted by bond resolutions	408.9	399.4	9.5	2.4
Restricted by contractual agreements	193.0	183.4	9.6	5.2
Unrestricted	1.3	8.9	(7.6)	(85.4)
Total Net Position	609.4	596.9	12.5	2.1

1 – Derivative instruments relating to Interest Rate Swap Agreements

Schedule may not foot due to rounding

Total assets of the Authority as of June 30, 2013 were $2.4 billion which represents a decline of 21.4% from the prior year. The Authority's mortgage loan portfolio continued to contract as a result of unusually high loan prepayments in both the Single Family and Multifamily programs.

Mortgage loans and interest receivable of $1.7 billion decreased 13.8% and mortgage backed security investments decreased by $16.3 million (14.2%) to $98.3 million. While the rate of prepayments slowed slightly, decreasing by $10 million from fiscal year 2012, total originations decreased by $42 million and as a result the Authority's loan portfolio contracted by 13.8%.

Liabilities decreased by $714.8 million to $1.9 billion. The decrease was again driven by the contraction of the Authority's loan portfolio which resulted in bond calls and retiring bond maturities some of which are offset by new issuances in the Multifamily programs.

Overall, net position increased $12.5 million during fiscal year 2013 or 2.1%. The various lending programs and investments within the Authority's business segments generated the change in net position. The segment contributions for fiscal year 2013 are as follows: $3.9 million in Single Family bond resolutions, $5.4 million in Multifamily bond resolutions, $3.8 million in the General Fund (including subsidiary change in net assets) and ($600,000) in State of Wisconsin Programs.

As of June 30, 2013, the Authority's long-term issuer credit rating (ICR) and bond resolution ratings were unchanged. The Authority has an Issuer's Credit Rating (ICR) from Moody's Investors Services (Moody's) of Aa3 and from Standard and Poor's (S&P) of AA-. All individual bond resolutions have credit ratings equal to or better than the Authority's ICR.

Statements of Revenues, Expenses and Change in Net Position – Comparative Fiscal Year 2014

The Authority reported a change in net position of $ 28.9 million for the fiscal year ended June 30, 2014. The following table summarizes the Statements of Revenues, Expenses and Change in Net Position of the Authority for the fiscal years ended June 30, 2014 and 2013.

Wisconsin Housing and Economic Development Authority
Statements of Revenues, Expenses and Change in Net Position
For the Fiscal Years Ended June 30, 2014 and 2013
(Millions of Dollars)

			Favorable/ (Unfavorable)	
	2014	2013	Amount	%
Mortgage income	89.8	101.8	(12.0)	(11.8)
Mortgage-backed investment income (net)	4.5	0.9	3.6	400.0
Investment income (net)	4.1	1.7	2.4	141.2
Interest expense and debt financing costs	(55.3)	(73.4)	18.1	24.7
Net Interest Income	43.1	31.0	12.1	39.0
Mortgage service fees	5.8	7.1	(1.3)	(18.3)
Pass-through subsidy revenue	169.9	172.0	(2.1)	(1.2)
Other	16.5	15.4	1.1	7.1
Net Interest And Other Income	235.3	225.5	9.8	4.3
Direct loan program expense	16.9	20.9	4.0	19.1
Pass-through subsidy expense	169.9	172.0	2.1	1.2
Grants and services	0.8	1.7	0.9	52.9
General and administrative expenses	17.9	17.6	(0.3)	(1.7)
Other expense	0.9	0.8	(0.1)	(12.5)
Change in Net Position	28.9	12.5	16.4	131.2
Net Position, Beginning of Year	609.4	596.9	12.5	2.1
Prior Period Adjustment	(11.2)	-	(11.2)	
Net Position, Beginning of Year, Restated	598.2	596.9	1.3	
Net Position, End of Year	627.1	609.4	17.7	2.9

Schedule may not foot due to rounding

Net interest income of $43.1 million reflects an increase of 39.0% from fiscal year 2013. The increase results primarily from an adjustment to investments and mortgage backed securities to reflect fair market value. However, the high level of prepayments experienced by the Authority over the last several years has allowed for the early retirement of higher rate variable bonds so the associated interest expense has decrease significantly which also contributed to the increase in Net interest income in 2014.

Direct loan program expense was down $4.0 million or 19.1%. The majority of this decline relates to reduced liquidity and remarketing fees associated with outstanding variable rate debt as a result of the early retirement of certain high cost variable rate debt. The reduction in Multifamily originations during 2014 also resulted in lower than anticipated loan loss expenses which are directly tied to volume.

Pass-through subsidy revenue and expense represent subsidy proceeds and other financial assistance received by the Authority and transferred to or spent on behalf of secondary projects. Revenues and expenses of the pass-through subsidy programs are equal resulting in a net effect, on the Authority's financial statements, of zero.

Statements of Revenues, Expenses and Change in Net Position – Comparative Fiscal Year 2013

The Authority reported a change in net position of $ 12.5 million for the fiscal year ended June 30, 2013. The following table summarizes the Statements of Revenues, Expenses and Change in Net Position of the Authority for the fiscal years ended June 30, 2013 and 2012.

Wisconsin Housing and Economic Development Authority
Statements of Revenues, Expenses and Change in Net Position
For the Fiscal Years Ended June 30, 2013 and 2012
(Millions of Dollars)

			Favorable/ (Unfavorable)	
	2013	2012	Amount	%
Mortgage income	101.8	118.2	(16.4)	(13.9)
Mortgage-backed investment income (net)	0.9	10.7	(9.8)	(91.6)
Investment income (net)	1.7	5.9	(4.2)	(71.2)
Interest expense and debt financing costs	(73.4)	(88.0)	14.6	16.6
Net Interest Income	31.0	46.8	(15.8)	(33.8)
Mortgage service fees	7.1	6.5	0.6	9.2
Pass-through subsidy revenue	172.0	165.2	6.8	4.1
Other	15.4	14.6	0.8	5.5
Net Interest And Other Income	225.5	233.1	(7.6)	(3.3)
Direct loan program expense	20.9	22.9	2.0	8.7
Pass-through subsidy expense	172.0	165.2	(6.8)	(4.1)
Grants and services	1.7	1.4	(0.3)	(21.4)
General and administrative expenses	17.6	17.6	0.0	0.0
Other expense	0.8	0.9	0.1	11.1
Change in Net Position	12.5	25.1	(12.5)	(50.2)
Net Position, Beginning of Year	596.9	571.8	25.1	4.4
Net Position, End of Year	609.4	596.9	12.5	2.1

Schedule may not foot due to rounding

Net interest income of $31.0 million reflects a decrease of 33.8% from fiscal year 2012. The decline results primarily from an adjustment to investments and mortgage backed securities to reflect fair market value. This adjustment is closely tied to market interest rates, which began to climb in the last month of the fiscal year. In addition, as a result of the record year of Multifamily fundings in 2012, expenses related to the Authority's provision for loan loss reserve remained high in 2013 and revenues generated from New Markets Tax Credit fees were lower than the previous year.

Direct loan program expense was down 8.7% from 2012 to $20.9 million. The majority of this decline relates to reduced liquidity and remarketing fees associated with outstanding variable rate debt. The high level of loan prepayments experienced by the Authority of the past couple of years has allowed for the early retirement of corresponding bonds and therefore a reduction in the associated fees. High prepayment levels have also contributed to a 19% reduction in loan servicing expense.

Pass-through subsidy revenue and expense represent subsidy proceeds and other financial assistance received by the Authority and transferred to or spent on behalf of secondary projects. Revenues and expenses of the pass-through subsidy programs are equal resulting in a net effect, on the Authority's financial statements, of zero.

This financial report is designed to provide, citizens, customers, investors and creditors with an overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, contact the Authority's Controller at: 201 West Washington Avenue, Suite 700, P. O. Box 1728, Madison WI 53701 or call at 608-267-0528.

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Statements of Net Position
June 30, 2014 and 2013
(Thousands of Dollars)

	2014	2013
Assets		
Current Assets:		
Cash and cash equivalents (Notes 1 & 4)	390,215	459,218
Investments (Notes 1 & 4)	14,837	39,115
Investment interest receivable	281	526
Mortgage-backed securities investment interest receivable	71	77
Security lending cash collateral (Notes 1 & 4)	3,520	2,346
Mortgage loans receivable, net (Notes 1 & 5)	45,786	65,135
Mortgage interest receivable	11,770	13,719
Deferred debt financing costs, net (Note 1 & 10)	-	1,475
Accounts receivable	2,792	2,728
Prepaid expense	216	144
Total Current Assets	469,488	584,483
Noncurrent Assets:		
Investments (Notes 1 & 4)	97,438	102,335
Mortgage-backed securities (Notes 1 & 4)	93,933	98,255
Mortgage loans receivable, net (Notes 1 & 5)	1,472,165	1,640,886
Security lending cash collateral (Notes 1 & 4)	-	1,083
Deferred debt financing costs, net (Note 1 & 10)	-	4,269
Other assets (Note 1)	18,329	18,714
Total Noncurrent Assets	1,681,865	1,865,542
Total Assets	2,151,353	2,450,025
Deferred Outflow of Resources		
Accumulated decrease in fair value of hedging derivatives (Notes 1 & 7)	52,252	68,308
Liabilities		
Current Liabilities:		
Bonds and notes payable (Notes 1, 6 & 10)	29,180	54,929
Accrued interest payable	13,764	17,967
Security lending liability (Notes 1 & 4)	5,000	5,113
Total Current Liabilities	47,944	78,009
Noncurrent Liabilities:		
Bonds and notes payable (Notes 1, 6 & 10)	1,363,989	1,652,988
Escrow deposits (Notes 1 & 4)	73,569	72,745
Derivative instrument - interest rate swaps (Notes 1 &7)	52,252	68,308
Other liabilities	38,722	36,790
Total Noncurrent Liabilities	1,528,532	1,830,831
Total Liabilities	1,576,476	1,908,840
Net Position		
Net investment in capital assets	7,259	6,222
Restricted by bond resolutions (Note 8)	419,071	408,875
Restricted by contractual agreements (Note 8)	193,423	193,043
Unrestricted (Note 8)	7,376	1,353
Total Net Position	627,129	609,493

The accompanying notes are an integral part of the financial statements.

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Statements of Revenues, Expenses And Change in Net Position For the Years Ended June 30, 2014 and 2013

(Thousands of Dollars)

	2014	2013
Mortgage income (Note 1)	89,774	101,866
Investment interest (Note 1)	2,605	4,565
Net (decrease) increase in fair value of investments	1,534	(2,869)
Mortgage-backed securities investment income	3,732	4,170
Net (decrease) increase in fair value of mortgage-backed securities	778	(3,274)
Interest expense (Note 1)	(55,220)	(70,630)
Amortization of debt financing costs (Note 10)	(97)	(2,776)
Net Investment Income	43,106	31,052
Mortgage service fees	5,754	7,068
Pass-through subsidy revenue (Note 1)	169,891	171,999
Grant Income	53	-
Other income (Note 1)	16,508	15,374
Net Investment and Other Income	235,312	225,493
Direct loan program expense	16,898	20,889
Pass-through subsidy expense (Note 1)	169,891	171,999
Grants and services	838	1,671
General and administrative expenses	17,930	17,549
Other expense (Note 1)	909	846
Total Expenses	206,466	212,954
Change in Net Position	28,846	12,539
Net Position, Beginning of Year as Previously Reported	609,493	596,954
Prior Period Adjustment	(11,210)	-
Net Position, Beginning of Year, Restated	598,283	596,954
Net Position, End of Year	627,129	609,493

The accompanying notes are an integral part of the financial statements.

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Statements of Cash Flows
For the Years Ended June 30, 2014 and 2013

(Thousands of Dollars)

	2014	2013
Cash Flows from Operating Activities:		
Cash received from interest on mortgage loans	91,720	104,380
Cash received from mortgage payments	209,577	326,702
Cash received from other fees and other income	21,531	20,093
Cash payments to purchase mortgage loans	(24,788)	(59,679)
Cash (paid) received from escrow deposits, net	694	(40,952)
Cash payments to employees	(14,090)	(14,441)
Cash payments to vendors	(19,963)	(13,159)
Net Cash Provided by Operating Activities	264,681	322,944
Cash Flows from Non-Capital Financing Activities:		
Proceeds from issuance of bonds and notes	37,480	89,980
Repayments on bonds and notes	(353,370)	(725,461)
Interest paid on bonds, notes and escrows	(59,814)	(76,604)
Cost of bond issuance and redemption	-	(216)
Net Cash Used in Non-Capital Financing Activities	(375,704)	(712,301)
Cash Flows from Investing Activities:		
Purchases of investments	(25,878)	(101,927)
Proceeds from sales and maturities of investments	61,568	194,684
Investment interest received	6,632	9,185
Net Cash Provided by Investing Activities	42,322	101,942
Cash Flows from Capital Financing Activities:		
Purchases of fixed assets	(302)	(340)
Net Cash Used in Capital Financing Activities	(302)	(340)
Net Decrease in Cash and Cash Equivalents	(69,003)	(287,755)
Cash and Cash Equivalents, Beginning of Year	459,218	746,973
Cash and Cash Equivalents, End of Year	390,215	459,218

The accompanying notes are an integral part of the financial statements.

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Statements of Cash Flows
For the Years Ended June 30, 2014 and 2013

(Thousands of Dollars)

	2014	2013
Reconciliation of Change in Net Position to Net Cash Provided by Operating Activities:		
Change in Net Position	28,846	12,539
Adjustments to Reconcile Change in Net Position to Net Cash Provided by Operating Activities:		
Net decrease (increase) in fair value of investments and mortgage-backed securities	(2,312)	6,143
Provision for loan loss (Note 5)	3,384	4,972
Interest expense	55,217	71,036
Income on investments and mortgage backed securities	(6,335)	(8,735)
Depreciation and amortization	(1,117)	2,351
Loan origination fee amortization	-	1,792
Decrease in mortgage loans receivable and real estate held, net	181,405	267,020
Increase (decrease) in escrows	694	(40,952)
Other	4,899	6,778
Net Cash Provided by Operating Activities	264,681	322,944

The accompanying notes are an integral part of the financial statements.

1. Summary of Significant Accounting Policies

Accounting Principles: The financial statements of the Wisconsin Housing and Economic Development Authority (Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Accounting Presentation: The Authority has adopted a financial statement presentation based on GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities". GASB Statement No. 65 impacted financial reporting by establishing accounting and financial reporting standards that reclassify as deferred inflows or deferred outflows certain items that were previously reported as assets, liabilities or recognizes as outflows or inflows of resources, certain items previously reported as assets and liabilities. (Note 10)

Blended Component Unit: The reporting entity for the Authority consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of, the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. Discretely presented component units would be reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Authority. This report does not contain any discretely presented component unit. Badger Capital Services, LLC (Badger Capital) is a Wisconsin limited liability company that is a wholly owned subsidiary of the Authority and is reported as a blended component unit. The primary purpose of Badger Capital is to provide mortgage servicing. Greater Wisconsin Opportunities Fund (GWOF) is a Wisconsin non stock corporation that is a wholly owned subsidiary of the Authority and is reported as a blended component unit. GWOF is registered with the United States Department of the Treasury's Community Development Financial Institutions (CDFI) Fund as a Community Development Entity (CDE), created primarily for the purpose of participation in the New Markets Tax Credit (NMTC) program.

All material intercompany transactions and balances have been eliminated.

Authority Programs: The Authority accounts for each bond resolution as a separate accounting entity, each with its own assets, liabilities, net position, income and expense. The entities are then grouped according to type as they relate to Single Family (Home Ownership Revenue Bond and Home Ownership Mortgage Revenue Bonds), Housing Revenue Bonds, Multifamily Housing Bonds, State of Wisconsin and General Fund programs for presentation in the financial statements. (Note 3)

Cash and Cash Equivalents: Cash and cash equivalents include short-term, highly liquid investments which are readily convertible to cash and typically have original maturities to the Authority of three months or less when acquired. (Note 4)

Investments: Investments are carried at fair value based on quoted market prices. The collateralized and uncollateralized investment agreements are not transferable and are considered nonparticipating contracts. As such, both types of investment agreements are carried at contract value. The net increase (decrease) in the fair value of investments includes both realized and unrealized gains and losses. (Note 4)

Mortgage-backed Securities: Mortgage-backed securities are carried at fair value based on quoted market prices. The net increase (decrease) in the fair value of mortgage-backed securities includes both realized and unrealized gains and losses. (Notes 4 & 5)

Security Lending Cash Collateral: Security lending cash collateral received and reinvested is carried at fair market value based on quoted market price. The net increase (decrease) in the fair market value of investments includes both realized and unrealized gains and losses. (Note 4)

Mortgage Loans Receivable and Mortgage Income: Mortgage loans held by the Authority are carried at their unpaid principal balance, net of the allowance for loan losses and real estate held. Loan origination fees and associated direct costs are recognized as income or expense at the time of the loan closing. Mortgage loans held for sale are carried at the lower of cost or fair value and all associated income and expenses are recognized at the time of sale.

1. Summary of Significant Accounting Policies (concluded)

The allowance for loan losses is increased by charges to expense and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on the Authority's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and current economic conditions. Mortgage income includes interest earned on the mortgages and the recognized loan origination fees. Mortgage interest income is calculated monthly using the 30/360 day interest calculation. (Note 5)

Other Assets: As of June 30, 2014 other assets include an office building of $21.4 million, at cost, less accumulated depreciation of $8.2 million and other capital assets of $11.0 million, at cost, less accumulated depreciation of $10.3 million. At June 30, 2013 other assets included an office building of $21.4 million, at cost, less accumulated depreciation of $7.7 million and other capital assets of $10.6 million, at cost, less accumulated depreciation of $10.0 million. Depreciation expense totaled $848,000 and $823,000 for the years ended June 30, 2014 and 2013, respectively. The assets are being depreciated on a straight-line basis, with half year convention, over the estimated useful life of the assets (40 years for the office building and between two and ten years for the other capital assets).

Bonds and Notes Payable: Bonds and notes payable include the general and special obligation bonds and notes collateralized by the revenues and assets of the Authority, subject to the provisions of the applicable resolutions and agreements. (Note 6 and Note 10)

Debt Premiums and Discounts: Debt premiums and discounts are amortized ratably over the estimated life of the obligations to which they relate. Amortization of $2,000 of bond discounts and $397,000 of bond premiums for the year ended June 30, 2014 and $3,000 of bond discounts and $570,000 of bond premiums for the year ended June 30, 2013 are included in interest expense in the Statements of Revenues, Expenses and Change in Net Position.

Security Lending Liability: The Authority receives cash or collateral from broker-dealers and other financial institutions for the securities lent to them and is obligated to return the collateral to them when the security lending agreement terminates. (Note 4)

Escrow Deposits: Escrow deposits include the amounts held for single family and multifamily mortgagees for the costs of taxes and insurance. Also included in escrow deposits are residual receipts, replacement reserves, capital needs assessments and other funds held on behalf of multifamily projects of the Authority. (Note 4)

Investment Interest Income and Interest Expense: Investment income earned on escrow deposits is allocated to the mortgagors based upon investment results. Interest expense includes $408,000 and $527,000 of investment income allocated to mortgage escrow deposits for the years ended June 30, 2014 and 2013, respectively. (Note 4)

Other Income: Some of the items in other income include $5.2 million and $4.3 million of other fee income from the administration of the HUD contract for the years ended June 30, 2014 and 2013, respectively. At June 30, 2014 and 2013 other income included prepayment penalties for multifamily mortgage loans that paid off in the amounts of $115,000 and $393,000, respectively. Other income also included lease income of $1.8 million and $1.7 million for the years ended June 30, 2014 and 2013, respectively. As lessor, the Authority entered into a non-cancellable 20 year lease agreement with the State of Wisconsin Department of Administration on May 5, 1997. As outlined in the terms of the original lease agreement, the State pays the Authority their proportionate share of parking, debt service on the building, also known as base rent and operating rent which includes usual and customary costs associated with maintenance of the facility. Semiannually, the Authority calculates the amount of rent actually payable and if such amount is greater or less than the amount paid, the next rental payment is adjusted accordingly. The State's proportionate share is based on total square footage occupied. The objective is for the rental payments to cover the Authority's costs with the Authority receiving a 5% up charge on the base rent, which was $38,000 in each of the years ended June 30, 2014 and 2013. Lease income also includes parking income from the Authority's employees and the State's principal amortization of the debt. Each year, over the next five years, lease payments are expected to be $2.0 million with a total amount of $6.5 million for the remaining life of the lease. Also, included in other income is $1.5 million and $1.4 million of fee income from the administration of the IRS federal Low-Income Housing Tax Credit Program for the years ended June 30, 2014 and 2013, respectively. Also, other income included New Markets Tax Credits fee income of $2.3 million and $2.6 million for the years ended June 30, 2014 and 2013, respectively. (Note 3)

Other Expense: Other expense includes $899,000 and $839,000 of lease expense for the years ended June 30, 2014 and 2013, respectively. Lease expense is the State's proportionate share of parking, debt service on the building, also known as base rent and operating rent which includes usual and customary costs associated with maintenance of the facility

Pass-through Subsidy Revenue and Expense: In accordance with GASB Statement No. 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance", pass-through grants are reported in the financial statements as both revenue and expense. (Note 3)

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

2. Authorizing Legislation and Funds

The Authority was created in 1972 by an act of the Wisconsin Legislature to facilitate the purchase, construction and rehabilitation of housing for families of low and moderate-income by providing or participating in the providing of construction and mortgage loans. The Authority is authorized to issue bonds secured by a capital reserve fund up to an aggregate amount of $600.0 million, excluding those being used to refund outstanding obligations and those issued under the programs described below. Outstanding general obligation Housing Revenue Bonds total $390.2 million and 425.7 million at June 30, 2014 and 2013, respectively. The Authority has no taxing power. Bonds issued by the Authority do not constitute a debt of the State of Wisconsin or any political subdivision thereof. The Authority is a component unit of the State of Wisconsin for financial reporting purposes.

The Authority's mission has been expanded since 1972 through legislation authorizing the following:

A Home Ownership Mortgage Loan Program, funded by revenue bonds of $7.5 billion through June 30, 2014 and 2013, of which approximately $874.7 million and $1.1 billion are outstanding at June 30, 2014 and 2013, respectively.

A Community Housing Alternatives Program (CHAP), funded by bonds of up to $99.4 million, to finance loans for residential facilities for the elderly or chronically disabled. Housing Revenue Bonds totaling $4.8 million have been issued since the inception of the program, of which none are outstanding at June 30, 2014 and 2013.

A Housing Rehabilitation Program and Home Improvement Loan Program, funded by revenue bonds outstanding at any time of up to $100.0 million, to finance below-market-rate loans for home rehabilitation. Revenue bonds totaling approximately $97.6 million have been issued since the inception of the program, of which none are outstanding at June 30, 2014 and 2013.

A Wisconsin Development Reserve Fund Program, which represents State of Wisconsin funds appropriated to subsidize interest and provide guarantees of principal balances of qualifying loans. By Wisconsin Statute 234.93, the Authority is authorized to make loan guarantees up to $49.5 million with a minimum required reserve ratio of 4.5:1 (guarantee to reserve). At June 30, 2014 and 2013, outstanding loan guarantees totaled $13.6 million and $18.5 million, respectively, and the balance of the reserve fund, restricted for purposes of the program, was $9.2 million and $5.4 million, respectively.

In 2012, the Legislature amended Section 234.65 to provide Economic Development activity funded by revenue bonds of up to $150.0 million in each of the fiscal years 2013, 2014 and 2015. As of June 30, 2014 and 2013, $42.5 million of revenue bonds were issued for economic development projects in Wisconsin which do not constitute indebtedness of the Authority within the meaning of any provision or limitation of the Constitution or Statutes of the State of Wisconsin. They are payable solely out of the revenues derived pursuant to the loan agreement or, in the event of default of the loan agreement, out of any revenues derived from the sale, releasing or other disposition of the mortgaged property. They do not constitute or give rise to a pecuniary liability of the Authority or a charge against its general credit and therefore, these bonds are not reflected in the financial statements of the Authority.

A Multifamily Housing Bond (MHB) Program, funded by the Authority's general obligation Multifamily bonds of $114.8 million and $139.7 million as of June 30, 2014 and 2013, respectively. In addition, under the MHB program, other revenue bonds were issued which do not constitute indebtedness of the Authority within the meaning of any provision or limitation of the Constitution or Statutes of the State of Wisconsin. They do not constitute or give rise to a pecuniary liability of the Authority or a charge against its general credit. They are payable solely out of the revenues derived pursuant to the loan agreement or, in the event of default of the loan agreement, out of any revenues derived from the sale, releasing or other disposition of the mortgaged property. Based on the above, the bonds are not reflected in the financial statements of the Authority. As of June 30, 2014 and 2013, the Authority had issued an aggregate principal amount of $33.9 million and $15.1 million of these non-general obligation credit bonds.

The Authority has, by resolution, established other programs to promote the fulfillment of its objectives and has financed these efforts through appropriations of its General Fund.

3. Description of Programs

Single Family Bond Programs:

Home Ownership Revenue Bond (HORB) Resolutions include all bonds secured by single family mortgage loans. The funds are used to purchase mortgage loans on single family residential housing units for persons and families of low and moderate-income in Wisconsin. The bond issues are grouped by bond resolution and each may have different covenants and requirements (Note 6). The Authority stopped accepting new requests for loan applications for this program as of October 2, 2008.

Home Ownership Mortgage Revenue Bond (HOMRB) 2009 Resolution is secured by mortgage-backed securities (Note 6). The bond proceeds are used to purchase the mortgage-backed securities that represent claims to cash flows from pools of single family mortgage loans that are underwritten by the Authority. The Authority started accepting loan applications on March 1, 2010 for this program. Mortgage-backed securities in this program total $78.4 million and $86.4 million as of June 30, 2014 and 2013, respectively.

Single Family Bonds include HORB and HOMRB Resolutions. HORB Resolutions dated 1987 and 1988, and the HOMRB Resolution dated 2009 are reported separately while all other HORB Resolutions are combined.

3. Description of Programs (continued)

The Authority established a Zero Down loan program on June 1, 2006. The program offers home buyers an affordable mortgage with no down payment for the purchase of an existing 1-2 unit owner-occupied residence, a double-wide manufactured home or new construction. The Zero Down loan program had an outstanding balance of $77.4 million and $92.8 million for the years ended June 30, 2014 and 2013, respectively. The Authority stopped accepting new loan applications for this program as of April 14, 2008.

Housing Revenue Bond Programs:

Housing Revenue Bonds (HRB) include the 1974 and 1993 Housing Revenue Bond Resolutions (Note 6). These funds are used to finance the construction, rehabilitation and permanent financing for multifamily rental housing developments generally designed for persons and families of low and moderate-income, the elderly, disabled or special needs persons.

Multifamily Bond Programs:

Multifamily Housing Bonds (MHB) include the 2006 and 2010 Multifamily Housing Bond Resolution (Note 6). The funds are used to finance multifamily mortgage loans for certain eligible projects and are general obligations of the Authority.

Multifamily Bonds include HRB and MHB Resolutions.

State of Wisconsin Programs:

In April 2002, the Authority approved the Home Plus loan program. The program provides financing of up to $10,000 for down payment and closing costs and/or a line of credit for future home improvement or repairs on the single family residence financed by a WHEDA mortgage loan. As of June 30, 2014 and 2013, the Home Plus Program had an outstanding balance in the State of Wisconsin Programs of $2.0 million and $2.7 million, respectively. This program was suspended on April 14, 2008 and replaced with the Easy Close loan program. This program was suspended as of October 2, 2008 and replaced with the Easy Close Advantage program in the General Fund.

State of Wisconsin programs include the Home Improvement Loan Program and the Wisconsin Development Reserve Fund administered by the Authority. The Home Improvement Loan Program (HILP) provides loans for eligible borrowers to make improvements to owner-occupied properties. No bonds have been issued since 1992 and the program was temporarily suspended as of April 14, 2008. Outstanding HILP loans total $851,000 and $927,000 as of June 30, 2014 and 2013, respectively. In June 2009, the Authority decided to continue lending under this program with the Home Improvement Advantage loan program. Eligible WHEDA homeowners who have lived in their homes for 12 months or longer can borrow up to $10,000 for remodeling or home repairs through a low-cost, fixed interest loan with a maximum term of 10 years. $144,000 and $50,000 of loans were made through this program for the fiscal years ending June 30, 2014 and 2013, respectively. The Wisconsin Development Reserve Fund administered for the State of Wisconsin includes the Credit Relief Outreach Program (CROP), the Agribusiness Fund, the WHEDA Small Business Guarantee Program (SBG), and the Farm Assets Reinvestment Management Program (FARM), all of which provide loan guarantees and interest rate subsidies on loans. Outstanding guarantees as of June 30, 2014 and 2013 are $2.3 million and $3.5 million for CROP, $213,000 and $975,000 for Agribusiness, $8.0 million and $9.2 million for SBG and $3.1 million and $4.8 million for FARM, respectively.

General Fund Programs:

The General Fund includes the Neighborhood Business Revitalization Guarantee program which was approved in April, 2003. This guarantee program will provide up to $12.0 million in loan guarantees for revitalization in targeted urban commercial communities with populations greater than 35,000. As of June 30, 2014, $994,000 of loan guarantees had been approved and were outstanding. As of June 30, 2013, $3.9 million of loan guarantees had been approved with outstanding loan guarantees of $1.8 million.

Property Tax Deferral Loans are made to elderly individuals to pay property taxes. As of June 30, 2014 and 2013, the Property Tax Deferral Loans had an outstanding balance of $1.8 million and $2.0 million, respectively.

In December 2004, the Authority created a loan program called Construction Plus. This program provides financing for up to 90% of the development costs of rental housing properties for families, elderly, or people with disabilities. As of June 30, 2014 and 2013 the balance of Construction Plus loans was $22.1 million and $7.5 million, respectively.

Easy Close Advantage is a statewide program offering loans in the amount of $3,000-$3,500 or 3.0%-3.5% of the purchase price, whichever is greater, that can be used for down payment or closing costs and homebuyer education expenses. As of June 30, 2014 and 2013, the Easy Close loans and Easy Close Advantage programs had a combined outstanding balance of $3.6 million and $2.3 million, respectively.

The Authority administers the IRS federal Low-Income Housing Tax Credit Program for Wisconsin. This program is part of the Tax Reform Act of 1986. The program was created to encourage production of affordable multifamily rental housing for low-to-moderate income persons. The Low-Income Housing Tax Credit is a dollar-for-dollar reduction of federal income taxes owed by owners/investors in qualified projects for tenants whose incomes are at or below 60% of County Median Income (CMI). The Authority awarded $12.0 million and $11.5 million in Tax Credits in the years ended June 30, 2014 and 2013, respectively.

3. Description of Programs (concluded)

The Authority administers Section 8 subsidized housing programs under the U.S. Department of Housing and Urban Development. Funds administered for the Section 8 New Construction and Substantial Rehabilitation and Moderate Rehabilitation programs totaled $14.1 million and $38.0 million for the years ended June 30, 2014 and 2013, respectively. The Housing Choice Voucher program funds administered were $7.4 million for the years ended June 30, 2014 and 2013. Interest Reduction Payments of $782,000 and $1.1 million were administered for the years ended June 30, 2014 and 2013, respectively.

The Section 8 Housing Assistance Payments program funds were $145.8 million and $119.4 million for the years ended June 30, 2014 and 2013, respectively. The Authority executed grant agreements with NeighborWorks America for the National Foreclosure Mitigation Counseling Program. Funds administered under this program total $3,400 and $23,000 for the years ended June 30, 2014, and 2013, respectively.

State Small Business Credit Initiative (SSBCI) was established with the passage of the federal Small Business Jobs Act of September 2011 and was created to make capital more accessible to entrepreneurs and small businesses. SSBCI bolsters state programs that support small business lending. Any state that establishes a new, or has an existing support program for small businesses was eligible to apply. Under SSBCI, Wisconsin will use U.S. Treasury funds for programs that leverage private lending to finance creditworthy small businesses that are not receiving loans needed to expand and create jobs. On September 22, 2011, the U.S. Treasury Department approved Wisconsin's application to participate in SSBCI. Wisconsin will receive a total of $22.4 million for small business lending programs to help create private sector jobs. The Wisconsin Department of Administration has been allocated the funds for the State of Wisconsin and the Authority will administer those funds on behalf of the State. Based on 10:1 match expectations these funds are expected to support at least $224.0 million in new lending. The Authority has received $14.8 million in funds for SSBCI as of June 30, 2014 and 2013. The money will be used for the following programs: Capital Access Program, Loan Guarantee Program and a Venture capital fund (Wisconsin Equity Fund). The Authority disbursed $8.4 million and $6.6 million for the Wisconsin Equity Fund as of June 30, 2014 and 2013, respectively. The Authority's portion of this lending is $6.2 million and $4.7 million for the years ended June 30, 2014 and 2013, respectively. The Capital Access Program and Loan Guarantee programs have not been utilized as of June 30, 2014 and 2013.

The Authority is a member of The Wisconsin Community Development Legacy Fund (WCDLF). WCDLF, a non-stock corporation, is a partnership between the Authority and Legacy Bancorp, Inc. WCDLF was created to make qualified low-income community investments throughout the State of Wisconsin in qualified active low-income community businesses for the New Markets Tax Credit (NMTC) program. Between April, 2004 and April, 2011 WCDLF was awarded $415.0 million in NMTC allocations. $415.0 million and $407.2 million of these awards had been allocated as of June 30, 2014 and June 30, 2013, respectively. The Authority will not seek future awards through WCDLF. On June 16, 2011, a second non-stock corporation, the Greater Wisconsin Opportunities Fund, Inc. (GWOF) was created to again make low-income community investments through the State of Wisconsin in qualified active low-income community businesses for the NMTC program. The Authority is the sole member of GWOF. On April 24, 2013, GWOF was awarded a $35.0 million NMTC allocation, $24.5 million of which had been sub-allocated as of June 30, 2014. On June 9, 2014, GWOF received notification of a $50.0 million NMTC award, none of which was allocated as of June 30, 2014.

The Authority has established a Preservation Revolving Loan Fund (PRLF) with funding provided by the United States Department of Agriculture (USDA) Rural Development, for the preservation and revitalization of low-income multifamily rental housing throughout rural Wisconsin. The loan fund, which serves populations of 20,000 or less, allows the Authority to allocate loans to rural multifamily developments that integrate low-income rental housing for families and individuals, including elderly persons and persons with disabilities. Loans outstanding in this revolving fund as of June 30, 2014 and 2013 total $1.7 million.

In 2012, the Authority pledged to commit $100.0 million to the Transform Milwaukee Initiative over the next two years. The Authority's resources will include federal tax credits, business development loans, workforce housing financing, residential mortgage loans and vacant property remediation grants. As part of this initiative, the Authority announced on May 16, 2012, a commitment of $16.0 million in financing and grant programs for the Transform Milwaukee Initiative which will be divided into three programs. The Authority is administering $1.0 million for the Transform Milwaukee Blight Elimination Program using funds from the multi-state mortgage settlement for the demolition of blighted and underutilized properties in the Transform Milwaukee area. There are $0 and $253,000 of funds remaining for this program as of June 30, 2014 and 2013, respectively. The Authority announced in April, 2013 that $2.9 million in low-income housing tax credits would be awarded to 5 projects in the Transform Milwaukee Area to create 234 affordable housing units. The Transform Milwaukee Venture Capital Program will create a venture capital investment program to assist growing businesses in the Transform Milwaukee area. This program will be created with $750,000 from the multi-state mortgage settlement and will leverage private investment dollars to achieve a target goal of $1.5 million in new equity investments. The Authority set aside $500,000 of its general reserves to support future programs and projects related to the Transform Milwaukee Initiative and $395,000 and $475,000 of this is unused as of June 30, 2014 and 2013, respectively.

In 2012, $12.0 million in Authority reserves were encumbered to make economic development loans in partnership with financing from commercial and community lenders. The maximum Authority participation in any project is $2.0 million. Loans are restricted to businesses with less than $35.0 million in gross sales. An additional $1.0 million and $3.7 million of WHEDA reserves were encumbered for this purpose in fiscal year 2014 and 2013, respectively. As of June 30, 2014 and 2013 there is an outstanding loan balance of $5.2 million and $2.8 million in this program, respectively.

On April 1, 2013, the Authority announced the WHEDA Tax Advantage, a Mortgage Credit Certificate Program (MCC). Under this unique program, qualifying home buyers can claim a tax credit against their federal income tax liability of up to $2,000 a year. The total credit available is $111.4 million that is expected to provide assistance to $445.6 million in mortgage loans. The credit is available as long as home buyers remain in their home and pay down their original amount of debt. As of June 30, 2014, $54.4 million of loans had been issued through this program and $11.3 million of MCC's had been issued.

4. Cash, Cash Equivalents and Investments

Cash, Cash Equivalents and Investments of the Authority are comprised of five distinct investment portfolios: 1) the General Fund investment portfolio, 2) the Home Improvement Loan investment portfolio, 3) the Wisconsin Development Reserve Fund investment portfolio, 4) the Escrow Fund investment portfolio, and 5) the Bonded Program investment portfolio.

Each investment portfolio has its own investment policy, which identifies the permitted investments and asset allocation guidelines. These policies are summarized under the applicable sections below. Depending on the investment portfolio, permitted investments may include (and are subject to minimum credit rating thresholds where applicable): U.S. government securities; U.S. agency securities; municipal bonds and notes; corporate bonds and notes; money market mutual funds; commercial paper; certificates of deposit; repurchase agreements; investment contracts; the State Investment Fund and equity securities within SSBCI.

Cash and Cash Equivalents: The carrying amounts of cash and cash equivalents and investments of the five investment portfolios, which approximate fair value, at June 30, 2014 and 2013 are as follows (in thousands of dollars):

	2014		2013	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
Cash	13,434	13,434	13,817	13,817
Money Market Mutual Funds	376,781	376,781	445,401	445,401
Total Cash and Cash Equivalents	390,215	390,215	459,218	459,218
Certificates of Deposit	3,900	3,900	3,350	3,350
U.S. Government Securities	217	183	229	182
U.S. Agency Securities	94,106	94,315	122,598	124,007
Corporate Notes	4,989	5,000	5,000	5,000
Mortgage-backed Securities	93,933	88,899	98,255	93,999
Collateralized Investment Contracts	7,626	7,626	9,306	9,306
Equity Securities	1,437	1,437	967	967
Total Investments	206,208	201,360	239,705	236,811
Total Cash and Cash Equivalents and Investments	596,423	591,575	698,923	696,029

At June 30, 2014 and 2013, the Authority had cash bank balances totaling $13.9 million and $14.3 million, respectively, of which $286,000 and $250,000 was covered by depository insurance, and the remaining balance was uninsured and uncollateralized. Beginning on January 1, 2013, FDIC insurance coverage changed to $250,000 for the time and savings accounts and $250,000 for demand deposit accounts. Cash deposits are not included in the investment portfolio summaries that follow. Money market mutual funds are included in the investment totals of the investment portfolio summaries that follow.

General Fund Investment Portfolio:

As of June 30, 2014, the Authority had the following investments and maturities covered by the General Fund Investment Policy (in thousands of dollars):

		Investment Maturities (In Years)			
Investment Type:	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Money Market Mutual Funds	75,931	75,931	--	--	--
Certificates of Deposits	300	300	--	--	--
U.S. Agency Securities	39,231	5,019	19,880	14,332	--
U.S. Government Securities	135	--	135	--	--
Corporate Securities:					
Financial	4,989	--	4,989	--	--
Equity	1,437	--	1,437	--	--
General Fund Investments	122,023	81,250	26,441	14,332	--

4. Cash, Cash Equivalents and Investments (continued)

As of June 30, 2013, the Authority had the following investments and maturities covered by the General Fund Investment Policy (in thousands of dollars):

		Investment Maturities (In Years)			
Investment Type:	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Money Market Mutual Funds	91,401	91,401	--	--	--
Certificates of Deposits	300	300	--	--	--
U.S. Agency Securities	38,667	--	19,778	18,889	--
U.S. Government Securities	143	--	143	--	--
Corporate Securities:					
Financial	5,000	--	5,000	--	--
Equity	967		967		
General Fund Investments	136,478	91,701	25,888	18,889	--

Interest Rate Risk: Investment maturity and projected call dates are expected to coincide with the General Fund obligations. Market conditions, rates of return, interest rate spreads within and across asset classes, and other factors will influence maturity selection for all funds in excess of those required to meet the anticipated obligations. Based upon current consideration for each of these factors, investments in the General Fund portfolio may have maturities ranging up to 15 years.

Credit Risk: The Authority's policy allows investments of the General Fund in the following:

Money market mutual funds are limited to AAA rated funds and non-rated funds with portfolios restricted to only those investments specifically authorized by the investment policy. Money market mutual funds are regulated by the Securities & Exchange Commission and have a dollar weighted-average portfolio maturity of 90 days or less that fully invest dollar-for-dollar all funds without sales commissions or loads. The Authority invests in money market mutual funds whose investment objectives include seeking to maintain a stable net asset value of $1 per share. The Authority may not invest funds under its control in an amount that exceeds 10% of the total assets of any individual money market mutual fund. As of June 30, 2014 and 2013, the Authority invested only in AAA rated money market mutual funds. Money market mutual funds totaled 62.2% and 67.0%, respectively, of the General Fund portfolio; and, the entire Authority portfolio's allocation was 65.0% and 65.0%, respectively.

Certificates of Deposit (CDs) purchased as part of the Authority's minority banking participation cannot exceed $500,000 per financial institution due to federal insurance coverage. CDs issued by financial institutions insured by the FDIC are permitted in amounts up to $100,000. As of June 30, 2014, all certificates were in compliance.

U.S. Government Securities, which include, but are not limited to Treasury Bills, Treasury Notes, Treasury Bonds, and Treasury Strips. As of June 30, 2014 and 2013, the U.S. Government Securities were rated AA+ by Standard and Poor's (S&P) and Aaa by Moody's Investors Services (Moody's).

U.S. Agency Securities, which include, but are not limited to the following issuers: Federal Farm Credit System, Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac or FHLMC), Federal National Mortgage Association (Fannie Mae or FNMA), Federal Agricultural Mortgage Corporation (Farmer Mac) and Government National Mortgage Association (Ginnie Mae or GNMA). As of June 30, 2014 and 2013, the U.S. Agency Securities were rated AA+ by S&P and Aaa by Moody's.

Municipal Bonds and Notes are limited to obligations of states, agencies, counties, cities, and other political subdivisions of any State having been rated not less than the AA category or its equivalent as to investment quality by two or more nationally recognized investment rating firms.

Corporate Bonds and Notes are limited to U.S. domestic corporations having been rated not less than the AA category or its equivalent as to investment quality by two or more nationally recognized investment rating firms. As of June 30, 2014, the Authority's investment in Corporate Bonds and Notes for the General Fund were rated at least AA+ by S&P and A1 by Moody's. On June 21, 2012, Moody's downgraded one of the corporate notes from Aa3 to A2. The downgraded note represents $2.0 million, or 40.0% of the total General Fund Corporate Securities, and 1.6% of the total General Fund Investments.

Mortgage-backed Securities are guaranteed by Fannie Mae and backed by pools of mortgage loans.

Repurchase Agreements/Collateralized Investment Contracts are collateralized at 102% or better with a defined termination date and secured by U.S. Government Securities and U.S. Agency Securities.

Commercial Paper is limited to "prime" quality obligations with a stated maturity of 270 days or less from the date of its issuance, having at time of purchase the highest short-term program credit rating as provided for by at least one nationally recognized rating service.

Equity securities are restricted to Limited Partnerships as authorized under the SSBCI Program, agreements with the Wisconsin Department of Administration and program parameters as approved by the Members of the Authority and Economic Development Committee.

4. Cash, Cash Equivalents and Investments (continued)

Bankers Acceptances must have a stated maturity of 180 days or less from the date of issuance, have the highest short-term credit rating as provided for by at least one nationally recognized rating service, be drawn on and accepted by U.S. commercial banks and be eligible for purchase by the Federal Reserve Bank.

Concentration of Credit Risk: No less than 50% of the total portfolio value will be invested in U.S. Government Securities, U.S. Agency Securities and Money Market Mutual Funds. For funds not invested in U.S. Government Securities, U.S. Agency Securities or Money Market Mutual Funds, no more than 5% of the total portfolio market value can be invested with any issuer or secured by one guarantor. No more than 15% of the total portfolio's market value will be invested in any one municipal or industry sector. As of June 30, 2014 the portfolio was in compliance with this requirement.

Concentrations with U.S. Agency Securities in excess of 5% of the General Fund Investment Portfolio as of June 30, 2014 were as follows: Federal Farm Credit System (16%) and Federal National Mortgage Association (14%).

Foreign Currency Risk: The General Fund Investment Policy requires investments only in securities traded in U.S. dollars.

Home Improvement Loan Fund Investment Portfolio:

As of June 30, 2014, the Authority had the following investments and maturities covered by the Home Improvement Loan Fund Investment Policy, relating to the Home Improvement Loan Program (in thousands of dollars):

		Investment Maturities (In Years)		
Investment Type:	Fair Value	Less than 1	1 - 5	6 - 10
Money Market Mutual Funds	7,764	7,764	--	--
Home Improvement Loan Fund Investments	7,764	7,764	--	--

As of June 30, 2013, the Authority had the following investments and maturities covered by the Home Improvement Loan Fund Investment Policy, relating to the Home Improvement Loan Program (in thousands of dollars):

		Investment Maturities (In Years)		
Investment Type:	Fair Value	Less than 1	1 - 5	6 - 10
Money Market Mutual Funds	8,950	8,950	--	--
Home Improvement Loan Fund Investments	8,950	8,950	--	--

Interest Rate Risk: Investment maturity dates or projected call dates are expected to coincide with the cash flow obligations and matched funding analyses, associated with a five year projection period. Market conditions, rates of return, interest rate spreads within and across asset classes, and other factors will influence maturity selection for all funds in excess of those required to meet the five year projected cash flow obligations. Based upon current consideration for each of these factors, investments in the Home Improvement Loan Fund portfolio may have maturities ranging up to 10 years.

Credit Risk: It is the Authority's policy to limit investments in the Home Improvement Loan Fund to the following:

Money market mutual funds are limited to AAA rated funds and non-rated funds with portfolios restricted to only those investments specifically authorized by the policy. Money market mutual funds are regulated by the Securities & Exchange Commission and have a dollar weighted-average portfolio maturity of 90 days or less that fully invest dollar-for-dollar all funds without sales commissions or loads. The Authority invests in money market mutual funds whose investment objectives include seeking to maintain a stable net asset value of $1 per share. The Authority may not invest funds under its control in an amount that exceeds 10% of the total assets of any individual money market mutual fund. As of June 30, 2014 and 2013, the Authority invested only in AAA rated money market mutual funds and 100% of the Home Improvement Loan Program portfolio was invested in money market mutual funds.

Certificates of Deposit issued by financial institutions insured by the FDIC are permitted in amounts up to $100,000.

U.S. Government Securities, which include, but are not limited to Treasury Bills, Treasury Notes, Treasury Bonds, and Treasury Strips.

U.S. Agency Securities, which include, but are not limited to the following issuers: Federal Farm Credit System, Federal Home Loan Bank System, Freddie Mac, Fannie Mae, Farmer Mac, and Ginnie Mae.

Municipal Bonds and Notes are limited to obligations of states, agencies, counties, cities, and other political subdivisions of any State having been rated not less than the AA category or its equivalent as to investment quality by two or more nationally recognized investment rating firms.

Corporate Bonds and Notes are limited to U.S. domestic corporations having been rated not less than the AA category or its equivalent as to investment quality by two or more nationally recognized investment rating firms.

4. Cash, Cash Equivalents and Investments (continued)

Repurchase Agreements/Collateralized Investment Contracts are collateralized at 102% or better with a defined termination date and secured by U.S. Government Securities and U.S. Agency Securities.

Commercial Paper is limited to “prime” quality obligations with a stated maturity of 270 days or less from the date of its issuance, having at time of purchase the highest short-term program credit rating as provided for by at least one nationally recognized rating service.

Bankers Acceptances must have a stated maturity of 180 days or less from the date of issuance, have the highest short-term credit rating as provided for by at least one nationally recognized rating service, be drawn on and accepted by U.S. commercial banks and be eligible for purchase by the Federal Reserve Bank.

Concentration of Credit Risk: No less than 60% of the total portfolio value will be invested in U.S. Government Securities, U.S. Agency Securities and Money Market Mutual Funds. For funds not invested in U.S. Government Securities, U.S. Agency Securities or Money Market Mutual Funds, no more than $500,000 can be invested with any issuer or secured by one guarantor. No more than 15% of the total portfolio's market value will be invested in any one municipal or industry sector. As of June 30, 2014 the portfolio was in compliance with this requirement.

Foreign Currency Risk: The Home Improvement Loan Investment Policy requires investments only in securities traded in U.S. dollars.

Wisconsin Development Reserve Fund Investment Portfolio:

As of June 30, 2014, the Authority had the following investments and maturities covered by the Wisconsin Development Reserve Fund Investment Policy (in thousands of dollars):

		Investment Maturities (In Years)		
Investment Type:	Fair Value	Less than 1	1 - 5	6 - 10
Money Market Mutual Funds	6,580	6,580	--	--
U.S. Agency Securities	2,677	--	987	1,690
Wisconsin Development Reserve Fund Investments	9,257	6,580	987	1,690

As of June 30, 2013, the Authority had the following investments and maturities covered by the Wisconsin Development Reserve Fund Investment Policy (in thousands of dollars):

		Investment Maturities (In Years)		
Investment Type:	Fair Value	Less than 1	1 - 5	6 - 10
Money Market Mutual Funds	1,164	1,164	--	--
U.S. Agency Securities	4,308	1,678	489	2,141
Wisconsin Development Reserve Fund Investments	5,472	2,842	489	2,141

Interest Rate Risk: Investment maturity and projected call dates are expected to coincide with the cash flow obligations and matched funding analyses associated with a five year projection period. Market conditions, rates of return, interest rate spreads within and across asset classes, and other factors will influence maturity selection for all funds in excess of those required to meet the five year projected cash flow obligations. Based upon current consideration for each of these factors, no investment in the Wisconsin Development Reserve Fund portfolio will mature in more than 10 years.

Credit Risk: It is the Authority's policy to allow investments of the Wisconsin Development Reserve Fund in the following:

Money market mutual funds are limited to AAA rated funds and non-rated funds with portfolios restricted to only those investments specifically authorized by the policy. Money market mutual funds are regulated by the Securities & Exchange Commission and have a dollar weighted-average portfolio maturity of 90 days or less that fully invest dollar-for-dollar all funds without sales commissions or loads. The Authority invests in money market mutual funds whose investment objectives include seeking to maintain a stable net asset value of $1 per share. The Authority may not invest funds under its control in an amount that exceeds 10% of the total assets of any individual money market mutual fund. As of June 30, 2014 and 2013, the Authority invested only in AAA rated money market mutual funds, and 71.1% and 21.3%, respectively, of the Wisconsin Development Reserve Fund portfolio was invested in money market mutual funds.

Certificates of Deposit issued by financial institutions insured by the FDIC are permitted in amounts up to $100,000.

U.S. Government Securities, which include, but are not limited to Treasury Bills, Treasury Notes, Treasury Bonds, and Treasury Strips.

U.S. Agency Securities, which include, but are not limited to the following issuers: Federal Farm Credit System, Federal Home Loan Bank System, Freddie Mac, Fannie Mae, Farmer Mac, and Ginnie Mae. As of June 30, 2014 and 2013, the U.S. Agency Securities were rated AA+ by S&P and Aaa by Moody's.

4. Cash, Cash Equivalents and Investments (continued)

Municipal Bonds and Notes are limited to obligations of states, agencies, counties, cities, and other political subdivisions of any State having been rated not less than the AA category or its equivalent as to investment quality by two or more nationally recognized investment rating firms.

Corporate Bonds and Notes are limited to U.S. domestic corporations having been rated not less than the AA category or its equivalent as to investment quality by two or more nationally recognized investment rating firms.

Repurchase Agreements/Collateralized Investment Contracts are collateralized at 102% or better with a defined termination date and secured by U.S. Government Securities and U.S. Agency Securities.

Commercial Paper is limited to "prime" quality obligations with a stated maturity of 270 days or less from the date of its issuance, having at time of purchase the highest short-term program credit rating as provided for by at least one nationally recognized rating service.

Bankers Acceptances must have a stated maturity of 180 days or less from the date of issuance, have the highest short-term credit rating as provided for by at least one nationally recognized rating service, be drawn on and accepted by U.S. commercial banks and be eligible for purchase by the Federal Reserve Bank.

Concentration of Credit Risk: No less than 60% of the total portfolio value will be invested in U.S. Government Securities, U.S. Agency Securities and Money Market Mutual Funds. For funds not invested in U.S. Government Securities, U.S. Agency Securities or Money Market Mutual Funds, no more than 5% of the total portfolio market value can be invested with any issuer or secured by one guarantor. No more than 15% of the total portfolio's market value will be invested in any one municipal or industry sector. As of June 30, 2014 the portfolio was in compliance with this requirement.

Concentrations with U.S. Agency Securities in excess of 5% of the Wisconsin Development Reserve Fund Investment Portfolio as of June 30, 2014 were as follows: Federal Farm Credit System (11%); Federal Home Loan Bank System (8%); and Federal National Mortgage Association (11%).

Foreign Currency Risk: The Wisconsin Development Reserve Fund Investment Policy requires investments only in securities traded in U.S. dollars.

Escrow Fund Investment Portfolio:

As of June 30, 2014, the Authority had the following investments and maturities covered by the Escrow Fund Investment Policy, related to escrow deposits (in thousands of dollars):

		Investment Maturities (In Years)			
Investment Type:	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Money Market Mutual Funds	45,328	45,328	--	--	--
Certificates of Deposits	3,600	3,600	--	--	--
U.S. Agency Securities	15,937	--	10,656	5,281	--
Escrow Fund Investments	64,865	48,928	10,656	5,281	--

As of June 30, 2013, the Authority had the following investments and maturities covered by the Escrow Fund Investment Policy, related to escrow deposits (in thousands of dollars):

		Investment Maturities (In Years)			
Investment Type:	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Money Market Mutual Funds	38,934	38,934	--	--	--
Certificates of Deposits	3,050	2,550	500	--	--
U.S. Agency Securities	20,567	5,011	10,506	5,040	10
Escrow Fund Investments	62,551	46,495	11,006	5,040	10

In accordance with provisions of certain escrow agreements related to mortgages outstanding, escrow deposits are to be invested in accordance with the agreements and investment income is to be allocated to the escrow deposits based upon investment results. Investment income of $408,000 and $527,000 was allocated to the mortgage escrow deposits for the years ended June 30, 2014 and 2013, respectively, and is included in interest expense in the Statements of Revenues, Expenses and Change in Net Position.

Interest Rate Risk: Investment maturity dates or projected call dates are expected to coincide with the cash flow obligations and matched funding analyses associated with a five year projection period. Market conditions, rates of return, interest rate spreads within and across asset classes, and other factors will influence maturity selection for all funds in excess of those required to meet the five year projected cash flow obligations. Based upon current consideration for each of these factors, investments in the Escrow Fund portfolio may have maturities ranging up to 30 years.

4. Cash, Cash Equivalents and Investments (continued)

Credit Risk: It is the Authority's policy to limit investments in the Escrow Fund to the following:

Money market mutual funds are limited to AAA rated funds and non-rated funds with portfolios restricted to only those investments specifically authorized by the policy. Money market mutual funds are regulated by the Securities & Exchange Commission and have a dollar weighted-average portfolio maturity of 90 days or less that fully invest dollar-for-dollar all funds without sales commissions or loads. The Authority invests in money market mutual funds whose investment objectives include seeking to maintain a stable net asset value of $1 per share. The Authority may not invest funds under its control in an amount that exceeds 10% of the total assets of any individual money market mutual fund. As of June 30, 2014 and 2013, the Authority invested only in AAA rated money market mutual funds, and 69.9% and 62.2%, respectively, of the Escrow Fund portfolio was invested in money market mutual funds.

Certificates of Deposit issued as part of the Bankers' Bank Certificate of Deposit program cannot exceed $500,000 per financial institution, and is not to exceed 25% of the total portfolio market value. All other certificates issued by financial institutions insured by the FDIC are permitted in amounts up to $100,000. As of June 30, 2014, all certificates outstanding were in compliance with this policy.

U.S. Government Securities, which include, but are not limited to Treasury Bills, Treasury Notes, Treasury Bonds, and Treasury Strips. As of June 30, 2014 and 2013, the U.S. Government Securities were rated AA+ by S&P and Aaa by Moody's.

U.S. Agency Securities, which include, but are not limited to the following issuers: Federal Farm Credit System, Federal Home Loan Bank System, Freddie Mac, Fannie Mae, Farmer Mac, and Ginnie Mae. As of June 30, 2014 and 2013, the U.S. Agency Securities were rated AA+ by S&P and Aaa by Moody's.

Municipal Bonds and Notes limited to obligations of states, agencies, counties, cities, and other political subdivisions of any State having been rated not less than the AA category or its equivalent as to investment quality by two or more nationally recognized investment rating firms.

Corporate Bonds and Notes are limited to U.S. domestic corporations having been rated not less than the AA category or its equivalent as to investment quality by two or more nationally recognized investment rating firms.

Commercial Paper is limited to "prime" quality obligations with a stated maturity of 270 days or less from the date of its issuance, having at time of purchase the highest short-term program credit rating as provided for by at least one nationally recognized rating service.

Bankers Acceptances must have a stated maturity of 180 days or less from the date of issuance, have the highest short-term credit rating as provided for by at least one nationally recognized rating service, be drawn on and accepted by U.S. commercial banks and be eligible for purchase by the Federal Reserve Bank.

Concentration of Credit Risk: No less than 60% of the total portfolio value will be invested in U.S. Government Securities, U.S. Agency Securities and Money Market Mutual Funds. For funds not invested in U.S. Government Securities, U.S. Agency Securities or Money Market Mutual Funds, no more than 5% of the total portfolio market value can be invested with any issuer or secured by one guarantor. No more than 10% of the total portfolio's market value will be invested in any one municipal or industry sector, and no more than 25% of the portfolio's market value will be invested in bank certificates of deposit. As of June 30, 2014 the portfolio was in compliance with this requirement.

Concentrations with U.S. Agency Securities in excess of 5% of the Escrow Fund Investment Portfolio as of June 30, 2014, were as follows: Federal Farm Credit System (15%) and Federal National Mortgage Association (8%).

Foreign Currency Risk: The Escrow Fund Investment Policy requires investments only in securities traded in U.S. dollars.

Bonded Programs Investment Portfolio:

As of June 30, 2014, the Authority had the following investments and maturities covered by the HORB, HRB and MHB Bonded Programs Investment Policy (in thousands of dollars):

		Investment Maturities (In Years)			
Investment Type:	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Money Market Mutual Funds	241,178	241,178	--	--	--
U.S. Agency Securities	36,261	--	10,946	24,954	361
U.S. Government Securities	82	--	82	--	--
Mortgage-backed Securities	93,933	--	--	--	93,933
Collateralized Investment Contracts	7,626	5,918	550	--	1,158
Bonded Program Investments	379,080	247,096	11,578	24,954	95,452

4. Cash, Cash Equivalents and Investments (continued)

As of June 30, 2013, the Authority had the following investments and maturities covered by the HORB, HRB and MHB Bonded Programs Investment Policy (in thousands of dollars):

		Investment Maturities (In Years)			
Investment Type:	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Money Market Mutual Funds	304,952	304,952	--	--	--
U.S. Agency Securities	59,056	21,977	10,002	26,509	568
U.S. Government Securities	86	--	86	--	--
Mortgage-backed Securities	98,255	--	--	--	98,255
Collateralized Investment Contracts	9,306	7,599	550	--	1,157
Bonded Program Investments	471,655	334,528	10,638	26,509	99,980

Interest Rate Risk: Investment maturities will coincide with the anticipated debt service payment dates and cash flow obligations associated with the life of the bonds. Market conditions, rates of return, interest rate spreads within and across asset classes, and other factors will influence maturity selection for all funds in excess of those required to meet the projected cash flow obligations. No investment will mature after the final bond maturity of the issue.

Credit Risk: It is the Authority's policy to allow investments of the HORB, HRB and MHB Bonded Programs which are acceptable to each rating agency currently rating the General Resolution. Such investments include but are not limited to the following:

Money market mutual funds are limited to AAA rated funds and non-rated funds with portfolios restricted to only those investments specifically authorized by the investment policy. Money market mutual funds are regulated by the Securities & Exchange Commission and have a dollar weighted-average portfolio maturity of 90 days or less that fully invest dollar-for-dollar all funds without sales commissions or loads. The Authority invests in money market mutual funds whose investment objectives include seeking to maintain a stable net asset value of $1 per share. The Authority may not invest funds under its control in an amount that exceeds 10% of the total assets of any individual money market mutual fund. As of June 30, 2014 and 2013, the Authority invested only in AAA rated money market mutual funds. Money market mutual funds totaled 63.6% and 64.7%, respectively, of the Bonded Programs Investment portfolio.

U.S. Government Securities, which include, but are not limited to Treasury Bills, Treasury Notes, Treasury Bonds, and Treasury Strips. As of June 30, 2014 and 2013, the U.S. Government Securities were rated AA+ by S&P and Aaa by Moody's.

U.S. Agency Securities, which include, but are not limited to the following issuers: Federal Farm Credit System, Federal Home Loan Bank System, Freddie Mac, Fannie Mae, Farmer Mac, and Ginnie Mae. As of June 30, 2014 and 2013, the U.S. Agency Securities were rated AA+ by S&P and Aaa by Moody's.

Mortgage-backed Securities are guaranteed by Fannie Mae and backed by pools of mortgage loans issued by the Authority. The Authority purchases the securities and receives service fees for the pass-through of principal and interest payments on the pool of mortgage loans, less amounts required to cover guaranty fees. While the securities carry the guaranty of Fannie Mae, they do not carry explicit credit ratings from S&P or Moody's

Repurchase Agreements/Collateralized Investment Contracts collateralized at 102% or better with a defined termination date not to exceed the maturity of the Bonds, and secured by permitted investments as allowed by the General Resolution. Only contract providers acceptable to the rating agency(s) currently rating the General Resolution will be used. Individual investment contracts are not rated.

Investment Contracts/Uncollateralized Investment Contracts with uncollateralized investment contracts being limited to a defined termination date not to exceed 42 months. Only contract providers acceptable to the rating agency(s) currently rating the General Resolution will be used. Individual investment contracts are not rated.

Concentration of Credit Risk: The investment policy allows investments as outlined in the applicable general resolution. As of June 30, 2014 and 2013, the bonded portfolios were in compliance with this requirement. As of June 30, 2014, no concentrations with a single issuer were in excess of 5% of the portfolio.

Concentrations with U.S. Agency Securities in excess of 5% of the Bonded Programs Investment Portfolio as of June 30, 2014, were as follows: Federal National Mortgage Association (5%).

Foreign Currency Risk: It is the Authority's policy to allow transactions traded in currencies acceptable to each rating agency currently rating the General Resolution.

Portions of cash, cash equivalents and investments are restricted and pledged to the payment of the principal, interest and sinking fund installments in accordance with the terms of the bond resolutions and note agreements.

4. Cash, Cash Equivalents and Investments (continued)

The asset restrictions at June 30, 2014 and 2013 are as follows (in thousands of dollars):

	2014	2013
Home Ownership Revenue Bond Resolutions:		
1987	7,254	9,735
1988	8,896	11,107
Housing Revenue Bonds	34,477	34,347
Total Cash, Cash Equivalents and Investments	50,627	55,189

Cash, cash equivalents and investments of the funds at June 30, 2014 and 2013 met or exceeded the liquidity requirements of the bond resolutions and note agreements.

Security Lending:

The Authority's Finance Committee approved the use of a security lending program with the trust department of a bank acting as an agent. As of June 30, 2014 and 2013, the fair market value of securities the Authority had on loan to broker-dealers for a fee was $4.9 million and $5.0 million, respectively, which includes accrued interest while the securities are on loan to the broker-dealers. The Authority has adopted GASB Statement No. 28 "Accounting and Financial Reporting for Securities Lending Transactions", which presents the security lending collateral received and invested, along with any gain or loss, in the financial statements.

Security lending transactions involve the lending of securities to broker-dealers and other financial institutions for collateral, in the form of cash or securities, with the simultaneous agreement to return the collateral for the same securities in the future. The securities custodian is an agent in lending the domestic and international securities for collateral of 102% and 105%, respectively, of the loaned securities' market value. The lending agent in accordance with contractual investment guidelines, which are designed to insure the safety of principal and obtain a moderate rate of return, reinvests the collateral. The collateral may be invested in the following: U.S. Treasury and Government sponsored Agency obligations, repurchase agreements, domestic and foreign bank obligations, and bankers' acceptances, commercial paper and participations, mortgage-backed securities, mortgage pass-through securities, taxable municipal securities, asset-backed securities and corporate notes, bonds and debentures.

As of June 30, 2014, the securities custodian made the following collateral investments on behalf of the Authority (in thousands of dollars):

		Investment Maturities (In Years)			
Investment Type:	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Money Market Mutual Funds	2,210	2,210	--	--	--
Asset-backed Securities	331	331	--	--	--
Mortgage-backed Securities	623	623	--	--	--
Corporate Bonds	356	356	--	--	--
Collateral Investments	3,520	3,520	--	--	--

As of June 30, 2013, the securities custodian made the following collateral investments on behalf of the Authority (in thousands of dollars):

		Investment Maturities (In Years)			
Investment Type:	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Money Market Mutual Funds	1,944	1,944	--	--	--
Asset-backed Securities	425	--	--	--	425
Mortgage-backed Securities	658	--	--	--	658
Corporate Bonds	402	402	--	--	--
Collateral Investments	3,429	2,346	--	--	1,083

As of June 30, 2014, based on S&P ratings, $2.3 million of the Authority's collateral investments were invested in investment grade, BBB rating or higher, securities; $727,000 were invested in below investment grade securities; and $487,000 were invested in securities that have not been rated.

As of June 30, 2013, based on S&P ratings, $2.1 million of the Authority's collateral investments were invested in investment grade, BBB rating or higher, securities; $762,000 were invested in below investment grade securities; and $538,000 were invested in securities that have not been rated.

The Authority has the following types of securities on loan: U.S. agency securities, U.S. government securities and corporate notes. The Authority receives cash collateral for securities lent. As of June 30, 2014 and 2013, the fair value of total cash collateral received for securities on loan was $5.0 million and $5.1 million, respectively, and the fair market value of all investments made with the cash collateral received for those securities lent was $3.5 million and $3.4 million, respectively. The Authority may request the bank to terminate any loan of securities for any reason at any time.

4. Cash, Cash Equivalents and Investments (concluded)

As of June 30, 2014 and 2013, no credit risk exposure to borrowers existed because the amounts owed the borrowers exceeded the amounts the borrowers owed. The contract with the lending agent states that in the event that a borrower fails to return the lent security, the bank will indemnify the Authority for the following amounts: a) The difference between the closing market value of security on the date it should have been returned to the account and the cash collateral substituted for the lent securities, or b) In the case of collateral received in kind, the difference between the closing market value of the security on the date it should have been returned to the account and the closing market value of the collateral in kind on the same date.

The Authority assumes all risk of loss arising out of collateral investment loss and any resulting collateral deficiencies. The bank expressly assumes the risk of loss arising from negligent or fraudulent operation of its security lending program. The bank operates the security lending program as a business trust investment pool with open and matched components. In the matched portion of the investment pool, the maturities of the securities lent and collateral are the same. The open portions of the pool maintain a weighted average maturity of the portfolio at approximately 15 days, with a range from one day to 25 days. The open portions of the pool generally have a 15-day mismatch between the portfolio coverage maturity and the open loans. As of June 30, 2014 and 2013, 100% of the securities lent were in the open portion of the investment pool. No restrictions on the amount of the loans exist or can be made. The earnings generated from the security lending program are reported as other income. During the year ended June 30, 2014, the Authority received $500 of income related to security lending transactions. During the year ended June 30, 2013, the Authority incurred $3,000 of expense related to security lending transactions.

The Authority expects to terminate the program in Fiscal Year 2015.

5. Mortgage Loans

Mortgage loans provide for monthly receipts of principal and interest for terms of 15 to 30 years for Home Ownership Revenue Bonds and Home Ownership Mortgage Revenue Bonds mortgage loans (together referred to as Single Family Bonds); terms of 1 to 40 years for Housing Revenue Bonds and Multifamily Housing Bonds mortgage loans (together referred to as Multifamily Bonds); terms of 1 to 15 years for State of Wisconsin Programs' mortgage loans; and terms of 1 to 40 years for the General Fund's mortgage loans.

Home Ownership Revenue Bonds and Multifamily Bonds are collateralized by first mortgage liens. Home Ownership Mortgage Revenue Bonds will be collateralized by Mortgage-backed securities guaranteed as to timely payment of principal and interest by Ginnie Mae, Fannie Mae, or Freddie Mac.

State of Wisconsin Programs are collateralized by second mortgage liens and the General Fund is collateralized primarily by first or second mortgage liens on multifamily developments and single family homes. Also, the General Fund loans include Participation Lending Loans which are subordinate lien positions considered on a case by case basis. The collateral coverage for these loans will be 110% of market value and 80% of liquidation value minimum.

Mortgages made from the proceeds from Home Ownership Revenue Bonds are initially insured by mortgage pool insurance. Once the bonds retire, mortgages may become self-insured or mortgage pool insurance is retained.

The Authority participates in the Fannie Mae and Ginnie Mae Mortgage-backed Securities (MBS) program. Through the MBS program, Fannie Mae and Ginnie Mae guarantee securities that are backed by pools of mortgage loans originated by the Authority. The Authority purchases the securities and receives service fees for the pass-through of principal and interest payments on the pool of mortgage loans, less amounts required to cover guaranty fees . As of June 30, 2014 and 2013, the Authority had $7.3 million and $10.8 million of loans held for sale. (Note 4)

Mortgage loans receivable bear interest at the following annual rates:

Home Ownership Revenue Bonds	0% - 11.25%
Multifamily Bonds..	1.80% - 10.45%
State of Wisconsin Programs	0% - 8.00%
General Fund..	0% - 11.25%

5. Mortgage Loans (concluded)

Mortgage loan information at June 30, 2014 and 2013 is as follows (in thousands of dollars):

	Mortgage Loan Balances	Allowance for Loan Losses	Unamortized Loan Origination Costs/(Income)	Real Estate Held	Net Mortgage Loan Balances
Home Ownership Revenue Bond Resolutions:					
1987	384,056	(607)	--	3,099	386,548
1988	485,410	(771)	--	6,041	490,680
Housing Revenue Bonds	454,154	(8,778)	--	--	445,376
Multifamily Housing Bonds	114,112	(3,213)	--	--	110,899
State of Wisconsin Programs	2,873	(511)	--	115	2,477
General Fund	86,133	(4,359)	--	197	81,971
Total as of June 30, 2014	1,526,738	(18,239)	--	9,452	1,517,951
Home Ownership Revenue Bond Resolutions:					
1987	455,929	(667)	1,553	5,308	462,123
1988	573,148	(776)	2,271	7,708	582,351
Housing Revenue Bonds	459,401	(8,142)	--	--	451,259
Multifamily Housing Bonds	138,908	(3,213)	--	--	135,695
State of Wisconsin Programs	3,620	(660)	--	155	3,115
General Fund	75,344	(3,446)	(542)	122	71,478
Total as of June 30, 2013	1,706,350	(16,904)	3,282	13,293	1,706,021

Activity in the allowance for loan losses included provisions charged to expense of $3.4 million and $5.0 million for the years ended June 30, 2014 and 2013, respectively. Activity in the allowance for loan losses also included actual loan charge offs of $2.0 million and $3.1 million for the years ended June 30, 2014 and 2013, respectively.

In addition, the Authority serviced $406.5 million and $275.8 million worth of loans as of June 30, 2014 and 2013, respectively. These loans are serviced by the Authority for the benefit of others, for which the Authority collects a fee.

At June 30, 2014, the Authority was committed to fund mortgage loans approximating the following amounts (in millions of dollars):

Home Ownership Revenue Bonds	$ --
Multifamily Bonds	$ 29.8
State of Wisconsin Programs	$ --
General Fund	$ 12.9

6. Bonds and Notes Payable

Bonds and notes payable of the Authority at June 30, 2014 and 2013 consist of the following (in thousands of dollars):

	2014	2013
General Obligation Bonds and Notes	1,392,122	1,708,012
Bond Issuance Costs (Note 10)	--	(1,537)
Premium/Discount on Bonds	1,047	1,442
Total Bonds and Notes Payable	1,393,169	1,707,917

Bonds and notes payable of the Authority increased/decreased since June 30, 2012 as follows (in thousands of dollars):

	2012	Increase	(Decrease)	2013	Increase	(Decrease)	2014
Home Ownership Revenue Bond Resolutions:							
1987	618,935	--	(138,240)	480,695	--	(125,100)	355,595
1988	771,500	--	(217,835)	553,665	--	(108,965)	444,700
Home Ownership Mortgage Revenue Bonds	293,350	--	(206,450)	86,900	--	(12,505)	74,395
Housing Revenue Bonds	448,610	21,270	(44,215)	425,665	--	(35,445)	390,220
Multifamily Housing Bonds	151,710	--	(12,010)	139,700	--	(24,830)	114,870
General Fund	59,388	68,710	(106,711)	21,387	37,480	(46,525)	12,342
Bond issuance costs (Note 10)	(1,869)	332	--	(1,537)	1,537	--	--
Premium / Discount on Bonds	2,008	--	(566)	1,442	--	(395)	1,047
Total Bonds and Notes Payable	2,343,632	90,312	(726,027)	1,707,917	39,017	(353,765)	1,393,169

6. Bonds and Notes Payable(continued)

Interest on the outstanding general and special obligation bonds is payable monthly, quarterly or semiannually.

The Authority's general obligation bonds and notes are collateralized by the revenues and assets of the Authority, subject to the provision of bond resolutions and note agreements which pledge particular revenues or assets to specific bonds or notes. Any particular series may contain both term bonds, subject to mandatory sinking fund requirements, and serial bonds which mature at various dates. The bonds may be redeemed at the Authority's option at various dates. The lines of credit can be prepaid in part or in full at any time.

General Obligation Bonds and Notes Payable (in thousands of dollars):

	Program/Bond Resolution	Interest Rates*	Dated**	Maturities*	2014	2013
Housing Revenue Bonds						
1974	1998 Series A, B and C	5.300%	02/01/98	2018	420	8,270
	2002 Series A, B and C	5.600%	05/21/02	2033	9,275	21,060
	2003 Series C	5.000% - 5.250%	12/23/03	2023-2043	8,265	12,490
	2003 Series D and E	Variable	12/23/03	2043-2044	18,550	18,815
	2005 Series A, B and C	Variable	12/14/05	2035	1,810	1,845
	2005 Series D and E	4.100% - 5.150%	12/14/05	2014-2045	33,865	35,045
	2005 Series F	Variable	12/14/05	2030	103,095	106,620
	2006 Series A and B	3.700% - 4.750%	12/14/06	2014-2047	15,590	15,920
	2006 Series C and D	Variable	12/14/06	2037	7,850	8,060
	2007 Series A and B	Variable	12/19/07	2039-2042	16,105	16,435
	2007 Series F and G	Variable	12/19/07	2042	15,550	15,715
	2008 Series A, B, C, D, E, F and G	Variable	06/04/08	2030-2033	27,595	27,800
	2009 Series A	Variable	12/30/09	2042	8,910	8,955
	2010 Series A and B	2.800% - 6.125%	12/22/10	2014-2043	35,510	37,155
	2012 Series A and B	Variable	01/27/12	2055	53,540	53,540
	2012 Series C	Variable	06/14/12	2044	16,670	16,670
	2013 Series ABC	0.550%- 4.875%	06/26/13	2014-2045	17,620	21,270
Total Housing Revenue Bonds 1974					390,220	425,665

	Program/Bond Resolution	Interest Rates*	Dated**	Maturities*	2014	2013
Multifamily Housing Bonds						
	2006 Series A and B	Variable	07/19/06	2036	--	6,840
	2007 Series A and B	Variable	06/29/07	2040	11,055	11,205
	2007 Series C	Variable	08/02/07	2048	6,085	6,140
	2008 Series A and B	Variable	08/28/08	2046	13,400	13,550
	2009 Series A	2.400% - 3.500%	06/04/09	2014-2018	2,770	3,250
	2009 Series A	Variable	06/04/09	2035	15,885	15,885
	2009 Series B-1	Variable	10/21/11	2041	5,180	5,280
	2009 Series B-2	Variable	10/21/11	2041	51,470	52,450
	2011 Series A	Variable	09/01/11	2043	9,025	9,100
	2012 Series A and B	Variable	02/29/12	2014	--	16,000
Total Multifamily Housing Bonds					114,870	139,700

	Program/Bond Resolution	Interest Rates*	Dated**	Maturities*	2014	2013
Home Ownership Revenue Bonds						
1987	2000 Series H	Variable	11/30/00	2024	4,820	5,845
	2002 Series B	Variable	02/06/02	2032	2,270	2,805
	2003 Series B	Variable	07/29/03	2034	29,120	36,565
	2004 Series A	Variable	04/29/04	2035	25,780	62,380
	2005 Series A	Variable	04/12/05	2036	37,985	45,815
	2005 Series D and E	Variable	09/29/05	2036	45,745	56,545
	2006 Series C and D	4.850% - 5.810%	05/23/06	2026-2037	94,845	109,560
	2007 Series A and B	4.650% - 5.750%	04/10/07	2023-2038	49,280	61,840
	2007 Series B	Variable	04/10/07	2026	27,270	28,785
	2007 Series E and F	5.125% - 5.500%	12/18/07	2024-2038	9,005	35,250
	2007 Series E and F	Variable	12/18/07	2018-2038	29,475	35,305
Total Home Ownership Revenue Bonds 1987					355,595	480,695

6. Bonds and Notes Payable (continued)

	Program/Bond Resolution	Interest Rates*	Dated**	Maturities*	2014	2013
Home Ownership Revenue Bonds						
1988	2002 Series E and F	Variable	07/11/02	2032	10	585
	2003 Series C	Variable	11/04/03	--	--	12,785
	2003 Series D	Variable	11/04/03	2028	8,325	9,215
	2004 Series C and D	4.200% - 4.350%	07/27/04	2015-2016	1,430	1,750
	2004 Series D	Variable	07/27/04	2035	34,210	45,925
	2004 Series E	Variable	11/23/04	2035	34,270	39,985
	2005 Series C	Variable	06/09/05	2028	50,635	61,225
	2006 Series A and B	Variable	01/19/06	2030-2037	79,690	98,645
	2006 Series E and F	4.700% - 5.727%	10/25/06	2021-2037	86,325	99,615
	2007 Series C and D	Variable	04/10/07	2023-2038	59,305	68,650
	2007 Series C	5.125%	04/10/07	2028	4,410	9,475
	2008 Series A and B	Variable	05/15/08	2033-2038	65,675	80,120
	2008 Series A and B	5.300%	05/15/08	2023	20,415	25,690
Total Home Ownership Revenue Bonds 1988					444,700	553,665
Home Ownership Mortgage Revenue Bonds						
	2010 Series A and 2009 Series A-1	0.720% - 4.500%	11/16/10	2014-2041	74,395	86,900
Facility Refunding Bonds, Series 2013		Variable	07/01/13	2017	6,560	8,130
Notes Payable:						
	Line of Credit – Construction Plus	Variable	03/24/10	--	--	7,445
	Line of Credit – Rural Housing PRLF	1.000%	11/03/08	2038-2040	1,782	1,812
	Other	3.750%	01/24/01	2021	4,000	4,000
Total Notes Payable					5,782	13,257
Total General Obligation Bonds and Notes ***					1,392,122	1,708,012

The Construction Plus line of credit was paid off and closed on June 12, 2014. The unused balance on the Construction Plus line of credit was $32.6 million as of June 30, 2013. The unused balance on the Rural Housing PRLF line of credit was $1.3 million and $1.2 million as of June 30, 2014 and 2013. The Authority will contract a new Construction Plus line of credit in the amount of $40.0 million in fiscal year 2015.

The Authority has $843.9 million in Variable Rate Demand Bonds (VRDB) outstanding. The interest rate on the VRDBs is set on a weekly, quarterly and monthly basis. The bondholders may tender the VRDBs on specified dates at a price equal to par plus accrued interest.

The Authority's remarketing agents are authorized to use their best efforts to sell the repurchased bonds at par by adjusting the interest rate. The remarketing agent determines the interest rate on each maturity of bonds.

In the event that the VRDBs cannot be remarketed, they will be purchased by the liquidity provider based on the terms of the liquidity agreement. The liquidity agreements are either Standby Bond Purchase Agreements or Temporary Credit and Liquidity Facilities. The liquidity provider agrees to purchase the unremarketed bonds subject to the conditions of the liquidity agreement. The Authority currently has eight liquidity providers. The short-term ratings of the liquidity providers are A-1 or A-1+ by Standard and Poor's and P-1 by Moody's Investor Service ratings.

No draws under the liquidity agreements are outstanding as of June 30, 2014 and no funds have been drawn July 1, 2013 to June 30, 2014. If a draw occurs, it would accrue interest at the bank's base rate. The bank's base rate is calculated using a prime lending rate or the federal funds rate plus a spread. If the bonds are not remarketed and a draw remains outstanding for a period of time or a default under the agreement occurs, the interest rate is increased. If the draw remains outstanding for a specified number of days, they are amortized over a specified period of time (3 to 10 years). If interest on the draws or the required amortization of the draw is not paid, a default will occur.

6. Bonds and Notes Payable (continued)

Each liquidity agreement commitment includes the par amount of the bonds outstanding and accrued interest at the maximum bond rate. The Authority is required to pay an annual commitment fee on each liquidity agreement. The Authority did not pay any up-front commitment fees for the liquidity agreements. Each liquidity agreement includes provisions for extension at the option of the liquidity provider and the Authority. The expiration dates range from September 1, 2014 to December 19, 2018.

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* Interest rates and maturities are as of June 30, 2014.
** Floating Rate Bonds are dated the date of delivery.
*** In 1990 the Authority defeased $48.4 million of Insured Mortgage Revenue Bonds and as of June 30, 2014 and 2013, the remaining outstanding defeased debt was $11.8 million and $14.0 million, respectively.

Scheduled debt maturities in the five fiscal years subsequent to June 30, 2014 and five year increments thereafter are as follows (in thousands of dollars):

	2015	2016	2017	2018	2019	2020-2024	2025-2029
Home Ownership Revenue Bond Resolutions:							
1987	5,605	7,570	7,860	8,925	10,760	64,550	78,550
1988	5,745	9,870	14,285	15,740	18,425	102,395	92,175
Home Ownership Mortgage Revenue Bonds	1,780	1,840	1,895	1,970	2,055	10,860	9,260
Facility Refunding Bonds	1,595	1,625	1,655	1,685	--	--	--
Housing Revenue Bonds	10,645	11,245	11,855	12,400	12,955	75,250	98,050
Multifamily Housing Bonds	1,790	2,000	1,980	2,065	2,155	12,135	14,945
General Fund	1,782	--	--	--	--	4,000	--
Totals	28,942	34,150	39,530	42,785	46,350	269,190	292,980

	2030-2034	2035-2039	2040-2044	2045-2049	2050-2054	2055-2059
Home Ownership Revenue Bond Resolutions:						
1987	112,225	59,550	--	--	--	--
1988	98,720	87,345	--	--	--	--
Home Ownership Mortgage Revenue Bonds	16,455	20,235	8,045	--	--	--
Facility Refunding Bonds	--	--	--	--	--	--
Housing Revenue Bonds	65,185	38,840	30,655	10,210	10,755	2,175
Multifamily Housing Bonds	18,385	18,365	21,565	19,485	--	--
General Fund	--	--	--	--	--	--
Totals	310,970	224,335	60,265	29,695	10,755	2,175

Using rates as of June 30, 2014, debt service requirements of the Authority's outstanding debt interest payments, assuming current interest rates remain the same for their term, are as follows (in thousands of dollars). As rates change, variable rate bond interest payments will vary.

	2015	2016	2017	2018	2019	2020-2024	2025-2029
Home Ownership Revenue Bond Resolutions:							
1987	10,425	7,775	7,729	7,593	7,329	31,525	21,540
1988	7,787	5,750	5,551	5,325	5,067	19,403	10,609
Home Ownership Mortgage Revenue Bonds	2,971	2,336	2,292	2,240	2,180	9,720	7,574
Facility Refunding Bonds	39	28	16	4	--	--	--
Housing Revenue Bonds	7,136	5,936	5,756	5,551	5,332	23,109	15,819
Multifamily Housing Bonds	2,099	2,056	2,008	1,959	1,906	8,622	6,850
General Fund	168	150	150	150	150	375	--
Totals	30,625	24,031	23,502	22,822	21,964	92,754	62,392

	2030-2034	2035-2039	2040-2044	2045-2049	2050-2054	2055-2059
Home Ownership Revenue Bond Resolutions:						
1987	8,258	1,591	--	--	--	--
1988	5,784	1,282	--	--	--	--
Home Ownership Mortgage Revenue Bonds	5,536	2,785	234	--	--	--
Facility Refunding Bonds	--	--	--	--	--	--
Housing Revenue Bonds	9,115	4,294	1,361	119	24	1
Multifamily Housing Bonds	4,666	2,205	423	36	--	--
General Fund	--	--	--	--	--	--
Totals	33,359	12,157	2,018	155	24	1

6. Bonds and Notes Payable (concluded)

During the years ended June 30, 2014 and 2013, the Authority redeemed various outstanding bonds early according to the redemption provisions in the bond resolutions. A summary of all early redemptions follows (in thousands of dollars):

	2014	2013
Home Ownership Revenue Bond Resolutions:		
1987	119,690	129,275
1988	102,215	206,015
Home Ownership Mortgage Revenue Bonds*	10,770	204,725
Facility Refunding Bonds	8,130	--
Housing Revenue Bonds	25,935	34,875
Multifamily Housing Bonds*	7,195	10,520
General Fund	--	565
Total	273,935	585,975

* Home Ownership Mortgage Revenue Bonds of $256.0 million and Multifamily Housing Bonds of $69.0 million were issued on December 23, 2009 as part of the New Issue Bond Program (NIBP). In December 2012 $196.0 million of the Home Ownership Mortgage Revenue Bonds and $10.1 million of the Multifamily Housing Bonds were redeemed.

7. Derivatives

The Authority has entered into various interest rate swap agreements. The agreements provide the Authority with synthetic fixed interest rates on a portion of its debt. During the term of the swap agreements, the Authority expects to effectively pay a fixed rate on the debt. In return, the counterparty pays interest based on a contractually agreed upon variable rate. The Authority will be exposed to variable rates on the outstanding bonds if the counterparty to the swap defaults, the swap is terminated such that the bonds outstanding is greater than the swap notional value, or the effective interest rate, determined by the remarketing agent used for bond holder payments, increases over the variable rate index used for calculating the interest received from the counterparty. All interest rate swap agreements at June 30, 2014 and 2013 are classified as effective cash flow hedges, per GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments". The fair value, or termination market value, is reported on the Statements of Net Position of the Authority.

The following table outlines information related to agreements in place as of June 30, 2014 and 2013 (in thousands of dollars):

Program and Bond Issue	Notional Value at 6/30/14	Effective Date	Swap Termination Date	Counterparty Credit Rating	Fixed Rate Paid	Variable Rate/Index Received[4] [5]	Swap Termination Market Value at 06/30/14	Swap Termination Market Value at 06/30/13	Change in Fair Value
HRB[1]									
2008 Series G	12,180	05/21/2002	11/01/2033	A-/Baa2	4.68%	70% of 1 Month LIBOR	(190)	(336)	146
2003 Series D	--	01/05/2005	05/01/2044	A+/Aa3	4.21%	65% of 1 Month LIBOR + 25 Basis Points	--	(108)	108
2003 Series E	10,610	01/05/2005	05/01/2043	A+/Aa3	4.05%	63.5% of 1 Month LIBOR + 20 Basis Points	(138)	(140)	2
2005 Series F	67,650	01/17/2006	11/01/2030	A+/Aa3	5.21%	1 Month LIBOR	(15,121)	(15,629)	508
2006 Series C	3,405	12/14/2006	11/01/2016	A+/Aa3	3.64%	SIFMA + 2 Basis Points	(248)	(334)	86
2006 Series D	4,445	12/14/2006	11/01/2016	A+/Aa3	3.64%	SIFMA + 2 Basis Points	(323)	(437)	114
2007 Series A	9,495	12/19/2007	11/01/2042	A+/Aa3	4.72%	SIFMA + 6 Basis Points	(147)	(138)	(9)
2007 Series B	6,610	12/19/2007	11/01/2039	A+/Aa3	4.58%	SIFMA + 2 Basis Points	(100)	(96)	(4)
2007 Series F	10,560	12/19/2007	11/01/2025	A+/Aa3	4.01%	SIFMA + 6 Basis Points	(1,723)	(1,701)	(22)
2007 Series G	4,990	12/19/2007	11/01/2025	A+/Aa3	4.01%	SIFMA + 6 Basis Points	(814)	(804)	(10)
		Total HRB Swap Termination Market Value					(18,804)	(19,723)	919

7. Derivatives (continued)

Program and Bond Issue	Notional Value at 6/30/14	Effective Date	Swap Termination Date	Counterparty Credit Rating	Fixed Rate Paid	Variable Rate/Index Received[4] [5]	Swap Termination Market Value at 06/30/14	Swap Termination Market Value at 06/30/13	Change in Fair Value
MHB[2]									
2006 Series A & B	--	07/19/2006	10/01/2013	A+/Aa3	4.21%	SIFMA + 2 Basis Points	--	(69)	69
2007 Series A	7,245	06/29/2007	10/01/2022	A+/Aa3	4.43%	SIFMA + 6 Basis Points	(1,301)	(1,367)	66
2007 Series B	3,810	06/29/2007	10/01/2022	A+/Aa3	5.90%	1 Month LIBOR - 2 Basis Points	(1,011)	(1,074)	63
2007 Series C	6,085	08/02/2007	09/01/2024	A+/Aa3	4.33%	SIFMA + 2 Basis Points	(1,164)	(1,176)	12
2008 Series A	6,660	08/28/2008	10/01/2026	AA-/Aa3	3.89%	SIFMA + 2 Basis Points	(1,022)	(999)	(23)
2008 Series A	4,280	08/28/2008	10/01/2026	AA-/Aa3	3.89%	SIFMA + 2 Basis Points	(657)	(642)	(15)
2008 Series B	2,460	08/28/2008	10/01/2026	AA-/Aa3	5.08%	LIBOR + 7 Basis Points	(568)	(556)	(12)
2011 Series A	9,025	09/01/2012	09/01/2018	A/A2	2.10%	SIFMA	(409)	(423)	14
		Total MHB Swap Termination Market Value					(6,132)	(6,306)	174
1987 HORB[3]									
2002 Series B	2,270	02/06/2002	03/01/2020	A+/Aa3	5.88%	1 Month LIBOR + 35 Basis Points	(243)	(346)	103
2003 Series B	29,120	07/29/2003	09/01/2034	A+/Aa3	3.94%	65% of 1 Month LIBOR + 25 Basis Points	(3,544)	(4,436)	892
2004 Series A	--	04/29/2004	09/01/2022	A+/Aa3	4.47%	SIFMA + 8 Basis Points	--	(864)	864
2004 Series A	25,780	04/29/2004	03/01/2035	A+/Aa3	4.27%	65% of 1 Month LIBOR + 25 Basis Points	(184)	(807)	623
2005 Series A	37,985	04/12/2005	03/01/2036	A-/Baa2	3.61%	65% of 1 Month LIBOR + 25 Basis Points	(1,140)	(2,185)	1,045
2005 Series D	33,750	09/29/2005	09/01/2036	A+/Aa3	3.54%	65% of 1 Month LIBOR + 25 Basis Points	(998)	(1,897)	899
2007 Series B	27,270	04/10/2007	09/01/2026	A+/Aa3	5.20%	1 Month LIBOR	(1,991)	(3,116)	1,125
2007 Series E	27,980	12/18/2007	09/01/2038	A+/Aa3	3.96%	62% of 1 Month LIBOR + 38 Basis Points	(2,373)	(2,729)	356
2007 Series F	1,495	12/18/2007	09/01/2014	A+/Aa3	4.43%	1 Month LIBOR	(10)	(172)	162
		Total 1987 HORB Swap Termination Market Value					(10,483)	(16,552)	6,069

7. Derivatives (continued)

Program and Bond Issue	Notional Value at 6/30/14	Effective Date	Swap Termination Date	Counterparty Credit Rating	Fixed Rate Paid	Variable Rate/Index Received[4] [5]	Swap Termination Market Value at 06/30/14	Swap Termination Market Value at 06/30/13	Change in Fair Value
1988 HORB[3]									
2002 Series F	10	07/11/2002	09/01/2014	A+/Aa3	5.20%	3 Month LIBOR + 40 Basis Points	--	(11)	11
2003 Series C	--	11/04/2003	03/01/2019	A-/Baa2	3.32%	65% of 1 Month LIBOR + 25 Basis Points	--	(43)	43
2003 Series C	--	11/04/2003	03/01/2034	A-/Baa2	3.81%	65% of 1 Month LIBOR + 25 Basis Points	--	(74)	74
2004 Series D	34,210	07/27/2004	09/01/2035	A-/Baa2	3.73%	65% of 1 Month LIBOR + 25 Basis Points	(574)	(1,891)	1,317
2004 Series E	34,270	11/23/2004	09/01/2035	A+/Aa3	3.99%	65% of 1 Month LIBOR + 25 Basis Points	(4,858)	(5,589)	731
2005 Series C	50,635	08/03/2005	03/01/2024	A+/Aa3	3.34%	65% of 1 Month LIBOR + 25 Basis Points	(1,593)	(2,886)	1,293
2005 Series C	--	08/03/2005	09/01/2033	A+/Aa3	4.07%	65% of 1 Month LIBOR + 25 Basis Points	--	(114)	114
2006 Series A	55,875	01/19/2006	03/01/2029	A+/Aa3	3.65%	65% of 1 Month LIBOR + 25 Basis Points	(2,731)	(4,151)	1,420
2007 Series C	22,575	06/28/2007	09/01/2023	A+/Aa3	4.63%	SIFMA + 8 Basis Points	(172)	(1,108)	936
2007 Series C	11,270	06/28/2007	09/01/2016	A+/Aa3	4.11%	SIFMA + 8 Basis Points	(420)	(909)	489
2007 Series D	6,730	06/28/2007	09/01/2016	A+/Aa3	5.62%	1 Month LIBOR	(361)	(769)	408
2007 Series D	18,730	06/28/2007	09/01/2028	A+/Aa3	6.01%	1 Month LIBOR	(2,855)	(3,548)	693
2008 Series A	28,705	05/15/2008	03/01/2019	AA-/Aa3	3.35%	SIFMA + 8 Basis Points	(1,609)	(2,282)	673
2008 Series A	26,680	05/15/2008	09/01/2038	A+/Aa3	3.86%	62% of 1 Month LIBOR + 38 Basis Points	(1,660)	(2,352)	692
Total 1988 HORB Swap Termination Market Value							(16,833)	(25,727)	8,894
Total Swap Termination Market Value							(52,252)	(68,308)	16,056

(1) Housing Revenue Bonds
(2) Multifamily Housing Bonds
(3) Home Ownership Revenue Bonds
(4) London Interbank Offered Rate
(5) SIFMA Municipal Bond IndexTM

Swap Valuation: The Swap Termination Market Values presented above were estimated by either the Authority's counterparties to the swap agreements, using proprietary valuation models based on industry valuation methodology, including the use of forward yield curves, zero curve rates, and market implied volatility assumptions. The synthetic instrument method and the regression analysis method were used to determine whether the derivative was an effective hedge or not based on criteria provided by GASB Statement No. 53 "Accounting and Financial Reporting for Derivative Instruments". The fair values of the hedgeable derivatives are presented in the Statements of Net Position of the Authority.

The market values in the table above represent the termination payments that would have been due had the swaps terminated on June 30, 2014 or June 30, 2013. A positive value represents money due to the Authority by the counterparty upon termination while a negative value represents money payable by the Authority.

Termination Risk: Counterparties to the Authority's swap agreements have ordinary termination rights that require a settlement payment by the Authority or the counterparty based on the market value of the swap agreement at the time of termination. As of June 30, 2014, no counterparty termination events occurred.

Credit Risk: The Authority is exposed to credit risk, the risk that the counterparty fails to perform according to its contractual obligations, on all swap agreements. As of June 30, 2014, the counterparty or counterparty guarantor in 61% of the outstanding swaps were rated A+/Aa3, 18% were rated A+/Aa3, 13% were rated A-/Baa2, and the remaining counterparties were rated AA-/Aa3 and A/A2 by S&P and Moody's, respectively. A collateral agreement has been entered into with all but one of the swap counterparties, to help reduce the Authority's exposure to credit risk. Collateral is required based on the counterparty's credit rating and the allowed threshold under each credit rating level.

As of June 30, 2014, the counterparty rated A+/Aa3, has collateral requirements starting at BBB+/Baa1 and a posting threshold of $500,000. The counterparty rated A-/Baa2 has collateral requirements starting at AA-/Aa3 and a posting threshold of $50.0 million. Based on the current rating of A-/Baa2 the posting threshold level is lowered to $100,000. The termination payments of this counterparty are guaranteed by a credit support provider rated A+/Aa3.

7. Derivatives (continued)

Based on the guarantor's current rating, the current threshold is $40.0 million. The counterparty rating of AA-/Aa3 has collateral requirements starting at A+/A1 and a posting threshold of $10.0 million. The counterparties rated A+/Aa3 and A/A2 do not have a collateral agreement with the Authority. Based on the fair values as of June 30, 2014, no collateral is required from any counterparty.

Basis and Interest Rate Risk: This risk arises when the amount that is paid by the swap counterparty is different than the variable rate interest payment due to the bondholders. For the Authority, this can happen when the swap counterparty payment is based on a taxable index (LIBOR) while the underlying bonds are traded in the tax exempt market. Based on market conditions, the relationship between taxable and tax exempt rates may vary. To minimize this risk, the Authority has chosen to use the formula that best represents the relationship between the taxable index and the Authority's historical bond rates. In addition, even when the swap counterparty payment is based on a tax exempt index (SIFMA) and the underlying bonds are tax exempt, or the swap counterparty payment is based on a taxable index (LIBOR) and the underlying bonds are taxable, the Authority's variable rate bonds may be traded differently from the market indices.

Rollover Risk: The Authority is exposed to rollover risk only on swaps that mature or may be terminated at the counterparty's option prior to the maturity of the associated bond. The Authority's swap agreements have limited rollover risk. For HORB issues, the swap agreements contain scheduled reductions to the notional amounts that are expected to follow the scheduled and anticipated reductions in the associated bonds under a wide range of mortgage prepayment speeds. In the case of the HRB and MHB issues, the underlying mortgages will adjust at the swap termination date to current market conditions.

The following swaps expose the Authority to rollover risk:

Associated Debt Issuance	Bond Maturity Date	Swap Termination Date
1987 HORB 2002 Series B	09/01/2032	03/01/2020
1987 HORB 2007 Series F	09/01/2018	09/01/2014
1988 HORB 2002 Series F	09/01/2032	09/01/2014
1988 HORB 2005 Series C	03/01/2028	03/01/2024
1988 HORB 2006 Series A	09/01/2030	03/01/2029
1988 HORB 2007 Series C	09/01/2035	09/01/2016
1988 HORB 2007 Series D	09/01/2034	09/01/2016
1988 HORB 2007 Series D	03/01/2038	09/01/2028
1988 HORB 2008 Series A	09/01/2038	03/01/2019
1974 HRB 2006 Series C & D	05/01/2037	11/01/2016
1974 HRB 2007 Series F & G	05/01/2042	11/01/2025
2006 MHB 2007 Series A & B	10/01/2040	10/01/2022
2006 MHB 2007 Series C	10/01/2048	09/01/2024
2006 MHB 2008 Series A & B	04/01/2046	10/01/2026
2011 MHB 2011 Series A	12/01/2043	09/01/2018

7. Derivatives (concluded)

Swap Payments and Associated Debt:

Using rates as of June 30, 2014, debt service requirements of the Authority's outstanding variable rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows (in thousands of dollars). As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Principal	Interest	Interest Rate Swaps, Net	Total
2015	43,265	811	24,444	68,520
2016	44,685	751	22,790	68,226
2017	48,145	701	20,944	69,790
2018	34,050	611	19,356	54,017
2019	41,755	581	17,943	60,279
2020 – 2024	131,905	2,493	72,512	206,910
2025– 2029	113,535	1,604	46,399	161,538
2030 – 2034	119,410	901	24,386	144,697
2035 – 2039	64,000	327	5,572	69,899
2040 – 2044	4,100	28	348	4,476
Totals	644,850	8,808	254,694	908,352

8. Restricted Net Position

Programs that are financed by the issuance of bonds are accounted for separately in accordance with each of the bond resolutions. Program assets and revenues are pledged to bondholders. As of June 30, 2014 and 2013, approximately $419.1 million and $408.9 million, respectively, of the net position was restricted by bond resolutions. Revenues in excess of required amounts are available to be transferred to the General Fund. Amounts transferred to the General Fund from the bond resolutions are free and clear of any lien or pledge created by the bond resolutions and may be used for any lawful purpose.

Net Position restricted by contractual agreement for various purposes including credit enhancements, loan programs, operating expenses, collateral for note agreements and property replacement was approximately $193.4 million and $193.0 million as of June 30, 2014 and 2013, respectively.

The unrestricted General Fund net position of $7.4 million as of June 30, 2014 will be used according to the 2014-2015 Dividends for Wisconsin plan.

9. Retirement and Other Benefits

All eligible Authority employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Effective the first day of the first pay period on or after June 29, 2011, the employee required contribution was changed to one-half of the actuarially determined contribution rate. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for fiscal years 2014 and 2013 are:

	Employee	Employer
July 2013 through December 2013	6.65%	7.95%
January 2014 through June 2014	7.00%	8.40%
July 2012 through December 2012	5.90%	7.10%
January 2013 through June 2013	6.65%	7.95%

The payroll for Authority employees covered by the WRS for the year ended June 30, 2014 was $10.2 million; the Authority's total payroll for year ended June 30, 2014 was $10.3 million. The payroll for Authority employees covered by the WRS for the year ended June 30, 2013 was $10.4 million; the Authority's total payroll for year ended June 30, 2013 was $10.5 million. The total required contribution for the year ended June 30, 2014 was $1.5 million,

9. Retirement and Other Benefits(concluded)

which consisted of $834,000 from the employer and $696,000 from employees. The total required contribution for the year ended June 30, 2013 was $1.4 million, which consisted of $779,000 from the employer and $650,000 from employees. Total contributions for the years ending June 30, 2014 and 2013 were $1.5 million and $1.4 million, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 are entitled to receive a retirement benefit. Employees may retire at age 55 and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service and (3) a formula factor. Final average earnings are the average of the employees' three highest years' earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 and prior to July 1, 2011 are immediately vested. Employees who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes. The WRS issues an annual financial report that may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, Wisconsin 53707-7931.

Eligible employees earn vacation, personal holidays and compensatory time as outlined in the Authority's employee handbook. At June 30, 2014 and 2013, the Authority had accrued expenses for earned vacation, personal holidays and compensatory time in the amount of $471,000 and $470,000, respectively.

10. Prior Period Adjustment

Certain items that were previously reported as assets and liabilities were reclassified as deferred inflows and outflows of resources to reflect implementation of GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities". As a consequence of implementing GASB 65 the beginning Net Position for 2014 was reduced by $11.2 million. The Net Position was reduced; by $7.2 million for Cost of Bond Issuance, $3.8 million for Origination Fees that Authority paid lenders, $646,000 for Deferred Service Release Fees. The Net Position was increased by $542,000 for Origination Fees that the Authority received to originate various Multi-family loans. The impact of implementing GASB 65 is shown as a prior period adjustment to Net Position in the Statements of Revenues, Expenses and Change in Net Position in 2014. Restatement of the comparative June 30, 2013 statements was not determined to be practical.

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Supplementary Information

June 30, 2014
with comparative totals for June 30, 2013

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Combining Statements of Net Position
June 30, 2014
with comparative totals for June 30, 2013
(Thousands of Dollars)

Assets	Single Family Bonds	Housing Revenue Bonds	Multifamily Housing Bonds	State of Wisconsin Programs	General Fund	Total 2014	Total 2013
Current Assets:							
Cash and cash equivalents (Notes 1 & 4)	141,695	95,714	5,423	14,347	133,036	390,215	459,218
Investments (Notes 1 & 4)	2,939	2,979	-	-	8,919	14,837	39,115
Investment interest receivable	48	126	-	10	97	281	526
Mortgage-backed securities investment interest receivable	71	-	-	-	-	71	77
Security lending cash collateral (Notes 1 & 4)	-	-	-	-	3,520	3,520	2,346
Mortgage loans receivable, net (Notes 1 & 5)	25,283	11,390	2,226	431	6,456	45,786	65,135
Mortgage interest receivable	8,301	1,801	438	142	1,088	11,770	13,719
Deferred debt financing costs, net (Note 1 & 10)	-	-	-	-	-	-	1,475
Accounts receivable	1,412	-	-	31	1,349	2,792	2,728
Prepaid expense	166	33	5	-	12	216	144
Interfunds	(7,472)	(3,368)	(1,025)	(220)	12,085	-	-
Total Current Assets	172,443	108,675	7,067	14,741	166,562	469,488	584,483
Noncurrent Assets:							
Investments (Notes 1 & 4)	4,316	33,735	-	2,677	56,710	97,438	102,335
Mortgage-backed securities (Notes 1 & 4)	93,933	-	-	-	-	93,933	98,255
Mortgage loans receivable, net (Notes 1 & 5)	851,945	433,986	108,673	2,046	75,515	1,472,165	1,640,886
Security lending cash collateral (Notes 1 & 4)					-	-	1,083
Deferred debt financing costs, net (Note 1 & 10)	-	-	-	-	-	-	4,269
Other assets (Note 1)	-	-	-	-	18,329	18,329	18,714
Total Noncurrent Assets	950,194	467,721	108,673	4,723	150,554	1,681,865	1,865,542
						-	-
Total Assets	1,122,637	576,396	115,740	19,464	317,116	2,151,353	2,450,025

Deferred Outflow of Resources

	Single Family Bonds	Housing Revenue Bonds	Multifamily Housing Bonds	State of Wisconsin Programs	General Fund	Total 2014	Total 2013
Accumulated decrease in fair value of hedging derivatives (Notes 1 & 7)	27,316	18,804	6,132	-	-	52,252	68,308

Liabilities

	Single Family Bonds	Housing Revenue Bonds	Multifamily Housing Bonds	State of Wisconsin Programs	General Fund	Total 2014	Total 2013
Current Liabilities:							
Bonds and notes payable (Notes 1, 6 & 10)	13,369	10,644	1,790	-	3,377	29,180	54,929
Accrued interest payable	10,939	1,990	762	-	73	13,764	17,967
Security lending liability (Notes 1 & 4)	-	-	-	-	5,000	5,000	5,113
Total Current Liabilities	24,308	12,634	2,552	-	8,450	47,944	78,009
Noncurrent Liabilities:							
Bonds and notes payable (Notes 1, 6 & 10)	862,380	379,568	113,076	-	8,965	1,363,989	1,652,988
Escrow deposits (Notes 1 & 4)	-	-	-	-	73,569	73,569	72,745
Derivative instrument - interest rate swaps (Notes 1 & 7)	27,316	18,804	6,132	-	-	52,252	68,308
Other liabilities	673	351	160	6,259	31,279	38,722	36,790
Total Noncurrent Liabilities	890,369	398,723	119,368	6,259	113,813	1,528,532	1,830,831
						-	-
Total Liabilities	914,677	411,357	121,920	6,259	122,263	1,576,476	1,908,840

Net Position

	Single Family Bonds	Housing Revenue Bonds	Multifamily Housing Bonds	State of Wisconsin Programs	General Fund	Total 2014	Total 2013
Net investment in capital assets	-	-	-	-	7,259	7,259	6,222
Restricted by bond resolutions (Note 8)	235,276	183,843	(48)	-	-	419,071	408,875
Restricted by contractual agreements (Note 8)	-	-	-	13,205	180,218	193,423	193,043
Unrestricted (Note 8)	-	-	-	-	7,376	7,376	1,353
Total Net Position	235,276	183,843	(48)	13,205	194,853	627,129	609,493

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Combining Statements of Revenues, Expenses And Change in Net Position For the Year Ended June 30, 2014 with comparative totals for the year ended June 30, 2013

(Thousands of Dollars)

	Single Family Bonds	Housing Revenue Bonds	Multifamily Housing Bonds	State of Wisconsin Programs	General Fund	Total 2014	Total 2013
Mortgage income (Note 1)	56,269	22,683	5,749	241	4,832	89,774	101,866
Investment interest (Note 1)	469	851	3	67	1,215	2,605	4,565
Net increase (decrease) in fair value of investments	(48)	519	-	25	1,038	1,534	(2,869)
Mortgage-backed securities investment income	3,732	-	-	-	-	3,732	4,170
Net increase in fair value of mortgage-backed securities	778	-	-	-	-	778	(3,274)
Interest expense (Note 1)	(37,290)	(12,904)	(4,056)	-	(970)	(55,220)	(70,630)
Amortization of debt financing costs (Note 10)	-	(97)	-	-	-	(97)	(2,776)
Net Investment Income	23,910	11,052	1,696	333	6,115	43,106	31,052
Mortgage service fees	110	225	-	20	5,399	5,754	7,068
Pass-through subsidy revenue (Note 1)	-	14,748	-	-	155,143	169,891	171,999
Grant Income	-	-	-	-	53	53	-
Other income (Note 1)	-	210	-	60	16,238	16,508	15,374
Net Investment and Other Income	24,020	26,235	1,696	413	182,948	235,312	225,493
Direct loan program expense	8,517	2,759	505	113	5,004	16,898	20,889
Pass-through subsidy expense (Note 1)	-	14,748	-	-	155,143	169,891	171,999
Grants and services	-	-	-	-	838	838	1,671
General and administrative expenses	774	2,280	79	533	14,264	17,930	17,549
Other expense (Note 1)	-	-	-	-	909	909	846
Total Expenses	9,291	19,787	584	646	176,158	206,466	212,954
Change in Net Position	14,729	6,448	1,112	(233)	6,790	28,846	12,539
Net Position, Beginning of Year as Previously Reported	229,280	180,756	(1,161)	13,434	187,184	609,493	596,954
Prior Period Adjustment	(7,759)	(3,271)	-	-	(180)	(11,210)	-
Net Position, Beginning of Period, Restated	221,521	177,485	(1,161)	13,434	187,004	598,283	596,954
Transfers between programs (Note 8)	(974)	(90)	1	4	1,059	-	-
Net Position, End of Year	235,276	183,843	(48)	13,205	194,853	627,129	609,493

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Combining Statements of Cash Flows
For the Year Ended June 30, 2014
with comparative totals for the year ended June 30, 2013
(Thousands of Dollars)

	Single Family Bonds	Housing Revenue Bonds	Multifamily Housing Bonds	State of Wisconsin Programs	General Fund	Total 2014	Total 2013
Cash Flows from Operating Activities:							
Cash received from interest on mortgage loans	58,167	22,749	5,837	250	4,717	91,720	104,380
Cash received from mortgage payments	133,885	22,824	24,796	600	27,472	209,577	326,702
Cash received from other fees and other income	236	435	-	75	20,785	21,531	20,093
Cash payments to purchase mortgage loans	29,538	(16,940)	-	37	(37,423)	(24,788)	(59,679)
Cash (paid) received from escrow deposits, net	-	-	-	-	694	694	(40,952)
Cash payments to employees	(609)	(1,794)	(61)	(419)	(11,207)	(14,090)	(14,441)
Cash payments to vendors	(8,994)	(3,410)	(521)	1,878	(8,916)	(19,963)	(13,159)
Transfers between programs and change in interfunds	374	203	68	46	(691)	-	-
Net Cash Provided by (Used in) Operating Activities	212,597	24,067	30,119	2,467	(4,569)	264,681	322,944
Cash Flows from Non-Capital Financing Activities:							
Proceeds from issuance of bonds and notes	-	-	-	-	37,480	37,480	89,980
Repayments on bonds and notes	(246,570)	(35,445)	(24,830)	-	(46,525)	(353,370)	(725,461)
Interest paid on bonds, notes and escrows	(41,430)	(13,202)	(4,180)	-	(1,002)	(59,814)	(76,604)
Cost of bond issuance and redemption	-	-	-	-	-	-	(216)
Net Cash Used in Non-Capital Financing Activities	(288,000)	(48,647)	(29,010)	-	(10,047)	(375,704)	(712,301)
Cash Flows from Investing Activities:							
Purchases of investments	(12,140)	(1,410)	-	-	(12,328)	(25,878)	(101,927)
Proceeds from sales and maturities of investments	19,155	24,463	-	1,640	16,310	61,568	194,684
Investment interest received	4,215	1,037	3	91	1,286	6,632	9,185
Net Cash Provided by Investing Activities	11,230	24,090	3	1,731	5,268	42,322	101,942
Cash Flows from Capital Financing Activities:							
Purchases of fixed assets (net of sales)	-	-	-	-	(302)	(302)	(340)
Net Cash Used in Capital Financing Activities	-	-	-	-	(302)	(302)	(340)
Net (Decrease) Increase in Cash and Cash Equivalents	(64,173)	(490)	1,112	4,198	(9,650)	(69,003)	(287,755)
Cash and Cash Equivalents, Beginning of Year	205,868	96,204	4,311	10,149	142,686	459,218	746,973
Cash and Cash Equivalents, End of Year	141,695	95,714	5,423	14,347	133,036	390,215	459,218

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Combining Statements of Cash Flows
For the Year Ended June 30, 2014
with comparative totals for the year ended June 30, 2013
(Thousands of Dollars)

	Single Family Bonds	Housing Revenue Bonds	Multifamily Housing Bonds	State of Wisconsin Programs	General Fund	Total 2014	Total 2013
Reconciliation of Change in Net Position to Net Cash Provided by (Used in) Operating Activities:							
Change in Net Position	14,729	6,448	1,112	(233)	6,790	28,846	12,539
Adjustments to Reconcile Change in Net Position to Net Cash Provided by (Used in) Operating Activities:							
Net decrease (increase) in fair value of investments and mortgage-backed securities	(730)	(519)	-	(25)	(1,038)	(2,312)	6,143
Provision for loan loss	1,586	637	-	106	1,055	3,384	4,972
Interest expense	37,290	12,904	4,056	-	967	55,217	71,036
Income on investments and mortgage backed securities	(4,199)	(851)	(3)	(67)	(1,215)	(6,335)	(8,735)
Depreciation and amortization	-	-	-	-	(1,117)	(1,117)	2,351
Loan origination fee amortization	-	-	-	-	-	-	1,792
Decrease (Increase) in mortgage loans						-	-
receivable and real estate held	161,837	5,247	24,796	531	(11,006)	181,405	267,020
Increase (decrease) in escrows	-	-	-	-	694	694	(40,952)
Other	2,084	201	158	2,155	301	4,899	6,778
Net Cash Provided by (Used in) Operating Activities	212,597	24,067	30,119	2,467	(4,569)	264,681	322,944

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Combining Statements of Net Position - Home Ownership Mortgage Loan Program
June 30, 2014
with comparative totals for June 30, 2013
(Thousands of Dollars)

	Single Family Bonds				Total	
Assets	1987	1988	2009	Other Home	2014	2013
Current Assets:						
Cash and cash equivalents (Notes 1 & 4)	47,679	79,151	11,559	3,306	141,695	205,868
Investments (Notes 1 & 4)	2,939	-	-	-	2,939	3,516
Investment interest receivable	40	7	1	-	48	64
Mortgage-backed securities investment interest receivable	4	5	62	-	71	77
Mortgage loans receivable, net (Notes 1 & 5)	11,377	13,906	-	-	25,283	27,305
Mortgage interest receivable	3,579	4,722	-	-	8,301	10,200
Deferred debt financing costs, net (Note 1 & 10)					-	1,284
Accounts receivable	656	756	-	-	1,412	1,538
Prepaid expense	95	70	1	-	166	112
Interfunds	(1,609)	223	(2,780)	(3,306)	(7,472)	(6,128)
Total Current Assets	64,760	98,840	8,843	-	172,443	243,836
Noncurrent Assets:						
Investments (Notes 1 & 4)	1,298	3,018	-	-	4,316	5,695
Mortgage-backed securities (Notes 1 & 4)	7,145	8,402	78,386	-	93,933	98,255
Mortgage loans receivable, net (Notes 1 & 5)	375,171	476,774	-	-	851,945	1,017,169
Deferred debt financing costs, net (Note 1 & 10)				-	-	2,550
Other assets (Note 1)	-	-	-	-	-	-
Total Noncurrent Assets	383,614	488,194	78,386	-	950,194	1,123,669
Total Assets	448,374	587,034	87,229	-	1,122,637	1,367,505
Deferred Outflow of Resources						
Accumulated decrease in fair value of hedging derivatives (Notes 1 & 7)	10,483	16,833	-	-	27,316	42,279
Liabilities						
Current Liabilities:						
Bonds and notes payable (Notes 1, 6 & 10)	5,762	5,778	1,829	-	13,369	15,472
Accrued interest payable	4,909	5,433	597	-	10,939	14,683
Total Current Liabilities	10,671	11,211	2,426	-	24,308	30,155
Noncurrent Liabilities:						
Bonds and notes payable (Notes 1, 6 & 10)	350,520	439,070	72,790	-	862,380	1,107,143
Escrow deposits (Notes 1 & 4)	-	-	-	-	-	-
Derivative instrument - interest rate swaps (Notes 1 & 7)	10,483	16,833	-	-	27,316	42,279
Other liabilities	180	492	-	1	673	927
Total Noncurrent Liabilities	361,183	456,395	72,790	1	890,369	1,150,349
Total Liabilities	371,854	467,606	75,216	1	914,677	1,180,504
Net Position						
Net investment in capital assets	-	-	-	-	-	-
Restricted by bond resolutions (Note 8)	87,003	136,261	12,013	(1)	235,276	229,280
Restricted by contractual agreements (Note 8)	-	-	-	-	-	-
Unrestricted (Note 8)	-	-	-	-	-	-
Total Net Position	87,003	136,261	12,013	(1)	235,276	229,280

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Combining Statements of Revenues, Expenses And Change in Net Position - Home Ownership Mortgage Loan Program For the Year Ended June 30, 2014 with comparative totals for the year ended June 30, 2013

(Thousands of Dollars)

	Single Family Bonds				Total	
	1987	1988	2009	Other Home	2014	2013
Mortgage income (Note 1)	24,617	31,652	-	-	56,269	66,982
Investment interest (Note 1)	278	182	9	-	469	856
Net increase (decrease) in fair value of investments	(21)	(27)	-	-	(48)	(314)
Mortgage-backed securities investment income	239	270	3,223	-	3,732	4,170
Net increase in fair value of mortgage-backed securities	(35)	(32)	845	-	778	(3,274)
Interest expense (Note 1)	(16,886)	(17,891)	(2,513)	-	(37,290)	(50,263)
Amortization of debt financing costs (Note 10)	-	-	-	-	-	(2,212)
Net Investment Income	8,192	14,154	1,564	-	23,910	15,945
Mortgage service fees	13	12	85	-	110	124
Pass-through subsidy revenue (Note 1)	-	-	-	-	-	-
Other income (Note 1)	-	-	-	-	-	196
Net Investment and Other Income	8,205	14,166	1,649	-	24,020	16,265
Direct loan program expense	3,491	5,016	10	-	8,517	11,558
Pass-through subsidy expense (Note 1)	-	-	-	-	-	-
Grants and services	-	-	-	-	-	-
General and administrative expenses	294	316	164	-	774	814
Total Expenses	3,785	5,332	174	-	9,291	12,372
Change in Net Position	4,420	8,834	1,475	-	14,729	3,893
Net Position, Beginning of Year as Previously Reported	86,113	132,236	10,932	(1)	229,280	225,437
Prior Period Adjustment	(3,172)	(4,192)	(395)	-	(7,759)	-
Net Position, Beginning of Period, Restated	82,941	128,044	10,537	(1)	221,521	225,437
Transfers between programs (Note 1)	(358)	(617)	1	-	(974)	(50)
Net Position, End of Year	87,003	136,261	12,013	(1)	235,276	229,280

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Combining Statements of Cash Flows - Home Ownership Mortgage Loan Program
For the Year Ended June 30, 2014
with comparative totals for the year ended June 30, 2013
(Thousands of Dollars)

	Single Family Bonds				Total	
	1987	1988	2009	Other Home	2014	2013
Cash Flows from Operating Activities:						
Cash received from interest on mortgage loans	25,528	32,639	-	-	58,167	70,934
Cash received from mortgage payments	61,965	71,920	-	-	133,885	211,128
Cash received from other fees and other income	(18)	169	85	-	236	957
Cash payments to purchase mortgage loans	12,057	17,481	-	-	29,538	37,818
Cash from escrow deposits, net	-	-	-	-	-	-
Cash payments to employees	(231)	(249)	(129)	-	(609)	(671)
Cash payments to vendors	(3,657)	(5,275)	(45)	(17)	(8,994)	(9,574)
Transfers between programs and change in interfunds	(18)	(487)	164	715	374	587
Net Cash Provided by Operating Activities	95,626	116,198	75	698	212,597	311,179
Cash Flows from Non-Capital Financing Activities:						
Proceeds from issuance of bonds and notes	-	-	-	-	-	-
Repayments on bonds and notes	(125,100)	(108,965)	(12,505)	-	(246,570)	(562,525)
Interest paid on bonds, notes and escrows	(19,169)	(19,566)	(2,695)	-	(41,430)	(56,094)
Cost of bond issuance and redemption	-	-	-	-	-	-
Net Cash Used in Non-Capital Financing Activities	(144,269)	(128,531)	(15,200)	-	(288,000)	(618,619)
Cash Flows from Investing Activities:						
Purchases of investments	(9,515)	(2,625)	-	-	(12,140)	(31,960)
Proceeds from sales and maturities of investments	9,098	1,225	8,832	-	19,155	51,327
Investment interest received	528	447	3,240	-	4,215	5,114
Net Cash Provided by (Used in) Investing Activities	111	(953)	12,072	-	11,230	24,481
Cash Flows from Capital Financing Activities:						
Purchases of fixed assets, net of sales	-	-	-	-	-	-
Net Cash Provided by Capital Financing Activities	-	-	-	-	-	-
Net (Decrease) Increase in Cash and Cash Equivalents	(48,532)	(13,286)	(3,053)	698	(64,173)	(282,959)
Cash and Cash Equivalents, Beginning of Year	96,211	92,437	14,612	2,608	205,868	488,827
Cash and Cash Equivalents, End of Year	47,679	79,151	11,559	3,306	141,695	205,868

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Combining Statements of Cash Flows - Home Ownership Mortgage Loan Program
For the Year Ended June 30, 2014
with comparative totals for the year ended June 30, 2013
(Thousands of Dollars)

	Single Family Bonds				Total	
	1987	1988	2009	Other Home	2014	2013
Reconciliation of Change in Net Position to Net Cash Provided by						
Operating Activities:						
Change in Net Position	4,420	8,834	1,475	-	14,729	3,893
Adjustments to Reconcile Change in Net Position to Net Cash Provided by						
(Used in) Operating Activities:						
Net decrease (increase) in fair value of investments						
and mortgage-backed securities	56	59	(845)	-	(730)	3,588
Provision for loan loss	919	667	-	-	1,586	2,493
Interest expense	16,886	17,891	2,513	-	37,290	50,341
Income on investments and mortgage backed securities	(516)	(451)	(3,232)	-	(4,199)	(5,026)
Depreciation and amortization	-	-	-	-	-	2,078
Loan origination fee amortization	-	-	-	-	-	1,892
Decrease in mortgage loans						
receivable and real estate held	73,103	88,734	-	-	161,837	248,945
Other	758	464	164	698	2,084	2,975
Net Cash Provided by Operating Activities	95,626	116,198	75	698	212,597	311,179