

**WISCONSIN HOUSING AND ECONOMIC
DEVELOPMENT AUTHORITY**

**Financial Statements
For the Years Ended
June 30, 2015 and 2014
and Independent Auditors' Report**

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	6
FINANCIAL STATEMENTS	
Statements of Net Position, June 30, 2015 and 2014	12
Statements of Revenues, Expenses and Change in Net Position, For the Years Ended June 30, 2015 and 2014	13
Statements of Cash Flows, For the Years Ended June 30, 2015 and 2014	14
Notes to Financial Statements, For the Years Ended June 30, 2015 and 2014	16
SUPPLEMENTARY INFORMATION	
Combining Statements of Net Position, June 30, 2015 with comparative totals for June 30, 2014	42
Combining Statements of Revenues, Expenses and Change in Net Position, For the Year Ended June 30, 2015 with comparative totals for the year ended June 30, 2014	43
Combining Statements of Cash Flows, For the Year Ended June 30, 2015 with comparative totals for the year ended June 30, 2014	44
Combining Statements of Net Position - Home Ownership Mortgage Loan Program, June 30, 2015 with comparative totals for June 30, 2014	46
Combining Statements of Revenues, Expenses and Change in Net Position - Home Ownership Mortgage Loan Program, For the Year Ended June 30, 2015 with comparative totals for the year ended June 30, 2014	47
Combining Statements of Cash Flows - Home Ownership Mortgage Loan Program, For the Year Ended June 30, 2015 with comparative totals for the year ended June 30, 2014	48
Schedule of Authority's Proportionate Share of the Net Pension Liability (Asset) and Schedule of Authority's Pension Contributions	50

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, 2015 and 2014, 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, 2015 and 2014, 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.

Emphasis of Matter***Change in Accounting Principle***

As discussed in Note 10 to the financial statements, in 2015, Wisconsin Housing and Economic Development Authority adopted new accounting guidance, GASB Statement No. 68 Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, and GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68. Our opinion is not modified with respect to this matter.

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 29, 2015, 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.

A handwritten signature in black ink that reads "Clifton Larson Allen LLP". The signature is written in a cursive, flowing style.

Milwaukee, Wisconsin
September 29, 2015

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, 2015 compared to the fiscal years that ended on June 30, 2014 and 2013. Please read it in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights – Fiscal Year 2015

Fiscal year 2015 net income before the adjustment for a change in the market value of investments increased 10.0% from fiscal year 2014 to \$29.2 million. Originations in the Single Family program outpaced 2014 activity and prepayments dropped by 37%. However, since new mortgages are sold in the secondary market upon close, the portfolio contracted again in 2015. However, in the fourth quarter of 2015, the Authority began securing and holding qualifying First Time Home Buyer (FTHB) mortgages which will be financed with Revenue bonds early in 2016.

The following are financial highlights for fiscal year 2015:

- The Authority reported net income of \$30.9 million which resulted in a 6.9% increase in net position before the prior period adjustment in 2015.
- Mortgage and MBS investment income is down \$12.7 million to \$81.6 million. While prepayment levels dropped off significantly in 2015, the majority of new Single Family loans were sold during the year causing the portfolio to contract and revenue to drop by 13.5%. Loan prepayments totaled \$121.3 million (Single Family \$93.6 million and Multifamily \$27.7 million). This was a decrease of \$65.8 million from the prior year. Loan originations totaled \$196.8 million (Single Family \$153.9 million and Multifamily \$42.9 million) which represents an increase of \$5.1 million over 2014 activity.
- Investment interest income remained flat at \$4.3 million. While earnings on investments declined during the year, the decrease in the market value adjustment of the Authority's investments also fell, allowing for consistency in overall investment earnings.
- Interest expense and debt financing costs dropped 18.3% to \$45.2 million in 2015. The decrease is attributable to high levels of prepayments in recent years which allowed the Authority the ability to call higher rate variable bonds. In addition, since the majority of new Single Family loans have been sold in the secondary market for the past several years, no new bonds have been issued. In addition, much of the new loan activity in the Multifamily group has been financed with revolving loan funds and excess earnings, reducing the need for higher rate market financing.
- As of June 30, 2015, 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 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.

Statements of Net Position - Comparative Fiscal Year 2015

The following condensed statements of net position show a summary of changes, in dollars and percentages, between fiscal years ended June 30, 2015 and 2014. The Authority reported a change in net position (before the prior period adjustment) of \$30.9 million for the year ended June 30, 2015.

Wisconsin Housing and Economic Development Authority Statements of Net Position June 30, 2015 and 2014 (Millions of Dollars)

	2015	2014	Increase / (Decrease)	
			Amount	%
Cash and cash equivalents	377.2	390.2	(13.0)	(3.3)
Mortgage loans and interest receivable	1,397.3	1,529.7	(132.4)	(8.7)
Mortgage-backed security investments and interest receivable	105.1	94.0	11.1	11.8
Investments and interest receivable	109.2	112.6	(3.4)	(3.0)
Security lending cash collateral	--	3.5	(3.5)	(100.0)
Net pension asset	1.8	--	1.8	100.0
Other assets	21.6	21.3	0.3	1.4
Total Assets	2,012.2	2,151.3	(139.1)	(6.5)
Accumulated decrease in fair value of hedging	43.5	52.2	(8.7)	(16.7)
Pension plan – Actual vs. expected outcomes	1.5	--	1.5	100.0
Deferred Outflow of Resources	45.0	52.2	(7.2)	(13.8)
Accrued interest payable	11.4	13.8	(2.4)	(17.4)
Bonds and notes payable	1,228.4	1,393.1	(164.7)	(11.8)
Interest Rate Swap Agreements	43.5	52.2	(8.7)	(16.7)
Security lending liability	-	5.0	(5.0)	(100.0)
Other liabilities	112.5	112.3	0.2	0.18
Total Liabilities	1,395.8	1,576.4	(180.6)	(11.5)
Net investment in capital assets	8.3	7.2	1.1	15.3
Restricted by bond resolutions	447.3	419.1	28.2	6.7
Restricted by contractual agreements	202.1	193.4	8.7	4.5
Unrestricted	3.7	7.4	(3.7)	(50.0)
Total Net Position	661.4	627.1	34.3	5.5

Schedule may not foot due to rounding

Total assets of the Authority dropped from \$2.2 billion to \$2.0 billion during 2015. This decline is due to the continued contraction of the Authority's loan portfolio. The contraction has been driven by continued loan prepayments in both the Single Family and Multifamily programs. In addition, the majority of the new Single Family loans originated during the year were sold upon closing which generates front-end revenue, but does not increase the Authority's loan portfolio.

Mortgage loans and interest receivable declined \$132.4 million to finish the year at \$1.4 billion. However, mortgage backed security investments rose 11.1% to \$105.1 million. While Single Family loan originations continue to tick upwards year over year, the majority of those loans are sold upon closing. In addition, Multifamily loan originations dropped to \$42.9 million which when coupled with the Single Family activity resulted in the Authority's loan portfolio contracting by 7.5%. The contractions of the portfolio has dropped slightly from the prior year level of 11.0% and the Authority expects to add mortgages to the portfolio under a new business model in 2016.

Liabilities decreased by \$180.6 million to \$1.4 billion. As in the prior year, the largest decline continues to be 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 over the past several years. In addition, there was only one small Multifamily bond issue during the year as the majority of the new loans that were retained by the Authority were funded with internal sources of capital.

Overall, net position, increased \$34.3 million during fiscal year 2015. The various lending programs and investments within the Authority's business segments generated the change in net position. The business segment contributions for fiscal year 2015 are as follows: \$16.0 million in Single Family bond resolutions, \$12.2 million in Multifamily Housing Revenue bond resolutions, \$6.0 million in the General Fund (including subsidiary change in net position) and (\$56,000) in State of Wisconsin Programs.

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)

	2014	2013	Increase / (Decrease)	
			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 Resources¹	52.2	68.3	(16.1)	(23.6)
Accrued interest payable	13.8	18.0	(4.2)	(23.4)
Bonds and notes payable	1,393.1	1,707.9	(314.8)	(18.4)
Interest Rate Swap Interest ¹	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 to 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 position) 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 Revenues, Expenses and Change in Net Position – Comparative Fiscal Year 2015

The Authority reported a change in net position of \$30.9 million, before the prior period adjustment, for the fiscal year ended June 30, 2015. The following table summarizes the Statements of Revenues, Expenses and Change in Net Position of the Authority for the fiscal years ended June 30, 2015 and 2014.

Wisconsin Housing and Economic Development Authority Statements of Revenues, Expenses and Change in Net Position For the Fiscal Years Ended June 30, 2015 and 2014 (Millions of Dollars)

	2015	2014	Favorable/ (Unfavorable)	
			Amount	%
Mortgage income	78.9	89.8	(10.9)	(12.1)
Mortgage-backed investment income (net)	2.7	4.5	(1.8)	(40.0)
Investment income (net)	4.3	4.1	0.2	4.9
Interest expense and debt financing costs	(45.2)	(55.3)	10.1	18.3
Net Interest Income	40.7	43.1	(2.4)	(5.6)
Mortgage service fees	5.8	5.8	--	-
Pass-through subsidy revenue	171.5	169.9	1.6	0.9
Other	18.3	16.5	1.8	10.9
Net Interest And Other Income	236.3	235.3	1.0	0.4
Direct loan program expense	14.7	16.9	2.2	13.0
Pass-through subsidy expense	171.5	169.9	(1.6)	(0.9)
Grants and services	0.9	0.8	(0.1)	(12.5)
General and administrative expenses	17.4	17.9	0.5	2.8
Other expense	0.9	0.9	--	--
Change in Net Position	30.9	28.9	2.0	6.9
Net Position, Beginning of Year	627.1	609.4	17.7	2.9
Prior Period Adjustment	3.3	(11.2)	14.5	
Net Position, Beginning of Year, Restated	630.4	598.2	28.9	
Net Position, End of Year	661.4	627.1	34.3	5.5

Schedule may not foot due to rounding

Net interest income dropped \$2.4 million to \$40.7 million during 2015. This reflects a decrease of 5.6% from fiscal year 2014. Traditional mortgage income is declining largely because new Single Family loans are sold upon closing. 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 has offset the decline in revenue. The decrease in overall net interest income during 2015 was also due to a drop in the overall market value adjustment to the Authority's investments.

Direct loan program expense declined by 13% or \$2.2 million. The decline was largely driven by lower loan loss expense in the Single Family portfolio as the portfolio continues to run off and new mortgages are sold rather than being held by the Authority.

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.

The Authority implemented the Governmental Accounting Standards Board Statement No. 68 – *Accounting and Financial Reporting for Pensions* during fiscal year 2015. This implementation required the recognition of a net pension asset as well as deferred outflows of resources related to future benefit payments and resulted in a \$3.3 million adjustment to beginning net position.

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 before the prior period adjustment 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)

	2014	2013	Favorable/ (Unfavorable)	
			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.

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, 2015 and 2014 (Thousands of Dollars)

Assets

	<u>2015</u>	<u>2014</u>
Current Assets:		
Cash and cash equivalents (Notes 1 & 4)	377,235	390,215
Investments (Notes 1 & 4)	14,623	14,837
Investment interest receivable	372	281
Mortgage-backed securities investment interest receivable	89	71
Security lending cash collateral (Notes 1 & 4)	-	3,520
Mortgage loans receivable, net (Notes 1 & 5)	47,482	45,786
Mortgage interest receivable	10,133	11,770
Accounts receivable	3,624	2,792
Prepaid expense	241	216
Total Current Assets	<u>453,799</u>	<u>469,488</u>
Noncurrent Assets:		
Investments (Notes 1 & 4)	94,232	97,438
Mortgage-backed securities (Notes 1 & 4)	105,001	93,933
Mortgage loans receivable, net (Notes 1 & 5)	1,339,724	1,472,165
Net pension asset (Note 9)	1,828	-
Other assets (Note 1)	17,639	18,329
Total Noncurrent Assets	<u>1,558,424</u>	<u>1,681,865</u>
Total Assets	<u>2,012,223</u>	<u>2,151,353</u>

Deferred Outflow of Resources

Accumulated decrease in fair value of hedging derivatives (Notes 1 & 7)	43,511	52,252
Deferred Outflow of Resources - Pension (Note 9)	1,489	-
Total Deferred Outflow of Resources	<u>45,000</u>	<u>52,252</u>

Liabilities

Current Liabilities:		
Bonds and notes payable (Notes 1, 6 & 10)	48,573	29,180
Accrued interest payable	11,379	13,764
Security lending liability (Notes 1 & 4)	-	5,000
Total Current Liabilities	<u>59,952</u>	<u>47,944</u>
Noncurrent Liabilities:		
Bonds and notes payable (Notes 1, 6 & 10)	1,179,853	1,363,989
Escrow deposits (Notes 1 & 4)	73,822	73,569
Derivative instrument - interest rate swaps (Notes 1 & 7)	43,511	52,252
Other liabilities	38,726	38,722
Total Noncurrent Liabilities	<u>1,335,912</u>	<u>1,528,532</u>
Total Liabilities	<u>1,395,864</u>	<u>1,576,476</u>

Net Position

Net investment in capital assets	8,267	7,259
Restricted by bond resolutions (Note 8)	447,261	419,071
Restricted by contractual agreements (Note 8)	202,137	193,423
Unrestricted (Note 8)	3,694	7,376
Total Net Position	<u>661,359</u>	<u>627,129</u>

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, 2015 and 2014 (Thousands of Dollars)

	<u>2015</u>	<u>2014</u>
Mortgage income (Note 1)	78,953	89,774
Investment interest (Note 1)	1,873	2,605
Net increase in fair value of investments	2,419	1,534
Mortgage-backed securities investment income	3,436	3,732
Net (decrease) increase in fair value of mortgage-backed securities	(736)	778
Interest expense (Note 1)	(45,184)	(55,220)
Amortization of debt financing costs (Note 10)	<u>-</u>	<u>(97)</u>
Net Investment Income	40,761	43,106
Mortgage service fees	5,741	5,754
Pass-through subsidy revenue (Note 1)	171,478	169,891
Grant Income	50	53
Other income (Note 1)	<u>18,337</u>	<u>16,508</u>
Net Investment and Other Income	<u>236,367</u>	<u>235,312</u>
Direct loan program expense	14,751	16,898
Pass-through subsidy expense (Note 1)	171,478	169,891
Grants and services	949	838
General and administrative expenses	17,418	17,930
Other expense (Note 1)	<u>872</u>	<u>909</u>
Total Expenses	<u>205,468</u>	<u>206,466</u>
Change in Net Position	30,899	28,846
Net Position, Beginning of Year as Previously Reported	627,129	609,493
Prior Period Adjustment	<u>3,331</u>	<u>(11,210)</u>
Net Position, Beginning of Year, Restated	<u>630,460</u>	<u>598,283</u>
Net Position, End of Year	<u><u>661,359</u></u>	<u><u>627,129</u></u>

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, 2015 and 2014

(Thousands of Dollars)

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Cash received from interest on mortgage loans	80,594	91,720
Cash received from mortgage payments	180,741	209,577
Cash received from other fees and other income	22,915	21,531
Cash payments to purchase mortgage loans	(49,998)	(24,788)
Cash (paid) received from escrow deposits, net	254	694
Cash payments to employees	(13,678)	(14,090)
Cash payments to vendors	(18,884)	(19,963)
Net Cash Provided by Operating Activities	<u>201,944</u>	<u>264,681</u>
Cash Flows from Non-Capital Financing Activities:		
Proceeds from issuance of bonds and notes	24,026	37,480
Repayments on bonds and notes	(188,531)	(353,370)
Interest paid on bonds, notes and escrows	(47,805)	(59,814)
Cost of bond issuance and redemption	-	-
Net Cash Used in Non-Capital Financing Activities	<u>(212,310)</u>	<u>(375,704)</u>
Cash Flows from Investing Activities:		
Purchases of investments	(97,005)	(25,878)
Proceeds from sales and maturities of investments	89,400	61,568
Investment interest received	5,285	6,632
Net Cash Provided by (Used in) Investing Activities	<u>(2,320)</u>	<u>42,322</u>
Cash Flows from Capital Financing Activities:		
Purchases of fixed assets	(294)	(302)
Net Cash Used in Capital Financing Activities	<u>(294)</u>	<u>(302)</u>
Net Decrease in Cash and Cash Equivalents	(12,980)	(69,003)
Cash and Cash Equivalents, Beginning of Year	<u>390,215</u>	<u>459,218</u>
Cash and Cash Equivalents, End of Year	<u><u>377,235</u></u>	<u><u>390,215</u></u>

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, 2015 and 2014**

(Thousands of Dollars)

	<u>2015</u>	<u>2014</u>
Reconciliation of Change in Net Position to Net Cash Provided by		
Operating Activities:		
Change in Net Position	30,899	28,846
Adjustments to Reconcile Change in Net Position to Net		
Cash Provided by Operating Activities:		
Net increase in fair value of investments		
and mortgage-backed securities	(1,683)	(2,312)
Provision for loan loss (Note 5)	2,526	3,384
Interest expense	45,181	55,217
Income on investments and mortgage backed securities	(5,309)	(6,335)
Depreciation and amortization	(1,012)	(1,117)
Decrease in mortgage loans receivable and		
real estate held, net	128,218	181,405
Increase in escrows	329	694
Other	2,795	4,899
Net Cash Provided by Operating Activities	<u><u>201,944</u></u>	<u><u>264,681</u></u>

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

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Notes to Financial Statements

For the Years Ended June 30, 2015 and 2014

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. 67 "Financial Reporting for Pension Plans-An Amendment of GASB Statement No. 25". GASB Statement No. 68 "Accounting and Financial Reporting for Pensions-An Amendment for GASB Statement No. 27" (Note 9). The Authority in 2014 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 (GWOFF) is a Wisconsin non stock corporation that is a wholly owned subsidiary of the Authority and is reported as a blended component unit. GWOFF 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 (NMTTC) 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, 2015 other assets include an office building of \$21.4 million, at cost, less accumulated depreciation of \$8.6 million and other capital assets of \$11.2 million, at cost, less accumulated depreciation of \$10.7 million. At June 30, 2014 other assets included 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. Depreciation expense totaled \$893,000 and \$848,000 for the years ended June 30, 2015 and 2014, 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).

Debt Premiums and Discounts: Debt premiums and discounts are amortized ratably over the estimated life of the obligations to which they relate. Amortization of \$1,000 of bond discounts and \$239,000 of bond premiums for the year ended June 30, 2015 and \$2,000 of bond discounts and \$397,000 of bond premiums for the year ended June 30, 2014 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 \$465,000 and \$408,000 of investment income allocated to mortgage escrow deposits for the years ended June 30, 2015 and 2014, respectively (Note 4).

Other Income: Some of the items in other income include \$5.4 million and \$5.2 million of other fee income from the administration of the HUD contract for the years ended June 30, 2015 and 2014, respectively. At June 30, 2015 and 2014 other income included prepayment penalties for multifamily mortgage loans that paid off in the amounts of \$3.0 million and \$115,000, respectively. Other income also included lease income of \$1.8 million and \$1.8 million for the years ended June 30, 2015 and 2014, 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, 2015 and 2014. 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 three years, lease payments are expected to be \$2.0 million with a total amount of \$4.5 million for the remaining life of the lease. Also, included in other income is \$1.6 million and \$1.5 million of fee income from the administration of the IRS federal Low-Income Housing Tax Credit Program for the years ended June 30, 2015 and 2014, respectively. Also, other income included New Markets Tax Credits fee income of \$1.3 million and \$2.3 million for the years ended June 30, 2015 and 2014, respectively (Note 3).

Other Expense: Other expense includes \$851,000 and \$899,000 of lease expense for the years ended June 30, 2015 and 2014, 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).

Pensions: For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value (Note 9).

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 \$365.4 million and \$390.2 million at June 30, 2015 and 2014, 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, 2015 and 2014, of which approximately \$717.1 million and \$874.7 million are outstanding at June 30, 2015 and 2014, 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, 2015 and 2014.

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, 2015 and 2014.

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, 2015 and 2014, outstanding loan guarantees totaled \$11.0 million and \$13.6 million, respectively, and the balance of the reserve fund, restricted for purposes of the program, was \$8.8 million and \$9.2 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, 2015 and 2014, \$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 \$122.7 million and \$114.8 million as of June 30, 2015 and 2014, 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, 2015 and 2014, the Authority had issued an aggregate principal amount of \$33.9 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 \$68.9 million and \$78.4 million as of June 30, 2015 and 2014, 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 \$63.0 million and \$77.4 million for the years ended June 30, 2015 and 2014, 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, 2015 and 2014, the Home Plus Program had an outstanding balance in the State of Wisconsin Programs of \$1.5 million and \$2.0 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 \$862,000 and \$851,000 as of June 30, 2015 and 2014, 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. \$176,000 and \$144,000 of loans were made through this program for the fiscal years ending June 30, 2015 and 2014, 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, 2015 and 2014 are \$1.5 million and \$2.3 million for CROP, \$204,000 and \$213,000 for Agribusiness, \$6.1 million and \$8.0 million for SBG and \$3.2 million and \$3.1 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, 2015, \$974,000 of loan guarantees had been approved and were outstanding. As of June 30, 2014, \$994,000 of loan guarantees had been approved and were outstanding.

Property Tax Deferral Loans are made to elderly individuals to pay property taxes. As of June 30, 2015 and 2014, the Property Tax Deferral Loans had an outstanding balance of \$1.5 million and \$1.8 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, 2015 and 2014 the balance of Construction Plus loans was \$10.7 million and \$22.1 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, 2015 and 2014, the Easy Close loans and Easy Close Advantage programs had a combined outstanding balance of \$5.3 million and \$3.6 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 \$12.5 million and \$12.0 million in Tax Credits in the years ended June 30, 2015 and 2014, 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 \$13.8 million and \$14.1 million for the years ended June 30, 2015 and 2014, respectively. The Housing Choice Voucher program funds administered were \$8.9 million and \$7.4 million for the years ended June 30, 2015 and 2014, respectively. Interest Reduction Payments of \$347,000 and \$782,000 were administered for the years ended June 30, 2015 and 2014, respectively.

The Section 8 Housing Assistance Payments program funds were \$146.7 million and \$145.8 million for the years ended June 30, 2015 and 2014, respectively. The Authority executed grant agreements with NeighborWorks America for the National Foreclosure Mitigation Counseling Program. Funds administered under this program total \$0 and \$3,400 for the years ended June 30, 2015, and 2014, 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, 2015 and 2014. The money will be used for a Loan Guarantee Program and a Venture capital fund (Wisconsin Equity Fund). The Authority disbursed \$10.1 million and \$8.4 million for the Wisconsin Equity Fund as of June 30, 2015 and 2014, respectively. The Authority's portion of this lending is \$6.9 million and \$6.2 million for the years ended June 30, 2015 and 2014, respectively. The Loan Guarantee program has not been utilized as of June 30, 2015 and 2014.

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 of these awards had been allocated as of June 30, 2015. The Authority will not seek future awards through WCDLF. On June 16, 2011, a second non-stock corporation, the Greater Wisconsin Opportunities Fund, Inc. (GWOFF) 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 GWOFF. On April 24, 2013, GWOFF was awarded a \$35.0 million NMTC allocation which was completely sub-allocated as of June 30, 2015. On June 9, 2014, GWOFF received notification of a \$50.0 million NMTC award, \$13.5 million of which was allocated as of June 30, 2015.

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, 2015 and 2014 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. 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, which was all expended as of June 30, 2015. \$395,000 of this was unused as of June 30, 2014.

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 \$3.7 million and \$1.0 million of WHEDA reserves were encumbered for this purpose in fiscal year 2015 and 2014, respectively. As of June 30, 2015 and 2014 there is an outstanding loan balance of \$9.8 million and \$5.2 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, 2015 and June 30, 2014 respectively, \$108.1 million and \$54.4 million of loans had been issued through this program; and \$4.6 million 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, 2015 and 2014 are as follows (in thousands of dollars):

	2015		2014	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
Cash	18,201	18,201	13,434	13,434
Money Market Mutual Funds.....	359,034	359,034	376,781	376,781
Total Cash and Cash Equivalents.....	377,235	377,235	390,215	390,215
Certificates of Deposit	7,100	7,100	3,900	3,900
U.S. Government Securities.....	205	183	217	183
U.S. Agency Securities	89,959	89,607	94,106	94,315
Corporate Notes.....	4,996	5,000	4,989	5,000
Mortgage-backed Securities	105,001	100,703	93,933	88,899
Collateralized Investment Contracts	4,658	4,658	7,626	7,626
Equity Securities	1,937	1,937	1,437	1,437
Total Investments.....	213,856	209,188	206,208	201,360
Total Cash and Cash Equivalents and Investments	591,091	586,423	596,423	591,575

At June 30, 2015 and 2014, the Authority had cash bank balances totaling \$18.3 million and \$13.9 million, respectively, of which \$250,000 and \$286,000 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 time, savings and 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, 2015, the Authority had the following investments and maturities covered by the General Fund Investment Policy (in thousands of dollars):

Investment Type:	Fair Value	Investment Maturities (In Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Money Market Mutual Funds	51,287	51,287	--	--	--
Certificates of Deposits.....	300	300	--	--	--
U.S. Agency Securities	39,507	--	39,507	--	--
U.S. Government Securities	127	127	--	--	--
Mortgage-backed Securities.....	21,644	--	--	--	21,644
Corporate Securities:					
Financial	4,996	4,996	--	--	--
Equity.....	1,937	--	1,937	--	--
General Fund Investments.....	119,798	56,710	41,444	--	21,644

4. Cash, Cash Equivalents and Investments (continued)

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 Type:	Fair Value	Investment Maturities (In Years)			
		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	--

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, 2015 and 2014, the Authority invested only in AAA rated money market mutual funds. Money market mutual funds totaled 42.8% and 62.2%, respectively, of the General Fund portfolio; and, the entire Authority portfolio's allocation was 63.0% 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, 2015, 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, 2015 and 2014, 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, 2015 and 2014, 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, 2015, 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 28.8% 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, 2015 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, 2015 were as follows: Federal Farm Credit System (21%) and Federal National Mortgage Association (10%).

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, 2015, 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 Type:	Fair Value	Investment Maturities (In Years)		
		Less than 1	1 - 5	6 - 10
Money Market Mutual Funds	8,425	8,425	--	--
Home Improvement Loan Fund Investments	8,425	8,425	--	--

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

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, 2015 and 2014, 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, 2015, the Authority had the following investments and maturities covered by the Wisconsin Development Reserve Fund Investment Policy (in thousands of dollars):

Investment Type:	Fair Value	Investment Maturities (In Years)		
		Less than 1	1 - 5	6 - 10
Money Market Mutual Funds	5,153	5,153	--	--
U.S. Agency Securities	3,717	--	3,717	--
Wisconsin Development Reserve Fund Investments	8,870	5,153	3,717	--

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 Type:	Fair Value	Investment Maturities (In Years)		
		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

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, 2015 and 2014, the Authority invested only in AAA rated money market mutual funds, and 58.1% and 71.1%, 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, 2015 and 2014, 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, 2015 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, 2015 were as follows: Federal Farm Credit System (23%); 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, 2015, the Authority had the following investments and maturities covered by the Escrow Fund Investment Policy, related to escrow deposits (in thousands of dollars):

Investment Type:	Fair Value	Investment Maturities (In Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Money Market Mutual Funds	40,343	40,343	--	--	--
Certificates of Deposits.....	6,800	6,250	550	--	--
U.S. Agency Securities	16,077	--	16,070	7	--
Escrow Fund Investments.....	63,220	46,593	16,620	7	--

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 Type:	Fair Value	Investment Maturities (In Years)			
		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	--

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 \$465,000 and \$408,000 was allocated to the mortgage escrow deposits for the years ended June 30, 2015 and 2014, 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, 2015 and 2014, the Authority invested only in AAA rated money market mutual funds, and 63.8% and 69.9%, 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, 2015, 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, 2015 and 2014, 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, 2015 and 2014, 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, 2015 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, 2015, were as follows: Federal Farm Credit System (16%) and Federal National Mortgage Association (9%).

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, 2015, the Authority had the following investments and maturities covered by the HORB, HRB and MHB Bonded Programs Investment Policy (in thousands of dollars):

Investment Type:	Fair Value	Investment Maturities (In Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Money Market Mutual Funds	253,826	253,826	--	--	--
U.S. Agency Securities	30,658	--	24,670	5,722	266
U.S. Government Securities	78	--	78	--	--
Mortgage-backed Securities	83,357	--	--	--	83,357
Collateralized Investment Contracts	4,658	2,950	551	--	1,157
 Bonded Program Investments	 372,577	 256,776	 25,299	 5,722	 84,780

4. Cash, Cash Equivalents and Investments (continued)

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 Type:	Fair Value	Investment Maturities (In Years)			
		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

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, 2015 and 2014, the Authority invested only in AAA rated money market mutual funds. Money market mutual funds totaled 68.1% and 63.6%, 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, 2015 and 2014, 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, 2015 and 2014, 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, 2015 and 2014, the bonded portfolios were in compliance with this requirement. As of June 30, 2015, 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, 2015 and 2014 are as follows (in thousands of dollars):

	2015	2014
Home Ownership Revenue Bond Resolutions:		
1987	6,026	7,254
1988	7,082	8,896
Housing Revenue Bonds.....	36,480	34,477
Total Cash, Cash Equivalents and Investments	49,588	50,627

Cash, cash equivalents and investments of the funds at June 30, 2015 and 2014 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. The program was terminated in August 2014. Citibank required the Authority to expand the program to fit their current requirements or exit. The portfolio of lendable securities was not adequate to continue with the program. A loss of \$14,000 in 2015 was offset with a settlement of \$171,000. The impact on the balance sheet was minimal since the Authority had 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.

As of June 30, 2014, the fair market value of securities the Authority had on loan to broker-dealers for a fee was \$4.9 million which includes accrued interest while the securities are on loan to the broker-dealers.

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 Type:	Fair Value	Investment Maturities (In Years)			
		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, 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.

The Authority had the following types of securities on loan: U.S. agency securities, U.S. government securities and corporate notes. The Authority received cash collateral for securities lent. As of June 30, 2014, the fair value of total cash collateral received for securities on loan was \$5.0 million and the fair market value of all investments made with the cash collateral received for those securities lent was \$3.5 million.

As of June 30, 2014, 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

4. Cash, Cash Equivalents and Investments (concluded)

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, 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.

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 includes Participation Lending Loans which are collateralized by subordinate liens considered on a case by case basis. The collateral coverage for these loans will be the minimum of 110% of market value and 80% of liquidation value.

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, 2015 and 2014, the Authority had \$26.8 million and \$7.3 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.....	1.74% - 10.45%
State of Wisconsin Programs	0% - 8.00%
General Fund.....	0% - 10.50%

5. Mortgage Loans (concluded)

Mortgage loan information at June 30, 2015 and 2014 is as follows (in thousands of dollars):

	Mortgage Loan Balances	Allowance for Loan Losses	Real Estate Held	Net Mortgage Loan Balances
Home Ownership Revenue Bond Resolutions:				
1987	323,910	(532)	3,063	326,441
1988	401,402	(645)	4,333	405,090
Housing Revenue Bonds	451,182	(8,774)	--	442,408
Multifamily Housing Bonds	121,922	(3,211)	--	118,711
State of Wisconsin Programs	2,300	(454)	75	1,921
General Fund	98,552	(5,952)	35	92,635
Total as of June 30, 2015	<u>1,399,268</u>	<u>(19,568)</u>	<u>7,506</u>	<u>1,387,206</u>
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	<u>1,526,738</u>	<u>(18,239)</u>	<u>9,452</u>	<u>1,517,951</u>

Activity in the allowance for loan losses included provisions charged to expense of \$2.5 million and \$3.4 million for the years ended June 30, 2015 and 2014, respectively. Activity in the allowance for loan losses also included actual loan charge offs of \$1.2 million and \$2.0 million for the years ended June 30, 2015 and 2014, respectively.

In addition, the Authority serviced \$507.1 million and \$406.5 million worth of loans as of June 30, 2015 and 2014, respectively. These loans are serviced by the Authority for the benefit of others, for which the Authority collects a fee.

At June 30, 2015, the Authority was committed to fund mortgage loans approximating the following amounts (in millions of dollars):

Home Ownership Revenue Bonds	\$ --
Multifamily Bonds	\$ 20.0
State of Wisconsin Programs	\$ --
General Fund	\$ 26.3

6. Bonds and Notes Payable

Bonds and notes payable of the Authority at June 30, 2015 and 2014 consist of the following (in thousands of dollars):

	2015	2014
General Obligation Bonds and Notes	1,227,618	1,392,122
Premium/Discount on Bonds	808	1,047
Total Bonds and Notes Payable	<u>1,228,426</u>	<u>1,393,169</u>

Bonds and notes payable of the Authority increased/decreased since June 30, 2013 as follows (in thousands of dollars):

	2013	Increase	(Decrease)	2014	Increase	(Decrease)	2015
Home Ownership Revenue Bond Resolutions:							
1987	480,695	--	(125,100)	355,595	--	(59,325)	296,270
1988	553,665	--	(108,965)	444,700	--	(90,090)	354,610
Home Ownership Mortgage Revenue Bonds	86,900	--	(12,505)	74,395	--	(8,135)	66,260
Housing Revenue Bonds	425,665	--	(35,445)	390,220	--	(24,800)	365,420
Multifamily Housing Bonds	139,700	--	(24,830)	114,870	10,035	(2,160)	122,745
General Fund	21,387	37,480	(46,525)	12,342	13,992	(4,021)	22,313
Bond issuance costs (Note 10)	(1,537)	1,537	--	--	--	--	--
Premium/Discount on Bonds	1,442	--	(395)	1,047	--	(239)	808
Total Bonds and Notes Payable	<u>1,707,917</u>	<u>39,017</u>	<u>(353,765)</u>	<u>1,393,169</u>	<u>24,027</u>	<u>(188,770)</u>	<u>1,228,426</u>

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):

	<u>Program/Bond Resolution</u>	<u>Interest Rates*</u>	<u>Dated**</u>	<u>Maturities*</u>	<u>2015</u>	<u>2014</u>
Housing Revenue Bonds						
1974	1998 Series A, B and C.....	5.30%	02/01/98	2018	330	420
	2002 Series A, B and C.....	5.60%	05/21/02	2033	--	9,275
	2003 Series C	5.00% - 5.25%	12/23/03	2023-2043	3,735	8,265
	2003 Series D and E	Variable	12/23/03	2043-2044	18,265	18,550
	2005 Series A, B and C.....	Variable	12/14/05	2035	1,770	1,810
	2005 Series D and E	4.15% - 5.15%	12/14/05	2015-2045	32,765	33,865
	2005 Series F	Variable	12/14/05	2030	99,345	103,095
	2006 Series A and B	3.75% - 4.75%	12/14/06	2015-2047	15,245	15,590
	2006 Series C and D	Variable	12/14/06	2037	7,640	7,850
	2007 Series A and B	Variable	12/19/07	2039-2042	15,765	16,105
	2007 Series F and G	Variable	12/19/07	2042	15,375	15,550
	2008 Series A, B, C, D, E, F and G	Variable	06/04/08	2030-2033	27,380	27,595
	2009 Series A.....	Variable	12/30/09	2042	8,860	8,910
	2010 Series A and B	2.95% - 6.125%	12/22/10	2015-2043	33,375	35,510
	2012 Series A and B	Variable	01/27/12	2055	53,330	53,540
	2012 Series C	Variable	06/14/12	2044	16,355	16,670
	2013 Series ABC.....	0.80% - 4.875%	06/26/13	2015-2045	15,885	17,620

Total Housing Revenue Bonds 1974.....					365,420	390,220
---------------------------------------	--	--	--	--	---------	---------

	<u>Program/Bond Resolution</u>	<u>Interest Rates*</u>	<u>Dated**</u>	<u>Maturities*</u>	<u>2015</u>	<u>2014</u>
Multifamily Housing Bonds						
	2007 Series A and B	Variable	06/29/07	2040	10,890	11,055
	2007 Series C	Variable	08/02/07	2048	6,025	6,085
	2008 Series A and B	Variable	08/28/08	2046	13,255	13,400
	2009 Series A.....	2.75% - 3.50%	06/04/09	2015-2018	2,265	2,770
	2009 Series A.....	Variable	06/04/09	2035	15,885	15,885
	2009 Series B-1	Variable	10/21/11	2041	5,070	5,180
	2009 Series B-2	Variable	10/21/11	2041	50,450	51,470
	2011 Series A.....	Variable	09/01/11	2043	8,870	9,025
	2014 Series A.....	0.50% - 4.05%	10/30/14	2016-2049	10,035	--

Total Multifamily Housing Bonds					122,745	114,870
---------------------------------------	--	--	--	--	---------	---------

	<u>Program/Bond Resolution</u>	<u>Interest Rates*</u>	<u>Dated**</u>	<u>Maturities*</u>	<u>2015</u>	<u>2014</u>
Home Ownership Revenue Bonds						
1987	2000 Series H	Variable	11/30/00	2024	3,835	4,820
	2002 Series B.....	Variable	02/06/02	2032	1,765	2,270
	2003 Series B.....	Variable	07/29/03	2034	25,090	29,120
	2004 Series A.....	Variable	04/29/04	2035	22,195	25,780
	2005 Series A.....	Variable	04/12/05	2036	34,850	37,985
	2005 Series D and E	Variable	09/29/05	2036	41,785	45,745
	2006 Series C and D.....	4.85% - 5.81%	05/23/06	2026-2037	69,125	94,845
	2007 Series A and B	4.65% - 5.75%	04/10/07	2023-2038	46,735	49,280
	2007 Series B.....	Variable	04/10/07	2026	21,125	27,270
	2007 Series E and F	5.125% - 5.50%	12/18/07	2024-2038	1,785	9,005
	2007 Series E and F	Variable	12/18/07	2038	27,980	29,475

Total Home Ownership Revenue Bonds 1987					296,270	355,595
---	--	--	--	--	---------	---------

6. Bonds and Notes Payable (continued)

	<u>Program/Bond Resolution</u>	<u>Interest Rates*</u>	<u>Dated**</u>	<u>Maturities*</u>	<u>2015</u>	<u>2014</u>
Home Ownership Revenue Bonds						
1988	2002 Series E and F	Variable	07/11/02	2032	--	10
	2003 Series D	Variable	11/04/03	2028	7,425	8,325
	2004 Series C and D	4.20% - 4.35%	07/27/04	2015-2016	1,330	1,430
	2004 Series D	Variable	07/27/04	2035	27,320	34,210
	2004 Series E	Variable	11/23/04	2035	30,130	34,270
	2005 Series C	Variable	06/09/05	2028	45,195	50,635
	2006 Series A and B	Variable	01/19/06	2030-2037	74,055	79,690
	2006 Series E and F	4.70% - 5.727%	10/25/06	2021-2037	76,780	86,325
	2007 Series C and D	Variable	04/10/07	2023-2038	37,840	59,305
	2007 Series C	5.125%	04/10/07	2028	--	4,410
	2008 Series A and B	Variable	05/15/08	2033-2038	49,535	65,675
	2008 Series A and B	5.30%	05/15/08	2023	5,000	20,415
Total Home Ownership Revenue Bonds 1988					<u>354,610</u>	<u>444,700</u>
Home Ownership Mortgage Revenue Bonds						
	2010 Series A and 2009 Series A-1	0.72% - 4.50%	11/16/10	2015-2041	<u>66,260</u>	<u>74,395</u>
Facility Refunding Bonds, Series 2013					<u>4,965</u>	<u>6,560</u>
Notes Payable:						
	Line of Credit – Construction Plus	Variable	10/01/14	2017	10,680	--
	Line of Credit – Rural Housing PRLF	1.00%	11/03/08	2038-2040	2,668	1,782
	Other	3.75%	01/24/01	2021	4,000	4,000
Total Notes Payable					<u>17,348</u>	<u>5,782</u>
Total General Obligation Bonds and Notes ***					<u>1,227,618</u>	<u>1,392,122</u>

The unused balance on the Construction Plus line of credit was \$29.3 million as of June 30, 2015. There was no line of credit as of June 30, 2014. The unused balance on the Rural Housing PRLF line of credit was \$372,000 and \$1.3 million as of June 30, 2015 and 2014.

The Authority has \$753.3 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 seven 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, 2015 and no funds have been drawn July 1, 2014 to June 30, 2015. If a draw occurs, it will 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, it is 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.

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 12, 2015 to March 7, 2020.

* Interest rates and maturities are as of June 30, 2015.

** 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, 2015 and 2014, the remaining outstanding defeased debt was \$10.3 million and \$11.8 million, respectively.

6. Bonds and Notes Payable (continued)

On September 15, 2015, the Authority issued \$202.9 million of Home Ownership Revenue Bonds 2015 Series ABC for use in the single family loan program. The bonds will redeem \$142.9 million of previously issued debt. The bonds are to be repaid through the year 2031.

Scheduled debt maturities in the five fiscal years subsequent to June 30, 2015 and five year increments thereafter are as follows (in thousands of dollars):

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021-2025</u>	<u>2026-2030</u>
Home Ownership Revenue Bond Resolutions:							
1987.....	6,190	6,360	7,335	9,035	9,960	56,880	68,990
1988.....	9,245	13,135	13,325	14,100	14,165	75,855	75,650
Home Ownership Mortgage Revenue Bonds.....	1,780	1,835	1,900	1,985	2,065	10,185	8,125
Facility Refunding Bonds.....	1,625	1,655	1,685	--	--	--	--
Housing Revenue Bonds.....	11,145	11,745	12,290	12,835	13,220	75,365	95,210
Multifamily Housing Bonds.....	5,020	2,080	2,170	2,265	2,335	13,265	16,310
General Fund.....	13,348	--	--	--	--	4,000	--
Totals	48,353	36,810	38,705	40,220	41,745	235,550	264,285

	<u>2031-2035</u>	<u>2036-2040</u>	<u>2041-2045</u>	<u>2046-2050</u>	<u>2051-2055</u>
Home Ownership Revenue Bond Resolutions:					
1987.....	95,175	36,345	--	--	--
1988.....	85,935	53,200	--	--	--
Home Ownership Mortgage Revenue Bonds.....	15,785	19,385	3,215	--	--
Facility Refunding Bonds.....	--	--	--	--	--
Housing Revenue Bonds.....	50,945	36,445	25,395	9,900	10,925
Multifamily Housing Bonds.....	20,065	18,625	19,640	20,970	--
General Fund.....	--	--	--	--	--
Totals	267,905	164,000	48,250	30,870	10,925

Using rates as of June 30, 2015, 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.

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021-2025</u>	<u>2026-2030</u>
Home Ownership Revenue Bond Resolutions:							
1987.....	7,916	5,921	5,812	5,604	5,349	22,317	13,582
1988.....	5,677	4,064	3,872	3,670	3,437	13,273	7,194
Home Ownership Mortgage Revenue Bonds.....	2,649	2,072	2,022	1,964	1,899	8,300	6,568
Facility Refunding Bonds.....	29	17	4	--	--	--	--
Housing Revenue Bonds.....	6,118	5,053	4,853	4,637	4,417	18,696	12,933
Multifamily Housing Bonds.....	2,330	2,264	2,215	2,161	2,102	9,522	7,574
General Fund.....	282	150	150	150	150	225	--
Totals	25,001	19,541	18,928	18,186	17,354	72,333	47,851

	<u>2031-2035</u>	<u>2036-2040</u>	<u>2041-2045</u>	<u>2046-2050</u>	<u>2051-2055</u>
Home Ownership Revenue Bond Resolutions:					
1987.....	4,848	825	--	--	--
1988.....	3,948	533	--	--	--
Home Ownership Mortgage Revenue Bonds.....	4,629	1,990	56	--	--
Facility Refunding Bonds.....	--	--	--	--	--
Housing Revenue Bonds.....	7,398	3,418	882	73	17
Multifamily Housing Bonds.....	5,154	2,576	779	169	--
General Fund.....	--	--	--	--	--
Totals	25,977	9,342	1,717	242	17

6. Bonds and Notes Payable (concluded)

During the years ended June 30, 2015 and 2014, 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):

	2015	2014
Home Ownership Revenue Bond Resolutions:		
1987.....	54,055	119,690
1988.....	84,415	102,215
Home Ownership Mortgage Revenue Bonds.....	6,355	10,770
Facility Refunding Bonds.....	--	8,130
Housing Revenue Bonds.....	14,195	25,935
Multifamily Housing Bonds.....	370	7,195
General Fund.....	--	--
Total.....	159,390	273,935

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, 2015 and 2014 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, 2015 and 2014 (in thousands of dollars):

Program and Bond Issue	Notional Value at 6/30/15	Effective Date	Swap Termination Date	Counterparty Credit Rating	Fixed Rate Paid	Variable Rate/Index Received ^{(4) (5)}	Swap Termination Market Value at		Change in Fair Value
							06/30/15	06/30/14	
HRB ⁽¹⁾									
2008 Series G	12,180	05/21/2002	11/01/2033	A-/Baa1	4.68%	70% of 1 Month LIBOR	(186)	(190)	4
2003 Series E	10,440	01/05/2005	05/01/2043	A+/Aa3	4.05%	63.5% of 1 Month LIBOR + 20 Basis Points	(132)	(138)	6
2005 Series F	64,995	01/17/2006	11/01/2030	A+/Aa3	5.21%	1 Month LIBOR	(15,209)	(15,121)	(88)
2006 Series C	3,315	12/14/2006	11/01/2016	A+/Aa3	3.64%	SIFMA + 2 Basis Points	(147)	(248)	101
2006 Series D	4,325	12/14/2006	11/01/2016	A+/Aa3	3.64%	SIFMA + 2 Basis Points	(192)	(323)	131
2007 Series A	9,325	12/19/2007	11/01/2042	A+/Aa3	4.72%	SIFMA + 6 Basis Points	(141)	(147)	6
2007 Series B	6,440	12/19/2007	11/01/2039	A+/Aa3	4.58%	SIFMA + 2 Basis Points	(96)	(100)	4
2007 Series F	10,440	12/19/2007	11/01/2025	A+/Aa3	4.01%	SIFMA + 6 Basis Points	(1,956)	(1,723)	(233)
2007 Series G	4,935	12/19/2007	11/01/2025	A+/Aa3	4.01%	SIFMA + 6 Basis Points	(925)	(814)	(111)
Total HRB Swap Termination Market Value.....							(18,984)	(18,804)	(180)

7. Derivatives (continued)

Program and Bond Issue	Notional Value at 6/30/15	Effective Date	Swap Termination Date	Counterparty Credit Rating	Fixed Rate Paid	Variable Rate/Index Received ^{(4) (5)}	Swap Termination Market Value at		Change in Fair Value
							06/30/15	06/30/14	
MHB⁽²⁾									
2007 Series A	7,130	06/29/2007	10/01/2022	A+/Aa3	4.43%	SIFMA + 6 Basis Points	(1,303)	(1,301)	(2)
2007 Series B	3,760	06/29/2007	10/01/2022	A+/Aa3	5.90%	1 Month LIBOR - 2 Basis Points	(954)	(1,011)	57
2007 Series C	6,025	08/02/2007	09/01/2024	A+/Aa3	4.33%	SIFMA + 2 Basis Points	(1,245)	(1,164)	(81)
2008 Series A	6,585	08/28/2008	10/01/2026	AA-/Aa2	3.89%	SIFMA + 2 Basis Points	(1,214)	(1,022)	(192)
2008 Series A	4,230	08/28/2008	10/01/2026	AA-/Aa2	3.89%	SIFMA + 2 Basis Points	(780)	(657)	(123)
2008 Series B	2,440	08/28/2008	10/01/2026	AA-/Aa2	5.08%	LIBOR + 7 Basis Points	(605)	(568)	(37)
2011 Series A	8,870	09/01/2012	09/01/2018	A/A2	2.10%	SIFMA	(381)	(409)	28
Total MHB Swap Termination Market Value							(6,482)	(6,132)	(350)
1987 HORB⁽³⁾									
2002 Series B	1,765	02/06/2002	03/01/2020	A+/Aa3	5.88%	1 Month LIBOR + 35 Basis Points	(159)	(243)	84
2003 Series B	25,090	07/29/2003	09/01/2034	A+/Aa3	3.94%	65% of 1 Month LIBOR + 25 Basis Points	(3,004)	(3,544)	540
2004 Series A	22,195	04/29/2004	03/01/2035	A+/Aa3	4.27%	65% of 1 Month LIBOR + 25 Basis Points	(152)	(184)	32
2005 Series A	34,850	04/12/2005	03/01/2036	A-/Baa1	3.61%	65% of 1 Month LIBOR + 25 Basis Points	(564)	(1,140)	576
2005 Series D	31,850	09/29/2005	09/01/2036	A+/Aa3	3.54%	65% of 1 Month LIBOR + 25 Basis Points	(504)	(998)	494
2007 Series B	21,125	04/10/2007	09/01/2026	A+/Aa3	5.20%	1 Month LIBOR	(906)	(1,991)	1,085
2007 Series E	27,980	12/18/2007	09/01/2038	A+/Aa3	3.96%	62% of 1 Month LIBOR + 38 Basis Points	(1,687)	(2,373)	686
2007 Series F	--	12/18/2007	09/01/2014	A+/Aa3	4.43%	1 Month LIBOR	--	(10)	10
Total 1987 HORB Swap Termination Market Value							(6,976)	(10,483)	3,507
1988 HORB⁽³⁾									
2004 Series D	27,320	07/27/2004	09/01/2035	A-/Baa1	3.73%	65% of 1 Month LIBOR + 25 Basis Points	(457)	(574)	117
2004 Series E	30,130	11/23/2004	09/01/2035	A+/Aa3	3.99%	65% of 1 Month LIBOR + 25 Basis Points	(4,976)	(4,858)	(118)
2005 Series C	45,195	08/03/2005	03/01/2024	A+/Aa3	3.34%	65% of 1 Month LIBOR + 25 Basis Points	(223)	(1,593)	1,370
2006 Series A	52,510	01/19/2006	03/01/2029	A+/Aa3	3.65%	65% of 1 Month LIBOR + 25 Basis Points	(1,088)	(2,731)	1,643
2007 Series C	9,745	06/28/2007	09/01/2023	A+/Aa3	4.63%	SIFMA + 8 Basis Points	(73)	(172)	99
2007 Series C	5,790	06/28/2007	09/01/2016	A+/Aa3	4.11%	SIFMA + 8 Basis Points	(114)	(420)	306
2007 Series D	3,575	06/28/2007	09/01/2016	A+/Aa3	5.62%	1 Month LIBOR	(104)	(361)	257
2007 Series D	18,730	06/28/2007	09/01/2028	A+/Aa3	6.01%	1 Month LIBOR	(2,006)	(2,855)	849
2008 Series A	21,725	05/15/2008	03/01/2019	AA-/Aa2	3.35%	SIFMA + 8 Basis Points	(1,016)	(1,609)	593
2008 Series A	18,960	05/15/2008	09/01/2038	A+/Aa3	3.86%	62% of 1 Month LIBOR + 38 Basis Points	(1,012)	(1,660)	648
Total 1988 HORB Swap Termination Market Value							(11,069)	(16,833)	5,764
Total Swap Termination Market Value							(43,511)	(52,252)	8,741

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

7. Derivatives (continued)

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, 2015 or June 30, 2014. 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, 2015, 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, 2015, the counterparty or counterparty guarantor in 79% of the outstanding swaps were rated A+/Aa3, 13% were rated A-/Baa1, 6% were rated AA-/Aa2, and the remaining counterparties were rated 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, 2015, one counterparty rated A+/Aa3, has collateral requirements starting at BBB+/Baa1 and a posting threshold of \$500,000. The counterparty rated A-/Baa1 has collateral requirements starting at AA-/Aa3 and a posting threshold of \$50.0 million. Based on the current rating of A-/Baa1 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.

Based on the guarantor's current rating, the current threshold is \$40.0 million. The counterparty rating of AA-/Aa2 has collateral requirements starting at A+/A1 and a posting threshold of \$10.0 million. The other counterparty rated A+/Aa3 and one counterparty rated A/A2 do not have a collateral agreement with the Authority. Based on the fair values as of June 30, 2015, 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:

<u>Associated Debt Issuance</u>	<u>Bond Maturity Date</u>	<u>Swap Termination Date</u>
1987 HORB 2002 Series B	09/01/2032	03/01/2020
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, 2015, 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.

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate Swaps, Net</u>	<u>Total</u>
2016	45,690	843	21,230	67,763
2017	46,370	787	19,400	66,557
2018	32,765	686	17,833	51,284
2019	39,410	648	16,503	56,561
2020	25,160	607	15,362	41,129
2021 – 2025	117,330	2,558	62,084	181,972
2026 – 2030	106,365	1,446	38,071	145,882
2031 – 2035	110,520	720	18,190	129,430
2036 – 2040	37,465	194	3,298	40,957
2041 – 2045	2,895	18	194	3,107
Totals	<u>563,970</u>	<u>8,507</u>	<u>212,165</u>	<u>784,642</u>

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, 2015 and 2014, approximately \$447.3 million and \$419.1 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 \$202.1 million and \$193.4 million as of June 30, 2015 and 2014, respectively.

The unrestricted General Fund net position of \$3.7 million as of June 30, 2015 will be used according to the 2015-2016 Dividends for Wisconsin plan.

9. Retirement and Other Benefits

General Information about the Pension Plan

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. 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 (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Vesting. 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. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

9. Retirement and Other Benefits (continued)

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

Post-Retirement Adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2005	2.6%	7%
2006	0.8%	3%
2007	3.0%	10%
2008	6.6%	0%
2009	(2.1)%	(42)%
2010	(1.3)%	22%
2011	(1.2)%	11%
2012	(7.0)%	(7)%
2013	(9.6)%	9%
2014	4.7%	25%

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. 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.

During the reporting period, the WRS recognized \$694,000 in contributions from the employer. Contribution rates as of June 30, 2015 are as follows:

Employee Category	Employee	Employer
General (including teachers)	6.8%	6.8%
Executives & Elected Officials	7.7%	7.7%
Protective with Social Security	6.8%	9.5%
Protective without Social Security	6.8%	13.1%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Authority reported an (asset) of (\$1,828,000) for its proportionate share of the net pension asset. The net pension (asset) was measured as of December 31, 2014, and the total pension liability used to calculate the net pension (asset) was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Authority's proportion of the net pension (asset) was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the Authority's proportion was .074%, which was a decrease of .001% from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the Authority recognized pension expense of \$708,000.

9. Retirement and Other Benefits (continued)

At June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands of dollars):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$265	\$0
Changes in assumptions	\$0	\$0
Net differences between projected and actual earnings on pension plan investments	\$885	\$0
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$6	\$0
Employer contributions subsequent to the measurement date	\$333	\$0
Total	\$1,489	\$0

\$333,000 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension (asset) in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows (in thousands of dollars):

Year ended June 30:	Deferred Outflow of Resources	Deferred Inflows of Resources
2015	\$227	\$0
2016	\$227	\$0
2017	\$227	\$0
2018	\$227	\$0
2019	\$227	\$0
Thereafter	\$19	\$0

Actuarial assumptions. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2013
Measurement Date of Net Pension Liability (Asset)	December 31, 2014
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.8%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 actuarial valuation.

9. Retirement and Other Benefits(concluded)

Long-term expected Return on Plan Assets: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Real Rate of Return	Target Allocation
US Equities	5.3%	21%
International Equities	5.7%	23%
Fixed Income	1.7%	36%
Inflation Sensitive Assets	2.3%	20%
Real Estate	4.2%	7%
Private Equity/Debt	6.9%	7%
Multi-Asset	3.9%	6%
Cash	0.9%	-20%

Single Discount rate: A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension (asset) to changes in the discount rate. The following presents the Authority's proportionate share of the net pension (asset) calculated using the discount rate of (7.20 percent), as well as what the Authority's proportionate share of the net pension (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate (in thousands):

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase To Discount Rate (8.20%)
Authority's proportionate share of the net pension liability (asset)	\$5,156	(\$1,828)	(\$7,343)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/> and reference report number 15-11.

10. Prior Period Adjustment

During fiscal year 2015, the Authority's net position has been restated to reflect the impact of the implementation of GASB Statement No. 68 "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, and GASB Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68" as follows:

Beginning Net Position, as previously reported	\$627,129
Adjustment to record beginning of year net pension asset	2,974
Adjustment to record beginning of the year contributions subsequent to the measurement date	357
Beginning Net Position, as restated	<u>\$630,460</u>

During fiscal year 2014, 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.

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Supplementary Information

**June 30, 2015
with comparative totals for June 30, 2014**

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Combining Statements of Net Position June 30, 2015 with comparative totals for June 30, 2014 (Thousands of Dollars)

Assets

	Single Family Bonds	Housing Revenue Bonds	Multifamily Housing Bonds	State of Wisconsin Programs	General Fund	Total	
						2015	2014
Current Assets:							
Cash and cash equivalents (Notes 1 & 4)	156,868	91,102	6,664	13,583	109,018	377,235	390,215
Investments (Notes 1 & 4)	2,950	-	-	-	11,673	14,623	14,837
Investment interest receivable	51	104	1	15	201	372	281
Mortgage-backed securities investment interest receivable	67	-	-	-	22	89	71
Security lending cash collateral (Notes 1 & 4)	-	-	-	-	-	-	3,520
Mortgage loans receivable, net (Notes 1 & 5)	23,230	11,182	2,328	371	10,371	47,482	45,786
Mortgage interest receivable	7,001	1,729	465	131	807	10,133	11,770
Accounts receivable	1,226	-	-	15	2,383	3,624	2,792
Prepaid expense	138	29	5	-	69	241	216
Interfunds	(8,150)	(2,204)	(1,126)	(195)	11,675	-	-
Total Current Assets	183,381	101,942	8,337	13,920	146,219	453,799	469,488
Noncurrent Assets:							
Investments (Notes 1 & 4)	3,322	29,122	-	3,717	58,071	94,232	97,438
Mortgage-backed securities (Notes 1 & 4)	83,357	-	-	-	21,644	105,001	93,933
Mortgage loans receivable, net (Notes 1 & 5)	708,301	431,226	116,383	1,550	82,264	1,339,724	1,472,165
Net Pension Asset (Note 9)	-	-	-	-	1,828	1,828	-
Other assets (Note 1)	-	-	-	-	17,639	17,639	18,329
Total Noncurrent Assets	794,980	460,348	116,383	5,267	181,446	1,558,424	1,681,865
Total Assets	978,361	562,290	124,720	19,187	327,665	2,012,223	2,151,353

Deferred Outflow of Resources

Accumulated decrease in fair value of hedging derivatives (Notes 1 & 7)	18,045	18,984	6,482	-	-	43,511	52,252
Deferred Outflow of Resources - Pension (Note 9)	-	-	-	-	1,489	1,489	-
Total Deferred Outflow of Resources	18,045	18,984	6,482	-	1,489	45,000	52,252

Liabilities

Current Liabilities:							
Bonds and notes payable (Notes 1, 6 & 10)	17,436	11,144	5,020	-	14,973	48,573	29,180
Accrued interest payable	8,688	1,805	772	-	114	11,379	13,764
Security lending liability (Notes 1 & 4)	-	-	-	-	-	-	5,000
Total Current Liabilities	26,124	12,949	5,792	-	15,087	59,952	47,944
Noncurrent Liabilities:							
Bonds and notes payable (Notes 1, 6 & 10)	700,523	354,269	117,721	-	7,340	1,179,853	1,363,989
Escrow deposits (Notes 1 & 4)	-	-	-	-	73,822	73,822	73,569
Derivative instrument - interest rate swaps (Notes 1 & 7)	18,045	18,984	6,482	-	-	43,511	52,252
Other liabilities	467	230	35	6,013	31,981	38,726	38,722
Total Noncurrent Liabilities	719,035	373,483	124,238	6,013	113,143	1,335,912	1,528,532
Total Liabilities	745,159	386,432	130,030	6,013	128,230	1,395,864	1,576,476

Net Position

Net investment in capital assets	-	-	-	-	8,267	8,267	7,259
Restricted by bond resolutions (Note 8)	251,247	194,842	1,172	-	-	447,261	419,071
Restricted by contractual agreements (Note 8)	-	-	-	13,174	188,963	202,137	193,423
Unrestricted (Note 8)	-	-	-	-	3,694	3,694	7,376
Total Net Position	251,247	194,842	1,172	13,174	200,924	661,359	627,129

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

**Combining Statements of Revenues, Expenses
And Change in Net Position
For the Year Ended June 30, 2015
with comparative totals for the year ended June 30, 2014
(Thousands of Dollars)**

	Single Family Bonds	Housing Revenue Bonds	Multifamily Housing Bonds	State of Wisconsin Programs	General Fund	Total	
						2015	2014
Mortgage income (Note 1)	47,737	22,027	5,493	183	3,513	78,953	89,774
Investment interest (Note 1)	386	817	4	56	610	1,873	2,605
Net increase (decrease) in fair value of investments	(68)	387	-	39	2,061	2,419	1,534
Mortgage-backed securities investment income	3,385	-	-	-	51	3,436	3,732
Net increase in fair value of mortgage-backed securities	(474)	-	-	-	(262)	(736)	778
Interest expense (Note 1)	(28,935)	(11,752)	(3,769)	-	(728)	(45,184)	(55,220)
Amortization of debt financing costs (Note 10)	-	-	-	-	-	-	(97)
Net Investment Income	22,031	11,479	1,728	278	5,245	40,761	43,106
Mortgage service fees	107	157	-	18	5,459	5,741	5,754
Pass-through subsidy revenue (Note 1)	-	14,083	-	-	157,395	171,478	169,891
Grant Income	-	-	-	-	50	50	53
Other income (Note 1)	-	3,014	117	24	15,182	18,337	16,508
Net Investment and Other Income	22,138	28,733	1,845	320	183,331	236,367	235,312
Direct loan program expense	5,340	1,688	514	90	7,119	14,751	16,898
Pass-through subsidy expense (Note 1)	-	14,083	-	-	157,395	171,478	169,891
Grants and services	-	-	-	-	949	949	838
General and administrative expenses	830	1,906	112	286	14,284	17,418	17,930
Other expense (Note 1)	-	-	-	-	872	872	909
Total Expenses	6,170	17,677	626	376	180,619	205,468	206,466
Change in Net Position	15,968	11,056	1,219	(56)	2,712	30,899	28,846
Net Position, Beginning of Year as previously reported	235,276	183,843	(48)	13,205	194,853	627,129	609,493
Prior Period Adjustment	-	-	-	-	3,331	3,331	(11,210)
Net Position, Beginning of Year, Restated	235,276	183,843	(48)	13,205	198,184	630,460	598,283
Transfers between programs (Note 8)	3	(57)	1	25	28	-	-
Net Position, End of Year	251,247	194,842	1,172	13,174	200,924	661,359	627,129

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Combining Statements of Cash Flows For the Year Ended June 30, 2015 with comparative totals for the year ended June 30, 2014 (Thousands of Dollars)

	Single Family Bonds	Housing Revenue Bonds	Multifamily Housing Bonds	State of Wisconsin Programs	General Fund	Total	
						2015	2014
Cash Flows from Operating Activities:							
Cash received from interest on mortgage loans	49,038	22,100	5,466	196	3,794	80,594	91,720
Cash received from mortgage payments	121,866	33,329	2,224	612	22,710	180,741	209,577
Cash received from other fees and other income	291	3,171	117	58	19,278	22,915	21,531
Cash payments to purchase mortgage loans	23,830	(30,362)	(10,035)	(56)	(33,375)	(49,998)	(24,788)
Cash (paid) received from escrow deposits, net	-	-	-	-	254	254	694
Cash payments to employees	(652)	(1,496)	(88)	(225)	(11,217)	(13,678)	(14,090)
Cash payments to vendors	(5,693)	(2,213)	(663)	(399)	(9,916)	(18,884)	(19,963)
Transfers between programs and change in interfunds	678	(1,221)	101	-	442	-	-
Net Cash Provided by (Used in) Operating Activities	189,358	23,308	(2,878)	186	(8,030)	201,944	264,681
Cash Flows from Non-Capital Financing Activities:							
Proceeds from issuance of bonds and notes	-	-	10,035	-	13,991	24,026	37,480
Repayments on bonds and notes	(157,550)	(24,800)	(2,160)	-	(4,021)	(188,531)	(353,370)
Interest paid on bonds, notes and escrows	(31,425)	(11,937)	(3,759)	-	(684)	(47,805)	(59,814)
Cost of bond issuance and redemption	-	-	-	-	-	-	-
Net Cash Provided by (Used in) Non-Capital Financing Activities	(188,975)	(36,737)	4,116	-	9,286	(212,310)	(375,704)
Cash Flows from Investing Activities:							
Purchases of investments	(6,920)	(15,918)	-	(2,000)	(72,167)	(97,005)	(25,878)
Proceeds from sales and maturities of investments	17,941	23,896	-	1,000	46,563	89,400	61,568
Investment interest received	3,769	839	3	50	624	5,285	6,632
Net Cash Provided by (Used in) Investing Activities	14,790	8,817	3	(950)	(24,980)	(2,320)	42,322
Cash Flows from Capital Financing Activities:							
Purchases of fixed assets (net of sales)	-	-	-	-	(294)	(294)	(302)
Net Cash Used in Capital Financing Activities	-	-	-	-	(294)	(294)	(302)
Net Increase (Decrease) in Cash and Cash Equivalents	15,173	(4,612)	1,241	(764)	(24,018)	(12,980)	(69,003)
Cash and Cash Equivalents, Beginning of Year	141,695	95,714	5,423	14,347	133,036	390,215	459,218
Cash and Cash Equivalents, End of Year	156,868	91,102	6,664	13,583	109,018	377,235	390,215

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Combining Statements of Cash Flows For the Year Ended June 30, 2015 with comparative totals for the year ended June 30, 2014 (Thousands of Dollars)

	Single Family Bonds	Housing Revenue Bonds	Multifamily Housing Bonds	State of Wisconsin Programs	General Fund	Total	
						2015	2014
Reconciliation of Change in Net Position to Net Cash Provided by							
(Used in) Operating Activities:							
Change in Net Position	15,968	11,056	1,219	(56)	2,712	30,899	28,846
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	542	(387)	-	(39)	(1,799)	(1,683)	(2,312)
Provision for loan loss	489	-	-	83	1,954	2,526	3,384
Interest expense	28,935	11,752	3,769	-	725	45,181	55,217
Income on investments and mortgage backed securities	(3,771)	(817)	(4)	(56)	(661)	(5,309)	(6,335)
Depreciation and amortization	-	-	-	-	(1,012)	(1,012)	(1,117)
Decrease (Increase) in mortgage loans							
receivable and real estate held	145,207	2,968	(7,811)	473	(12,619)	128,218	181,405
Increase (decrease) in escrows	-	-	-	-	329	329	694
Other	1,988	(1,264)	(51)	(219)	2,341	2,795	4,899
	<u>189,358</u>	<u>23,308</u>	<u>(2,878)</u>	<u>186</u>	<u>(8,030)</u>	<u>201,944</u>	<u>264,681</u>
Net Cash Provided by (Used in) Operating Activities							

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Combining Statements of Net Position - Home Ownership Mortgage Loan Program June 30, 2015 with comparative totals for June 30, 2014 (Thousands of Dollars)

Assets	Single Family				Total	
	1987	1988	2009	Other Home	2015	2014
Current Assets:						
Cash and cash equivalents (Notes 1 & 4)	54,643	83,746	13,021	5,458	156,868	141,695
Investments (Notes 1 & 4)	2,950	-	-	-	2,950	2,939
Investment interest receivable	40	9	1	1	51	48
Mortgage-backed securities investment interest receivable	6	4	57	-	67	71
Mortgage loans receivable, net (Notes 1 & 5)	10,548	12,682	-	-	23,230	25,283
Mortgage interest receivable	3,019	3,982	-	-	7,001	8,301
Accounts receivable	643	583	-	-	1,226	1,412
Prepaid expense	81	56	1	-	138	166
Interfunds	(1,270)	1,492	(2,912)	(5,460)	(8,150)	(7,472)
Total Current Assets	70,660	102,554	10,168	(1)	183,381	172,443
Noncurrent Assets:						
Investments (Notes 1 & 4)	840	2,482	-	-	3,322	4,316
Mortgage-backed securities (Notes 1 & 4)	6,890	7,551	68,916	-	83,357	93,933
Mortgage loans receivable, net (Notes 1 & 5)	315,894	392,407	-	-	708,301	851,945
Other assets (Note 1)	-	-	-	-	-	-
Total Noncurrent Assets	323,624	402,440	68,916	-	794,980	950,194
Total Assets	394,284	504,994	79,084	(1)	978,361	1,122,637
Deferred Outflow of Resources						
Accumulated decrease in fair value of hedging derivatives (Notes 1 & 7)	6,976	11,069	-	-	18,045	27,316
Liabilities						
Current Liabilities:						
Bonds and notes payable (Notes 1, 6 & 10)	6,334	9,276	1,826	-	17,436	13,369
Accrued interest payable	3,969	4,185	534	-	8,688	10,939
Total Current Liabilities	10,303	13,461	2,360	-	26,124	24,308
Noncurrent Liabilities:						
Bonds and notes payable (Notes 1, 6 & 10)	290,466	345,448	64,609	-	700,523	862,380
Escrow deposits (Notes 1 & 4)	-	-	-	-	-	-
Derivative instrument - interest rate swaps (Notes 1 & 7)	6,976	11,069	-	-	18,045	27,316
Other liabilities	151	316	-	-	467	673
Total Noncurrent Liabilities	297,593	356,833	64,609	-	719,035	890,369
Total Liabilities	307,896	370,294	66,969	-	745,159	914,677
Net Position						
Net investment in capital assets	-	-	-	-	-	-
Restricted by bond resolutions (Note 8)	93,364	145,769	12,115	(1)	251,247	235,276
Restricted by contractual agreements (Note 8)	-	-	-	-	-	-
Unrestricted (Note 8)	-	-	-	-	-	-
Total Net Position	93,364	145,769	12,115	(1)	251,247	235,276

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, 2015
with comparative totals for the year ended June 30, 2014
(Thousands of Dollars)**

	Single Family Bonds				Total	
	1987	1988	2009	Other Home	2015	2014
Mortgage income (Note 1)	20,938	26,799	-	-	47,737	56,269
Investment interest (Note 1)	220	156	10	-	386	469
Net increase (decrease) in fair value of investments	(37)	(31)	-	-	(68)	(48)
Mortgage-backed securities investment income	236	267	2,882	-	3,385	3,732
Net increase in fair value of mortgage-backed securities	24	8	(506)	-	(474)	778
Interest expense (Note 1)	(12,875)	(13,840)	(2,220)	-	(28,935)	(37,290)
Amortization of debt financing costs (Note 10)	-	-	-	-	-	-
Net Investment Income	8,506	13,359	166	-	22,031	23,910
Mortgage service fees	15	14	78	-	107	110
Pass-through subsidy revenue (Note 1)	-	-	-	-	-	-
Other income (Note 1)	-	-	-	-	-	-
Net Investment and Other Income	8,521	13,373	244	-	22,138	24,020
Direct loan program expense	1,973	3,357	10	-	5,340	8,517
Pass-through subsidy expense (Note 1)	-	-	-	-	-	-
Grants and services	-	-	-	-	-	-
General and administrative expenses	325	373	132	-	830	774
Total Expenses	2,298	3,730	142	-	6,170	9,291
Change in Net Position	6,223	9,643	102	-	15,968	14,729
Net Position, Beginning of Year as Previously Reported	87,003	136,261	12,013	(1)	235,276	229,280
Prior Period Adjustment	-	-	-	-	-	(7,759)
Net Position, Beginning of Year, Restated	87,003	136,261	12,013	(1)	235,276	221,521
Transfers between programs (Note 1)	138	(135)	-	-	3	(974)
Net Position, End of Year	93,364	145,769	12,115	(1)	251,247	235,276

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

**Combining Statements of Cash Flows - Home Ownership Mortgage Loan Program
For the Year Ended June 30, 2015
with comparative totals for the year ended June 30, 2014
(Thousands of Dollars)**

	Single Family Bonds				Total	
	1987	1988	2009	Other Home	2015	2014
Cash Flows from Operating Activities:						
Cash received from interest on mortgage loans	21,499	27,539	-	-	49,038	58,167
Cash received from mortgage payments	50,895	70,971	-	-	121,866	133,885
Cash received from other fees and other income	26	187	78	-	291	236
Cash payments to purchase mortgage loans	9,211	14,619	-	-	23,830	29,538
Cash from escrow deposits, net	-	-	-	-	-	-
Cash payments to employees	(255)	(293)	(104)	-	(652)	(609)
Cash payments to vendors	(2,058)	(3,597)	(38)	-	(5,693)	(8,994)
Transfers between programs and change in interfunds	(202)	(1,404)	132	2,152	678	374
Net Cash Provided by Operating Activities	<u>79,116</u>	<u>108,022</u>	<u>68</u>	<u>2,152</u>	<u>189,358</u>	<u>212,597</u>
Cash Flows from Non-Capital Financing Activities:						
Proceeds from issuance of bonds and notes	-	-	-	-	-	-
Repayments on bonds and notes	(59,325)	(90,090)	(8,135)	-	(157,550)	(246,570)
Interest paid on bonds, notes and escrows	(13,971)	(15,121)	(2,333)	-	(31,425)	(41,430)
Cost of bond issuance and redemption	-	-	-	-	-	-
Net Cash Used in Non-Capital Financing Activities	<u>(73,296)</u>	<u>(105,211)</u>	<u>(10,468)</u>	<u>-</u>	<u>(188,975)</u>	<u>(288,000)</u>
Cash Flows from Investing Activities:						
Purchases of investments	(6,920)	-	-	-	(6,920)	(12,140)
Proceeds from sales and maturities of investments	7,609	1,368	8,964	-	17,941	19,155
Investment interest received	455	416	2,898	-	3,769	4,215
Net Cash Provided by Investing Activities	<u>1,144</u>	<u>1,784</u>	<u>11,862</u>	<u>-</u>	<u>14,790</u>	<u>11,230</u>
Cash Flows from Capital Financing Activities:						
Purchases of fixed assets, net of sales	-	-	-	-	-	-
Net Cash Provided by Capital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net (Decrease) Increase in Cash and Cash Equivalents	6,964	4,595	1,462	2,152	15,173	(64,173)
Cash and Cash Equivalents, Beginning of Year	<u>47,679</u>	<u>79,151</u>	<u>11,559</u>	<u>3,306</u>	<u>141,695</u>	<u>205,868</u>
Cash and Cash Equivalents, End of Year	<u><u>54,643</u></u>	<u><u>83,746</u></u>	<u><u>13,021</u></u>	<u><u>5,458</u></u>	<u><u>156,868</u></u>	<u><u>141,695</u></u>

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

**Combining Statements of Cash Flows - Home Ownership Mortgage Loan Program
For the Year Ended June 30, 2015
with comparative totals for the year ended June 30, 2014
(Thousands of Dollars)**

	Single Family Bonds				Total	
	1987	1988	2009	Other Home	2015	2014
Reconciliation of Change in Net Position to Net Cash Provided by						
Operating Activities:						
Change in Net Position	6,223	9,643	102	-	15,968	14,729
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	13	23	506	-	542	(730)
Provision for loan loss	149	340	-	-	489	1,586
Interest expense	12,875	13,840	2,220	-	28,935	37,290
Income on investments and mortgage backed securities	(456)	(423)	(2,892)	-	(3,771)	(4,199)
Depreciation and amortization	-	-	-	-	-	-
Decrease in mortgage loans						
receivable and real estate held	59,957	85,250	-	-	145,207	161,837
Other	355	(651)	132	2,152	1,988	2,084
Net Cash Provided by Operating Activities	<u>79,116</u>	<u>108,022</u>	<u>68</u>	<u>2,152</u>	<u>189,358</u>	<u>212,597</u>

SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

Wisconsin Retirement System
Last 10 Fiscal Years*
(In Thousands)

	2015
Authority's proportion of the net pension liability (asset)	.074%
Authority's proportionate share of the net pension liability (asset)	(\$1,828)
Authority's covered-employee payroll	\$9,909
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.74%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year

SCHEDULE OF AUTHORITY CONTRIBUTIONS

Wisconsin Retirement System
Last 10 Fiscal Years*
(In Thousands)

	2015
Contractually required contributions	\$694
Contributions in relation to the contractually required contributions	(\$694)
Contribution deficiency (excess)	\$0.00
Authority's covered-employee payroll	\$9,909
Contributions as a percentage of covered-employee payroll	7.0%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

**Notes to Required Supplementary Information
for the Year Ended June 30, 2015**

Changes of benefit terms. There were no changes of benefit terms for any participating employer in WRS.

Changes of assumptions. There were no changes in the assumptions.