WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Financial Statements
For the Years Ended
June 30, 2016 and 2015
and Independent Auditors' Report

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Wisconsin Housing and Economic Development Authority, as of and for the year ended June 30, 2016 and 2015, 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, 2016 and 2015, 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

In 2016, Wisconsin Housing and Economic Development Authority adopted new accounting guidance, GASB Statement No. 72 *Fair Value Measurement and Application.* 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 December 22, 2016, on our consideration of Wisconsin Housing and Economic Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wisconsin Housing and Economic Development Authority's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Milwaukee, Wisconsin
December 22, 2016

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; the Home Ownership Mortgage Loan Program (Single Family) and the Multifamily Mortgage Loan Program (Multifamily). Among the additional programs that 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, 2016 compared to the fiscal years that ended on June 30, 2015 and 2014. Please read it in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights – Fiscal Year 2016

The Authority ended fiscal year 2016 with strong, stable earnings. Net income before the adjustment for a change in the market value of investments was $28.4 million compared to budgeted earnings of $23.8 million. Single Family loan originations were up 66.5% in 2016 and Multifamily fundings increased by 48%. The Authority began issuing bonds to fund First Time Home Buyer (FTHB) mortgages in 2016 after being out of the market since 2010.

The following are financial highlights for fiscal year 2016:

- Mortgage and MBS Investment Income increased by 6.2% during the fiscal year. Traditional mortgage income declined as the Authority experienced continued high levels of prepayments. However, this decrease was offset by an uptick in MBS Investment Income which is the result of a new business model whereby new loans are securitized and held as investments rather than being sold into the secondary market.

- Interest expense and debt financing costs declined again in 2016 to end the year at $41.9 million. Excess funds generated from loan prepayments were used to call higher rate debt which resulted in significant savings. However, the cost of issuing bonds is now expensed in its entirety when the bonds are sold rather than being amortized over the life of the issue. This change in accounting practice contributed to a slower rate of decline in this category than the Authority has seen over the past several years.

- Total net income after the adjustment for the market value of investments was $38.5 million. The aggregate market value adjustment for the year was $10.2 million.

- As of June 30, 2016, 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 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 most new mortgages were sold in the secondary market upon close, the portfolio contracted again in 2015. Beginning in the fourth quarter of 2015, the Authority began securing and holding qualifying 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.

Statements of Net Position - Comparative Fiscal Year 2016

The following condensed statements of net position show a summary of changes, in dollars and percentages, between fiscal years ended June 30, 2016 and 2015. The Authority reported a change in net position (before the prior period adjustment) of $38.5 million for the year ended June 30, 2016.

Wisconsin Housing and Economic Development Authority
Statements of Net Position
June 30, 2016 and 2015
(Millions of Dollars)

	2016	2015	Increase / (Decrease) Amount	%
Cash and cash equivalents	391.4	377.2	14.2	3.8
Mortgage loans and interest receivable	1,291.0	1,397.3	(106.3)	(7.6)
Mortgage-backed security investments and interest receivable	277.5	105.1	172.4	164.0
Investments and interest receivable	49.4	109.2	(59.8)	(54.8)
Net pension asset	-	1.8	(1.8)	(100.0)
Other assets	19.4	21.6	(2.2)	(10.2)
Total Assets	2,028.7	2,012.2	16.5	0.8
Accumulated decrease in fair value of hedging	47.6	43.5	4.1	9.4
Pension plan – Actual vs. expected outcomes	6.2	1.5	4.7	313.3
Total Deferred Outflow of Resources	53.8	45.0	8.8	19.6
Accrued interest payable	8.6	11.4	(2.8)	(24.6)
Bonds and notes payable	1,202.1	1,228.4	(26.3)	(2.1)
Interest Rate Swap Agreements	47.6	43.5	4.1	9.4
Net pension liability	1.2	-	1.2	-
Other liabilities	120.6	112.5	8.1	7.2
Total Liabilities	1,380.1	1,395.8	(15.7)	(1.1)
Deferred inflow of resources-pension	2.5	-	2.5	-
Total Deferred Inflow of Resources	2.5	-	2.5	-
Net investment in capital assets	9.3	8.3	1.0	12.0
Restricted by bond resolutions	479.4	447.3	32.1	7.2
Restricted by contractual agreements	205.9	202.1	3.8	1.9
Unrestricted	5.3	3.7	1.6	43.2
Total Net Position	699.9	661.4	38.5	5.8

Schedule may not foot due to rounding

Total assets of the Authority rose by $16.5 million to $2.03 billion during 2016. The increase is due primarily to growth of the mortgage-backed security portfolio. The Authority is transitioning away from the business model that included selling single family mortgages into the secondary market and instead securitizing the mortgages and holding the investments.

Mortgage loans and interest receivable declined $106.3 million to finish the year at $1.3 billion. Mortgage backed security investments increased 164% to end the year at $277.5 million. Single Family loan originations of $256.2 million were up 66.5% over fiscal year 2015 levels and Multifamily loan originations of $63.5 million were up 48.0% over the prior year. Even though the Authority continues to absorb high levels of prepayments, the total loan portfolio increased by 4.4% to $1,568.4 by the end of fiscal year 2016.

Liabilities remained flat at $1.4 billion. For the first time since 2010, the Authority issued revenue bonds as a source of capital to fund new First Time Home Buyer (FTHB) mortgages in the Single Family line of business. There were two Single Family bond issues in fiscal year 2016 totaling $430.2 million. FTHB loans were funded with $135.5 million of the bond proceeds with the balance of the proceeds being used to refund outstanding variable rate bonds. In addition, there were $82.8 million in bonds issued in the Multifamily program. As with the Single Family bonds, the proceeds were used to finance new mortgages and refund some existing higher rate debt.

Overall, net position, increased $38.5 million during fiscal year 2016. 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 2016 are as follows: $20.1 million in Single Family bond resolutions, $9.4 million in Multifamily Housing Revenue bond resolutions, $9.1 million in the General Fund (including subsidiary change in net position) and ($78,000) in State of Wisconsin Programs.

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 11.8% 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 Revenues, Expenses and Change in Net Position – Comparative Fiscal Year 2016

The Authority reported a change in net position of $38.5 million for the fiscal year ended June 30, 2016. The following table summarizes the Statements of Revenues, Expenses and Change in Net Position of the Authority for the fiscal years ended June 30, 2016 and 2015.

Wisconsin Housing and Economic Development Authority
Statements of Revenues, Expenses and Change in Net Position
For the Fiscal Years Ended June 30, 2016 and 2015
(Millions of Dollars)

			Favorable/ (Unfavorable)	
	2016	2015	Amount	%
Mortgage income	71.4	78.9	(7.5)	(9.5)
Mortgage-backed investment income (net)	15.3	2.7	12.6	466.7
Investment income (net)	3.9	4.3	(0.4)	(9.3)
Interest expense and debt financing costs	(41.9)	(45.2)	3.3	7.3
Net Interest Income	48.7	40.7	8.0	19.7
Mortgage service fees	6.5	5.8	0.7	12.1
Pass-through subsidy revenue	176.4	171.5	4.9	2.9
Other	16.1	18.3	(2.2)	(12.0)
Net Interest And Other Income	247.7	236.3	11.4	4.8
Direct loan program expense	14.1	14.7	0.6	4.1
Pass-through subsidy expense	176.4	171.5	(4.9)	(2.9)
Grants and services	0.5	0.9	0.4	44.4
General and administrative expenses	17.3	17.4	0.1	0.6
Other expense	0.9	0.9	--	--
Change in Net Position	38.5	30.9	7.6	24.6
Net Position, Beginning of Year	661.4	627.1	34.3	5.5
Prior Period Adjustment		3.3	(3.3)	
Net Position, Beginning of Year, Restated	661.4	630.4	31.0	
Net Position, End of Year	699.9	661.4	38.5	5.8

Schedule may not foot due to rounding

Net interest income rebounded in 2016 with an increase of 19.7% or $8.0 million. Traditional mortgage income is declining largely because the Authority has had to absorb high levels of prepayments for the last several years. However, mortgage-backed investment income is on the rise as new single family mortgages are securitized and held as investments rather than loans. In addition, the high level of prepayments has allowed for the early retirement of higher rate variable bonds. As a result, the associated interest expense has decreased significantly which has offset the decline in mortgage income.

Direct loan program expense dropped by 4.1% or $600,000 in 2016. The decline was largely driven by lower loan loss expense and lower liquidity fees.

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 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)

			Favorable/ (Unfavorable)	
	2015	2014	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	32.2	
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.

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Statements of Net Position
June 30, 2016 and 2015
(Thousands of Dollars)

	2016	2015
Assets		
Current Assets:		
Cash and cash equivalents (Notes 1 & 4)	391,440	377,235
Investments (Notes 1 & 4)	13,887	14,623
Investment interest receivable	196	372
Mortgage-backed securities investment interest receivable	720	89
Mortgage loans receivable, net (Notes 1 & 5)	44,992	47,482
Mortgage interest receivable	8,546	10,133
Accounts receivable	2,267	3,624
Prepaid expense	105	241
Total Current Assets	462,153	453,799
Noncurrent Assets:		
Investments (Notes 1 & 4)	35,259	94,232
Mortgage-backed securities (Notes 1 & 4)	276,814	105,001
Mortgage loans receivable, net (Notes 1 & 5)	1,237,365	1,339,724
Net pension asset (Notes 9 & 10)	-	1,828
Other assets (Note 1)	17,063	17,639
Total Noncurrent Assets	1,566,501	1,558,424
Total Assets	2,028,654	2,012,223
Deferred Outflow of Resources		
Accumulated decrease in fair value of hedging derivatives (Notes 1 & 7)	47,646	43,511
Deferred Outflow of Resources - Pension (Notes 9 & 10)	6,152	1,489
Total Deferred Outflow of Resources	53,798	45,000
Liabilities		
Current Liabilities:		
Bonds and notes payable (Notes 1 & 6)	52,973	48,573
Accrued interest payable	8,563	11,379
Total Current Liabilities	61,536	59,952
Noncurrent Liabilities:		
Bonds and notes payable (Notes 1 & 6)	1,149,143	1,179,853
Escrow deposits (Notes 1 & 4)	82,133	73,822
Derivative instrument - interest rate swaps (Notes 1 & 7)	47,649	43,511
Net pension liability	1,166	-
Other liabilities	38,476	38,726
Total Noncurrent Liabilities	1,318,567	1,335,912
Total Liabilities	1,380,103	1,395,864
Deferred Inflow of Resources		
Deferred Inflow of Resources - Pension (Notes 9 & 10)	2,459	-
Total Deferred Inflow of Resources	2,459	-
Net Position		
Net investment in capital assets	9,358	8,267
Restricted by bond resolutions (Note 8)	479,356	447,261
Restricted by contractual agreements (Note 8)	205,884	202,137
Unrestricted (Note 8)	5,292	3,694
Total Net Position	699,890	661,359

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, 2016 and 2015

(Thousands of Dollars)

	2016	2015
Mortgage income (Note 1)	71,430	78,953
Investment interest (Note 1)	2,726	1,873
Net increase in fair value of investments	1,215	2,419
Mortgage-backed securities investment income	6,417	3,436
Net (decrease) increase in fair value of mortgage-backed securities	8,951	(736)
Interest expense (Note 1)	(37,758)	(45,184)
Debt financing costs	(4,195)	-
Net Investment Income	48,786	40,761
Mortgage service fees	6,512	5,741
Pass-through subsidy revenue (Note 1)	176,353	171,478
Grant Income	-	50
Other income (Note 1)	16,109	18,337
Net Investment and Other Income	247,760	236,367
Direct loan program expense	14,095	14,751
Pass-through subsidy expense (Note 1)	176,353	171,478
Grants and services	525	949
General and administrative expenses	17,313	17,418
Other expense (Note 1)	943	872
Total Expenses	209,229	205,468
Change in Net Position	38,531	30,899
Net Position, Beginning of Year	661,359	630,460
Net Position, End of Year	699,890	661,359

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, 2016 and 2015

(Thousands of Dollars)

	2016	2015
Cash Flows from Operating Activities:		
Cash received from interest on mortgage loans	73,014	80,594
Cash received from mortgage payments	210,644	180,741
Cash received from other fees and other income	24,205	22,915
Cash payments to purchase mortgage loans	(105,792)	(49,998)
Cash received from escrow deposits, net	8,311	254
Cash payments to employees	(13,408)	(13,678)
Cash payments to vendors	(21,974)	(18,884)
Net Cash Provided by Operating Activities	175,000	201,944
Cash Flows from Non-Capital Financing Activities:		
Proceeds from issuance of bonds and notes	546,163	24,026
Repayments on bonds and notes	(570,782)	(188,531)
Interest paid on bonds, notes and escrows	(42,264)	(47,805)
Net Cash Used in Non-Capital Financing Activities	(66,883)	(212,310)
Cash Flows from Investing Activities:		
Purchases of investments	(361,218)	(97,005)
Proceeds from sales and maturities of investments	258,761	89,400
Investment interest received	9,265	5,285
Net Cash Used in Investing Activities	(93,192)	(2,320)
Cash Flows from Capital Financing Activities:		
Purchases of capital assets	(720)	(294)
Net Cash Used in Capital Financing Activities	(720)	(294)
Net Increase (Decrease) in Cash and Cash Equivalents	14,205	(12,980)
Cash and Cash Equivalents, Beginning of Year	377,235	390,215
Cash and Cash Equivalents, End of Year	391,440	377,235

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, 2016 and 2015

(Thousands of Dollars)

	2016	2015
Reconciliation of Change in Net Position to Net Cash Provided by Operating Activities:		
Change in Net Position	38,531	30,899
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	(10,166)	(1,683)
Provision for loan loss (Note 5)	1,529	2,526
Interest expense	37,755	45,181
Income on investments and mortgage backed securities	(9,142)	(5,309)
Depreciation and amortization	(996)	(1,012)
Decrease in mortgage loans receivable and real estate held, net	103,323	128,218
Increase in escrows	8,249	329
Other	5,917	2,795
Net Cash Provided by Operating Activities	175,000	201,944

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

1. Summary of Significant Accounting Policies

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

Accounting Presentation: GASB 72 “Fair Value Measurement and Application” was implemented in 2016 (Notes 4 & 7). In 2015, the Authority adopted GASB Statement No. 68 “Accounting and Financial Reporting for Pensions-An Amendment for GASB Statement No. 27” (Notes 9 & 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 units. Badger Capital Services, LLC (Badger Capital) is a Wisconsin limited liability company that is a wholly owned subsidiary of the Authority and is reported as a blended component unit. The primary purpose of Badger Capital is to provide mortgage servicing. Greater Wisconsin Opportunities Fund (GWOF) is a Wisconsin non stock corporation that is a wholly owned subsidiary of the Authority and is reported as a blended component unit. GWOF is registered with the United States Department of the Treasury’s Community Development Financial Institutions (CDFI) Fund as a Community Development Entity (CDE), created primarily for the purpose of participation in the New Markets Tax Credit (NMTC) program.

All material intercompany transactions and balances have been eliminated.

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

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

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

Mortgage 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.

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).

1. Summary of Significant Accounting Policies (concluded)

Other Assets: As of June 30, 2016 other assets include an office building of $21.4 million, at cost, less accumulated depreciation of $9.1 million and other capital assets of $11.6 million, at cost, less accumulated depreciation of $11.1 million. At June 30, 2015 other assets included 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. Depreciation expense totaled $900,000 and $893,000 for the years ended June 30, 2016 and 2015, 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 $1.7 million of bond premiums for the year ended June 30, 2016 and $1,000 of bond discounts and $239,000 of bond premiums for the year ended June 30, 2015 are included in interest expense in the Statements of Revenues, Expenses and Change in Net Position.

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 $486,000 and $465,000 of investment income allocated to mortgage escrow deposits for the years ended June 30, 2016 and 2015, respectively (Note 4).

Other Income: Some of the items in other income include $5.6 million and $5.4 million of other fee income from the administration of the HUD contract for the years ended June 30, 2016 and 2015, respectively. At June 30, 2016 and 2015 other income included prepayment penalties for multifamily mortgage loans that paid off in the amounts of $599,000 and $3.0 million, respectively. Other income also included lease income of $1.8 million and $1.8 million for the years ended June 30, 2016 and 2015, 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, 2016 and 2015. Lease income also includes parking income from the Authority's employees and the State's principal amortization of the debt. Lease payments are expected to be $2.0 million in fiscal 2017 with a total amount of $2.5 million remaining for the life of the lease, which expires in September 2017. Also, included in other income is $1.8 million and $1.6 million of fee income from the administration of the IRS federal Low-Income Housing Tax Credit Program for the years ended June 30, 2016 and 2015, respectively. In addition, other income included New Markets Tax Credits fee income of $3.4 million and $1.3 million for the years ended June 30, 2016 and 2015, respectively (Note 3).

Other Expense: Other expense includes $924,000 and $851,000 of lease expense for the years ended June 30, 2016 and 2015, respectively. Lease expense is the State's proportionate share of parking, and 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 $337.8 million and $365.4 million at June 30, 2016 and 2015, 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 $8.0 billion through June 30, 2016 and $7.5 billion through June 30, 2015, of which approximately $702.5 million and $717.1 million were outstanding at June 30, 2016 and 2015, 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, 2016 and 2015.

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, 2016 and 2015.

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 of up to $49.5 million with a minimum required reserve ratio of 4.5:1 (guarantee to reserve). At June 30, 2016 and 2015, outstanding loan guarantees totaled $8.8 million and $11.0 million, respectively, and the balance of the reserve fund, restricted for purposes of the program, was $8.3 million and $8.8 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. At the end of fiscal year 2015, authority to issue these bonds was renewed for an additional three years ending June 30, 2018. As of June 30, 2016 and 2015, $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 $127.8 million and $122.7 million as of June 30, 2016 and 2015, 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, 2016 and 2015, 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 and MBS investments. 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 Home Ownership Mortgage Revenue Bond (HOMRB) 2009 Resolution is secured by mortgage-backed securities (Note 6). The bond proceeds are used to purchase 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 $58.4 million and $68.9 million as of June 30, 2016 and 2015, 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 $48.4 million and $63.0 million for the years ended June 30, 2016 and 2015, respectively. The Authority stopped accepting new loan applications for this program as of April 14, 2008.

Housing Revenue Bond Programs:

Housing Revenue Bonds (HRB) includes the 1974 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, 2016 and 2015, the Home Plus Program had an outstanding balance in the State of Wisconsin Programs of $989,000 and $1.5 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 $828,000 and $862,000 as of June 30, 2016 and 2015, 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 $15,000 for remodeling or home repairs through a low-cost, fixed interest loan with a maximum term of 15 years. $160,000 and $176,000 of loans were made through this program for the fiscal years ending June 30, 2016 and 2015, 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, 2016 and 2015 are $1.2 million and $1.5 million for CROP, $128,000 and $204,000 for Agribusiness, $4.8 million and $6.1 million for SBG and $2.7 million and $3.2 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, 2016, $657,000 of loan guarantees had been approved and were outstanding. As of June 30, 2015, $974,000 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, 2016 and 2015, the Property Tax Deferral Loans had an outstanding balance of $1.1 million and $1.5 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, 2016 and 2015 the balance of Construction Plus loans was $14.9 million and $10.7 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, 2016 and 2015, the Easy Close loans and Easy Close Advantage programs had a combined outstanding balance of $8.7 million and $5.3 million, respectively.

The Authority administers the IRS federal Low-Income Housing Tax Credit Program for Wisconsin. This program is part of the Tax Reform Act of 1986. The program was created to encourage production of affordable multifamily rental housing for low-to-moderate income persons. The Low-Income Housing Tax Credit is a dollar-for-dollar reduction of federal income taxes owed by owners/investors in qualified projects for tenants whose incomes are at or below 60% of County Median Income (CMI). The Authority awarded $14.0 million and $12.5 million in Tax Credits in the years ended June 30, 2016 and 2015, respectively.

3. Description of Programs (concluded)

The Authority administers Section 8 subsidized housing programs under the U.S. Department of Housing and Urban Development. Funds administered for the Section 8 New Construction and Substantial Rehabilitation and Moderate Rehabilitation programs totaled $14.1 million and $13.8 million for the years ended June 30, 2016 and 2015, respectively. The Housing Choice Voucher program funds administered were $9.5 million and $8.9 million for the years ended June 30, 2016 and 2015, respectively. Interest Reduction Payments of $139,000 and $347,000 were administered for the years ended June 30, 2016 and 2015, respectively.

The Section 8 Housing Assistance Payments program funds were $151.1 million and $146.7 million for the years ended June 30, 2016 and 2015, 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, 2016 and 2015. The money will be used for a Loan Guarantee Program and a Venture capital fund (Wisconsin Equity Fund). The Loan Guarantee program has not been utilized as of June 30, 2016 and 2015. The Authority disbursed $11.5 million and $10.1 million for the Wisconsin Equity Fund as of June 30, 2016 and 2015, respectively. The Authority's portion of this lending is $7.8 million and $6.9 million for the years ended June 30, 2016 and 2015, respectively.

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, 2016. The Authority will not seek future awards through WCDLF. On June 16, 2011, a second non-stock corporation, the Greater Wisconsin Opportunities Fund, Inc. (GWOF) was created to make additional low-income community investments through the State of Wisconsin in qualified active low-income community businesses for the NMTC program. The Authority is the sole member of GWOF. On April 24, 2013, GWOF was awarded a $35.0 million NMTC allocation which was completely sub-allocated as of June 30, 2015. On June 9, 2014, GWOF received notification of a $50.0 million NMTC award, all of which was allocated as of June 30, 2016.

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, 2016 and 2015 total $2.5 million and $1.7 million, respectively.

In 2012, the Authority pledged to commit $100.0 million to the Transform Milwaukee (TM) initiative over a two year period of time. The Authority's resources have included federal tax credits, business development loans, workforce housing financing, residential mortgage loans and vacant property remediation grants. Subsequent to the initial investment, the Authority has continued its commitment to the area through annual investments and new strategic initiatives focused on strengthening neighborhoods.

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 $844,000 and $3.7 million of the Authority's reserves were encumbered for this purpose in fiscal year 2016 and 2015, respectively. As of June 30, 2016 and 2015 there is an outstanding loan balance of $11.7 million and $9.8 million in this program, respectively.

On April 1, 2013, the Authority announced the WHEDA Tax Advantage, a Mortgage Credit Certificate Program (MCC). Under this unique program, qualifying home buyers can claim a tax credit against their federal income tax liability of up to $2,000 a year. The total credit available is $111.4 million that is expected to provide assistance to $445.6 million in mortgage loans. The credit is available as long as home buyers remain in their home and pay down their original amount of debt. As of June 30, 2016 and June 30, 2015 respectively, $133.9 million and $108.1 million of loans had been issued through this program; and $3.0 million and $4.6 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, 2016 and 2015 were as follows (in thousands of dollars):

	2016		2015	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
Cash	22,592	22,592	18,201	18,201
Money Market Mutual Funds	368,848	368,848	359,034	359,034
Total Cash and Cash Equivalents	391,440	391,440	377,235	377,235
Certificates of Deposit	9,651	9,650	7,100	7,100
U.S. Government Securities	72	63	205	183
U.S. Agency Securities	33,256	32,423	89,959	89,607
Corporate Notes	-	-	4,996	5,000
Mortgage-backed Securities	276,814	263,564	105,001	100,703
Collateralized Investment Contracts	3,676	3,677	4,658	4,658
Equity Securities	2,491	2,491	1,937	1,937
Total Investments	325,960	311,868	213,856	209,188
Total Cash and Cash Equivalents and Investments	717,400	703,308	591,091	586,423

At June 30, 2016 and 2015, the Authority had cash bank balances totaling $22.8 million and $18.3 million, respectively, of which $250,000 and $250,000 was covered by depository insurance, and the remaining balance was uninsured and uncollateralized. Beginning on January 1, 2013, FDIC insurance coverage changed to $250,000 for 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.

According to GASB Statement No. 72, Fair Value Measurement Application, the Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 are quoted prices in active markets for identical assets; Level 2 are significant other observable inputs; Level 3 are significant unobservable inputs. The fair value measurements at June 30, 2016 and 2015 were as follows (in thousands of dollars):

		Fair Value Measurements Using		
Investments by Fair Value Level	2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities:				
U.S. Treasury Securities	72	72	--	--
U.S. Agency Securities	31,838	31,838	--	--
Collateralized Debt Obligations	3,676	--	3,676	--
Residential MBS	1,418	1,418	--	--
Authority Issued MBS	276,814	276,814	--	--
Total Debt Securities	313,818	310,142	3,676	--
Venture Capital Investments	2,491	--	--	2,491
Total Investments by Fair Value Level	316,309	310,142	3,676	2,491

4. Cash, Cash Equivalents and Investments (continued)

Investments by Fair Value Level	2015	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities:				
U.S. Treasury Securities	205	205	--	--
U.S. Agency Securities	87,798	87,798	--	--
Collateralized Debt Obligations	4,658	--	4,658	--
Residential MBS	2,161	2,161	--	--
Authority Issued MBS	105,001	105,001	--	--
Corporate Securities-Corporate Bonds	4,996	4,996	--	--
Total Debt Securities	204,819	200,161	4,658	--
Venture Capital Investments	1,937	--	--	1,937
Total Investments by Fair Value Level	206,756	200,161	4,658	1,937

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Venture capital investments are valued at par.

General Fund Investment Portfolio:

As of June 30, 2016, 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	52,176	52,176	--	--	--
Certificates of Deposits	--	--	--	--	--
U.S. Agency Securities	6,705	1,702	5,003	--	--
U.S. Government Securities	--	--	--	--	--
Mortgage-backed Securities	17,566	--	--	--	17,566
Corporate Securities:					
Financial	--	--	--	--	--
Equity	2,491	--	2,491	--	--
General Fund Investments	78,938	53,878	7,494	--	17,566

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)

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, 2016 and 2015, 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 66.1% and 63.0%, 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, 2016 there were no CDs. 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, 2016 and 2015, 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, 2016 and 2015, 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.

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.

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, 2016 the portfolio was in compliance with this requirement.

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

4. Cash, Cash Equivalents and Investments (continued)

Home Improvement Loan Fund Investment Portfolio:

As of June 30, 2016, the Authority had the following investments and maturities covered by the Home Improvement Loan Fund Investment Policy, relating to the Home Improvement Loan Program (in thousands of dollars):

		Investment Maturities (In Years)		
Investment Type:	Fair Value	Less than 1	1 - 5	6 - 10
Money Market Mutual Funds	9,020	9,020	--	--
Home Improvement Loan Fund Investments	9,020	9,020	--	--

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

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, 2016 and 2015, 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.

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.

4. Cash, Cash Equivalents and Investments (continued)

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, 2016 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, 2016, the Authority had the following investments and maturities covered by the Wisconsin Development Reserve Fund Investment Policy (in thousands of dollars):

		Investment Maturities (In Years)		
Investment Type:	Fair Value	Less than 1	1 - 5	6 - 10
Money Market Mutual Funds	7,900	7,900	--	--
U.S. Agency Securities	500	--	500	--
Wisconsin Development Reserve Fund Investments	8,400	7,900	500	--

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

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, 2016 and 2015, the Authority invested only in AAA rated money market mutual funds, and 94.1% and 58.1%, 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, 2016 and 2015, 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.

<u>Concentration of Credit Risk</u>: 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, 2016 the portfolio was in compliance with this requirement.

<u>Foreign Currency Risk</u>: 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, 2016, the Authority had the following investments and maturities covered by the Escrow Fund Investment Policy, related to escrow deposits (in thousands of dollars):

		Investment Maturities (In Years)			
Investment Type:	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Money Market Mutual Funds	52,610	52,610	--	--	--
U.S. Agency Securities	6,349	--	6,344	5	--
Escrow Fund Investments	58,959	52,610	6,344	5	--

The portfolio also has $9.7 million in certificates of deposits that are not subject to interest rate risk.

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 Maturities (In Years)			
Investment Type:	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Money Market Mutual Funds	40,343	40,343	--	--	--
U.S. Agency Securities	16,077	--	16,070	7	--
Escrow Fund Investments	56,420	40,343	16,070	7	--

The portfolio also has $6.8 million in certificates of deposits that are not subject to interest rate risk.

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 $486,000 and $465,000 was allocated to the mortgage escrow deposits for the years ended June 30, 2016 and 2015, respectively, and is included in interest expense in the Statements of Revenues, Expenses and Change in Net Position.

<u>Interest Rate Risk</u>: 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, 2016 and 2015, the Authority invested only in AAA rated money market mutual funds, and 76.7% and 63.8%, 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, 2016, 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, 2016 and 2015, 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, 2016 and 2015, 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, 2016 the portfolio was in compliance with this requirement.

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, 2016, the Authority had the following investments and maturities covered by the HORB, HRB and MHB Bonded Programs Investment Policy (in thousands of dollars):

		Investment Maturities (In Years)			
Investment Type:	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Money Market Mutual Funds	247,142	247,142	--	--	--
U.S. Agency Securities	19,702	16	19,478	--	208
U.S. Government Securities	72	--	72	--	--
Mortgage-backed Securities	259,248	--	--	--	259,248
Collateralized Investment Contracts	3,676	2,518	--	--	1,158
Bonded Program Investments	529,840	249,676	19,550	--	260,614

4. Cash, Cash Equivalents and Investments (continued)

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 Maturities (In Years)			
Investment Type:	Fair Value	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

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, 2016 and 2015, the Authority invested only in AAA rated money market mutual funds. Money market mutual funds totaled 46.6% and 68.1%, 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, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015, the bonded portfolios were in compliance with this requirement. As of June 30, 2016, 100% of mortgage-backed securities held by the Authority are issued by Fannie Mae.

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 (concluded)

The asset restrictions at June 30, 2016 and 2015 are as follows (in thousands of dollars):

	2016	2015
Home Ownership Revenue Bond Resolutions:		
1987	6,050	6,026
1988	6,990	7,082
Housing Revenue Bonds	34,024	36,480
Total Cash, Cash Equivalents and Investments	47,064	49,588

Cash, cash equivalents and investments of the funds at June 30, 2016 and 2015 met or exceeded the liquidity requirements of the bond resolutions and note agreements.

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 (Note 4). 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, 2016 and 2015, the Authority had $60.5 million and $26.8 million of loans held for sale .

Mortgage loans receivable bear interest at the following annual rates:

Home Ownership Revenue Bonds	0% - 11.00%
Multifamily Bonds	1.87% - 10.45%
State of Wisconsin Programs	0% - 8.00%
General Fund	0% - 10.50%

5. Mortgage Loans (concluded)

Mortgage loan information at June 30, 2016 and 2015 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	265,716	(548)	1,883	267,051
1988	332,467	(680)	2,604	334,391
Housing Revenue Bonds	423,174	(8,774)	--	414,400
Multifamily Housing Bonds	127,072	(3,211)	--	123,861
State of Wisconsin Programs	1,833	(308)	42	1,567
General Fund	147,717	(6,646)	16	141,087
Total as of June 30, 2016	1,297,979	(20,167)	4,545	1,282,357
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	1,399,268	(19,568)	7,506	1,387,206

Activity in the allowance for loan losses included provisions charged to expense of $1.5 million and $2.5 million for the years ended June 30, 2016 and 2015, respectively. Activity in the allowance for loan losses also included actual loan charge offs of $929,000 and $1.2 million for the years ended June 30, 2016 and 2015, respectively.

In addition, the Authority serviced $671.2 million and $507.1 million worth of loans as of June 30, 2016 and 2015, respectively. These loans are serviced by the Authority for the benefit of others, for which the Authority collects a fee.

At June 30, 2016, the Authority was committed to fund mortgage loans approximating the following amounts (in millions of dollars):

Home Ownership Revenue Bonds	$ --
Multifamily Bonds	$ 68.8
State of Wisconsin Programs	$ --
General Fund	$ 63.7

6. Bonds and Notes Payable

Bonds and notes payable of the Authority at June 30, 2016 and 2015 consist of the following (in thousands of dollars):

	2016	2015
General Obligation Bonds and Notes	1,192,846	1,227,618
Premium/Discount on Bonds	9,271	808
Total Bonds and Notes Payable	1,202,117	1,228,426

Bonds and notes payable of the Authority increased/decreased since June 30, 2014 as follows (in thousands of dollars):

	2014	Increase	(Decrease)	2015	Increase	(Decrease)	2016
Home Ownership Revenue Bond Resolutions:							
1987	355,595	--	(59,325)	296,270	202,855	(201,085)	298,040
1988	444,700	--	(90,090)	354,610	235,800	(239,505)	350,905
Home Ownership Mortgage Revenue Bonds	74,395	--	(8,135)	66,260	--	(12,700)	53,560
Housing Revenue Bonds	390,220	--	(24,800)	365,420	73,170	(100,785)	337,805
Multifamily Housing Bonds	114,870	10,035	(2,160)	122,745	10,500	(5,415)	127,830
General Fund	12,342	13,992	(4,021)	22,313	13,686	(11,293)	24,706
Premium/Discount on Bonds	1,047	--	(239)	808	10,153	(1,690)	9,271
Total Bonds and Notes Payable	1,393,169	24,027	(188,770)	1,228,426	546,164	(572,473)	1,202,117

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

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

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

	Program/Bond Resolution	Interest Rates*	Dated**	Maturities*	2016	2015
Housing Revenue Bonds						
1974	1998 Series A, B and C	5.30%	02/01/98	2018	240	330
	2003 Series C	5.00% - 5.25%	12/23/03	2023-2043	2,235	3,735
	2003 Series D and E	Variable	12/23/03	2044	7,705	18,265
	2005 Series A, B and C	Variable	12/14/05	2035	1,730	1,770
	2005 Series D and E	4.15% - 5.15%	12/14/05	2015-2045	--	32,765
	2005 Series F	Variable	12/14/05	2030	95,350	99,345
	2006 Series A and B	3.80% - 4.75%	12/14/06	2016-2047	14,890	15,245
	2006 Series C and D	Variable	12/14/06	2037	7,415	7,640
	2007 Series A and B	Variable	12/19/07	2039-2042	--	15,765
	2007 Series F and G	Variable	12/19/07	2042	15,190	15,375
	2008 Series A, B, C, D, E, F and G	Variable	06/04/08	2030-2033	14,975	27,380
	2009 Series A	Variable	12/30/09	2042	8,805	8,860
	2010 Series A and B	3.20% - 6.125%	12/22/10	2016-2043	31,445	33,375
	2012 Series A and B	Variable	01/27/12	2055	52,670	53,330
	2012 Series C	Variable	06/14/12	2044	--	16,355
	2013 Series ABC	1.15% - 4.875%	06/26/13	2015-2045	12,825	15,885
	2015 Series ABC	0.50% - 4.500%	11/30/15	2016-2052	72,330	--
Total Housing Revenue Bonds 1974					337,805	365,420

6. Bonds and Notes Payable (continued)

Program/Bond Resolution	Interest Rates*	Dated**	Maturities*	2016	2015
Multifamily Housing Bonds					
2007 Series A and B	Variable	06/29/07	2040	10,715	10,890
2007 Series C	Variable	08/02/07	2048	5,960	6,025
2008 Series A and B	Variable	08/28/08	2046	13,100	13,255
2009 Series A	3.00% - 3.50%	06/04/09	2016-2018	1,735	2,265
2009 Series A	Variable	06/04/09	2035	15,885	15,885
2009 Series B-1	Variable	10/21/11	2041	4,950	5,070
2009 Series B-2	Variable	10/21/11	2041	49,260	50,450
2016 Series C	1.00% - 3.50%	06/21/16	2018-2053	10,500	--
2011 Series A	Variable	09/01/11	2043	8,710	8,870
2014 Series A	0.55% - 4.05%	10/30/14	2016-2049	7,015	10,035
Total Multifamily Housing Bonds				127,830	122,745

Program/Bond Resolution		Interest Rates*	Dated**	Maturities*	2016	2015
Home Ownership Revenue Bonds						
1987	2000 Series H	Variable	11/30/00	2024	3,180	3,835
	2002 Series B	Variable	02/06/02	2032	1,310	1,765
	2003 Series B	Variable	07/29/03	2034	20,910	25,090
	2004 Series A	Variable	04/29/04	2035	--	22,195
	2005 Series A	Variable	04/12/05	2036	--	34,850
	2005 Series D and E	Variable	09/29/05	2036	8,745	41,785
	2006 Series C and D	4.85% - 5.81%	05/23/06	2026-2037	--	69,125
	2007 Series A and B	4.65% - 5.29%	04/10/07	2023-2028	45,650	46,735
	2007 Series B	Variable	04/10/07	2026	--	21,125
	2007 Series E and F	5.125% - 5.50%	12/18/07	2024-2038	--	1,785
	2007 Series E and F	Variable	12/18/07	2038	23,840	27,980
	2015 Series ABC	Variable	09/01/15	2031	44,205	--
	2015 Series ABC	0.65% - 4.00%	09/01/15	2016-2026	150,200	--
Total Home Ownership Revenue Bonds 1987					298,040	296,270

6. Bonds and Notes Payable (continued)

Program/Bond Resolution		Interest Rates*	Dated**	Maturities*	2016	2015
Home Ownership Revenue Bonds						
1988	2003 Series D	Variable	11/04/03	2028	6,845	7,425
	2004 Series C and D	4.20% - 4.35%	07/27/04	2016	880	1,330
	2004 Series D	Variable	07/27/04	2035	--	27,320
	2004 Series E	Variable	11/23/04	2035	25,965	30,130
	2005 Series C	Variable	06/09/05	2028	--	45,195
	2006 Series A and B	Variable	01/19/06	2037	20,335	74,055
	2006 Series E and F	4.70% - 5.727%	10/25/06	2021-2037	--	76,780
	2007 Series C and D	Variable	04/10/07	2035-2038	20,130	37,840
	2008 Series A and B	Variable	05/15/08	2033-2038	35,950	49,535
	2008 Series A and B	5.30%	05/15/08	2023	5,000	5,000
	2016 Series ABC	0.75%-3.50%	04/27/16	2016-2046	175,800	--
	2016 Series ABC	Variable	04/27/16	2038	60,000	--
Total Home Ownership Revenue Bonds 1988					350,905	354,610
Home Ownership Mortgage Revenue Bonds						
	2010 Series A and 2009 Series A-1	0.72% - 4.50%	11/16/10	2016-2041	53,560	66,260
Facility Refunding Bonds, Series 2013		Variable	07/01/13	2017	3,340	4,965
Notes Payable:						
	Line of Credit – Construction Plus	Variable	10/01/14	2017	14,800	10,680
	Line of Credit – Rural Housing PRLF	1.00%	11/03/08	2038-2040	2,566	2,668
	Other	3.75%	01/24/01	2021	4,000	4,000
Total Notes Payable					21,366	17,348
Total General Obligation Bonds and Notes ***					1,192,846	1,227,618

The unused balance on the Construction Plus line of credit was $25.2 million and $29.3 million as of June 30, 2016 and 2015. The unused balance on the Rural Housing PRLF line of credit was $475,000 and $372,000 as of June 30, 2016 and 2015.

The Authority has $527.8 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 Standby Bond Purchase Agreements. 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, 2016 and no funds have been drawn July 1, 2015 to June 30, 2016. 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 5 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 December 19, 2016 to September 14, 2022.

* Interest rates and maturities are as of June 30, 2016.

** 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, 2016 and 2015, the remaining outstanding defeased debt was $8.1 million and $10.3 million, respectively.

6. Bonds and Notes Payable (continued)

Scheduled debt maturities in the five fiscal years subsequent to June 30, 2016 and five year increments thereafter are as follows (in thousands of dollars):

	2017	2018	2019	2020	2021	2022-2026	2027-2031
Home Ownership Revenue Bond Resolutions:							
1987	9,150	9,940	10,990	11,555	12,010	65,565	64,560
1988	8,435	7,620	7,400	7,195	7,400	37,660	45,790
Home Ownership Mortgage Revenue Bonds	1,560	1,530	1,595	1,665	1,575	7,535	7,975
Facility Refunding Bonds	1,655	1,685	--	--	--	--	--
Housing Revenue Bonds	11,195	11,790	12,325	12,695	13,210	74,765	85,280
Multifamily Housing Bonds	2,080	2,170	2,970	2,455	2,565	14,510	17,930
General Fund	17,366	--	--	--	--	4,000	--
Totals	51,441	34,735	35,280	35,565	36,760	204,035	221,535

	2032-2036	2037-2041	2042-2046	2047-2051	2052-2056
Home Ownership Revenue Bond Resolutions:					
1987	76,260	25,870	12,140	--	--
1988	96,315	73,680	59,410	--	--
Home Ownership Mortgage Revenue Bonds	13,975	15,615	535	--	--
Facility Refunding Bonds	--	--	--	--	--
Housing Revenue Bonds	41,900	33,195	19,790	12,315	9,345
Multifamily Housing Bonds	22,160	29,785	20,390	9,630	1,185
General Fund	--	--	--	--	--
Totals	250,610	178,145	112,265	21,945	10,530

Using rates as of June 30, 2016, 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.

	2017	2018	2019	2020	2021	2022-2026	2027-2031
Home Ownership Revenue Bond Resolutions:							
1987	8,955	6,612	6,409	6,150	5,853	23,718	16,192
1988	7,519	6,214	6,122	5,998	5,853	26,627	21,740
Home Ownership Mortgage Revenue Bonds	2,143	1,669	1,623	1,571	1,512	6,574	5,327
Facility Refunding Bonds	21	5	--	--	--	--	--
Housing Revenue Bonds	7,448	6,210	6,014	5,811	5,585	24,406	17,220
Multifamily Housing Bonds	2,702	2,670	2,612	2,548	2,484	11,339	9,183
General Fund	363	150	150	150	150	75	--
Totals	29,151	23,530	22,930	22,228	21,437	92,739	69,662

	2032-2036	2037-2041	2042-2046	2047-2051	2052-2056
Home Ownership Revenue Bond Resolutions:					
1987	9,241	3,671	990	--	--
1988	18,467	14,437	5,199	--	--
Home Ownership Mortgage Revenue Bonds	3,517	1,200	4	--	--
Facility Refunding Bonds	--	--	--	--	--
Housing Revenue Bonds	10,417	5,446	1,856	673	92
Multifamily Housing Bonds	6,471	3,750	1,688	612	56
General Fund	--	--	--	--	--
Totals	48,113	28,504	9,737	1,285	148

6. Bonds and Notes Payable (concluded)

During the years ended June 30, 2016 and 2015, 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):

	2016	2015
Home Ownership Revenue Bond Resolutions:		
1987	193,210	54,055
1988	230,475	84,415
Home Ownership Mortgage Revenue Bonds	11,015	6,355
Facility Refunding Bonds	--	--
Housing Revenue Bonds	90,080	14,195
Multifamily Housing Bonds	395	370
General Fund	--	--
Total	525,175	159,390

The Authority issued $202.9 million in Home Ownership Revenue Bonds in the 1987 Resolution. Bond proceeds of $137.9 million were used to redeem existing Home Ownership Revenue Bonds. The projected debt service payments on the existing bonds was $180.1 million and the projected debt service on the new bonds is expected to be $157.7 million. The projected economic gain using 2.7% was $11.1 million. The Authority issued $235.8 million in Home Ownership Revenue Bonds in the 1988 Resolution. Bond proceeds of $160.8 million were used to redeem existing Home Ownership Revenue Bonds. The projected debt service payments on the existing bonds was $192.0 million and the projected debt service on the new bonds is expected to be $185.8 million. The projected economic gain using 2.6% was $7.6 million. The Authority also issued $73.2 million of Housing Revenue Bonds. Bond proceeds of $63.5 million were used to redeem existing Housing Revenue Bonds. The projected debt service payments on the existing bonds was $104.3 million and the projected debt service on the new bonds is expected to be $95.1 million. The projected economic gain using 3.82% was $6.6 million.

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, 2016 and 2015 were 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, 2016 and 2015 (in thousands of dollars):

Program and Bond Issue	Notional Value at 6/30/16	Effective Date	Swap Termination Date	Counterparty Credit Rating	Fixed Rate Paid	Variable Rate/Index Received[(4) (5)]	Swap Termination Market Value at 06/30/16	Swap Termination Market Value at 06/30/15	Change in Fair Value
HRB[(1)]									
2008 Series G	--	05/21/2002	11/01/2033	A-/Baa1	4.68%	70% of 1 Month LIBOR	--	(186)	186
2003 Series E	--	01/05/2005	05/01/2043	A+/Aa3	4.05%	63.5% of 1 Month LIBOR + 20 Basis Points	--	(132)	132
2005 Series F	62,190	01/17/2006	11/01/2030	A+/Aa3	5.21%	1 Month LIBOR	(19,100)	(15,209)	(3,891)
2006 Series C	3,215	12/14/2006	11/01/2016	A+/Aa3	3.64%	SIFMA + 2 Basis Points	(34)	(147)	113
2006 Series D	4,200	12/14/2006	11/01/2016	A+/Aa3	3.64%	SIFMA + 2 Basis Points	(45)	(192)	147
2007 Series A	--	12/19/2007	11/01/2042	A+/Aa3	4.72%	SIFMA + 6 Basis Points	--	(141)	141
2007 Series B	--	12/19/2007	11/01/2039	A+/Aa3	4.58%	SIFMA + 2 Basis Points	--	(96)	96
2007 Series F	10,315	12/19/2007	11/01/2025	A+/Aa3	4.01%	SIFMA + 6 Basis Points	(2,511)	(1,956)	(555)
2007 Series G	4,875	12/19/2007	11/01/2025	A+/Aa3	4.01%	SIFMA + 6 Basis Points	(1,187)	(925)	(262)
		Total HRB Swap Termination Market Value					(22,877)	(18,984)	(3,893)

7. Derivatives (continued)

Program and Bond Issue	Notional Value at 6/30/16	Effective Date	Swap Termination Date	Counterparty Credit Rating	Fixed Rate Paid	Variable Rate/Index Received[4] [5]	Swap Termination Market Value at 06/30/16	Swap Termination Market Value at 06/30/15	Change in Fair Value
MHB[2]									
2007 Series A	7,005	06/29/2007	10/01/2022	A+/Aa3	4.43%	SIFMA + 6 Basis Points	(1,413)	(1,303)	(110)
2007 Series B	3,710	06/29/2007	10/01/2022	A+/Aa3	5.90%	1 Month LIBOR - 2 Basis Points	(1,055)	(954)	(101)
2007 Series C	5,960	08/02/2007	09/01/2024	A+/Aa3	4.33%	SIFMA + 2 Basis Points	(1,488)	(1,245)	(243)
2008 Series A	6,505	08/28/2008	10/01/2026	AA-/Aa2	3.89%	SIFMA + 2 Basis Points	(1,641)	(1,214)	(427)
2008 Series A	4,180	08/28/2008	10/01/2026	AA-/Aa2	3.89%	SIFMA + 2 Basis Points	(1,055)	(780)	(275)
2008 Series B	2,415	08/28/2008	10/01/2026	AA-/Aa2	5.08%	LIBOR + 7 Basis Points	(823)	(605)	(218)
2011 Series A	8,710	09/01/2012	09/01/2018	A/A2	2.10%	SIFMA	(296)	(381)	85
		Total MHB Swap Termination Market Value					(7,771)	(6,482)	(1,289)
1987 HORB[3]									
2002 Series B	1,310	02/06/2002	03/01/2020	A+/Aa3	5.88%	1 Month LIBOR + 35 Basis Points	(102)	(159)	57
2003 Series B	20,910	07/29/2003	09/01/2034	A+/Aa3	3.94%	65% of 1 Month LIBOR + 25 Basis Points	(3,516)	(3,004)	(512)
2004 Series A	--	04/29/2004	03/01/2035	A+/Aa3	4.27%	65% of 1 Month LIBOR + 25 Basis Points	--	(152)	152
2005 Series A	--	04/12/2005	03/01/2036	A-/Baa1	3.61%	65% of 1 Month LIBOR + 25 Basis Points	--	(564)	564
2005 Series D	--	09/29/2005	09/01/2036	A+/Aa3	3.54%	65% of 1 Month LIBOR + 25 Basis Points	--	(504)	504
2007 Series B	14,075	04/10/2007	09/01/2026	AA/Aa3	5.20%	1 Month LIBOR	(112)	(906)	794
2007 Series E	23,840	12/18/2007	09/01/2038	AA/Aa3	3.96%	62% of 1 Month LIBOR + 38 Basis Points	(780)	(1,687)	907
2015 Series C	44,205	03/01/2016	03/01/2031	AA-/Aa3	1.28%	67% of 1 Month LIBOR	(2,694)	--	(2,694)
		Total 1987 HORB Swap Termination Market Value					(7,204)	(6,976)	(228)
1988 HORB[3]									
2004 Series D	--	07/27/2004	09/01/2035	A-/Baa1	3.73%	65% of 1 Month LIBOR + 25 Basis Points	--	(457)	457
2004 Series E	25,965	11/23/2004	09/01/2035	A+/Aa3	3.99%	65% of 1 Month LIBOR + 25 Basis Points	(5,600)	(4,976)	(624)
2005 Series C	--	08/03/2005	03/01/2024	A+/Aa3	3.34%	65% of 1 Month LIBOR + 25 Basis Points	--	(223)	223
2006 Series A	--	01/19/2006	03/01/2029	A+/Aa3	3.65%	65% of 1 Month LIBOR + 25 Basis Points	--	(1,088)	1,088
2007 Series C	--	06/28/2007	09/01/2023	A+/Aa3	4.63%	SIFMA + 8 Basis Points	--	(73)	73
2007 Series C	735	06/28/2007	09/01/2016	A+/Aa3	4.11%	SIFMA + 8 Basis Points	(5)	(114)	109
2007 Series D	665	06/28/2007	09/01/2016	A+/Aa3	5.62%	1 Month LIBOR	(6)	(104)	98
2007 Series D	18,730	06/28/2007	09/01/2028	A+/Aa3	6.01%	1 Month LIBOR	(1,124)	(2,006)	882
2008 Series A	15,050	05/15/2008	03/01/2019	AA-/Aa2	3.35%	SIFMA + 8 Basis Points	(541)	(1,016)	475
2008 Series A	13,475	05/15/2008	09/01/2038	AA/Aa3	3.86%	62% of 1 Month LIBOR + 38 Basis Points	(383)	(1,012)	629
2016 Series C	60,000	04/27/2016	03/01/2038	AA-/Aa3	1.911%	67% of 1 Month LIBOR	(2,135)	--	(2,135)
		Total 1988 HORB Swap Termination Market Value					(9,794)	(11,069)	1,275
				Total Swap Termination Market Value			(47,646)	(43,511)	(4,135)

(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 fair market valuation of these swaps is classified in Level 2 (Note 4) according to the fair value hierarchy provided by GASB No. 72 "Fair Value measurement and application". 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, 2016 or June 30, 2015. 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, 2016, 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, 2016, the counterparty or counterparty guarantor in 14% of the outstanding swaps were rated AA/Aa3, 8% of the outstanding swaps were rated AA-/Aa2, 29% of the outstanding swaps were rated AA-/Aa3, 47% were rated A+/Aa3 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, 2016, the counterparty rated A+/Aa3, has collateral requirements starting at BBB+/Baa1 and a posting threshold of $500,000. The counterparty rated AA-/Aa2 has collateral requirements starting at A+/A1 and a posting threshold of $10.0 million. The counterparty rated AA-/Aa3 has collateral requirements starting at AA/Aa2 and a posting threshold of $50.0 million. The posting threshold at the current rating of AA-/Aa3 is $25.0 million. The counterparty rated AA/Aa3 is collateralized. The counterparty rated A/A2 does not have a collateral agreement with the Authority. Based on the fair values as of June 30, 2016, no collateral is required from any counterparty.

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

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

The following swaps expose the Authority to rollover risk:

Associated Debt Issuance	Bond Maturity Date	Swap Termination Date
1987 HORB 2002 Series B	09/01/2032	03/01/2020
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, 2016, debt service requirements of the Authority's outstanding variable rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows (in thousands of dollars). As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Principal	Interest	Interest Rate Swaps, Net	Total
2017	26,815	1,697	11,362	39,874
2018	13,070	1,611	10,653	25,334
2018	20,180	1,545	10,017	31,742
2020	7,335	1,461	9,525	18,321
2021	7,120	1,423	9,187	17,730
2022 – 2026	62,245	6,344	38,778	107,367
2027 – 2031	99,400	4,103	23,936	127,439
2032 – 2036	95,290	1,805	10,465	107,560
2037 – 2041	30,785	154	1,062	32,001
Totals	362,240	20,143	124,985	507,368

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, 2016 and 2015, approximately $479.4 million and $447.3 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 $205.9 million and $202.1 million as of June 30, 2016 and 2015, respectively.

The unrestricted General Fund net position of $5.3 million as of June 30, 2016 will be used according to the 2016-2017 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.

ETF issues a stand-alone Comprehensive Annual Financial Report (CAFR), which can be found at http://etf.wi.gov/publications/cafr.htm

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
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%
2015	2.9%	2%

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 $671,000 in contributions from the employer. Contribution rates as of June 30, 2016 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, 2016, the Authority reported a liability of $1,166,100 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. 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 liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the Authority's proportion was .072%, which was a decrease of .002% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the Authority recognized pension expense of $1,409,127.

9. Retirement and Other Benefits (continued)

At June 30, 2016, 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	$205	($2,458)
Changes in assumptions	$817	$0
Net differences between projected and actual earnings on pension plan investments	$4,804	$0
Changes in proportion and differences between employer contributions and proportionate share of contributions	$5	($1)
Employer contributions subsequent to the measurement date	$321	$0
Total	$6,152	($2,459)

$321,000 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 liability 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
2016	$1,516	$(595)
2017	$1,516	$(595)
2018	$1,516	$(595)
2019	$1,257	$(595)
Thereafter	$26	$(79)

Actuarial assumptions. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability (Asset)	December 31, 2015
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 Seniority/Merit	 3.2% 0.2% - 5.6%
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, 2015 is based upon the December 31, 2015 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:

Retirement Funds
Asset Allocation Targets and Expected Returns
As of December 31, 2015

	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Core Fund Asset Class				
U.S. Equities	27.0	23.0	7.6	4.7
International Equities	24.5	22.0	8.5	5.6
Fixed Income	27.5	37.0	4.4	1.6
Inflation Sensitive Assets	10	20.0	4.2	1.4
Real Estate	7	7.0	6.5	3.6
Private Equity/Debt	7	7.0	9.4	6.5
Multi-Asset	4	4.0	6.7	3.8
Total Core Fund	107	120	7.4	4.5
Variable Fund Asset Class				
U.S. Equities	70	70	7.6	4.7
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5.0

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

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 liability to changes in the discount rate. The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of (7.20 percent), as well as what the Authority's proportionate share of the net pension liability 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)	$8,189	$1,166	($4,319)

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://etf.wi.gov/publications/cafr.htm.

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Supplementary Information

June 30, 2016
with comparative totals for June 30, 2015

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Combining Statements of Net Position
June 30, 2016
with comparative totals for June 30, 2015
(Thousands of Dollars)

	Single Family Bonds	Housing Revenue Bonds	Multifamily Housing Bonds	State of Wisconsin Programs	General Fund	Total 2016	Total 2015
Assets							
Current Assets:							
Cash and cash equivalents (Notes 1 & 4)	129,910	109,515	8,209	16,919	126,887	391,440	377,235
Investments (Notes 1 & 4)	1,987	550	-	-	11,350	13,887	14,623
Investment interest receivable	73	90	2	2	29	196	372
Mortgage-backed securities investment interest receivable	680	-	-	-	40	720	89
Mortgage loans receivable, net (Notes 1 & 5)	21,172	17,103	2,517	302	3,898	44,992	47,482
Mortgage interest receivable	5,436	1,637	464	95	914	8,546	10,133
Accounts receivable	736	-	-	6	1,525	2,267	3,624
Prepaid expense	70	19	5	-	11	105	241
Interfunds	(10,657)	(1,366)	(1,259)	(312)	13,594	-	-
Total Current Assets	149,407	127,548	9,938	17,012	158,248	462,153	453,799
Noncurrent Assets:							
Investments (Notes 1 & 4)	2,569	18,347	-	500	13,843	35,259	94,232
Mortgage-backed securities (Notes 1 & 4)	259,248	-	-	-	17,566	276,814	105,001
Mortgage loans receivable, net (Notes 1 & 5)	580,270	397,297	121,344	1,265	137,189	1,237,365	1,339,724
Net Pension Asset (Notes 9 & 10)	-	-	-	-	-	-	1,828
Other assets (Note 1)	-	-	-	-	17,063	17,063	17,639
Total Noncurrent Assets	842,087	415,644	121,344	1,765	185,661	1,566,501	1,558,424
Total Assets	991,494	543,192	131,282	18,777	343,909	2,028,654	2,012,223
Deferred Outflow of Resources							
Accumulated decrease in fair value of hedging derivatives (Notes 1 & 7)	16,998	22,877	7,771	-	-	47,646	43,511
Deferred Outflow of Resources - Pension (Notes 9 & 10)	-	-	-	-	6,152	6,152	1,489
Total Deferred Outflow of Resources	16,998	22,877	7,771	-	6,152	53,798	45,000
Liabilities							
Current Liabilities:							
Bonds and notes payable (Notes 1 & 6)	20,679	11,194	2,080	-	19,020	52,973	48,573
Accrued interest payable	6,009	1,675	766	-	113	8,563	11,379
Total Current Liabilities	26,688	12,869	2,846	-	19,133	61,536	59,952
Noncurrent Liabilities:							
Bonds and notes payable (Notes 1 & 6)	691,107	326,605	125,746	-	5,685	1,149,143	1,179,853
Escrow deposits (Notes 1 & 4)	-	-	-	-	82,133	82,133	73,822
Derivative instrument - interest rate swaps (Notes 1 & 7)	17,001	22,877	7,771	-	-	47,649	43,511
Net Pension Liability	-	-	-	-	1,166	1,166	-
Other liabilities	421	187	140	5,681	32,047	38,476	38,726
Total Noncurrent Liabilities	708,529	349,669	133,657	5,681	121,031	1,318,567	1,335,912
Total Liabilities	735,217	362,538	136,503	5,681	140,164	1,380,103	1,395,864
Deferred Inflow of Resources							
Deferred Inflow of Resources - Pension (Notes 9 & 10)	-	-	-	-	2,459	2,459	-
Total Deferred Inflow of Resources	-	-	-	-	2,459	2,459	-
Net Position							
Net investment in capital assets	-	-	-	-	9,358	9,358	8,267
Restricted by bond resolutions (Note 8)	273,275	203,531	2,550	-	-	479,356	447,261
Restricted by contractual agreements (Note 8)	-	-	-	13,096	192,788	205,884	202,137
Unrestricted (Note 8)	-	-	-	-	5,292	5,292	3,694
Total Net Position	273,275	203,531	2,550	13,096	207,438	699,890	661,359

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Combining Statements of Revenues, Expenses And Change in Net Position For the Year Ended June 30, 2016 with comparative totals for the year ended June 30, 2015

(Thousands of Dollars)

	Single Family Bonds	Housing Revenue Bonds	Multifamily Housing Bonds	State of Wisconsin Programs	General Fund	Total 2016	Total 2015
Mortgage income (Note 1)	39,326	20,710	5,541	133	5,720	71,430	78,953
Investment interest (Note 1)	698	784	21	78	1,145	2,726	1,873
Net increase (decrease) in fair value of investments	(68)	275	-	19	989	1,215	2,419
Mortgage-backed securities investment income	5,511	-	-	-	906	6,417	3,436
Net increase in fair value of mortgage-backed securities	8,157	-	-	-	794	8,951	(736)
Interest expense (Note 1)	(22,718)	(10,481)	(3,804)	-	(755)	(37,758)	(45,184)
Debt financing costs	(3,530)	(665)	-	-	-	(4,195)	-
Net Investment Income	27,376	10,623	1,758	230	8,799	48,786	40,761
Mortgage service fees	99	151	-	12	6,250	6,512	5,741
Pass-through subsidy revenue (Note 1)	-	14,199	-	-	162,154	176,353	171,478
Grant Income	-	-	-	-	-	-	50
Other income (Note 1)	-	598	-	27	15,484	16,109	18,337
Net Investment and Other Income	27,475	25,571	1,758	269	192,687	247,760	236,367
Direct loan program expense	4,444	1,304	239	5	8,103	14,095	14,751
Pass-through subsidy expense (Note 1)	-	14,199	-	-	162,154	176,353	171,478
Grants and services	-	-	-	-	525	525	949
General and administrative expenses	2,931	2,075	141	342	11,824	17,313	17,418
Other expense (Note 1)	-	-	-	-	943	943	872
Total Expenses	7,375	17,578	380	347	183,549	209,229	205,468
Change in Net Position	20,100	7,993	1,378	(78)	9,138	38,531	30,899
Net Position, Beginning of Year	251,247	194,842	1,172	13,174	200,924	661,359	630,460
Transfers between programs (Note 8)	1,928	696	-	-	(2,624)	-	-
Net Position, End of Year	273,275	203,531	2,550	13,096	207,438	699,890	661,359

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Combining Statements of Cash Flows
For the Year Ended June 30, 2016
with comparative totals for the year ended June 30, 2015
(Thousands of Dollars)

	Single Family Bonds	Housing Revenue Bonds	Multifamily Housing Bonds	State of Wisconsin Programs	General Fund	Total 2016	Total 2015
Cash Flows from Operating Activities:							
Cash received from interest on mortgage loans	40,890	20,802	5,543	166	5,613	73,014	80,594
Cash received from mortgage payments	114,144	62,365	5,351	413	28,371	210,644	180,741
Cash received from other fees and other income	592	750	-	49	22,814	24,205	22,915
Cash payments to purchase mortgage loans	15,946	(34,358)	(10,500)	(58)	(76,822)	(105,792)	(49,998)
Cash received from escrow deposits, net	-	-	-	-	8,311	8,311	254
Cash payments to employees	(2,278)	(1,612)	(120)	(265)	(9,133)	(13,408)	(13,678)
Cash payments to vendors	(8,604)	(2,463)	(157)	(410)	(10,340)	(21,974)	(18,884)
Transfers between programs and change in interfunds	4,437	(142)	133	116	(4,544)	-	-
Net Cash Provided by (Used in) Operating Activities	165,127	45,342	250	11	(35,730)	175,000	201,944
Cash Flows from Non-Capital Financing Activities:							
Proceeds from issuance of bonds and notes	448,808	73,170	10,500	-	13,685	546,163	24,026
Repayments on bonds and notes	(453,290)	(100,785)	(5,415)	-	(11,292)	(570,782)	(188,531)
Interest paid on bonds, notes and escrows	(27,090)	(10,611)	(3,810)	-	(753)	(42,264)	(47,805)
Net Cash Provided by (Used in) Non-Capital Financing Activities	(31,572)	(38,226)	1,275	-	1,640	(66,883)	(212,310)
Cash Flows from Investing Activities:							
Purchases of investments	(219,329)	-	-	-	(141,889)	(361,218)	(97,005)
Proceeds from sales and maturities of investments	53,248	10,499	-	3,235	191,779	258,761	89,400
Investment interest received	5,568	798	20	90	2,789	9,265	5,285
Net Cash Provided by (Used in) Investing Activities	(160,513)	11,297	20	3,325	52,679	(93,192)	(2,320)
Cash Flows from Capital Financing Activities:							
Purchases of capital assets, net of sales	-	-	-	-	(720)	(720)	(294)
Net Cash Used in Capital Financing Activities	-	-	-	-	(720)	(720)	(294)
Net Increase (Decrease) in Cash and Cash Equivalents	(26,958)	18,413	1,545	3,336	17,869	14,205	(12,980)
Cash and Cash Equivalents, Beginning of Year	156,868	91,102	6,664	13,583	109,018	377,235	390,215
Cash and Cash Equivalents, End of Year	129,910	109,515	8,209	16,919	126,887	391,440	377,235

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Combining Statements of Cash Flows
For the Year Ended June 30, 2016
with comparative totals for the year ended June 30, 2015
(Thousands of Dollars)

	Single Family Bonds	Housing Revenue Bonds	Multifamily Housing Bonds	State of Wisconsin Programs	General Fund	Total 2016	Total 2015
Reconciliation of Change in Net Position to Net Cash Provided by (Used in) Operating Activities:							
Change in Net Position	20,100	7,993	1,378	(78)	9,138	38,531	30,899
Adjustments to Reconcile Change in Net Position to Net Cash Provided by (Used in) Operating Activities:							
Net increase in fair value of investments and mortgage-backed securities	(8,089)	(275)	-	(19)	(1,783)	(10,166)	(1,683)
Provision for loan loss	684	-	-	-	845	1,529	2,526
Interest expense	22,718	10,481	3,804	-	752	37,755	45,181
Income on investments and mortgage backed securities	(6,208)	(784)	(21)	(78)	(2,051)	(9,142)	(5,309)
Depreciation and amortization	-	-	-	-	(996)	(996)	(1,012)
Decrease (Increase) in mortgage loans receivable and real estate held	129,406	28,007	(5,149)	355	(49,296)	103,323	128,218
Increase in escrows	-	-	-	-	8,249	8,249	329
Other	6,516	(80)	238	(169)	(588)	5,917	2,795
Net Cash Provided by (Used in) Operating Activities	165,127	45,342	250	11	(35,730)	175,000	201,944

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Combining Statements of Net Position - Home Ownership Mortgage Loan Program
June 30, 2016
with comparative totals for June 30, 2015
(Thousands of Dollars)

	Single Family Bonds				Total	
Assets	1987	1988	2009	Other Home	2016	2015
Current Assets:						
Cash and cash equivalents (Notes 1 & 4)	61,504	50,239	11,597	6,570	129,910	156,868
Investments (Notes 1 & 4)	1,976	11	-	-	1,987	2,950
Investment interest receivable	49	19	3	2	73	51
Mortgage-backed securities investment interest receivable	182	314	184	-	680	67
Mortgage loans receivable, net (Notes 1 & 5)	9,582	11,590	-	-	21,172	23,230
Mortgage interest receivable	2,326	3,110	-	-	5,436	7,001
Accounts receivable	279	457	-	-	736	1,226
Prepaid expense	26	43	1	-	70	138
Interfunds	(2,333)	1,364	(3,150)	(6,538)	(10,657)	(8,150)
Total Current Assets	73,591	67,147	8,635	34	149,407	183,381
Noncurrent Assets:						
Investments (Notes 1 & 4)	529	2,040	-	-	2,569	3,322
Mortgage-backed securities (Notes 1 & 4)	75,382	125,428	58,438	-	259,248	83,357
Mortgage loans receivable, net (Notes 1 & 5)	257,469	322,801	-	-	580,270	708,301
Other assets (Note 1)	-	-	-	-	-	-
Total Noncurrent Assets	333,380	450,269	58,438	-	842,087	794,980
Total Assets	406,971	517,416	67,073	34	991,494	978,361
Deferred Outflow of Resources						
Accumulated decrease in fair value of hedging derivatives (Notes 1 & 7)	7,204	9,794	-	-	16,998	18,045
Liabilities						
Current Liabilities:						
Bonds and notes payable (Notes 1 & 6)	10,202	8,877	1,600	-	20,679	17,436
Accrued interest payable	3,218	2,358	433	-	6,009	8,688
Total Current Liabilities	13,420	11,235	2,033	-	26,688	26,124
Noncurrent Liabilities:						
Bonds and notes payable (Notes 1 & 6)	292,053	346,962	52,092	-	691,107	700,523
Escrow deposits (Notes 1 & 4)	-	-	-	-	-	-
Derivative instrument - interest rate swaps (Notes 1 & 7)	7,204	9,797	-	-	17,001	18,045
Other liabilities	131	257	-	33	421	467
Total Noncurrent Liabilities	299,388	357,016	52,092	33	708,529	719,035
Total Liabilities	312,808	368,251	54,125	33	735,217	745,159
Net Position						
Net investment in capital assets	-	-	-	-	-	-
Restricted by bond resolutions (Note 8)	101,367	158,959	12,948	1	273,275	251,247
Restricted by contractual agreements (Note 8)	-	-	-	-	-	-
Unrestricted (Note 8)	-	-	-	-	-	-
Total Net Position	101,367	158,959	12,948	1	273,275	251,247

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, 2016
with comparative totals for the year ended June 30, 2015
(Thousands of Dollars)

	Single Family Bonds				Total	
	1987	1988	2009	Other Home	2016	2015
Mortgage income (Note 1)	17,305	22,021	-	-	39,326	47,737
Investment interest (Note 1)	335	327	34	2	698	386
Net increase (decrease) in fair value of investments	(26)	(42)	-	-	(68)	(68)
Mortgage-backed securities investment income	1,838	1,113	2,560	-	5,511	3,385
Net increase in fair value of mortgage-backed securities	2,677	5,133	347	-	8,157	(474)
Interest expense (Note 1)	(10,196)	(10,643)	(1,879)	-	(22,718)	(28,935)
Debt financing costs	(1,643)	(1,887)	-	-	(3,530)	-
Net Investment Income	10,290	16,022	1,062	2	27,376	22,031
Mortgage service fees	50	31	18	-	99	107
Pass-through subsidy revenue (Note 1)	-	-	-	-	-	-
Other income (Note 1)	-	-	-	-	-	-
Net Investment and Other Income	10,340	16,053	1,080	2	27,475	22,138
Direct loan program expense	1,906	2,529	9	-	4,444	5,340
Pass-through subsidy expense (Note 1)	-	-	-	-	-	-
Grants and services	-	-	-	-	-	-
General and administrative expenses	1,302	1,391	238	-	2,931	830
Total Expenses	3,208	3,920	247	-	7,375	6,170
Change in Net Position	7,132	12,133	833	2	20,100	15,968
Net Position, Beginning of Year	93,364	145,769	12,115	(1)	251,247	235,276
Transfers between programs (Note 1)	871	1,057	-	-	1,928	3
Net Position, End of Year	101,367	158,959	12,948	1	273,275	251,247

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Combining Statements of Cash Flows - Home Ownership Mortgage Loan Program
For the Year Ended June 30, 2016
with comparative totals for the year ended June 30, 2015
(Thousands of Dollars)

	Single Family Bonds				Total	
	1987	1988	2009	Other Home	2016	2015
Cash Flows from Operating Activities:						
Cash received from interest on mortgage loans	17,997	22,893	-	-	40,890	49,038
Cash received from mortgage payments	52,755	61,389	-	-	114,144	121,866
Cash received from other fees and other income	416	158	18	-	592	291
Cash payments to purchase mortgage loans	6,636	9,310	-	-	15,946	23,830
Cash from escrow deposits, net	-	-	-	-	-	-
Cash payments to employees	(1,012)	(1,081)	(185)	-	(2,278)	(652)
Cash payments to vendors	(3,803)	(4,772)	(62)	33	(8,604)	(5,693)
Transfers between programs and change in interfunds	1,934	1,186	238	1,079	4,437	678
Net Cash Provided by Operating Activities	74,923	89,083	9	1,112	165,127	189,358
Cash Flows from Non-Capital Financing Activities:						
Proceeds from issuance of bonds and notes	207,933	240,875	-	-	448,808	-
Repayments on bonds and notes	(201,085)	(239,505)	(12,700)	-	(453,290)	(157,550)
Interest paid on bonds, notes and escrows	(12,341)	(12,726)	(2,023)	-	(27,090)	(31,425)
Net Cash Used in Non-Capital Financing Activities	(5,493)	(11,356)	(14,723)	-	(31,572)	(188,975)
Cash Flows from Investing Activities:						
Purchases of investments	(72,862)	(146,467)	-	-	(219,329)	(6,920)
Proceeds from sales and maturities of investments	8,306	34,116	10,826	-	53,248	17,941
Investment interest received	1,987	1,117	2,464	-	5,568	3,769
Net Cash (Used in) Provided by Investing Activities	(62,569)	(111,234)	13,290	-	(160,513)	14,790
Cash Flows from Capital Financing Activities:						
Purchases of capital assets, net of sales	-	-	-	-	-	-
Net Cash Provided by Capital Financing Activities	-	-	-	-	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	6,861	(33,507)	(1,424)	1,112	(26,958)	15,173
Cash and Cash Equivalents, Beginning of Year	54,643	83,746	13,021	5,458	156,868	141,695
Cash and Cash Equivalents, End of Year	61,504	50,239	11,597	6,570	129,910	156,868

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Combining Statements of Cash Flows - Home Ownership Mortgage Loan Program
For the Year Ended June 30, 2016
with comparative totals for the year ended June 30, 2015
(Thousands of Dollars)

	Single Family Bonds				Total	
	1987	1988	2009	Other Home	2016	2015
Reconciliation of Change in Net Position to Net Cash Provided by						
Operating Activities:						
Change in Net Position	7,132	12,133	833	2	20,100	15,968
Adjustments to Reconcile Change in Net Position to Net Cash Provided by						
Operating Activities:						
Net (increase) decrease in fair value of investments						
and mortgage-backed securities	(2,651)	(5,091)	(347)	-	(8,089)	542
Provision for loan loss	333	351	-	-	684	489
Interest expense	10,196	10,643	1,879	-	22,718	28,935
Income on investments and mortgage backed securities	(2,172)	(1,440)	(2,594)	(2)	(6,208)	(3,771)
Depreciation and amortization	-	-	-	-	-	-
Decrease in mortgage loans						
receivable and real estate held	59,058	70,348	-	-	129,406	145,207
Other	3,027	2,139	238	1,112	6,516	1,988
Net Cash Provided by Operating Activities	74,923	89,083	9	1,112	165,127	189,358

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

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

	2015	2016
Authority's proportion of the net pension liability (asset)	.074%	.072%
Authority's proportionate share of the net pension liability (asset)	($1,828)	$1,166
Authority's covered-employee payroll	$9,909	$9,868
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.74%	98.2%

*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	2016
Contractually required contributions	$694	$671
Contributions in relation to the contractually required contributions	($694)	($671)
Contribution deficiency (excess)	$0.00	$0.00
Authority's covered-employee payroll	$9,909	$9,868
Contributions as a percentage of covered-employee payroll	7.0%	6.8%

*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, 2016

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.