WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Financial Statements
For the Years Ended
June 30, 2017 and 2016
and Independent Auditors' Report

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

TABLE OF CONTENTS

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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, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the entity'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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

Opinions

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, 2017 and 2016, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 October 16, 2017, 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 solely 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 the effectiveness of Wisconsin Housing and Economic Development Authority's 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

CliftonLarsonAllen LLP

Milwaukee, Wisconsin
October 16, 2017

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, loans 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, 2017 compared to the fiscal years that ended on June 30, 2016 and 2015. Please read it in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights – Fiscal Year 2017

Fiscal year 2017 was another strong performance year for the Authority. Net Income before the adjustment for a change in the market value of investments was $34.3 million. The fiscal year 2017 projected budget earnings were $27.2 million. Loan originations were up 31% and 6%, respectively in the Single Family and Multifamily programs and prepayment levels slowed slightly compared to fiscal year 2016.

The following are financial highlights for fiscal year 2017:

- Consolidated net income after the adjustment for the market value of investments was $23.2 million. The aggregate market value adjustment for the year was negative $11.1 million.
- Mortgage and MBS Investment earnings before the adjustment for a change in the market value of investments were stable at $77.6 million. The combined mortgage loan and MBS investment portfolio increased by $136.8 million, or 8.7% during 2017.
- Interest expense and debt financing costs declined by $4.2 million or 10.0%. The decline is partially the result of favorable rates and early redemption of debt with prepayment proceeds. The savings were also related to the timing of bond issues and the associated financing costs.
- As of June 30, 2017, 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 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.

Statements of Net Position - Comparative Fiscal Year 2017

The following condensed statements of net position show a summary of changes, in dollars and percentages, between fiscal years ended June 30, 2017 and 2016. The Authority reported a change in net position of $23.2 million for the year ended June 30, 2017.

Wisconsin Housing and Economic Development Authority
Statements of Net Position
June 30, 2017 and 2016
(Millions of Dollars)

			Increase / (Decrease)	
	2017	2016	Amount	%
Cash and cash equivalents	413.6	391.4	22.2	5.7
Mortgage loans and interest receivable	1,181.3	1,291.0	(109.7)	(8.5)
Mortgage-backed security investments and interest receivable	524.0	277.5	246.5	88.8
Investments and interest receivable	31.2	49.4	(18.2)	(36.8)
Other assets	19.6	19.4	0.2	1.0
Total Assets	2,169.7	2,028.7	141.0	7.0
Accumulated decrease in fair value of hedging	26.7	47.6	(20.9)	(43.9)
Pension plan – Actual vs. expected outcomes	4.7	6.2	(1.5)	(24.2)
Total Deferred Outflow of Resources	31.4	53.8	(22.4)	(41.6)
Accrued interest payable	9.6	8.6	1.0	11.6
Bonds and notes payable	1,317.6	1,202.1	115.5	9.6
Interest Rate Swap Agreements	26.7	47.6	(20.9)	(43.9)
Net pension liability	0.6	1.2	(0.6)	(50.0)
Other liabilities	121.1	120.6	0.5	0.4
Total Liabilities	1,475.6	1,380.1	95.5	6.9
Deferred inflow of resources-pension	2.4	2.5	(0.1)	(4.0)
Total Deferred Inflow of Resources	2.4	2.5	(0.1)	(4.0)
Net investment in capital assets	10.5	9.3	1.2	12.9
Restricted by bond resolutions	491.7	479.4	12.3	2.6
Restricted by contractual agreements	214.9	205.9	9.0	4.4
Unrestricted	6.0	5.3	0.7	13.2
Total Net Position	723.1	699.9	23.2	3.3

Schedule may not foot due to rounding

The Authority experienced asset growth of $141 million during fiscal year 2017. This increase was almost exclusively in the mortgage backed security portfolio. The Single Family and Multifamily programs saw increases in originations of 80% and 6%, respectively. Prepayments remain high in both program areas even through there were slight decreases when compared to fiscal year 2016.

Mortgage loans and interest receivable declined by $110 million to end fiscal 2017 with a portfolio balance of $1.2 billion. Mortgage backed security investments rose to $524 million, up 89% from the prior year. Single Family loan originations grew by $80 million or 31% and Multifamily loan originations of $70.0 million were up 6.0% from fiscal 2016. The combined portfolio balance of $1.7 billion represents an increase of 137.0 million or 8.7%.

Liabilities ended the year at $1.5 billion, up 6.9% over fiscal 2016. The majority of the increase is attributable to new bonds that were issued to finance both Single Family First Time Home Buyer (FTHB) mortgages and Multifamily loans. There were two Single Family bond issues in fiscal year 2017 totaling $233.3 million. In addition, $39.7 million in bonds were issued in the Multifamily program. Proceeds were used to fund new loans and refund outstanding bonds in both lines of business.

Overall, net position, increased $23.2 million during fiscal year 2017. 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 2017 are as follows: $2.0 million in Single Family bond resolutions, $8.8 million in Multifamily Housing Revenue bond resolutions, $12.5 million in the General Fund (including subsidiary change in net position) and ($86,000) in State of Wisconsin Programs.

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 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 $1,568.5 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 Revenues, Expenses and Change in Net Position – Comparative Fiscal Year 2017

The Authority reported a change in net position of $23.2 million for the fiscal year ended June 30, 2017. The following table summarizes the Statements of Revenues, Expenses and Change in Net Position of the Authority for the fiscal years ended June 30, 2017 and 2016.

Wisconsin Housing and Economic Development Authority
Statements of Revenues, Expenses and Change in Net Position
For the Fiscal Years Ended June 30, 2017 and 2016
(Millions of Dollars)

			Favorable/ (Unfavorable)	
	2017	2016	Amount	%
Mortgage income	65.3	71.4	(6.1)	(8.5)
Mortgage-backed investment income (net)	(0.5)	15.3	(15.8)	(103.3)
Investment income (net)	4.8	3.9	0.9	23.1
Interest expense and debt financing costs	(37.7)	(41.9)	4.2	10.0
Net Interest Income	31.9	48.7	(16.8)	(34.5)
Mortgage service fees	8.1	6.5	1.6	24.6
Pass-through subsidy revenue	184.9	176.4	8.5	4.8
Grant Income	0.5	0.0	0.5	-
Other	16.6	16.1	0.5	3.1
Net Interest And Other Income	242.0	247.7	(5.7)	(2.3)
Direct loan program expense	13.8	14.1	0.3	2.1
Pass-through subsidy expense	184.9	176.4	(8.5)	(4.8)
Grants and services	0.8	0.5	(0.3)	(60.0)
General and administrative expenses	18.5	17.3	(1.2)	(6.9)
Other expense	0.8	0.9	0.1	11.1
Change in Net Position	23.2	38.5	(15.3)	(39.7)
Net Position, Beginning of Year	699.9	661.4	38.5	5.8
Net Position, End of Year	723.1	699.9	23.2	3.3

Schedule may not foot due to rounding

Net Interest Income declined by 34.5% during fiscal 2017 to finish the year at $31.9 million. The most significant decline was in the mortgage backed investment portfolio. While the volume of MBS investments in the portfolio grew by almost 89% during the year, *Governmental Accounting Standard Board Statement No. 31* requires that the Authority periodically adjust the investments to reflect current market value. The cumulative adjustment for fiscal year 2017 was a write-down of $13.0 million. While the Authority doesn't intend to actually realize these losses, the monthly adjustment can lead to significant swings in the recorded value of the portfolio. Mortgage Income from the Authority's traditional mortgages was down $6.1 million during 2017 primarily because of the continued high level of prepayments.

Direct loan program expense was relatively flat in 2017. Liquidity fees and the provision for loan loss were lower than 2016, but the savings in these areas were offset by the increase in loan origination fees which are volume driven expenses.

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

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

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Statements of Net Position
June 30, 2017 and 2016
(Thousands of Dollars)

	2017	2016
Assets		
Current Assets:		
Cash and cash equivalents (Notes 1 & 4)	413,631	391,440
Investments (Notes 1 & 4)	14,973	13,887
Investment interest receivable	288	196
Mortgage-backed securities investment interest receivable	1,323	720
Mortgage loans receivable, net (Notes 1 & 5)	46,113	44,992
Mortgage interest receivable	6,665	8,546
Accounts receivable	2,945	2,267
Prepaid expense	93	105
Total Current Assets	486,031	462,153
Noncurrent Assets:		
Investments (Notes 1 & 4)	15,976	35,259
Mortgage-backed securities (Notes 1 & 4)	522,675	276,814
Mortgage loans receivable, net (Notes 1 & 5)	1,128,556	1,237,365
Other assets (Note 1)	16,491	17,063
Total Noncurrent Assets	1,683,698	1,566,501
Total Assets	2,169,729	2,028,654
Deferred Outflow of Resources		
Accumulated decrease in fair value of hedging derivatives (Notes 1 & 7)	26,688	47,646
Deferred Outflow of Resources - Pension (Notes 9 & 10)	4,720	6,152
Total Deferred Outflow of Resources	31,408	53,798
Liabilities		
Current Liabilities:		
Bonds and notes payable (Notes 1 & 6)	66,664	52,973
Accrued interest payable	9,560	8,563
Total Current Liabilities	76,224	61,536
Noncurrent Liabilities:		
Bonds and notes payable (Notes 1 & 6)	1,251,013	1,149,143
Escrow deposits (Notes 1 & 4)	81,972	82,133
Derivative instrument - interest rate swaps (Notes 1 & 7)	26,688	47,649
Net pension liability	578	1,166
Other liabilities	39,191	38,476
Total Noncurrent Liabilities	1,399,442	1,318,567
Total Liabilities	1,475,666	1,380,103
Deferred Inflow of Resources		
Deferred Inflow of Resources - Pension (Notes 9 & 10)	2,387	2,459
Total Deferred Inflow of Resources	2,387	2,459
Net Position		
Net investment in capital assets	10,499	9,358
Restricted by bond resolutions (Note 8)	491,737	479,356
Restricted by contractual agreements (Note 8)	214,905	205,884
Unrestricted (Note 8)	5,943	5,292
Total Net Position	723,084	699,890

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, 2017 and 2016

(Thousands of Dollars)

	2017	2016
Mortgage income (Note 1)	65,277	71,430
Investment interest (Note 1)	3,009	2,726
Net increase in fair value of investments	1,767	1,215
Mortgage-backed securities investment income	12,318	6,417
Net (decrease) increase in fair value of mortgage-backed securities	(12,862)	8,951
Interest expense (Note 1)	(35,372)	(37,758)
Debt financing costs	(2,247)	(4,195)
Net Investment Income	31,890	48,786
Mortgage service fees	8,066	6,512
Pass-through subsidy revenue (Note 1)	184,876	176,353
Grant Income	530	-
Other income (Note 1)	16,616	16,109
Net Investment and Other Income	241,978	247,760
Direct loan program expense	13,762	14,095
Pass-through subsidy expense (Note 1)	184,876	176,353
Grants and services	772	525
General and administrative expenses	18,536	17,313
Other expense (Note 1)	838	943
Total Expenses	218,784	209,229
Change in Net Position	23,194	38,531
Net Position, Beginning of Year	699,890	661,359
Net Position, End of Year	723,084	699,890

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, 2017 and 2016

(Thousands of Dollars)

	2017	2016
Cash Flows from Operating Activities:		
Cash received from interest on mortgage loans	67,158	73,014
Cash received from mortgage payments	173,916	210,644
Cash received from other fees and other income	24,994	24,205
Cash payments to purchase mortgage loans	(66,231)	(105,792)
Cash received from escrow deposits, net	(161)	8,311
Cash payments to employees	(14,637)	(13,408)
Cash payments to vendors	(16,737)	(21,974)
Net Cash Provided by Operating Activities	168,302	175,000
Cash Flows from Non-Capital Financing Activities:		
Proceeds from issuance of bonds and notes	292,516	546,163
Repayments on bonds and notes	(177,241)	(570,782)
Interest paid on bonds, notes and escrows	(36,330)	(42,264)
Net Cash Used in Non-Capital Financing Activities	78,945	(66,883)
Cash Flows from Investing Activities:		
Purchases of investments	(529,280)	(361,218)
Proceeds from sales and maturities of investments	288,102	258,761
Investment interest received	16,804	9,265
Net Cash Used in Investing Activities	(224,374)	(93,192)
Cash Flows from Capital Financing Activities:		
Purchases of capital assets	(682)	(720)
Net Cash Used in Capital Financing Activities	(682)	(720)
Net Increase (Decrease) in Cash and Cash Equivalents	22,191	14,205
Cash and Cash Equivalents, Beginning of Year	391,440	377,235
Cash and Cash Equivalents, End of Year	413,631	391,440

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, 2017 and 2016

(Thousands of Dollars)

	2017	2016
Reconciliation of Change in Net Position to Net Cash Provided by Operating Activities:		
Change in Net Position	23,194	38,531
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	11,095	(10,166)
Provision for loan loss (Note 5)	1,126	1,529
Interest expense	35,371	37,755
Income on investments and mortgage backed securities	(15,327)	(9,142)
Depreciation and amortization	(1,526)	(996)
Decrease in mortgage loans receivable and real estate held, net	106,559	103,323
Increase in escrows	(161)	8,249
Other	7,971	5,917
Net Cash Provided by Operating Activities	168,302	175,000

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).

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, 2017 other assets include an office building of $21.4 million, at cost, less accumulated depreciation of $9.6 million and other capital assets of $11.9 million, at cost, less accumulated depreciation of $11.5 million. At June 30, 2016 other assets included 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. Depreciation expense totaled $866,000 and $900,000 for the years ended June 30, 2017 and 2016, 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 $4,000 of bond discounts and $2.0 million of bond premiums for the year ended June 30, 2017 and $1,000 of bond discounts and $1.7 million of bond premiums for the year ended June 30, 2016 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 $758,000 and $486,000 of investment income allocated to mortgage escrow deposits for the years ended June 30, 2017 and 2016, respectively (Note 4).

Other Income: Some of the items in other income include $6.2 million and $5.6 million of other fee income from the administration of the HUD contract for the years ended June 30, 2017 and 2016, respectively. At June 30, 2017 and 2016 other income included prepayment penalties for multifamily mortgage loans that paid off in the amounts of $167,000 and $599,000, respectively. Other income also included lease income of $1.7 million and $1.8 million for the years ended June 30, 2017 and 2016, 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, 2017 and 2016. 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 $493,000 in fiscal 2018 with a total amount of $493,000 remaining for the life of the lease, which expires in September 2017. The authority is in the process of negotiating a new lease with the State. Also, included in other income is $1.7 million and $1.8 million of fee income from the administration of the IRS federal Low-Income Housing Tax Credit Program for the years ended June 30, 2017 and 2016, respectively. In addition, other income included New Markets Tax Credits fee income of $1.3 million and $3.4 million for the years ended June 30, 2017 and 2016, respectively (Note 3). State Small Business Credit Initiative (SSBCI) income of $1.9 million represents loan funds returned to the authority over the life of the program.

Grant Income: The authority was chosen to administer Capital Magnet Funds in the amount of $5.5 million of which $530,000 was utilized in Fiscal 2017.

Other Expense: Other expense includes $814,000 and $924,000 of lease expense for the years ended June 30, 2017 and 2016, 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 $354.5 million and $337.8 million at June 30, 2017 and 2016, 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 $8.2 billion through June 30, 2017 and $8.0 billion through June 30, 2016, of which approximately $809.2 million and $702.5 million were outstanding at June 30, 2017 and 2016, 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, 2017 and 2016.

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, 2017 and 2016.

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, 2017 and 2016, outstanding loan guarantees totaled $7.9 million and $8.8 million, respectively, and the balance of the reserve fund, restricted for purposes of the program, was $8.2 million and $8.3 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, 2017 and 2016, $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 $108.3 million and $127.8 million as of June 30, 2017 and 2016, 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, 2017 and 2016, the Authority had issued an aggregate principal amount of $51.1 million and $33.9 million of these non-general obligation credit bonds, respectively.

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 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. Mortgage-backed securities in this program total $136.0 million and $58.4 million as of June 30, 2017 and 2016, respectively.

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

3. Description of Programs (continued)

The Authority established a Zero Down loan program on June 1, 2006. The program offered 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 $35.8 million and $48.4 million for the years ended June 30, 2017 and 2016, 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 provided 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, 2017 and 2016, the Home Plus Program had an outstanding balance in the State of Wisconsin Programs of $659,000 and $989,000, 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 $818,000 and $828,000 as of June 30, 2017 and 2016, 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. $245,000 and $160,000 of loans were made through this program for the fiscal years ending June 30, 2017 and 2016, 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, 2017 and 2016 are $1.3 million and $1.2 million for CROP, $128,000 and $128,000 for Agribusiness, $4.3 million and $4.8 million for SBG and $2.1 million and $2.7 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, 2017, $510,000 of loan guarantees had been approved and were outstanding. As of June 30, 2016, $657,000 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, 2017 and 2016, the Property Tax Deferral Loans had an outstanding balance of $1.1 million.

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, disabled or special needs persons. As of June 30, 2017 and 2016 the balance of Construction Plus loans was $27.8 million and $14.9 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, 2017 and 2016, the Easy Close loans and Easy Close Advantage programs had a combined outstanding balance of $11.5 million and $8.7 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 $13.6 million and $14.0 million in Tax Credits in the years ended June 30, 2017 and 2016, 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 $14.2 million and $14.1 million for the years ended June 30, 2017 and 2016, respectively. The Housing Choice Voucher program funds administered were $11.1 million and $9.5 million for the years ended June 30, 2017 and 2016, respectively. Interest Reduction Payments of $7,000 and $139,000 were administered for the years ended June 30, 2017 and 2016, respectively.

The Section 8 Housing Assistance Payments program funds were $156.5 million and $151.1 million for the years ended June 30, 2017 and 2016, 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 could receive up to $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, 2017 and 2016, respectively. 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, 2017 and 2016. The Authority disbursed $14.3 million and $11.5 million for the Wisconsin Equity Fund as of June 30, 2017 and 2016, respectively. The Authority's portion of this lending is $9.2 million and $7.8 million for the years ended June 30, 2017 and 2016, 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. All of these awards had been allocated as of June 30, 2017. 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. On November 17, 2016, GWOF received notification of a $75.0 million NMTC award, $10 million of which was allocated as of June 30, 2017.

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 fund as of June 30, 2017 and 2016 total $2.5 million.

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 $2.5 million and $844,000 of the Authority's reserves were encumbered for this purpose in fiscal year 2017 and 2016, respectively. As of June 30, 2017 and 2016 there is an outstanding loan balance of $13.1 million and $11.7 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 of up to $2,000 per year against their federal income tax liability. The $111.4 million in total credit available is expected to provide assistance to $445.6 million in mortgage loans. Eligibility for the credit continues as long as home buyers remain in their home and pay down their original amount of debt. As of June 30, 2017 and June 30, 2016 respectively, $161.9 million and $133.9 million of loans had been issued through this program with accompanying MCC's of $2.4 million and $3.0 million, respectively.

In September of 2016, the Authority won a $5.5 million Capital Magnet Fund Award. The Capital Magnet Fund helps low-income families and economically distressed communities by attracting investment for affordable housing and related economic development. Funds can be used to finance affordable housing activities as well as related economic development and community service facilities. As of June 30, 2017 there is an outstanding loan balance of $530,000 in this program.

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 Program 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, 2017 and 2016 were as follows (in thousands of dollars):

	2017		2016	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
Cash	25,736	25,736	22,592	22,592
Money Market Mutual Funds	387,895	387,895	368,848	368,848
Total Cash and Cash Equivalents	413,631	413,631	391,440	391,440
Certificates of Deposit	13,900	13,900	9,651	9,650
U.S. Government Securities	67	63	72	63
U.S. Agency Securities	12,148	11,776	33,256	32,423
Corporate Notes	-	-	-	-
Mortgage-backed Securities	522,675	522,695	276,814	263,564
Collateralized Investment Contracts	1,725	1,725	3,676	3,677
Equity Securities	3,109	3,109	2,491	2,491
Total Investments	553,624	553,268	325,960	311,868
Total Cash and Cash Equivalents and Investments	967,255	966,899	717,400	703,308

At June 30, 2017 and 2016, the Authority had cash bank balances totaling $25.4 million and $22.8 million, respectively, of which $250,000 and $250,000 was covered by depository insurance, and the remaining balance was uninsured and uncollateralized. 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, 2017 and 2016 were as follows (in thousands of dollars):

		Fair Value Measurements Using		
Investments by Fair Value Level	2017	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	67	--	67	--
U.S. Agency Securities	12,148	--	12,148	--
Collateralized Debt Obligations	1,725	--	1,725	--
Authority Issued MBS	522,675	103,628	419,047	--
Total Debt Securities	536,615	103,628	432,987	--
Venture Capital Investments	3,109	--	--	3,109
Total Investments by Fair Value Level	539,724	103,628	432,987	3,109

4. Cash, Cash Equivalents and Investments (continued)

Investments by Fair Value Level	2016	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	72	--	72	--
U.S. Agency Securities	33,256	--	33,256	--
Collateralized Debt Obligations	3,676	--	3,676	--
Authority Issued MBS	276,814	117,654	159,160	--
Total Debt Securities	313,818	117,654	196,164	--
Venture Capital Investments	2,491	--	--	2,491
Total Investments by Fair Value Level	316,309	117,654	196,164	2,491

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, 2017, 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	67,570	67,570	--	--	--
Certificates of Deposits	--	--	--	--	--
U.S. Agency Securities	--	--	--	--	--
U.S. Government Securities	--	--	--	--	--
Mortgage-backed Securities	--	--	--	--	--
Corporate Securities:					
Financial	--	--	--	--	--
Equity	3,109	597	2,215	297	--
General Fund Investments	70,679	68,167	2,215	297	--

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

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.

4. Cash, Cash Equivalents and Investments (continued)

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, 2017 and 2016, the Authority invested only in AAA rated money market mutual funds. Money market mutual funds totaled 95.6% and 66.1%, respectively, of the General Fund portfolio; and, the entire Authority portfolio's allocation was 41.2% and 53.1%, 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, 2017 and June 30, 2016 the Authority didn't hold any CDs in the General Fund.

U.S. Government Securities, which include, but are not limited to Treasury Bills, Treasury Notes, Treasury Bonds, and Treasury Strips. As of June 30, 2017 and 2016, 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, 2017 and 2016, 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, 2017 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, 2017, 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	9,240	9,240	--	--
Home Improvement Loan Fund Investments	9,240	9,240	--	--

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	--	--

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, 2017 and 2016, 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.

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, 2017 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.

4. Cash, Cash Equivalents and Investments (continued)

Wisconsin Development Reserve Fund Investment Portfolio:

As of June 30, 2017, 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	8,205	8,205	--	--
Wisconsin Development Reserve Fund Investments	8,205	8,205	--	--

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	--

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, 2017 and 2016, the Authority invested only in AAA rated money market mutual funds, and 100% and 94.1%, 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, 2017 and 2016, 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.

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

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

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

Concentration of Credit Risk: No less than 60% of the total portfolio value will be invested in U.S. Government Securities, U.S. Agency Securities and Money Market Mutual Funds. For funds not invested in U.S. Government Securities, U.S. Agency Securities or Money Market Mutual Funds, no more than 5% of the total portfolio market value can be invested with any issuer or secured by one guarantor. No more than 15% of the total portfolio's market value will be invested in any one municipal or industry sector. As of June 30, 2017 the portfolio was in compliance with this requirement.

4. Cash, Cash Equivalents and Investments (continued)

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

Escrow Fund Investment Portfolio:

As of June 30, 2017, the Authority had the following investments and maturities covered by the Escrow Fund Investment Policy, related to escrow deposits (in thousands of dollars):

		Investment Maturities (In Years)			
Investment Type:	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Money Market Mutual Funds	45,629	45,629	--	--	--
U.S. Agency Securities	6,292	532	5,756	4	--
Escrow Fund Investments	51,921	46,161	5,756	4	--

The portfolio also has $13.9 million in certificates of deposits that are not subject to interest rate risk.

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.

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 $758,000 and $486,000 was allocated to the mortgage escrow deposits for the years ended June 30, 2017 and 2016, respectively, and is included in interest expense in the Statements of Revenues, Expenses and Change in Net Position.

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

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, 2017 and 2016, the Authority invested only in AAA rated money market mutual funds, and 69.3% and 76.7%, 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, 2017, 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, 2017 and 2016, 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, 2017 and 2016, 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.

4. Cash, Cash Equivalents and Investments (continued)

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, 2017 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, 2017, 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	257,251	257,251	--	--	--
U.S. Agency Securities	5,855	--	5,722	--	133
U.S. Government Securities	67	67	--	--	--
Mortgage-backed Securities	522,675	--	--	--	522,675
Collateralized Investment Contracts	1,725	876	--	--	849
Bonded Program Investments	787,573	258,194	5,722	--	523,657

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

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, 2017 and 2016, the Authority invested only in AAA rated money market mutual funds. Money market mutual funds totaled 32.7% and 46.6%, respectively, of the Bonded Programs Investment portfolio.

U.S. Government Securities, which include, but are not limited to Treasury Bills, Treasury Notes, Treasury Bonds, and Treasury Strips. As of June 30, 2017 and 2016, 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, 2017 and 2016, the U.S. Agency Securities were rated AA+ by S&P and Aaa by Moody's.

4. Cash, Cash Equivalents and Investments (concluded)

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, 2017 and 2016, the bonded portfolios were in compliance with this requirement. As of June 30, 2017, 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.

The asset restrictions at June 30, 2017 and 2016 are as follows (in thousands of dollars):

	2017	2016
Home Ownership Revenue Bond Resolutions:		
1987	7,370	6,050
1988	6,169	6,990
Housing Revenue Bonds	36,853	34,024
Total Cash, Cash Equivalents and Investments	50,392	47,064

Cash, cash equivalents and investments of the funds at June 30, 2017 and 2016 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 with a combination of first mortgage liens and mortgage backed securities. 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 were 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, 2017 and 2016, the Authority had $46.2 million and $60.5 million of loans held for sale.

5. Mortgage Loans(concluded)

Mortgage loans receivable bear interest at the following annual rates:

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

Mortgage loan information at June 30, 2017 and 2016 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	215,738	(508)	1,113	216,343
1988	274,159	(765)	1,280	274,674
Housing Revenue Bonds	415,254	(8,774)	--	406,480
Multifamily Housing Bonds	107,752	(3,212)	--	104,540
State of Wisconsin Programs	1,482	(246)	30	1,266
General Fund	178,441	(7,219)	144	171,366
Total as of June 30, 2017	1,192,826	(20,724)	2,567	1,174,669
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

Activity in the allowance for loan losses included provisions charged to expense of $1.1 million and $1.5 million for the years ended June 30, 2017 and 2016, respectively. Activity in the allowance for loan losses also included actual loan charge offs of $573,000 and $929,000 for the years ended June 30, 2017 and 2016, respectively.

In addition, the Authority serviced $936.1 million and $671.2 million in loans as of June 30, 2017 and 2016, respectively. These loans are serviced by the Authority for the benefit of others, for which the Authority collects a fee.

At June 30, 2017, the Authority was committed to fund mortgage loans approximating the following amounts (in millions of dollars):

Home Ownership Revenue Bonds	$ --
Multifamily Bonds	$ 82.7
State of Wisconsin Programs	$ --
General Fund	$ 62.9

6. Bonds and Notes Payable

Bonds and notes payable of the Authority at June 30, 2017 and 2016 consist of the following (in thousands of dollars):

	2017	2016
General Obligation Bonds and Notes	1,307,610	1,192,846
Premium/Discount on Bonds	10,067	9,271
Total Bonds and Notes Payable	1,317,677	1,202,117

Bonds and notes payable of the Authority increased/decreased since June 30, 2015 as follows (in thousands of dollars):

	2015	Increase	(Decrease)	2016	Increase	(Decrease)	2017
Home Ownership Revenue Bond Resolutions:							
1987	296,270	202,855	(201,085)	298,040	141,435	(74,145)	365,330
1988	354,610	235,800	(239,505)	350,905	--	(40,295)	310,610
Home Ownership Mortgage Revenue Bonds	66,260	--	(12,700)	53,560	93,023	(13,300)	133,283
Housing Revenue Bonds	365,420	73,170	(100,785)	337,805	39,775	(23,095)	354,485
Multifamily Housing Bonds	122,745	10,500	(5,415)	127,830	--	(19,575)	108,255
General Fund	22,313	13,686	(11,293)	24,706	17,773	(6,832)	35,647
Premium/Discount on Bonds	808	10,153	(1,690)	9,271	2,757	(1,961)	10,067
Total Bonds and Notes Payable	1,228,426	546,164	(572,473)	1,202,117	294,763	(179,203)	1,317,677

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*	2017	2016
Housing Revenue Bonds						
1974	1998 Series A, B and C	5.30%	02/01/98	2018	150	240
	2003 Series C	5.00% - 5.25%	12/23/03	2023-2043	840	2,235
	2003 Series D and E	Variable	12/23/03	2044	7,575	7,705
	2005 Series A, B and C	Variable	12/14/05	2035	1,685	1,730
	2005 Series F	Variable	12/14/05	2030	91,095	95,350
	2006 Series A and B	4.55% - 4.75%	12/14/06	2027-2047	10,645	14,890
	2006 Series C and D	Variable	12/14/06	2037	7,185	7,415
	2007 Series F and G	Variable	12/19/07	2042	14,990	15,190
	2008 Series A, B, C, D, E, F and G	Variable	06/04/08	2030-2033	14,730	14,975
	2009 Series A	Variable	12/30/09	2042	8,745	8,805
	2010 Series A and B	3.70% - 6.125%	12/22/10	2017-2043	26,000	31,445
	2012 Series A and B	Variable	01/27/12	2055	51,985	52,670
	2013 Series ABC	1.15% - 4.875%	06/26/13	2017-2045	11,605	12,825
	2015 Series ABC	1.00% - 4.50%	11/30/15	2017-2052	67,555	72,330
	2016 Series AC	1.10% - 4.50%	12/22/16	2017-2054	15,615	--
	2016 Series AC	Variable	12/22/16	2034	24,085	--
Total Housing Revenue Bonds 1974					354,485	337,805

6. Bonds and Notes Payable (continued)

Program/Bond Resolution		Interest Rates*	Dated**	Maturities*	2017	2016
Multifamily Housing Bonds						
	2007 Series A and B	Variable	06/29/07	2040	10,530	10,715
	2007 Series C	Variable	08/02/07	2048	5,895	5,960
	2008 Series A and B	Variable	08/28/08	2046	12,925	13,100
	2009 Series A	3.00% - 3.50%	06/04/09	2016-2018	--	1,735
	2009 Series A	Variable	06/04/09	2035	--	15,885
	2009 Series B-1	Variable	10/21/11	2041	4,830	4,950
	2009 Series B-2	Variable	10/21/11	2041	48,110	49,260
	2016 Series C	1.00% - 3.50%	06/21/16	2018-2053	10,500	10,500
	2011 Series A	Variable	09/01/11	2043	8,550	8,710
	2014 Series A	0.55% - 4.05%	10/30/14	2017-2049	6,915	7,015
Total Multifamily Housing Bonds					108,255	127,830

Program/Bond Resolution		Interest Rates*	Dated**	Maturities*	2017	2016
Home Ownership Revenue Bonds						
1987	2000 Series H	Variable	11/30/00	2024	2,650	3,180
	2002 Series B	Variable	02/06/02	2032	890	1,310
	2003 Series B	Variable	07/29/03	2034	17,350	20,910
	2005 Series D and E	Variable	09/29/05	2036	8,490	8,745
	2007 Series A and B	5.29%	04/10/07	2026	5,105	45,650
	2007 Series E and F	Variable	12/18/07	2038	20,525	23,840
	2015 Series ABC	Variable	09/01/15	2031	44,205	44,205
	2015 Series ABC	1.15% - 4.00%	09/01/15	2017-2045	125,795	150,200
	2016 Series DE	0.83% - 3.50%	10/06/16	2017-2046	140,320	--
Total Home Ownership Revenue Bonds 1987					365,330	298,040

Program/Bond Resolution		Interest Rates*	Dated**	Maturities*	2017	2016
Home Ownership Revenue Bonds						
1988	2003 Series D	Variable	11/04/03	2028	6,340	6,845
	2004 Series C and D	4.20% - 4.35%	07/27/04	2016	--	880
	2004 Series E	Variable	11/23/04	2035	21,580	25,965
	2006 Series A and B	Variable	01/19/06	2037	20,065	20,335
	2007 Series C and D	Variable	04/10/07	2038	16,735	20,130
	2008 Series A and B	Variable	05/15/08	2033-2038	24,780	35,950
	2008 Series A and B	5.30%	05/15/08	2023	4,020	5,000
	2016 Series ABC	0.75%-3.50%	04/27/16	2017-2046	157,090	175,800
	2016 Series ABC	Variable	04/27/16	2038	60,000	60,000
Total Home Ownership Revenue Bonds 1988					310,610	350,905

Program/Bond Resolution		Interest Rates*	Dated**	Maturities*	2017	2016
Home Ownership Mortgage Revenue Bonds						
	2010 Series A and 2009 Series A-1	0.72% - 4.50%	11/16/10	2017-2041	40,260	53,560
	2017 Series A	2.69%	06/28/17	2047	93,023	--
Total Home Ownership Revenue Bonds					133,283	53,560
Facility Refunding Bonds, Series 2013		Variable	07/01/13	2017	1,685	3,340
Notes Payable:						
	Line of Credit – Construction Plus	Variable	10/01/14	2017	27,500	14,800
	Rural Housing PRLF	1.00%	11/03/08	2038-2040	2,462	2,566
	Other	3.75%	01/24/01	2021	4,000	4,000
Total Notes Payable					33,962	21,366
Total General Obligation Bonds and Notes ***					1,307,610	1,192,846

6. Bonds and Notes Payable (continued)

The unused balance on the Construction Plus line of credit was $12.5 million and $25.2 million as of June 30, 2017 and 2016.

The Authority has $508.7 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 six 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, 2017 and no funds have been drawn July 1, 2016 to June 30, 2017. 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 September 1, 2017 to September 14, 2022.

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* Interest rates and maturities are as of June 30, 2017.
** 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, 2017 and 2016, the remaining outstanding defeased debt was $5.8 million and $8.1 million, respectively.

Scheduled debt maturities in the five fiscal years subsequent to June 30, 2017 and five year increments thereafter are as follows (in thousands of dollars):

	2018	2019	2020	2021	2022	2023-2027	2028-2032
Home Ownership Revenue Bond Resolutions:							
1987	11,235	11,675	11,965	12,300	12,690	61,015	82,705
1988	7,580	7,305	7,045	7,240	7,415	34,950	42,910
Home Ownership Mortgage Revenue Bonds	1,195	1,075	1,125	1,060	995	4,340	8,130
Facility Refunding Bonds	1,685	--	--	--	--	--	--
Housing Revenue Bonds	11,750	12,265	12,715	13,240	13,250	77,630	84,995
Multifamily Housing Bonds	1,590	2,365	1,830	1,910	1,980	11,210	13,690
General Fund	29,962	--	--	--	4,000	--	--
Totals	64,997	34,685	34,680	35,750	40,330	189,145	232,430

	2033-2037	2038-2042	2043-2047	2048-2052	2053-2057
Home Ownership Revenue Bond Resolutions:					
1987	92,205	36,655	32,885	--	--
1988	92,325	58,450	45,390	--	--
Home Ownership Mortgage Revenue Bonds	11,820	10,520	93,023	--	--
Facility Refunding Bonds	--	--	--	--	--
Housing Revenue Bonds	55,030	33,520	17,330	15,125	7,635
Multifamily Housing Bonds	16,735	29,760	17,225	9,310	650
General Fund	--	--	--	--	--
Totals	268,115	168,905	205,853	24,435	8,285

6. Bonds and Notes Payable (continued)

Using rates as of June 30, 2017, 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.

	2018	2019	2020	2021	2022	2023-2027	2028-2032
Home Ownership Revenue Bond Resolutions:							
1987	11,991	8,863	8,672	8,443	8,178	36,273	27,873
1988	8,473	6,287	6,164	6,017	5,858	26,522	22,588
Home Ownership Mortgage Revenue Bonds	3,601	3,756	3,722	3,683	3,642	17,547	16,663
Facility Refunding Bonds	8	-	--	--	--	--	--
Housing Revenue Bonds	8,809	7,335	7,104	6,842	6,586	28,725	20,179
Multifamily Housing Bonds	2,234	2,200	2,156	2,116	2,073	9,639	8,189
General Fund	731	150	150	150	75	--	--
Totals	35,847	28,591	27,968	27,251	26,412	118,706	95,492

	2033-2037	2038-2042	2043-2047	2048-2052	2053-2057
Home Ownership Revenue Bond Resolutions:					
1987	18,829	8,708	2,415	--	--
1988	18,391	12,104	3,129	--	--
Home Ownership Mortgage Revenue Bonds	15,104	13,210	12,512	209	--
Facility Refunding Bonds	--	--	--	--	--
Housing Revenue Bonds	12,022	6,691	3,042	1,327	137
Multifamily Housing Bonds	6,375	3,972	1,880	491	20
General Fund	--	--	--	--	--
Totals	70,721	44,685	22,978	2,027	157

During the years ended June 30, 2017 and 2016, 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):

	2017	2016
Home Ownership Revenue Bond Resolutions:		
1987	64,805	193,210
1988	31,860	230,475
Home Ownership Mortgage Revenue Bonds	11,740	11,015
Facility Refunding Bonds	--	--
Housing Revenue Bonds	11,920	90,080
Multifamily Housing Bonds	17,495	395
General Fund	--	--
Total	137,820	525,175

The Authority issued $141.4 million in Home Ownership Revenue Bonds in the 1987 Resolution. Bond proceeds of $31.4 million were used to redeem existing Home Ownership Revenue Bonds. The projected debt service payments on the existing bonds was $38.8 million and the projected debt service on the new bonds is expected to be $34.8 million. The projected economic gain using 2.3% was $3.5 million. The Authority also issued $15.7 million of Housing Revenue Bonds. Bond proceeds of $3.9 million were used to redeem existing Housing Revenue Bonds. The projected debt service payments on the existing bonds was $5.9 million and the projected debt service on the new bonds is expected to be $5.8 million. The projected economic gain using 3.85% was $184,000.

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, 2017 and 2016 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.

7. Derivatives (continued)

The following table outlines information related to agreements in place as of June 30, 2017 and 2016 (in thousands of dollars):

Program and Bond Issue	Notional Value at 6/30/17	Effective Date	Swap Termination Date	Counterparty Credit Rating	Fixed Rate Paid	Variable Rate/Index Received[4] [5]	Swap Termination Market Value at 06/30/17	Swap Termination Market Value at 06/30/16	Change in Fair Value
HRB[1]									
2005 Series F	59,235	01/17/2006	11/01/2030	A+/Aa3	5.21%	1 Month LIBOR	(12,662)	(19,100)	6,438
2006 Series C	--	12/14/2006	11/01/2016	A+/Aa3	3.64%	SIFMA + 2 Basis Points	--	(34)	34
2006 Series D	--	12/14/2006	11/01/2016	A+/Aa3	3.64%	SIFMA + 2 Basis Points	--	(45)	45
2007 Series F	10,180	12/19/2007	11/01/2025	A+/Aa3	4.01%	SIFMA + 6 Basis Points	(1,653)	(2,511)	858
2007 Series G	4,810	12/19/2007	11/01/2025	A+/Aa3	4.01%	SIFMA + 6 Basis Points	(781)	(1,187)	406
		Total HRB Swap Termination Market Value					(15,096)	(22,877)	7,781
MHB[2]									
2007 Series A	6,875	06/29/2007	10/01/2022	A+/Aa3	4.43%	SIFMA + 6 Basis Points	(929)	(1,413)	484
2007 Series B	3,655	06/29/2007	10/01/2022	A+/Aa3	5.90%	1 Month LIBOR - 2 Basis Points	(702)	(1,055)	353
2007 Series C	5,895	08/02/2007	09/01/2024	A+/Aa3	4.33%	SIFMA + 2 Basis Points	(1,001)	(1,488)	487
2008 Series A	6,415	08/28/2008	10/01/2026	AA-/Aa2	3.89%	SIFMA + 2 Basis Points	(1,066)	(1,641)	575
2008 Series A	4,125	08/28/2008	10/01/2026	AA-/Aa2	3.89%	SIFMA + 2 Basis Points	(685)	(1,055)	370
2008 Series B	2,385	08/28/2008	10/01/2026	AA-/Aa2	5.08%	LIBOR + 7 Basis Points	(541)	(823)	282
2011 Series A	8,550	09/01/2012	09/01/2018	A/A2	2.10%	SIFMA	(109)	(296)	187
		Total MHB Swap Termination Market Value					(5,033)	(7,771)	2,738
1987 HORB[3]									
2002 Series B	890	02/06/2002	03/01/2020	A+/Aa3	5.88%	1 Month LIBOR + 35 Basis Points	(41)	(102)	61
2003 Series B	17,350	07/29/2003	09/01/2034	A+/Aa3	3.94%	65% of 1 Month LIBOR + 25 Basis Points	(2,655)	(3,516)	861
2007 Series B	--	04/10/2007	09/01/2026	AA/Aa3	5.20%	1 Month LIBOR	--	(112)	112
2007 Series E	20,525	12/18/2007	09/01/2038	AA/Aa3	3.96%	62% of 1 Month LIBOR + 38 Basis Points	(103)	(780)	677
2015 Series C	44,205	03/01/2016	03/01/2031	AA-/A1	1.28%	67% of 1 Month LIBOR	(577)	(2,694)	2,117
		Total 1987 HORB Swap Termination Market Value					(3,376)	(7,204)	3,828
1988 HORB[3]									
2004 Series E	21,580	11/23/2004	09/01/2035	A+/Aa3	3.99%	65% of 1 Month LIBOR + 25 Basis Points	(3,543)	(5,600)	2,057
2007 Series C	--	06/28/2007	09/01/2016	A+/Aa3	4.11%	SIFMA + 8 Basis Points	--	(5)	5
2007 Series D	--	06/28/2007	09/01/2016	A+/Aa3	5.62%	1 Month LIBOR	--	(6)	6
2007 Series D	16,735	06/28/2007	09/01/2028	A+/Aa3	6.01%	1 Month LIBOR	(133)	(1,124)	991
2008 Series A	9,220	05/15/2008	03/01/2019	AA-/Aa2	3.35%	SIFMA + 8 Basis Points	(174)	(541)	367
2008 Series A	9,575	05/15/2008	09/01/2038	AA/Aa3	3.86%	62% of 1 Month LIBOR + 38 Basis Points	(46)	(383)	337
2016 Series C	60,000	04/27/2016	03/01/2038	AA-/A1	1.911%	67% of 1 Month LIBOR	713	(2,135)	2,848
		Total 1988 HORB Swap Termination Market Value					(3,183)	(9,794)	6,611
		Total Swap Termination Market Value					(26,688)	(47,646)	20,958

[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 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, 2017 or June 30, 2016. 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, 2017, 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, 2017, the counterparty or counterparty guarantor in 10% of the outstanding swaps were rated AA/Aa3, 7% of the outstanding swaps were rated AA-/Aa2, 33% 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, 2017, 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-/A1 has collateral requirements starting at AA/Aa2 and a posting threshold of $50.0 million. The posting threshold at the current rating of AA-/A1 is $15.0 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, 2017, 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 D	03/01/2038	09/01/2028
1988 HORB 2008 Series A	09/01/2038	03/01/2019
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, 2017, 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
2018	11,900	3,287	8,222	23,409
2019	19,040	2,877	7,651	29,568
2020	6,330	2,774	7,282	16,386
2021	6,200	2,704	7,031	15,935
2022	6,260	2,639	6,752	15,651
2023 – 2027	73,775	11,241	27,130	112,146
2028 – 2032	86,350	7,137	15,798	109,285
2033 – 2037	88,395	2,745	6,121	97,261
2038 – 2042	13,955	88	282	14,325
Totals	312,205	35,492	86,269	433,966

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, 2017 and 2016, approximately $491.7 million and $479.4 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 $214.9 million and $205.9 million as of June 30, 2017 and 2016, respectively.

The unrestricted General Fund net position of $5.9 million as of June 30, 2017 will be used according to the 2017-2018 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.

9. Retirement and Other Benefits(continued)

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.

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
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%
2016	0.5%	(5.0)%

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 $668,200 in contributions from the employer. Contribution rates as of June 30, 2017 and June 30, 2016 are as follows:

	2017	2017	2016	2016
Employee Category	Employee	Employer	Employee	Employer
General (including teachers, executives and elected officials)	6.6%	6.6%	6.8%	6.8%
Protective with Social Security	6.6%	9.4%	6.8%	9.5%
Protective without Social Security	6.6%	13.2%	6.8%	13.1%

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

At June 30, 2017, the Authority reported a liability of $577,790 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. 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 contributions of all participating employers. At December 31, 2016, the Authority's proportion was .07%, which was a decrease of .002% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the Authority recognized pension expense of $1,513,529.

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.

At June 30, 2017 and 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands of dollars):

	2017	2017	2016	2016
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$220	($1,817)	$205	($2,458)
Net differences between projected and actual earnings on pension plan investments	$3,446	($570)	$817	$0
Changes in assumptions	$604	$0	$4,804	$0
Changes in proportion and differences between employer contributions and proportionate share of contributions	$93	$0	$5	($1)
Employer contributions subsequent to the measurement date	$357	$0	$321	$0
Total	$4,720	($2,387)	$6,152	($2,459)

$357,000 and $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 years ended June 30, 2017 and 2016, respectively.

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):

	Fiscal Year 2017	
Year ended June 30:	Deferred Outflow of Resources	Deferred Inflows of Resources
2017	$1,516	($723)
2018	$1,516	($723)
2019	$1,271	($723)
2020	$59	($219)
Thereafter	$2	$0

	Fiscal Year 2016	
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)

9. Retirement and Other Benefits(continued)

Actuarial assumptions. The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset)	December 31, 2016
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 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 actuarial valuation.

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, 2016

	Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Core Fund Asset Class				
Global Equities	50.0	45.0	8.3	5.4
Fixed Income	24.5	37.0	4.2	1.4
Inflation Sensitive Assets	15.5	20.0	4.3	1.5
Real Estate	8.0	7.0	6.5	3.6
Private Equity/Debt	8.0	7.0	9.4	6.5
Multi-Asset	4.0	4.0	6.6	3.7
Total Core Fund	110	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 3.78%. 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

9. Retirement and Other Benefits(concluded)

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):

Fiscal Year 2017	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)	$7,601	$578	($4,831)

Fiscal Year 2016	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, 2017
with comparative totals for June 30, 2016

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Combining Statements of Net Position
June 30, 2017
with comparative totals for June 30, 2016
(Thousands of Dollars)

	Single Family Bonds	Housing Revenue Bonds	Multifamily Housing Bonds	State of Wisconsin Programs	General Fund	Total 2017	Total 2016
Assets							
Current Assets:							
Cash and cash equivalents (Notes 1 & 4)	128,688	120,732	9,364	17,445	137,402	413,631	391,440
Investments (Notes 1 & 4)	943	-	-	-	14,030	14,973	13,887
Investment interest receivable	97	120	4	4	63	288	196
Mortgage-backed securities investment interest receivable	1,237	86	-	-	-	1,323	720
Mortgage loans receivable, net (Notes 1 & 5)	19,353	18,851	2,046	260	5,603	46,113	44,992
Mortgage interest receivable	3,489	1,635	416	71	1,054	6,665	8,546
Accounts receivable	745	-	-	32	2,168	2,945	2,267
Prepaid expense	53	22	6	-	12	93	105
Interfunds	(12,593)	(1,394)	(1,339)	(94)	15,420	-	-
Total Current Assets	142,012	140,052	10,497	17,718	175,752	486,031	462,153
Noncurrent Assets:							
Investments (Notes 1 & 4)	805	5,899	-	-	9,272	15,976	35,259
Mortgage-backed securities (Notes 1 & 4)	488,693	33,982	-	-	-	522,675	276,814
Mortgage loans receivable, net (Notes 1 & 5)	471,664	387,629	102,494	1,006	165,763	1,128,556	1,237,365
Other assets (Note 1)	-	-	-	-	16,491	16,491	17,063
Total Noncurrent Assets	961,162	427,510	102,494	1,006	191,526	1,683,698	1,566,501
Total Assets	1,103,174	567,562	112,991	18,724	367,278	2,169,729	2,028,654
Deferred Outflow of Resources							
Accumulated decrease in fair value of hedging derivatives (Notes 1 & 7)	6,559	15,096	5,033	-	-	26,688	47,646
Deferred Outflow of Resources - Pension (Notes 9 & 10)	-	-	-	-	4,720	4,720	6,152
Total Deferred Outflow of Resources	6,559	15,096	5,033	-	4,720	31,408	53,798
Liabilities							
Current Liabilities:							
Bonds and notes payable (Notes 1 & 6)	21,678	11,749	1,590	-	31,647	66,664	52,973
Accrued interest payable	6,911	1,734	709	-	206	9,560	8,563
Total Current Liabilities	28,589	13,483	2,299	-	31,853	76,224	61,536
Noncurrent Liabilities:							
Bonds and notes payable (Notes 1 & 6)	797,618	342,730	106,665	-	4,000	1,251,013	1,149,143
Escrow deposits (Notes 1 & 4)	-	-	-	-	81,972	81,972	82,133
Derivative instrument - interest rate swaps (Notes 1 & 7)	6,559	15,096	5,033	-	-	26,688	47,649
Net Pension Liability	-	-	-	-	578	578	1,166
Other liabilities	411	154	41	5,667	32,918	39,191	38,476
Total Noncurrent Liabilities	804,588	357,980	111,739	5,667	119,468	1,399,442	1,318,567
Total Liabilities	833,177	371,463	114,038	5,667	151,321	1,475,666	1,380,103
Deferred Inflow of Resources							
Deferred Inflow of Resources - Pension (Notes 9 & 10)	-	-	-	-	2,387	2,387	2,459
Total Deferred Inflow of Resources	-	-	-	-	2,387	2,387	2,459
Net Position							
Net investment in capital assets	-	-	-	-	10,499	10,499	9,358
Restricted by bond resolutions (Note 8)	276,556	211,195	3,986	-	-	491,737	479,356
Restricted by contractual agreements (Note 8)	-	-	-	13,057	201,848	214,905	205,884
Unrestricted (Note 8)	-	-	-	-	5,943	5,943	5,292
Total Net Position	276,556	211,195	3,986	13,057	218,290	723,084	699,890

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Combining Statements of Revenues, Expenses And Change in Net Position For the Year Ended June 30, 2017 with comparative totals for the year ended June 30, 2016

(Thousands of Dollars)

	Single Family Bonds	Housing Revenue Bonds	Multifamily Housing Bonds	State of Wisconsin Programs	General Fund	Total 2017	Total 2016
Mortgage income (Note 1)	32,149	19,590	5,460	89	7,989	65,277	71,430
Investment interest (Note 1)	796	814	50	81	1,268	3,009	2,726
Net increase (decrease) in fair value of investments	(48)	(138)	-	-	1,953	1,767	1,215
Mortgage-backed securities investment income	10,811	625	-	-	882	12,318	6,417
Net increase in fair value of mortgage-backed securities	(12,783)	46	-	-	(125)	(12,862)	8,951
Interest expense (Note 1)	(19,959)	(10,344)	(3,747)	-	(1,322)	(35,372)	(37,758)
Debt financing costs	(1,923)	(324)	-	-	-	(2,247)	(4,195)
Net Investment Income	9,043	10,269	1,763	170	10,645	31,890	48,786
Mortgage service fees	463	165	-	7	7,431	8,066	6,512
Pass-through subsidy revenue (Note 1)	-	14,219	-	-	170,657	184,876	176,353
Grant Income	-	-	-	-	530	530	-
Other income (Note 1)	-	115	7	41	16,453	16,616	16,109
Net Investment and Other Income	9,506	24,768	1,770	218	205,716	241,978	247,760
Direct loan program expense	3,443	1,079	232	6	9,002	13,762	14,095
Pass-through subsidy expense (Note 1)	-	14,219	-	-	170,657	184,876	176,353
Grants and services	-	-	-	-	772	772	525
General and administrative expenses	4,034	2,130	102	298	11,972	18,536	17,313
Other expense (Note 1)	-	-	-	-	838	838	943
Total Expenses	7,477	17,428	334	304	193,241	218,784	209,229
Change in Net Position	2,029	7,340	1,436	(86)	12,475	23,194	38,531
Net Position, Beginning of Year	273,275	203,531	2,550	13,096	207,438	699,890	661,359
Transfers between programs (Note 8)	1,252	324	-	47	(1,623)	-	-
Net Position, End of Year	276,556	211,195	3,986	13,057	218,290	723,084	699,890

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Combining Statements of Cash Flows
For the Year Ended June 30, 2017
with comparative totals for the year ended June 30, 2016
(Thousands of Dollars)

	Single Family Bonds	Housing Revenue Bonds	Multifamily Housing Bonds	State of Wisconsin Programs	General Fund	Total 2017	Total 2016
Cash Flows from Operating Activities:							
Cash received from interest on mortgage loans	34,096	19,592	5,509	113	7,848	67,158	73,014
Cash received from mortgage payments	101,443	25,961	19,320	494	26,698	173,916	210,644
Cash received from other fees and other income	454	280	7	15	24,238	24,994	24,205
Cash payments to purchase mortgage loans	8,981	(18,040)	-	(193)	(56,979)	(66,231)	(105,792)
Cash received from escrow deposits, net	-	-	-	-	(161)	(161)	8,311
Cash payments to employees	(3,227)	(1,704)	(81)	(238)	(9,387)	(14,637)	(13,408)
Cash payments to vendors	(4,247)	(1,543)	(353)	(75)	(10,519)	(16,737)	(21,974)
Transfers between programs and change in interfunds	3,186	352	81	(170)	(3,449)	-	-
Net Cash Provided by (Used in) Operating Activities	140,686	24,898	24,483	(54)	(21,711)	168,302	175,000
Cash Flows from Non-Capital Financing Activities:							
Proceeds from issuance of bonds and notes	235,292	39,451	-	-	17,773	292,516	546,163
Repayments on bonds and notes	(127,740)	(23,095)	(19,575)	-	(6,831)	(177,241)	(570,782)
Interest paid on bonds, notes and escrows	(21,019)	(10,283)	(3,800)	-	(1,228)	(36,330)	(42,264)
Net Cash Provided by (Used in) Non-Capital Financing Activities	86,533	6,073	(23,375)	-	9,714	78,945	(66,883)
Cash Flows from Investing Activities:							
Purchases of investments	(275,567)	(34,278)	-	-	(219,435)	(529,280)	(361,218)
Proceeds from sales and maturities of investments	36,100	13,201	-	500	238,301	288,102	258,761
Investment interest received	11,026	1,323	47	80	4,328	16,804	9,265
Net Cash Provided by (Used in) Investing Activities	(228,441)	(19,754)	47	580	23,194	(224,374)	(93,192)
Cash Flows from Capital Financing Activities:							
Purchases of capital assets, net of sales	-	-	-	-	(682)	(682)	(720)
Net Cash Used in Capital Financing Activities	-	-	-	-	(682)	(682)	(720)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,222)	11,217	1,155	526	10,515	22,191	14,205
Cash and Cash Equivalents, Beginning of Year	129,910	109,515	8,209	16,919	126,887	391,440	377,235
Cash and Cash Equivalents, End of Year	128,688	120,732	9,364	17,445	137,402	413,631	391,440

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Combining Statements of Cash Flows
For the Year Ended June 30, 2017
with comparative totals for the year ended June 30, 2016
(Thousands of Dollars)

	Single Family Bonds	Housing Revenue Bonds	Multifamily Housing Bonds	State of Wisconsin Programs	General Fund	Total 2017	Total 2016
Reconciliation of Change in Net Position to Net Cash Provided by (Used in) Operating Activities:							
Change in Net Position	2,029	7,340	1,436	(86)	12,475	23,194	38,531
Adjustments to Reconcile Change in Net Position to Net Cash Provided by (Used in) Operating Activities:							
Net (increase) decrease in fair value of investments and mortgage-backed securities	12,831	92	-	-	(1,828)	11,095	(10,166)
Provision for loan loss	421	-	-	-	705	1,126	1,529
Interest expense	19,959	10,344	3,747	-	1,321	35,371	37,755
Income on investments and mortgage backed securities	(11,607)	(1,438)	(50)	(81)	(2,151)	(15,327)	(9,142)
Depreciation and amortization	-	-	-	-	(1,526)	(1,526)	(996)
Decrease (Increase) in mortgage loans receivable and real estate held	110,003	7,920	19,320	301	(30,985)	106,559	103,323
Increase in escrows	-	-	-	-	(161)	(161)	8,249
Other	7,050	640	30	(188)	439	7,971	5,917
Net Cash Provided by (Used in) Operating Activities	140,686	24,898	24,483	(54)	(21,711)	168,302	175,000

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Combining Statements of Net Position - Home Ownership Mortgage Loan Program
June 30, 2017
with comparative totals for June 30, 2016
(Thousands of Dollars)

	Single Family Bonds				Total	
	1987	1988	2009	Other Home	2017	2016
Assets						
Current Assets:						
Cash and cash equivalents (Notes 1 & 4)	68,496	48,229	11,291	672	128,688	129,910
Investments (Notes 1 & 4)	876	67	-	-	943	1,987
Investment interest receivable	57	29	7	4	97	73
Mortgage-backed securities investment interest receivable	458	410	369	-	1,237	680
Mortgage loans receivable, net (Notes 1 & 5)	8,611	10,742	-	-	19,353	21,172
Mortgage interest receivable	1,540	1,949	-	-	3,489	5,436
Accounts receivable	327	418	-	-	745	736
Prepaid expense	21	31	1	-	53	70
Interfunds	(4,972)	(3,501)	(3,447)	(673)	(12,593)	(10,657)
Total Current Assets	75,414	58,374	8,221	3	142,012	149,407
Noncurrent Assets:						
Investments (Notes 1 & 4)	267	538	-	-	805	2,569
Mortgage-backed securities (Notes 1 & 4)	192,928	159,795	135,970	-	488,693	259,248
Mortgage loans receivable, net (Notes 1 & 5)	207,732	263,932	-	-	471,664	580,270
Other assets (Note 1)	-	-	-	-	-	-
Total Noncurrent Assets	400,927	424,265	135,970	-	961,162	842,087
Total Assets	476,341	482,639	144,191	3	1,103,174	991,494
Deferred Outflow of Resources						
Accumulated decrease in fair value of hedging derivatives (Notes 1 & 7)	3,376	3,183	-	-	6,559	16,998
Liabilities						
Current Liabilities:						
Bonds and notes payable (Notes 1 & 6)	12,519	7,935	1,224	-	21,678	20,679
Accrued interest payable	3,564	3,002	345	-	6,911	6,009
Total Current Liabilities	16,083	10,937	1,569	-	28,589	26,688
Noncurrent Liabilities:						
Bonds and notes payable (Notes 1 & 6)	358,340	307,124	132,154	-	797,618	691,107
Escrow deposits (Notes 1 & 4)	-	-	-	-	-	-
Derivative instrument - interest rate swaps (Notes 1 & 7)	3,376	3,183	-	-	6,559	17,001
Other liabilities	151	215	45	-	411	421
Total Noncurrent Liabilities	361,867	310,522	132,199	-	804,588	708,529
Total Liabilities	377,950	321,459	133,768	-	833,177	735,217
Net Position						
Net investment in capital assets	-	-	-	-	-	-
Restricted by bond resolutions (Note 8)	101,767	164,363	10,423	3	276,556	273,275
Restricted by contractual agreements (Note 8)	-	-	-	-	-	-
Unrestricted (Note 8)	-	-	-	-	-	-
Total Net Position	101,767	164,363	10,423	3	276,556	273,275

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, 2017 with comparative totals for the year ended June 30, 2016

(Thousands of Dollars)

	Single Family Bonds 1987	Single Family Bonds 1988	Single Family Bonds 2009	Other Home	Total 2017	Total 2016
Mortgage income (Note 1)	14,099	18,050	-	-	32,149	39,326
Investment interest (Note 1)	480	258	57	1	796	698
Net increase (decrease) in fair value of investments	(16)	(32)	-	-	(48)	(68)
Mortgage-backed securities investment income	4,412	4,476	1,923	-	10,811	5,511
Net increase in fair value of mortgage-backed securities	(5,567)	(4,584)	(2,632)	-	(12,783)	8,157
Interest expense (Note 1)	(9,324)	(9,119)	(1,516)	-	(19,959)	(22,718)
Debt financing costs	(1,256)	-	(667)	-	(1,923)	(3,530)
Net Investment Income	2,828	9,049	(2,835)	1	9,043	27,376
Mortgage service fees	160	188	115	-	463	99
Pass-through subsidy revenue (Note 1)	-	-	-	-	-	-
Other income (Note 1)	-	-	-	-	-	-
Net Investment and Other Income	2,988	9,237	(2,720)	1	9,506	27,475
Direct loan program expense	1,432	2,002	9	-	3,443	4,444
Pass-through subsidy expense (Note 1)	-	-	-	-	-	-
Grants and services	-	-	-	-	-	-
General and administrative expenses	1,905	1,832	297	-	4,034	2,931
Total Expenses	3,337	3,834	306	-	7,477	7,375
Change in Net Position	(349)	5,403	(3,026)	1	2,029	20,100
Net Position, Beginning of Year	101,367	158,959	12,948	1	273,275	251,247
Transfers between programs (Note 1)	749	1	501	1	1,252	1,928
Net Position, End of Year	101,767	164,363	10,423	3	276,556	273,275

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Combining Statements of Cash Flows - Home Ownership Mortgage Loan Program
For the Year Ended June 30, 2017
with comparative totals for the year ended June 30, 2016
(Thousands of Dollars)

	Single Family Bonds				Total	
	1987	1988	2009	Other Home	2017	2016
Cash Flows from Operating Activities:						
Cash received from interest on mortgage loans	14,885	19,211	-	-	34,096	40,890
Cash received from mortgage payments	46,244	55,199	-	-	101,443	114,144
Cash received from other fees and other income	112	227	115	-	454	592
Cash payments to purchase mortgage loans	4,464	4,517	-	-	8,981	15,946
Cash from escrow deposits, net	-	-	-	-	-	-
Cash payments to employees	(1,524)	(1,466)	(237)	-	(3,227)	(2,278)
Cash payments to vendors	(1,789)	(2,400)	(25)	(33)	(4,247)	(8,604)
Transfers between programs and change in interfunds	3,389	4,865	797	(5,865)	3,186	4,437
Net Cash Provided by Operating Activities	65,781	80,153	650	(5,898)	140,686	165,127
Cash Flows from Non-Capital Financing Activities:						
Proceeds from issuance of bonds and notes	142,936	-	92,356	-	235,292	448,808
Repayments on bonds and notes	(74,145)	(40,295)	(13,300)	-	(127,740)	(453,290)
Interest paid on bonds, notes and escrows	(10,420)	(8,959)	(1,640)	-	(21,019)	(27,090)
Net Cash Used in Non-Capital Financing Activities	58,371	(49,254)	77,416	-	86,533	(31,572)
Cash Flows from Investing Activities:						
Purchases of investments	(136,295)	(46,249)	(93,023)	-	(275,567)	(219,329)
Proceeds from sales and maturities of investments	14,527	8,714	12,859	-	36,100	53,248
Investment interest received	4,608	4,626	1,792	-	11,026	5,568
Net Cash (Used in) Provided by Investing Activities	(117,160)	(32,909)	(78,372)	-	(228,441)	(160,513)
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	6,992	(2,010)	(306)	(5,898)	(1,222)	(26,958)
Cash and Cash Equivalents, Beginning of Year	61,504	50,239	11,597	6,570	129,910	156,868
Cash and Cash Equivalents, End of Year	68,496	48,229	11,291	672	128,688	129,910

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Combining Statements of Cash Flows - Home Ownership Mortgage Loan Program
For the Year Ended June 30, 2017
with comparative totals for the year ended June 30, 2016
(Thousands of Dollars)

	Single Family Bonds				Total	
	1987	1988	2009	Other Home	2017	2016
Reconciliation of Change in Net Position to Net Cash Provided by						
Operating Activities:						
Change in Net Position	(349)	5,403	(3,026)	1	2,029	20,100
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	5,583	4,616	2,632	-	12,831	(8,089)
Provision for loan loss	151	270	-	-	421	684
Interest expense	9,324	9,119	1,516	-	19,959	22,718
Income on investments and mortgage backed securities	(4,892)	(4,734)	(1,980)	(1)	(11,607)	(6,208)
Depreciation and amortization	-	-	-	-	-	-
Decrease in mortgage loans						
receivable and real estate held	50,556	59,447	-	-	110,003	129,406
Other	5,408	6,032	1,508	(5,898)	7,050	6,516
Net Cash Provided by Operating Activities	65,781	80,153	650	(5,898)	140,686	165,127

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

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

	2015	2016	2017
Authority's proportion of the net pension liability (asset)	.074%	.072%	.070%
Authority's proportionate share of the net pension liability (asset)	($1,828)	$1,166	$578
Authority's covered-employee payroll	$9,909	$9,868	$10,124
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.74%	98.2%	99.12%

*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	2017
Contractually required contributions	$694	$671	$668
Contributions in relation to the contractually required contributions	($694)	($671)	($668)
Contribution deficiency (excess)	$0.00	$0.00	$0.00
Authority's covered-employee payroll	$9,909	$9,868	$10,124
Contributions as a percentage of covered-employee payroll	7.0%	6.8%	6.6%

*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, 2017

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.