



**Idaho Housing
and Finance**
Association
www.ihfa.org

**Audit Report as of
June 30, 2016 and 2015**



Independent Auditor's Report

To the Board of Commissioners
Idaho Housing and Finance Association
Boise, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Idaho Housing and Finance Association, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Idaho Housing and Finance Association'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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 auditor's 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 Association'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 Association'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 the business-type activities and the discretely presented component unit of the Idaho Housing and Finance Association as of June 30, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Association has adopted the provisions of GASB Statement No. 72, *Fair Valuation Measurement and Application*, which has resulted in a restatement of the net position as of July 1, 2015. In accordance with GASB Statement No. 72, the 2015 financial statements have not been restated to reflect this change. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7 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 an opinion on the financial statements that collectively comprise the Idaho Housing and Finance Association's basic financial statements. The supplementary financial information on pages 47 through 52 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary financial information on pages 47 through 52 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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.



Boise, Idaho
October 14, 2016

IDAHO HOUSING AND FINANCE ASSOCIATION

Management's Discussion and Analysis

June 30, 2016

The Idaho Housing and Finance Association's (Association) Management Discussion and Analysis presents readers of the Association's financial statements a narrative overview and analysis of the financial activities of the Association for the years ended June 30, 2016 and 2015.

Organizational Overview

The Association is a self-supporting organization that must generate all revenue necessary to cover the cost of its operations. The Association services loans for single-family borrowers in Idaho, Connecticut, Iowa, New Mexico, and South Dakota, and multifamily affordable housing projects in Idaho. The Association administers fifteen (15) Housing and Urban Development (HUD) programs---Emergency Shelter Grants Program, HOME Investment Partnerships Program, Housing Opportunities for Persons with AIDS, Neighborhood Stabilization Program, Continuum of Care Program, Comprehensive Housing and Counseling Program, FSS Program, Section 8 New Construction/Substantial Rehabilitation, Section 8 Performance Based Contract Administration, Low Rent Public Housing Operating Subsidy, Public Housing Capital Fund, Housing Choice Voucher Program, Mainstream 5 Year Program, Federal Housing Administration Insured Mortgage Loans, and Public and Indian Housing Loan Guarantee program; two (2) U.S. Treasury programs---Tax Credit Assistance Program and State Small Business Credit Initiative; one (1) Department of Veterans Affairs (VA) program---Guaranteed Mortgage Loans; and one (1) U.S. Department of Agriculture (USDA) program---USDA Rural Housing Services Insured Mortgage Loans. The Association also issues bonds to finance nonprofit facilities, economic development projects, and road improvements throughout the State of Idaho.

Financial Highlights

The Association's net position increased during its fiscal year 2016 (FY2016), reflecting a positive net interest margin, higher servicing revenue, and controlled costs. Assets increased reflecting an increase in Association-agent serviced loans (which are not reflected in the GAAP-based basic financial statements) offset slightly by a decrease in Association-owned loans. Deferred Outflow of Resources increased representing the amortization of previously hedged---now deemed terminated---interest swap contracts and the natural extinguishment of the notional amount of interest swap contracts offset by a value increase due to market declines in interest rates. Liabilities increased reflecting an increase of Association-serviced loans in agency status (which are not reflected in the GAAP-based basic financial statements), cash held in custodial accounts for borrowers and investors, and the increase in the fair value of Association's interest rate swap contract position. This increase is offset by the continuing retirement of outstanding debt and the lack in the issuance of a substantial amount of new debt. Deferred Inflow of Resources declined representing the change of the hedged fair value of deemed terminated swap positions caused mostly from the decline of market interest rates.

The financial highlights of the Association as of June 30, 2016 compared to June 30, 2015 are as follows:

- Total net position, after fair market value and federal pass-through adjustments, increased \$10.39 million or 4.02 %.
- Total net position, before fair market value and federal pass-through adjustments, increased \$9.74 million or 3.79%.
- Total assets decreased \$152.43 million or 8.18%
- Total deferred outflow of resources decreased \$3.28 million or 4.75%
- Total liabilities decreased \$159.54 million or 9.53%
- Total deferred inflow of resources decreased \$.54 million or 100.00%
- Cash and investments increased \$36.29 million or 9.97%
- Loans held for investment decreased \$103.26 million or 17.79%
- Bonds payable decreased \$170.79 million or 11.73%
- Interest rate swap contracts' fair value increased \$5.82 million or 7.88%
- Escrow and Project Reserve Deposits increased \$15.60 or 86.84%
- Investor Remittances increased \$14.61 or 52.80%

- Other liabilities increased \$1.36 million or 11.71%
- Interest on loans decreased \$5.86 million or 13.87%
- Interest on investments decreased \$.34 million or 7.06%
- Gain on loan sales increased \$5.81 million or 24.93%
- Other revenue decreased \$4.96 million or 59.28%
- Loan acquisition cost expense increased \$9.34 million or 35.57%
- Fair value of investments decreased \$ 1.22 million or 52.49%
- Federal pass-through revenues increased \$4.78 million or 12.50%
- Federal pass-through expenses increased \$4.13 million or 10.50%

The Association experienced a solid, productive FY16 amid a tepid, low-growth economic environment, a vibrant Idaho real estate market and modest declines in interest rates. The following significant factors characterized and affected the Association's financial results:

- 1) Increased loan production and servicing portfolio value,
- 2) higher loan acquisition costs relative to gains on loan sales,
- 3) modestly declining interest rates,
- 4) higher bond trust losses due to higher pre-payment speeds,
- 5) real estate owned loss experience returning to pre-2008 levels,

With the fallout of the financial crisis of 2008-2009 largely behind us, the Association's results for FY16 reflect a continuing path of returning to market-driven conditions (albeit supported with federal government loan guarantees) premised on the expiration of certain federal government crisis-era financial market-support programs. These programs, implemented at the height of the financial crisis, were designed to improve distressed conditions and stabilize economic activity. This crisis, in part precipitated by poor underwriting standards of subprime and exotic loans during the 2004 to 2007 period, led to a severe disruption of the world's financial markets.

While the Association never participated in the market for subprime or other exotic loans, failure of these loan products across the United States played a significant role in disrupting its economy and financial markets and, ultimately, the Association's traditional vehicle for financing its home loan products: tax-exempt single-family mortgage revenue bonds. As a means to maintain the vitality of its mission, the Association entered into relationships to sell, while retaining the servicing component, loans to the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), and other investors under the guarantee of the Government National Mortgage Association (GNMA). This has led to a significant change in the composition of the Association's servicing portfolio from a practice of acquiring, owning, and servicing to acquiring, selling, and servicing loans. This has allowed the Association to avoid much of the fallout related to the financial crisis. During approximately the same period that the Association entered into these relationships, the United States Federal Reserve System became a significant investor in securities issued by FNMA and FHLMC and guaranteed by GNMA. The Federal Reserve undertook this role with the stated intention of stabilizing stock and bond security prices and stimulating economic growth. The Federal Reserve's investment activity influenced mortgage security market prices and market price relationships. Even though the Federal Reserve tapered its market activities during FY 2016, market interest rates fell, most likely reflecting anemic economic growth. The declines in interest rates in FY16 had the effect of increasing prepayments in the Association's remaining bond trusts and increased losses in those bond trusts.

The Association continued to develop marketing and relationship channels in the State of Idaho. This effort along with developing additional servicing partnership relationships with four other state housing finance agencies (HFA) has led a significant growth in its servicing portfolio and servicing income. The Association expects this trend to continue for the next few years as it absorbs each HFA's loan servicing potential and the addition of at least two HFAs to its partnership relationship during the next fiscal year. The Association has various joint-venture or sub servicing relationships with Connecticut Housing Finance Authority (CHFA), Iowa Finance Authority (IFA), New Mexico Mortgage Finance Authority (MFA), and South Dakota Housing Development Authority (SDHDA). Overall, the Association has successfully managed its loan and financing programs during this period. Looking forward, the Association expects continued uncertainty in the economic, legal, and mortgage-lending environments but continued loan portfolio growth. The Association has provisioned for non-loan losses on certain legacy transactions associated with the administration of its loans held for investment. Additionally, the

Association has developed an economic development bond program to enhance its offering of products providing financing opportunities to promote economic growth in Idaho.

Lower interest rates impacted the Association's business operations in FY 2016 in two significant ways. On the positive side, lower rates led to a boost in refinancing activity which boosted loan production during the year. On the negative side, lower interest rates depressed net interest spreads in the Association's bond trusts as higher interest rate mortgage loans paid off and those funds were reinvested at lower current market rates until the time the corresponding mortgage revenue bonds were repaid.

To remedy and improve the bond trusts' depressed net interest spread, the Association has capitalized on refinancing opportunities in several bond trusts to reduce variable interest expense dislocations and to stabilize the cash flow outlook of some Association bond indentures under certain cash flow assumptions. The Association negotiated the 2015A Single Family Bond issue during FY2015 and the 2016A and 2016 1 Single Family Bonds at the beginning of FY2017 to buttress the overall financial health of the bond trusts.

See the financial analysis section of this Management's Discussion and Analysis for additional information on the Government Accounting Standards Board (GASB) required fair value adjustments.

Overview of the Financial Statements

This annual financial report consists of three parts: Management's Discussion and Analysis; the financial statements, including notes to the financial statements; and supplemental schedules. Summary information is presented for separate mortgage revenue bond programs in the supplemental schedules.

According to the American Institute of Certified Public Accountants (AICPA), in its Audit Guide for Not-For-Profit Organizations, the Association meets the definition of a governmental entity and incorporates GASB accounting standards into its financial statements. However, due to the nature of the Association, it is considered a Special Purpose Governmental Entity engaged only in business-type activities. Accordingly, the Association uses Proprietary Enterprise Fund reporting and the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

The Association's financial statements provide detailed information about the most significant activities within the Proprietary Fund. Some of the activities are required by the Department of Housing and Urban Development (HUD) or by certain bond requirements. However, the Association has established others to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using grants and other money.

Component units are organizations legally separate from but financially accountable to the Association and their relationship with the Association is such that exclusion would cause the Association's financial statements to be misleading. The Association has determined that The Housing Company and the Home Partnership Foundation are integral and material components of the Association's reporting entity and their respective financial statements have been incorporated as such. Accordingly, The Housing Company's basic financial statements are presented immediately following the Association's basic financial statements while the Home Partnership Foundation's basic financial statements have been blended with the Association's basic financial statements.

Financial Analysis

The following table summarizes the changes in net position that occurred during the years ended June 30, 2016, 2015, and 2014 as well as the changes in net income.

As of June 30, (in thousands)	2016		2015		2014
	Balance	% Change from prior period	Balance	% Change from prior period	Balance
Cash and cash equivalents	\$ 14,729	(4.01%)	\$ 15,344	-40.42%	\$ 25,752
Cash and cash equivalents held in trust or as agent	173,549	160.83%	66,536	115.97%	30,808
Investments, fair value	39,371	27.04%	30,991	-41.12%	52,633
Investments, fair value held in trust	172,684	(31.25%)	251,174	-13.46%	290,232
Loans held for investment, net	477,287	(17.79%)	580,542	-16.46%	694,888
Loans available for sale	121,781	(17.11%)	146,924	55.35%	94,575
Loan servicing contracts, fair value	48,055	21.50%	39,551	35.86%	29,112
GARVEE highway project cost receivable, net	634,693	(2.03%)	647,866	4.78%	618,304
Employment security fund receivable	0	(100.00%)	50,928	-50.51%	102,896
Property and Equipment	5,462	(5.62%)	5,787	0.16%	5,778
Other Assets	23,185	(15.94%)	27,583	7.49%	25,662
Interest rate swap contracts	72,287	4.75%	69,007	-14.72%	80,915
Total Assets and Deferred Outflow	<u>\$ 1,783,083</u>	<u>(7.72%)</u>	<u>\$ 1,932,233</u>	<u>-5.82%</u>	<u>\$ 2,051,555</u>
Bonds	\$ 1,284,829	(11.73%)	\$ 1,455,621	-10.37%	\$ 1,624,103
Commercial Paper	50,000	(33.33%)	75,000	50.00%	50,000
Swap contract fair value liability	79,642	7.88%	73,824	-8.39%	80,589
Interest payable-swap contract	11,007	(8.90%)	12,082	-7.27%	13,029
Escrow and Project Reserve Deposits	33,558	86.84%	17,961	46.78%	12,237
Investor Remittances	42,273	52.80%	27,665	179.25%	9,907
Other Liabilities	12,925	11.71%	11,570	-45.33%	21,165
Interest rate swap contracts	-	(100.00%)	54	-97.84%	2,501
Total Liabilities and Deferred Inflow	<u>\$ 1,514,234</u>	<u>(9.53%)</u>	<u>\$ 1,673,777</u>	<u>-7.71%</u>	<u>\$ 1,813,531</u>
Net investment in capital assets	\$ 5,462	(5.62%)	\$ 5,787	0.16%	\$ 5,778
Bond funds	135,356	(2.08%)	138,226	1.75%	135,850
Section 8 voucher HAP fund	31	(73.95%)	119	-87.08%	921
The HOME Partnership Foundation, Inc fund	1,921	10.34%	1,741	-4.13%	1,816
Unrestricted	126,079	11.99%	112,583	20.21%	93,659
Total Net Position	<u>\$ 268,849</u>	<u>4.02%</u>	<u>\$ 258,456</u>	<u>8.58%</u>	<u>\$ 238,024</u>
Interest on Loans	\$ 36,407	(13.87%)	\$ 42,268	0.50%	\$ 42,058
Government and multifamily trusts' pledged revenues	28,552	(2.67%)	29,334	-2.98%	30,235
Interest on Investments	4,447	(7.06%)	4,785	-20.92%	6,051
Loan servicing fees	16,795	30.61%	12,859	17.36%	10,957
Contract and grant administration fees	7,636	11.52%	6,847	11.42%	6,145
Gains on loan sales	29,114	24.93%	23,304	70.76%	13,647
Other	3,405	(59.28%)	8,361	312.48%	2,027
Total Revenues	<u>126,356</u>	<u>(1.10%)</u>	<u>127,758</u>	<u>14.97%</u>	<u>111,120</u>
Interest	64,307	(8.88%)	70,576	-3.50%	73,138
Salaries and benefits	12,460	6.87%	11,659	9.28%	10,669
Loan acquisition costs	35,610	35.57%	26,267	55.65%	16,876
General operating	6,721	5.51%	6,370	9.73%	5,805
Bond financing costs	926	4530.00%	20	-98.78%	1,640
Grants to others	491	(9.58%)	543	-41.42%	927
Provision for loan loss	283	5.99%	267	-	-
Other	1,838	210.47%	592	-27.00%	811
Total Expenses	<u>122,636</u>	<u>5.45%</u>	<u>116,294</u>	<u>6%</u>	<u>109,866</u>
Operating income/(loss)	<u>3,720</u>	<u>(67.55%)</u>	<u>11,464</u>	<u>814.19%</u>	<u>1,254</u>
Net increase (decrease) in Fair value of investments	1,106	(52.49%)	2,328	-304.21%	(1,140)
Net increase (decrease) in fair value of servicing rights	8,504	(18.54%)	10,439	-	-
Derivative instruments, interest rate swap	(2,484)	(7.86%)	(2,696)	205.32%	(883)
Federal pass-through revenues	43,030	12.50%	38,248	-15.38%	45,201
Federal pass-through expenses	(43,483)	10.50%	(39,351)	-14.10%	(45,808)
Total non-operating revenues and expenses	<u>6,673</u>	<u>(25.59%)</u>	<u>8,968</u>	<u>-440.99%</u>	<u>(2,630)</u>
Increase/(decrease) in net position	<u>\$ 10,393</u>	<u>(49.13%)</u>	<u>\$ 20,432</u>	<u>-1584.88%</u>	<u>\$ (1,376)</u>

The fair value adjustments reported in the Statement of Net Position on page 8 and the Statement of Revenues, Expenses, and Changes in Net Position on page 9 are required under GASB Statements No. 31, *Accounting and*

Financial Reporting for Certain Investments and for External Investment Pools, No. 53, Accounting and Financial Reporting for Derivative Instruments, and No. 72, Fair Value Measurement and Application.

Capital Asset and Debt Administration

Capital Assets: The Association's capital assets include land, buildings, office, and computer equipment. Capital assets are presented in the financial statements at \$5.46 million (net of accumulated depreciation), a decrease of 5.62%, primarily related to the disposition of a Low-Rent Public Housing apartment complex in Kellogg, Idaho. Typically, the change in capital assets in any given year is immaterial to the overall operation of the Association.

Debt: The Association periodically sells bonds to investors to raise capital. Bonds are marketable securities backed by mortgage loans on residential and multifamily properties. The Association's bond issues are highly rated because, in addition to a mortgage on the property being financed, the bond issue requires cash reserves along with mortgage insurance and other safeguards, giving the investor or bondholder additional assurance that the bond issuer (the Association) will repay the loan. The Association issued no new bonds in FY2015 and its bond portfolio decreased by \$170.79 million or 11.73% during the last year to \$1,284.83 million.

Additional information about our long-term liabilities is presented in the notes to the financial statements.

Economic Factors

The primary business activity of the Association is funding the purchase and servicing of single-family home mortgages. The Association's mortgage financing activities are sensitive to the level of interest rates, the spread between the rate available on Association loans and those available in the conventional mortgage markets and the availability of affordable housing. The availability of FNMA, FHMLC, and GNMA to purchase loans or guarantee loan securities; the availability of the Federal Housing Administration (FHA), the Veterans Administration (VA), and the Department of Agriculture's Office of Rural Development (RD) to guarantee loans; the continuation and development of servicing relationships outside of Idaho; and the availability of long-term, tax-exempt financing on favorable terms are key elements in providing the resources necessary for the Association to continue its mortgage financing and servicing activities. In addition, the funding of the Association's federal programs activities is dependent on budget appropriations from the U.S. Department of Housing and Urban Development, as contained in the Federal budget.

Contacting the Association's Financial Management

This financial report is designed to provide a general overview of Idaho Housing and Finance Association's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer at Idaho Housing and Finance Association, P.O. Box 7899, Boise, ID 83707-1899, or contact our website at www.idahohousing.com.

IDAHO HOUSING AND FINANCE ASSOCIATION

Statements of Net Position

As of June 30,	2016	2015
	(in thousands)	
Assets		
Cash and cash equivalents	\$ 14,729	\$ 15,344
Cash and cash equivalents held in trust or as agent	173,549	66,536
Investments, fair value	39,371	30,991
Investments held in trust, fair value	172,684	251,174
Loans available for sale	121,781	146,924
Loan servicing contracts, fair value	48,055	39,551
Loans held for investment, net	477,287	580,542
GARVEE highway project costs receivable, net	634,693	647,866
Employment security reserve fund receivable	-	50,928
Property and equipment	5,462	5,787
Other assets	23,185	27,583
Total Assets	1,710,796	1,863,226
Deferred Outflow of Resources		
Interest rate swap contracts amortized value	40,529	43,098
Interest rate swap contracts fair value	31,758	25,909
Total Deferred Outflow of Resources	72,287	69,007
Total Assets and Deferred Outflow of Resources	\$ 1,783,083	\$ 1,932,233
Liabilities		
Commercial paper	\$ 50,000	\$ 75,000
Bonds	1,284,829	1,455,621
Interest payable-swap contract	11,007	12,082
Investor remittance liability	42,273	27,665
Escrow and project reserve deposits	33,558	17,961
Swap contract fair value	79,642	73,824
Other liabilities	12,925	11,570
Total Liabilities	1,514,234	1,673,723
Deferred Inflow of Resources		
Interest rate swap contracts fair value		54
Total Deferred Inflow of Resources	-	54
Net Position		
Net investment in capital assets	5,462	5,787
Restricted:		
Bond funds	135,356	138,226
Section 8 voucher HAP fund	31	119
The Home Partnership Foundation, Inc fund	1,921	1,741
Unrestricted	126,079	112,583
Total Net Position	268,849	258,456
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 1,783,083	\$ 1,932,233

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

IDAHO HOUSING AND FINANCE ASSOCIATION

Statements of Revenues, Expenses, and Changes in Net Position

For the years ended June 30,

2016

2015

	(in thousands)	
Operating Revenues		
Gain on loan sales	\$ 29,114	\$ 23,304
Interest on loans	36,407	42,268
Government and multifamily trusts' pledged revenues	28,552	29,334
Interest on investments	4,447	4,785
Loan servicing fees	16,795	12,859
Grants and contracts administration fees	7,636	6,847
Other	3,405	8,361
Total operating revenues	<u>126,356</u>	<u>127,758</u>
Operating Expenses		
Loan acquisition costs	35,610	26,267
Interest	64,307	70,576
Salaries and benefits	12,460	11,659
General operating	6,721	6,370
Bond financing costs	926	20
Grant to others	491	543
Provision for loan loss	283	267
Other	1,838	592
Total operating expenses	<u>122,636</u>	<u>116,294</u>
Operating income	<u>3,720</u>	<u>11,464</u>
Nonoperating Revenues and Expenses		
Net increase (decrease) in fair value of investments	1,106	2,328
Net increase (decrease) in fair value of servicing contracts	8,504	10,439
Derivative instruments, interest rate swap	(2,484)	(2,696)
Federal pass-through revenues	43,030	38,248
Federal pass-through expenses	(43,483)	(39,351)
Total nonoperating revenues and expenses	<u>6,673</u>	<u>8,968</u>
Increase (Decrease) in Net Position	<u>10,393</u>	<u>20,432</u>
Net Position		
Net Position-beginning of year	258,456	208,912
Cumulative effect of fair value of servicing contracts		29,112
Net Position-beginning of year-as restated		<u>238,024</u>
Net Position-end of year	<u>\$ 268,849</u>	<u>\$ 258,456</u>

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

IDAHO HOUSING AND FINANCE ASSOCIATION

Statements of Cash Flows

For the Fiscal Years Ended June 30

2016

2015

(in thousands)

Cash Flows from Operating Activities

Receipts from customers, loan interest, and fees	\$ 892,644	\$ 667,389
Loan principal payments	122,152	119,384
Principal and interest pass-through remittances as servicing agent	(628,962)	(427,965)
Loan sales	2,333,718	1,162,702
Loan acquisition costs	(35,610)	(26,267)
Interest paid	(67,765)	(73,490)
Payments to suppliers	(4,443)	(13,145)
Payments for transportation program costs	(18,430)	(59,129)
Payments for loans available for sale	(2,282,937)	(1,209,266)
Payments to employees for services and benefits	(12,554)	(11,326)
Loan principal additions	(57,492)	(32,504)
Net cash provided by operating activities	240,321	96,383

Cash Flows from Noncapital Financing Activities

Bond financing costs	(926)	(20)
Bond and commercial paper payments	(639,449)	(477,036)
Bond and commercial paper issued	433,033	340,999
Federal pass-through revenues	43,030	38,248
Federal pass-through expenses	(43,483)	(39,351)
Net cash used for noncapital financing activities	(207,795)	(137,160)

Cash Flows from Capital and Related Financing Activities

Acquisition and construction of capital assets	(914)	(702)
Net cash used for capital and related financing activities	(914)	(702)

Cash Flows from Investing Activities

Investment purchases	(2,521,065)	(1,700,314)
Investment redemptions	2,592,501	1,763,046
Investment income	3,350	4,067
Net cash provided by investing activities	74,786	66,799

Net Increase/(Decrease) in Cash

All Cash and cash equivalents, beginning of year	81,880	56,560
All Cash and cash equivalents, end of year	\$ 188,278	\$ 81,880

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

IDAHO HOUSING AND FINANCE ASSOCIATION

Statements of Cash Flows

For the Fiscal Years Ended June 30

2016

2015

Reconciliation of net operating revenues/(expenses) to net cash provided by operating activities:

Operating income	\$ 3,720	\$ 11,464
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Loan principal received	122,152	119,384
Loans issued	(57,492)	(32,504)
Bond financing costs	926	20
Decrease (increase) in interest receivable	568	678
Depreciation and other amortization	14,123	(4,359)
Increase (decrease) in interest payable	(2,616)	(2,145)
Interest on investments	(4,447)	(4,785)
Decrease (increase) in GARVEE highway project costs receivable, net and pledged revenues	13,173	(29,562)
Decrease (increase) in employment security reserve fund receivable	50,928	51,968
Decrease (increase) in other assets	67,924	(35,789)
Increase (decrease) in accounts payable and other liabilities	31,372	22,012
Increase (decrease) in deposits	(10)	1
Total adjustments	<u>236,601</u>	<u>84,919</u>
Net cash provided by operating activities	<u>\$ 240,321</u>	<u>\$ 96,383</u>

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

THE HOUSING COMPANY
A Component Unit of Idaho Housing and Finance Association
Consolidated Statements of Financial Position

As of December 31,	2015	2014
ASSETS		
Cash	\$ 2,123,580	\$ 1,920,278
Investments	1,750,000	1,750,000
Escrow and Reserve Deposits	1,514,882	1,534,434
Receivables	257,053	289,597
Prepaid Expenses	148,531	175,475
HOME Funded Homes Held for Sale	132,233	719,619
Land	4,830,110	5,710,653
Buildings and Equipment (net of accumulated depreciation)	34,815,823	27,666,004
Financing Costs and Other (net of accumulated amortization)	606,861	270,411
	\$ 46,179,073	\$ 40,036,471
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 1,496,360	\$ 384,208
HOME Funded Homes Held for Sale		642,514
Interest Payable	184,951	162,502
Real Estate Taxes Payable	404,175	388,874
Mortgages and Notes Payable	26,862,750	23,614,103
Security Deposits Payable	388,055	391,010
	29,336,291	25,583,211
NET ASSETS, UNRESTRICTED		
Controlling Interests	5,633,792	6,381,151
Non Controlling Interests	11,208,990	8,072,109
	\$ 46,179,073	\$ 40,036,471

THE HOUSING COMPANY
A Component Unit of Idaho Housing and Finance Association
Consolidated Statements of Activities

For the Years ended December 31,	2015	2014
REVENUES		
Tenant Rents	\$ 5,226,794	\$ 4,868,920
Housing Assistance Payments	2,689,664	2,611,926
Other Grants and Contributions		41,404
Interest and Dividends	17,945	15,238
Developer Fees	2,026	131,856
Forgiveness of Debt on Tax Credit Exchange Loan	310,605	
Property Management Services	242,559	215,768
Other	288,022	484,593
TOTAL REVENUES	8,777,615	8,369,705
EXPENSES		
Administrative	2,504,208	2,276,179
Utilities and Maintenance	2,531,851	2,303,643
Real Estate Taxes and Insurance	1,052,982	1,042,259
Depreciation and Amortization	2,444,254	2,373,049
Interest	879,196	907,651
TOTAL EXPENSES	9,412,491	8,902,781
SUBTOTAL	(634,876)	(533,076)
Loss on Sale of Assets	(654,794)	
DECREASE IN NET ASSETS BEFORE NONCONTROLLING INTERESTS	(1,289,670)	(533,076)
Noncontrolling Interest	542,311	554,835
INCREASE (DECREASE) IN NET ASSETS	\$ (747,359)	\$ 21,759

THE HOUSING COMPANY
A Component Unit of Idaho Housing and Finance Association
Consolidated Statements of Cash Flows

For the Years ended December 31,	2015	2014
Cash Flows from Operating Activities:		
Increase (decrease) in Net Assets	\$ (747,359)	\$ 21,759
Adjustments for Non-cash Items:		
Depreciation and Amortization	2,444,254	2,373,049
Non-Controlling Interest in Partnership Losses	(542,311)	(554,835)
Loss on Disposal of Assets	38,984	26,281
Non Cash Loss on Sale of Assets	633,000	
Forgiveness on Tax Credit Exchange Funds	(310,605)	
Note Modification of HOME loan		(44,697)
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	32,544	175,341
Decrease in Prepaid Expenses	26,944	8,839
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(1,361,409)	(533,175)
Increase (Decrease) in Interest Payable	22,449	28,089
Increase (Decrease) in Real Estate Taxes Payable	15,301	(843)
Increase (Decrease) in Other Liabilities	(2,955)	45,805
CASH FROM OPERATING ACTIVITIES	248,837	1,545,613
Cash Flows from Investing Activities:		
Purchase of Land	(452,382)	(326,122)
Purchases of Building and Equipment	(7,794,742)	(1,575,560)
Proceeds from Sale of Homes Purchased with HOME Funds	1,516,265	183,213
Cost to Rehabilitate Homes Purchased with HOME funds	(220,616)	
Payment of Financing Costs and Pre-Development Costs	(352,056)	(7,651)
Purchase of Investments	(1,750,000)	(1,249,496)
Sales of Investments	1,750,000	800,000
Net Increase (Decrease) in Escrow and Reserve Deposits	19,552	(113,356)
CASH USED FOR INVESTING ACTIVITIES	(7,283,979)	(2,288,972)
Cash Flows from Financing Activities:		
Principal Payments on Mortgages Payable	(1,022,631)	(954,862)
Additions to Mortgages or Notes Payable	4,581,883	1,171,228
Equity Contributions	3,714,192	
Equity Distributions	(35,000)	
CASH FROM FINANCING ACTIVITIES	7,238,444	216,366
INCREASE (DECREASE) IN CASH	203,302	(526,993)
CASH, BEGINNING OF PERIOD	1,920,278	2,447,271
CASH, END OF PERIOD	\$ 2,123,580	\$ 1,920,278

THE HOUSING COMPANY
A Component Unit of Idaho Housing and Finance Association
Consolidated Statements of Changes in Net Assets

	Non-Controlling Interests	Controlling Interests
NET ASSETS, UNRESTRICTED, December 31, 2013	\$ 8,626,944	\$ 6,359,392
(Decrease) Increase in Net Assets	(554,835)	21,759
NET ASSETS, UNRESTRICTED, December 31, 2014	8,072,109	6,381,151
Distributions	(35,000)	
Contributions	3,714,192	
Decrease in Net Assets	(542,311)	(747,359)
NET ASSETS, UNRESTRICTED, December 31, 2015	\$ 11,208,990	\$ 5,633,792

IDAHO HOUSING AND FINANCE ASSOCIATION

Notes to Financial Statements

June 30, 2016 and 2015

1. Authorizing Legislation

The Idaho Housing and Finance Association (Association) was created, as an independent public body corporate and politic, by the Idaho Legislature under the provisions of Chapter 62, Title 67 of the Idaho Code, as amended by the Act. The Act empowers the Association, among other things, to issue notes and bonds in furtherance of its purpose of providing safe and sanitary housing for persons and families of limited income residing in Idaho and, in addition, to coordinate and encourage cooperation among private enterprise and State and local governments to sponsor, build and rehabilitate residential housing for such persons; to issue notes and bonds in furtherance of its purpose of financing economic development projects in partnership with private financial institutions and State and local economic development entities; and to issue notes and bonds to finance projects that improve the transportation infrastructure in Idaho.

The enabling legislation, along with bond indentures and bond resolutions adopted by the Association, contains specific provisions pertaining to (a) the use of the proceeds from the sale of notes and bonds, (b) the application of pledged receipts and recoveries of principal from mortgages, and (c) the creation of certain accounts along with the accounting policies of such accounts. Association administrative obligations from bond and other housing programs extend to the year 2042.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

The accounting and reporting policies of the Association conform to generally accepted accounting principles of the Governmental Accounting Standards Board (GASB) and follow the accrual basis of accounting. The Association is accounted for as an Enterprise Fund.

The accompanying combined financial statements include the accounts of the Enterprise Fund of the Association. All interfund balances and transactions have been eliminated.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Association's policy is to first apply the expense towards restricted resources, and then toward unrestricted resources.

B. Reporting Entity

Although the State of Idaho considers the Association a component unit for financial reporting purposes in accordance with GASB Statement No. 61, *The Financial Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, and the State's governor appoints the Board of Commissioners of the Association, the Association is legally separate from the State of Idaho, is not a State agency under State law, and uses no State funds or State employees to support its operations.

The Home Partnership Foundation (HPF) and The Housing Company (THC) are component units of the Association and the financial statements of each have been incorporated into these financial statements and notes. The degree of control governs the reporting presentation; as such, HPF's presentation has been blended and THC's presentation has been discretely presented.

HPF reports under GASB standards in the same manner as the Association. HPF uses a calendar year basis as its fiscal year and the most recent audited financial statements of HPF have been blended.

THC reports under FASB standards, including FASB ASC 958, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to THC's entity presentation in the Association's financial statements for these differences. THC uses a calendar year basis as its fiscal year and the most recent audited financial statements are presented.

IDAHO HOUSING AND FINANCE ASSOCIATION

Notes to Financial Statements

2. Summary of Significant Accounting Policies, continued

C. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those assumed in determining the collectability of receivables, determining the recoverability on other real estate owned property, the fair value of interest rate swaps, and determining bond yield arbitrage liability. It is at least reasonably possible that the significant estimates used will change within the next year.

D. Program Accounting

Financial activities of the Association are recorded in accounts established under various bond indentures and bond resolutions and in accounts established for the administration of the various programs empowered by the Act.

Business Operations includes the General Operating Account established to administer the ongoing responsibilities of programs maintained by the Association. Direct administrative and operational activities, including the operating expenses of various programs, are recorded in this account. Revenues in this account are primarily generated from fees earned for administering federal programs, fees earned for servicing loans, and earnings on investments held to finance future programs.

The Federally Assisted Program area was established to account for activities directly related to the limited-income rental assistance and other related programs funded by the U.S. Department of Housing and Urban Development (HUD). This account is primarily used for housing assistance pass-through funds and for properties owned and utilized in affordable housing programs. The funding of the Association's federal programs activities is dependent on budget appropriations from HUD, as contained in the Federal budget.

The Affordable Housing Investment Trust was established to account for activities intended for affordable housing projects in Idaho. This account consists primarily of investments and loans receivable and the earnings thereon, as well as the residual income generated through Business Operations each year.

The Rating Compliance and Loan Guaranty Trust was established to account for activities intended to meet bond rating agency requirements for asset security and bond debt service liquidity. This account consists primarily of investments and loans receivable and earnings thereon.

Single-Family Mortgage Bonds, established under separate trust indentures, account for the proceeds from the sale of Single-Family Mortgage Bonds and the debt service requirements of these bonds. Activities within these accounts are, in general, limited to the purchase of mortgage loans made by mortgage lenders to qualifying, limited-income persons for single-family, owner-occupied housing in Idaho.

Multifamily Housing Bonds, established under separate trust indentures, account for the proceeds from the sale of Multifamily Mortgage Bonds and the debt service requirements of these bonds. Bond proceeds for multifamily programs are used to finance affordable multifamily developments that house limited-income households throughout Idaho.

Grant and Revenue Anticipation Bonds (GARVEE), established under a separate trust indenture, account for the proceeds from the sale of GARVEE Bonds and the debt service requirements of these bonds. The GARVEE Bonds program allows the Association to advance funds to the State of Idaho for improving and enhancing the State's highway infrastructure.

IDAHO HOUSING AND FINANCE ASSOCIATION

Notes to Financial Statements

2. Summary of Significant Accounting Policies, continued

E. Cash and Cash Equivalents

Cash and cash equivalents include General Operating Account cash, General Operating Account investments with maturities of less than three months at the date of purchase, Federally Assisted Program cash and Affordable Housing Investment Trust cash are held at Wells Fargo and Key Bank. Cash and cash equivalents deposited at Wells Fargo Bank are collateralized with U.S. Treasury obligations and U.S. Agency obligations and are held by Wells Fargo Bank in the Association's name. Custodial credit risk is the risk that the Association's deposits may not be returned in the event of a bank failure. In the opinion of management, the Association is not exposed to this risk at June 30, 2016. Restricted cash as of June 30, 2015 consists of \$680,000 in the Bond Funds, \$1,544,000 in Loan Guaranty, \$7,438,000 in Federal Programs, \$16,474,000 in escrow deposits, and \$40,358,648 in General Operating. The Association does not have a formal deposit policy for custodial credit risk. Restricted cash as of June 30, 2016 consists of \$76,584,000 in the Bond Funds, \$10,166,000 in Federal Programs, \$31,787,000 in escrow deposits, and \$55,012,000 in General Operating.

F. Bond Financing Costs/Bond Financing Cost Expense

Bond financing costs are expensed in the period incurred.

G. Loan Sale Gains, Acquisition Costs, and Servicing Contracts

GASB Statement No. 48 *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* establishes criteria for determining the reporting of proceeds from loan sales. This standard provides that net gain or loss on a sale be calculated by subtracting the carrying value of loans from the proceeds. Since the Association's seller/servicing relationships are independent of the loan acquisition process, service release premiums paid are included in the carrying value of loans and are reported as loan acquisition costs and expensed in the current period. Statement No. 48 does not require an analysis of or valuation of servicing contracts created in the sales process.

Loan Servicing Contracts (LSC) is an asset that represents the rights to service mortgage loans for others. The Association recognizes LSC when loans are sold, securitized, or acquired. Since the Association receives or pays no consideration in its seller/servicing relationships for LSC, the Association maintains a zero basis in the fair value of its servicing contracts. The Association has adopted a non-authoritative principle of valuing these servicing contracts determined by FASB ASC 860 *Transfers and Servicing* and reported using GASB Statement No. 72 *Fair Value Measurement and Application* guidance. The Association reports LSC at fair values in the Statement of Net Position and changes in the fair value reported in the Statement of Revenues, Expenses, and Changes in Net Position. The Association uses the services of a reputable, nationally-recognized company to estimate the fair value of LSC. The company calculates the present value of estimated future net servicing income and incorporates inputs and assumptions that market participants use in estimating fair value. LSC is fair valued using a third-party proprietary financial model (Level 3 input).

Loan servicing contracts had a fair value of \$39.551 million as of June 30, 2015. Fair valuation adjustments during the current year in the amount of \$17.092 million for an increase in fair value of loans and a decrease of \$8.588 million due to marketplace pricing led to an aggregate increase in the fair value of the loan servicing asset of \$8.504 million. Fair valuation of loan servicing contracts as of June 30, 2016 was \$48.055 million.

IDAHO HOUSING AND FINANCE ASSOCIATION

Notes to Financial Statements

2. Summary of Significant Accounting Policies, continued

H. Federally Assisted Program Advances and Fees

In accordance with the terms of contracts between the Association and HUD, the Association administers rental assistance programs as HUD's agent in certain areas of Idaho. Under these programs, persons of limited income receive rental subsidies from HUD through the Association. HUD advances funds sufficient to cover the monthly housing assistance payments and the Association's management service fees. These management service fees are recognized as revenue to the Association when earned. Federal Pass-Through Revenues and Expenses on the Statement of Revenues, Expenses and Changes in Net Position represent housing assistance payments and related federal funding that is passed through the Association to carry out such programs.

I. Property and Equipment

Property and equipment held by the General Operating and Federally Assisted Program Accounts are recorded at cost and depreciated over the estimated useful lives of the related assets. The Association uses the straight-line method of depreciation with estimated lives of three to seven years for office and computer equipment and 40 years for real property and buildings. Depreciation expense for the years ending June 30, 2016 and 2015 was \$633,000 and \$614,000, respectively. Property and equipment are presented in the Statement of Net Position, net of accumulated depreciation of \$5,462,000 and \$5,787,000 at June 30, 2016 and 2015, respectively.

J. Provisions for Loan Losses

Periodic evaluation of the loans receivable portfolio is performed in order to determine whether an allowance for loan losses should be established and reflected in current operations. The evaluation of a loan loss provision considers both loans receivable and real estate owned (REO) property, estimated value of the collateral, subsidies, guarantees, mortgage insurance, economic conditions, and historical loss experience for each loan type. The provision's charge against current operations considers holding costs, including accrued interest.

The Association has established an allowance for losses in the General Operating Account on recourse obligations related to FNMA-held, FHLMC-held, and GNMA-secured loan foreclosures. The Association estimates this amount to be \$1,410,000 as of June 30, 2016 and \$1,731,000 as of June 30, 2015. The Association has established an allowance for loan loss and REO activity in the Loan Guarantee and Compliance Fund for Association-held loan losses not recoverable. As of June 30, 2016 and 2015 the Association estimates this amount to be \$2,746,000 and \$3,919,000, respectively. Actual losses are charged against this provision and allocated, via an operating transfer, on a pro-rata basis to bond trusts with current year losses. The Association has established an allowance for loan loss and REO activity in the Affordable Housing Investment Trust for Association down-payment assistance loans not recoverable due to the loss on an Association-held primary loan. The Association estimates that amount to be \$164,000 and \$204,000 as of June 30, 2016 and 2015.

Generally, loans in default are reported in Loans until foreclosed. A loan is considered past due when payment is 30 days late. When payment is 90 days late, a 30-day demand to "pay in full or bring the account current" letter is issued. If payment is not made and payment is 120 days late, the loan is then moved to the foreclosure process. Once a loan is foreclosed, it is reclassified from Loans to Other Assets as REO mortgage receivable, pending recovery from the relevant source(s) of security and subject to indemnification limitations of those guarantors and insurance providers.

K. Escrow and Project Reserve Deposits

Escrow and project reserve deposits represent amounts held by the Association for insurance, real estate taxes and as reserves for replacement and operation. The Association invests these funds and allows earnings on multifamily project escrows to accrue to the benefit of the mortgagors of those projects. Earnings on single-family escrow balances accrue to the benefit of the Association. All escrow and project reserve deposits are included in Cash and Cash Equivalents in the Statement of Net Position.

IDAHO HOUSING AND FINANCE ASSOCIATION

Notes to Financial Statements

2. Summary of Significant Accounting Policies, continued

L. Commercial Paper

The commercial paper facility provides funds to purchase single-family mortgage loans on an interim basis as well as financing for multifamily construction loans. Commercial paper activity is recorded in the General Operating Account. The Association transfers mortgage loans purchased with proceeds from commercial paper to bond accounts or to sell to FNMA or FHLMC or to securitize through GNMA. Mortgage acquisition monies from bond accounts or from FNMA or FHLMC sale proceeds or GNMA securitization proceeds, respectively, reimburse the commercial paper facility. Transfers associated with bond accounts will be made prior to the end of the acquisition period as specified in the applicable bond indentures. As of June 30, 2016, the Association had \$50,000,000 of commercial paper outstanding maturing in 30 to 180 days from date of issue, with weighted average interest rates of .79218%. As of June 30, 2015, the Association had \$75,000,000 of commercial paper outstanding maturing in 22 to 181 days from date of issue, with weighted average interest rates of .53501%.

M. Net Position

Net Position, the amount total assets plus deferred outflows of resources exceeding total liabilities plus deferred inflow of resources, is an aggregation of all Association bond trust and program accounts. Restricted net positions are those required to meet the various covenants as defined in bond indentures or other laws or regulations. Designated net position indicates that position set aside at the discretion of the Association to be used for a specific purpose and not for general operations. Net positions in the amount of \$137,308,000 and \$140,086,000 at June 30, 2016 and 2015, respectively, are restricted by bond indentures and programmatic requirements; approximately \$37,048,000 and \$35,714,000 at June 30, 2016 and 2015, respectively, are designated by the Board for programmatic uses in connection with the Affordable Housing Investment Trust; and the remaining balances of \$94,493,000 and \$82,656,000 held in the General Operating Account at June 30, 2016 and 2015, include \$5,462,000 and \$5,787,000, respectively, net invested in capital assets, and \$89,031,000 and \$76,869,000, respectively, unrestricted and available for general operations of the Association.

N. Classification of Revenues

Operating revenues include activities that have the characteristics of exchange transactions, such as (1) interest on loans and investments and (2) administration and loan servicing fees. Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as (1) federal pass-through awards, (2) change in the fair value of investments, and (3) any other revenue sources that the Association may receive that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

O. Reclassification

Certain reclassifications have been made, none of which affected the results of activities and changes in Net position, to present the financial statements on a consistent basis.

IDAHO HOUSING AND FINANCE ASSOCIATION

Notes to Financial Statements

2. Summary of Significant Accounting Policies, continued

P. New Accounting Principles and Restatement of Net Position

GASB has issued the following standards initially effective for the fiscal years presented:

During the current year the Association adopted GASB Statement No. 72, Fair Value Measurement and Application during the year ended June 30, 2016. This statement specifies a hierarchy of valuation classifications based on whether the inputs to the valuation techniques used in each valuation classification are observable or unobservable. These Statements require enhanced note disclosures and descriptions of these classifications which are detailed in note 3 along with the addition of the loan servicing asset on the balance sheet.

The implementation of GASB Statement No.72 had the following effect:

Net Position

Net Position-June 30, 2014, as previously reported	\$ 208,912
Cumulative effect of fair value of servicing contracts	<u>29,112</u>
Net Position-July 1, 2014, as restated	238,024
Net Position-June 30, 2015	<u><u>\$ 258,456</u></u>

Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; Statement No. 74, *Financial Reporting for Postemployment Benefits Other Than Pensions*; Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. In the opinion of the management, these standards do not and will not have an impact on the Association's financial position given current operations and obligations.

GASB has issued the following standards effective for Fiscal Year 2017:

GASB Statement No. 77, *Tax Abatement Disclosures*; GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pensions Plans*; GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*; GASB Statement No. 80, *Blending Requirements for Certain Component Units---an amendment of GASB Statement No. 14*; and GASB Statement No. 82, *Pensions Issues---an amendment of GASB Statements No. 67, No. 68, and No. 73*. In the opinion of the management, these standards will not have an impact on the Association's financial position given current operations and obligations.

GASB has issued the following standard effective for Fiscal Year 2018:

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. In the opinion of the management, this standard will not have an impact on the Association's financial position given current operations and obligations.

IDAHO HOUSING AND FINANCE ASSOCIATION

Notes to Financial Statements

3. Investments

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires certain investments be reported at fair value in the Statement of Net Position. The Association reports all investments at fair value in the Statements of Net Position. The Association has entered into investing agreements with Wells Fargo and KeyBank, banks where excess cash balances (classified as Cash and cash equivalents) are invested overnight in money market mutual funds and repurchase agreements. Investments are held in the Association's account in the name of the respective bank. As of June 30, 2016 and 2015, the Association has overnight investments of \$4,890,000 and \$2,400,000 in money market funds and \$12,700,000 and \$8,400,000 in repurchase agreements held by Wells Fargo Bank, respectively. Repurchase agreements are collateralized by U.S. government and agency obligations held in the Association's trustee's name in the Association's account.

GASB Statement No.72 addresses accounting and financial reporting issues related to fair value measurements. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value focuses on market price from the perspective of a seller (exit price). The fair value of a financial asset is determined based on real or potential market transactions in the Association's principal market, or in the absence of a principal market, the Association's most advantageous market. The fair value of a nonfinancial asset takes into account the highest and best use of that asset, which normally is presumed its current use. A fair value measurement of a liability assumes that the liability would be transferred to a market participant and not settled with the counterparty (such as certain liabilities related to derivatives). Therefore the fair value would be the price that would have to be paid for a third party to assume the liability, not the price that would have to be paid to the counterparty to settle the obligation. GASB Statement No.72 explains that the Association may determine the market price of an asset in one of three ways: 1) actual market transactions for identical or similar items (market approach); 2) the current cost to replace the service capacity of an asset (cost approach); or 3) discounting the current value of future cash flows (income approach). It also establishes a three-tier hierarchy of input quality as follows:

- Level 1 inputs---quoted prices in active markets for identical items;
- Level 2 inputs---directly or indirectly observable prices, but not level 1; and
- Level 3 inputs---unobservable inputs such as financial models.

The Association categorizes the combined fair value of \$212.055 million of Investments and Investments held in trust within this hierarchy. Money market funds of \$130.889 million, Investment agreements of \$4.218 million, U.S. Government obligations of \$8.796 million, U.S. Agency obligations of \$38.346 million, U.S. Government mortgage-backed securities of \$27.248 million, TBA Contracts of (\$2.144 million), and Accrued interest of \$.621 million are valued using quoted market prices (Level 1). Interest rate swaps of (\$.471 million) are valued using a propriety pricing model (Level 2). Land and townhomes of \$4.552 million are valued using a broker's opinion based upon comparable property valuations of the local area (Level 3).

Interest Rate Risk: The Association has adopted bond indentures, bond resolutions, and trust resolutions as policy for the determination of investment maturities. These indentures and resolutions provide that investment maturities be based upon the cash requirements of the Association's accounts, as determined by authorized Association investment officers.

IDAHO HOUSING AND FINANCE ASSOCIATION

Notes to Financial Statements

3. Investments, continued

As of June 30, 2016 and 2015, the Association had the following investments and maturities (in thousands):

Investment Type	2016							
	Fair Value	Less Than 1	Investment Maturities (in Years)					More Than 30
			1-5	6-10	11-15	16-20	21-25	
Money market funds	\$ 130,889	\$ 130,889						
Investment agreements	4,218						\$ 4,218	
U.S. Government obligations	-	1,002	\$ 5,026	\$ 1,257	\$ 1,511			
U.S. Agency obligations	38,346		193		6,161	\$ 24,670	7,322	
U.S. Government mortgage backed securities	27,248		54	33	409	110		\$ 26,642
Interest rate swaps	(471)		(471)					
TBA Contracts	(2,144)	(2,144)						
Land and townhomes	4,552		4,552					
	<u>211,434</u>	<u>\$ 129,747</u>	<u>\$ 9,354</u>	<u>\$ 1,290</u>	<u>\$ 8,081</u>	<u>\$ 24,780</u>	<u>\$ 11,540</u>	<u>\$ 26,642</u>
Accrued interest	<u>621</u>							
All Investments	<u>\$ 212,055</u>							

Investment Type	2015							
	Fair Value	Less Than 1	Investment Maturities (in Years)					More Than 30
			1-5	6-10	11-15	16-20	21-25	
Money market funds	\$ 172,447	\$ 172,447						
Investment agreements	29,010	18,608			\$ 2,275	\$ 4,205	\$ 3,922	
U.S. Government obligations	-		\$ 6,010	\$ 1,285	2,326			
U.S. Agency obligations	66,019		19,942	5,341	8,389	24,288	8,059	
Interest rate swaps	(870)		(870)					
TBA Contracts	1,059	1,059						
Land and townhomes	4,052		4,052					
	<u>281,338</u>	<u>\$ 192,114</u>	<u>\$ 29,134</u>	<u>\$ 6,626</u>	<u>\$ 12,990</u>	<u>\$ 28,493</u>	<u>\$ 11,981</u>	<u>\$ -</u>
Accrued interest	<u>827</u>							
All Investments	<u>\$ 282,165</u>							

At June 30, 2016 the Association's marketable investments included 23 U.S. agency mortgage-backed security pools, which pay monthly principal and interest. Of the Association's U.S. Government obligations, \$370,000 is held by JPMorgan as collateral in connection with the Association's participation in the Fannie Mae Affordable Advantage mortgage program.

At June 30, 2015 the Association's marketable investments included 23 U.S. agency mortgage-backed security pools, which pay monthly principal and interest. In addition, the Association held four U.S. agency securities with an outstanding principal amount of \$25,000,000 that are subject to call provisions. Of the \$25,000,000 callable amount \$20,000,000 is exercisable in 2015 and \$5,000,000 is exercisable in 2016. Of the Association's U.S.

IDAHO HOUSING AND FINANCE ASSOCIATION

Notes to Financial Statements

3. Investments, continued

Government obligations, \$370,000 is held by JPMorgan as collateral in connection with the Association's participation in the Fannie Mae Affordable Advantage mortgage program

At June 30, 2016, the Association has \$457,375,000 in notional amount of fixed payer/variable receiver interest rate swap contracts outstanding in connection with its outstanding variable rate demand note mortgage revenue bond issues. Of this amount, \$2,965,000 does not have associated variable rate debt and is considered an investment derivative with negative fair value. The Association pays fixed-rate payments between 3.730% and 5.548% and receives variable rate payments based on SIFMA and LIBOR indices. The Association entered the swap contracts in November 2008, which mature between 2018 and 2030. These contracts are not rated.

At June 30, 2015, the Association has \$496,875,000 in notional amount of fixed payer/variable receiver interest rate swap contracts outstanding in connection with its outstanding variable rate demand note mortgage revenue bond issues. Of this amount, \$5,865,000 does not have associated variable rate debt and is considered an investment derivative with negative fair value. The Association pays fixed-rate payments between 3.730% and 5.548% and receives variable rate payments based on SIFMA and LIBOR indices. The Association entered the swap contracts in November 2008, which mature between 2018 and 2030. These contracts are not rated.

At June 30, 2016 and 2015, the Association has \$200,000,000 and \$195,000,000 in forward sales contracts ("To Be Announced" or "TBA" contracts) or GNMA securities in order to lock in the sales price for the securitization of single-family loans. These contracts are considered investment derivatives and are not rated.

Credit Risk: Investments for each bond issue are those permitted by the various bond indentures and bond resolutions adopted by the Association. Program account investments are restricted to those empowered by the Act or by Federal regulations. The Association has adopted resolutions as policy for the Affordable Housing Investment and Loan Guarantee Trusts. The Association has not adopted a formal policy related to the Association's Business Operations investments. As of June 30, 2015, the Association's investments in money market funds, investment agreements, U.S. government obligations, and Government National Mortgage Association obligations are unrated. As of June 30, 2016 and 2015, the Association's remaining investments are rated by Moody's Investor Service as follows (in thousands):

Investment Type	Rating	2016	2015
U.S. Agency Obligations	Aaa	\$ 65,594	\$ 66,019
U.S. Government Obligations	Aaa	\$ -	\$ 9,621

The Association's U.S. government and U.S. agency obligations are held by the Association's trustee in the Association's name. Corporate and other obligations are held by the Association's trustee in either the Association's account or in the Association's name.

Investment agreements are non-participating investments with financial institutions, are carried at cost, and not rated by rating agencies. Securities are not used as collateral for these Investment agreements. Investment agreements are structured for both short-term and long-term bond proceeds in connection with the Association's single-family mortgage bond programs. Financial institutions providing the agreements have been rated by nationally recognized rating agencies at debt ratings sufficient to rate the Association's mortgage revenue bonds investment grade by those rating agencies.

IDAHO HOUSING AND FINANCE ASSOCIATION

Notes to Financial Statements

3. Investments, continued

Concentration of Credit Risk: The Association places no limit on the amount the Association may invest in any one issuer. The Affordable Housing Investment Trust investment policy places limits on the amounts the Association may invest in certain types of investments authorized by the Act.

As of June 30, 2016, the Association had investments of five percent or more in Federal Farm Credit Bank obligations of \$22,466,000, Fannie Mae obligations of \$12,491,000, and Ginnie Mae obligations of \$25,731,000.

As of June 30, 2015, the Association had investments of five percent or more in Bayerische Landesbank guaranteed investment contracts (GICS) of \$18,628,000, Federal Farm Credit Bank obligations of \$23,202,000, Federal Home Loan Bank obligations of \$19,752,000, and Fannie Mae obligations of \$15,174,000.

During the years ended June 30, 2016 and 2015, the Association realized net gains of \$924,000 and \$660,000 respectively, from sales of investments. The calculation of realized gains is independent of the calculation of the change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in a current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net increase in the fair value of investments as of June 30, 2016 and 2015 is \$707,000 and \$432,000, respectively. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the fiscal year. Included in the amount for the year ending June 30, 2016 and 2015, is \$0 and \$23,000, respectively related to derivative interest rate swap contracts fair market value considered investments. Also, included in the amount for the year ending June 30, 2016 and 2015, is \$(3,203,000) and \$2,238,000, respectively related to TBA contracts and a \$500,000 increase in real estate held for sale in Teton County.

The unrealized gain/(loss) on investments held at June 30, 2016 and 2015 is \$10,767,000 and \$7,379,000, respectively. The Association matches the duration of its investments with the maturity debt in various bond accounts, and therefore, does not anticipate material unrealized gains or losses to be realized. For the years ending June 30, 2016 and 2015, the Association's financial report uses GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended, to report derivative interest rate swap and forward sale contracts.

4. Loans Held for Investment and Loans Serviced as Agent

The Association has single-family, multifamily and other loans. The majority of the Association's loan portfolio consists of single-family mortgage loans to persons of limited income residing in Idaho. The Association has obtained various levels of security for loans. All loans are secured by mortgages or deeds of trust on the related properties. Additionally, loans are insured or guaranteed by the federal government, commercial mortgage insurers or by Association self-insurance reserves. In some cases, as required by bond resolutions or bond indentures, master mortgage guaranty insurance (pool insurance) provides a final level of security for certain losses sustained by reason of default, which are in excess of FHA, VA or primary insurance.

IDAHO HOUSING AND FINANCE ASSOCIATION

Notes to Financial Statements

4. Loans, continued

A summary of security for loans as of June 30, 2016 and 2015 is as follows (in thousands):

2016			
	Non-Pool Insured	Pool Insured	Total
FHA Insurance	\$ 180,936		\$ 180,936
VA Guaranteed	16,452		16,452
Commercially Insured	123,202	\$ 19,152	142,354
USDA Rural Development Insurance	44,574		44,574
Association Insured	55,549		55,549
	<u>\$ 420,713</u>	<u>\$ 19,152</u>	<u>439,865</u>
Other			
Multifamily Bond Financed			7,791
Single Family IHFA Capital Pool			96
Multifamily IHFA Capital Pool			3,022
Social Service and Development IHFA Capital Pool			6,121
Construction			3,968
State Small Business Credit Initiative			17,078
Loan Loss Provision			(3,065)
Interest Receivable on Loans			2,411
Total Loans held for investment, net			<u>\$ 477,287</u>
2015			
	Non-Pool Insured	Pool Insured	Total
FHA Insurance	\$ 222,234		\$ 222,234
VA Guaranteed	20,768		20,768
Commercially Insured	215,008	\$ 27,788	242,796
USDA Rural Development Insurance	51,592		51,592
Association Insured	3,755		3,755
	<u>\$ 513,357</u>	<u>\$ 27,788</u>	<u>541,145</u>
Other			
Multifamily Bond Financed			11,334
Single Family IHFA Capital Pool			217
Multifamily IHFA Capital Pool			3,586
Social Service and Development IHFA Capital Pool			6,750
Construction			2,323
State Small Business Credit Initiative			16,597
Loan Loss Provision			(4,390)
Interest Receivable on Loans			2,980
Total Loans held for investment, net			<u>\$ 580,542</u>

IDAHO HOUSING AND FINANCE ASSOCIATION

Notes to Financial Statements

4. Loans, continued

As of June 30, 2016 and 2015 the loans receivable includes \$8,145,000 and \$9,023,000, respectively, in notes receivable from The Housing Company (THC), which require repayment within 25 and 26 years, respectively. The notes are secured by various multifamily housing projects and accrue interest at between 3.00 and 9.125 percent.

Construction, bridge and permanent financing, and multifamily projects, throughout Idaho are included as "Other". In addition to holding a first lien on the majority of these loans, performance bonds are in place to ensure completion of the projects under construction.

Interest charged on loans ranged from approximately 0 to 9.13 percent during fiscal years 2016 and 2015. Loan interest rates are fixed over the loan term at levels exceeding yields on corresponding debt issued to purchase the loans. Federal tax law limits such excess yields. Loan terms range from less than one year to 40 years.

Each mortgage loan for all single-family financing programs is serviced pursuant to a Mortgage Loan Servicing Agreement as designated by the bond indenture or bond resolution. Beginning with the 1983 Series B Single-Family Mortgage purchase program, a master servicing arrangement was implemented. The mortgage servicer may, but need not, be a lending institution and a program participant.

Loan servicing fees depicted in the Statement of Revenues, Expenses and Changes in Net Position relate to an internally assessed charge of between thirty-three and eighty-three one hundredths of one percent per annum of the outstanding mortgage balance for Association-held loans. The Association records the loan servicing fee income by reducing interest income within each of the related bond funds. In addition to the internal reclassification of interest income to loan servicing income, the General Operating Account charges the bond funds sixteen-hundredths of one percent per annum of the outstanding mortgage balance for actual Association servicing costs. The fee paid to the General Operating Account is eliminated in the financial statements. Loans held by non-Association typically generate between twenty-five and seventy-five one hundredths of one percent per annum of the outstanding mortgage balance. The Association records the loan service by reducing interest income, collecting the fees in the General Operating Account, and remitting principal and remaining interest to the loan owner or its trustee.

Mortgage loans to be serviced externally or by the Association are purchased at par or a discount of one to two percent of the outstanding principal balance as of the date of purchase. For loans serviced, but not owned, by the Association, loans are purchased at a premium of up to 3%, at par, or a discount of 1% or 2% of the outstanding principal balance is paid to the originating lender as of the date of purchase as consideration for the assignment of the servicing rights.

Loans and bonds are valued at their carrying amounts, which approximate par value. Due to the structured financing characteristics of the Association's bond issues and restrictions under various trust indentures, the Association is restricted from selling loans at a value that would impair its ability to service the bonds to which those loans are specifically pledged. The loans are specifically identified with a particular bond issue and pledged under the applicable trust indenture. Any changes in market interest rates subsequent to bond issuance and loan origination would be expected to approximate an equal impact on the fair value of the bonds and the related mortgages. Mortgage rates on loans originated from bond proceeds are based directly upon the bond rates established at the time of issuance. The Association establishes the yield spread between the interest rate on the mortgages and related bonds to approximate 1.125 percent, the maximum allowed by Section 143 of the Internal Revenue Code.

Loans originated and intended for sale to FNMA or FHLMC, or securitized through GNMA are carried at the lower of aggregate cost or fair value, as determined by hedge coverage and the difference in the loan yield and the 60-day commitment rate yield offered by FNMA, FHLMC or GNMA MBS rate on June 30, 2016. IHFA services loans sold to FNMA or FHLMC or secured by GNMA. Gains or losses are recognized based on the difference between

IDAHO HOUSING AND FINANCE ASSOCIATION

Notes to Financial Statements

4. Loans, continued

the selling price and the carrying value of the related mortgage loan sold. Net unrealized losses are charged to Operating Expenses in the Statement of Revenues, Expenses and Changes in Net Position. Loans available for sale to FNMA or FHLMC or secured by GNMA have different characteristics and fewer restrictions than loans financed by the issuance of debt and owned and serviced in the Association's loan portfolio.

Loans available for sale are determined as a function of the Association's liquidity preference, customer preference, contractual requirements, and regulatory requirements. For the fiscal years ending June 30, 2016 and 2015, the Association realized \$30,914,000 and \$23,303,000, respectively, in gains on the sale of loans to FNMA, FHMLC, and GNMA. As of June 30, 2016 and 2015, the Association had commitments to sell or secure \$339,364,000 and \$303,791,000 of single-family mortgages to FNMA and FHMLC or through GNMA. As of June 30, 2016 and 2015, the Association had commitments to sell or secure \$39,110,000 and \$77,204,000, respectively, of single-family mortgages on behalf of Connecticut Housing Finance Authority. As of June 30, 2016 and 2015, the Association had commitments to sell or secure \$34,301,000 and \$80,040,000, respectively, of single-family mortgages on behalf of South Dakota Housing Development Authority. As of June 30, 2016 and 2015 the Association had commitments to sell or secure \$22,163,000 and \$17,578,000, respectively, of single-family mortgages on behalf of Iowa Finance Authority. As of June 30, 2016 and 2015 the Association had commitments to sell or secure \$25,760,000 and \$69,694,000 on behalf of New Mexico Mortgage Finance Authority.

As of June 30, 2016 and 2015, the Association estimates \$106,641,000 and \$106,283,000, respectively, of loans receivable as current. Estimates consider loan principal due during the next twelve months plus anticipated prepayments made on outstanding principal balances. The Association had commitments to purchase \$576,518,000 and \$627,551,000, respectively, of single-family mortgages, which had not yet been funded.

IDAHO HOUSING AND FINANCE ASSOCIATION

Notes to Financial Statements

4. Loans, continued

As of June 30, 2016 and 2015, the Association was an agent for the following loans (in thousands).

2016	
	Total
Federal Home Loan Mortgage Corporation	\$ 175,044
Federal National Mortgage Association	1,914,629
Government National Mortgage Association	2,993,701
Iowa Finance Authority	22,164
Connecticut Housing Finance Authority	35,079
South Dakota Housing Development Authority	34,303
Idaho Community Reinvestment Corporation	18,083
Neighborhood Housing Services	3,321
Boise Valley Habitat	1,624
HOME Loan Balances	61,915
Neighborhood Stabilization Program	8,406
Tax Credit Assistance Program	10,051
TCEP Loan Program	18,903
Other	1,201
Total Loans serviced as agent	<u>\$ 5,298,424</u>

2015	
	Total
Federal Home Loan Mortgage Corporation	\$ 1,177,474
Federal National Mortgage Association	193,497
Government National Mortgage Association	1,893,208
South Dakota Housing Development Authority	33,543
Idaho Community Reinvestment Corporation	20,551
Neighborhood Housing Services	3,175
HOME Loan Balances	64,369
Neighborhood Stabilization Program	10,850
Tax Credit Assistance Program	10,051
TCEP Loan Program	20,908
Other	2,520
Total Loans serviced as agent	<u>\$ 3,430,146</u>

IDAHO HOUSING AND FINANCE ASSOCIATION

Notes to Financial Statements

5. Bonds (dollars in thousands)

Description and Due Date	Average Bond Yield	2016	2015
Single-Family Mortgage Bonds:			
2000 Indenture			
Variable Rate Class 1	0.923%	\$ 62,873	\$ 72,938
	0.923%	62,873	72,938
2003 Indenture			
Class I Bonds	3.758%	42,660	21,580
Variable Rate Class I	0.256%	118,170	150,330
Class II Bonds	5.042%	9,660	13,690
Variable Rate Class II	0.326%	21,725	
Class III Bonds	4.962%	22,165	28,130
	1.663%	214,380	213,730
2006 Indenture			
Class I Bonds	4.835%		24,630
Variable Rate Class I	1.105%	295,125	316,310
Class II Bonds	5.280%		8,090
Class III Bonds	5.137%		19,990
	1.347%	295,125	369,020
2009 Indenture			
Class I Bonds	3.544%	50,800	51,685
Class II Bonds	4.688%	4,910	4,910
Class III Bonds	4.239%	3,470	3,845
	3.681%	59,180	60,440
Total Single-Family Mortgage Bonds:		631,558	716,128
FHA Insured Housing Revenue Bonds:			
2000 Series	0.100%		3,870
2007 Series	5.900%	8,089	8,163
		8,089	12,033
Grant and Revenue Anticipation Bonds:			
2006 Series	4.537%	7,820	112,545
2008 Series A	4.905%	45,645	138,140
2009 Series A	4.943%	124,115	130,575
2010 Series A	6.083%	75,695	77,515
2011 Series A	4.847%	67,955	69,250
2012 Series A	4.016%	30,560	32,045
2014 Series A	4.370%	70,155	73,145
2015 Series A	5.000%	172,540	
		594,485	633,215
Revenue Bonds:			
2011 Series Unemployment Compensation	4.653%		50,075
Interest Payable		18,839	21,454
Net Original (Discount)/Premium		31,858	22,716
TOTAL BONDS		\$ 1,284,829	\$ 1,455,621

IDAHO HOUSING AND FINANCE ASSOCIATION

Notes to Financial Statements

5. Bonds, continued

* The Association periodically issues bonds to finance various multifamily housing developments in Idaho. As part of these bond financings, the Association acts as mortgagee in the creation of a mortgage loan that is pledged to the bond Trustee to secure repayment of the outstanding bonds. The bonds are limited obligations of the Association, and are secured by the respective mortgages on each development as well as a lien on all revenues as defined in each respective bond indenture. The Association does not have a financial stake in these bond transactions, other than the collection of fees related to its service as bond issuer, and does not guarantee the repayment of principal and interest on the outstanding bonds.

The bonds are either special or general obligations of the Association and do not constitute a debt of the State of Idaho or any political subdivision thereof. Each bond issue is secured by the pledge of repayments of mortgage loans purchased with the bond proceeds and of all revenue earned relating to those bonds.

Serial bonds and term bonds are subject to redemption at the option of the Association and subject to the terms of the respective bond indenture or bond resolution, in whole or in part, on various dates at prescribed redemption prices ranging from 100 to 103 percent. The bonds are also subject to special redemption from (i) unexpended proceeds of the bonds not committed to purchase mortgage loans, (ii) forfeited commitment fees, and (iii) early recoveries of principal and pledged receipts at any time.

The Association has issued debt in a variable rate mode. The bulk of the variable rate debt is re-marketed on a weekly basis by a Remarketing Agent, retained by the Association, to periodically re-market the debt at the prevailing interest rates.

GARVEE bonds and any interest due thereon are payable solely and only from federal highway funds received from the Federal Highway Administration through a continuous appropriation by the Idaho legislature. The Association assumes no liability if federal highway funds are not available for payment. The Idaho legislature has continuously appropriated amounts projected to be sufficient to meet principal and interest requirements on the Bonds. Such payments are provided for under a Master Financing Agreement dated as of October 13, 2005, as supplemented, among the Association, the Idaho Transportation Board, and the Idaho Transportation Department. The supplemental information to the financial statements provides additional disclosure.

The Association accumulates GARVEE project costs in a designated account and are reported, net of any pledged debt service receipts received, as the GARVEE highway project costs receivable, net on the Statement of Net Position. The reported amount represents actual program costs incurred and a claim to those highway funds committed through the continuous appropriation. As costs incur, investments are drawn upon for payment, resulting in an increase in the receivable and a decrease in Investments. Subsequently, as bonds mature, or otherwise, are retired or redeemed, the receivable and bonds decrease, representing a reduction in that claim. The Association anticipates the receivable initially increasing in subsequent years as further project costs are incurred and declining later as outstanding bonds mature, or otherwise, are retired or redeemed.

On July 8, 2015, the Association issued the 2015A Single Family Mortgage Bonds to currently refund the 1997A through 2000E and 2003A through 2003D Single Family Mortgage Bonds. The 2015A Bond is intended as a restructuring to provide an adequate asset base and meet indenture parity requirements to maintain the investment grade quality of IHFA's Single Family Mortgage Bond Program. No economic savings are intended to be achieved by this restructuring.

On July 21, 2015, the Association issued the 2015A Grant and Revenue Anticipation (GARVEE) Bonds to advance refund \$97,665,000 of GARVEE 2006A Bonds and \$84,505,000 of GARVEE 2008A Bonds, resulting in an economic gain to the State of Idaho of \$12,694,000 (the present values of the debt service payments on the old and new debt of \$9,630,000).

IDAHO HOUSING AND FINANCE ASSOCIATION

Notes to Financial Statements

5. Bonds, continued

In July 2016, the Association issued the 2016 Series 1 and 2016 Series A Single Family Mortgage Bonds. The key components of these issuances included the issuance of \$63.8 million 2016 Series 1 “super sinker” bonds to be purchased by the Federal Home Loan Bank of Des Moines to refund \$68.2 million of IHFA 2012 A Floating Rate Notes, the refunding of \$34.8 million of IHFA 2012 A Floating Rate Notes by entering into a floating rate General Obligation loan to be provided by Barclays Capital, the liquidation of \$14 million of REO loans held in the 2016 General Indenture to provide cash in the 2006 General Indenture, the termination of \$46.4 million of interest rate swaps related to the 2012 A Floating Rate Notes (originally the 2007 E, 2007 F and 2007 I bond issues, the funding of approximately \$8 million swap termination payments with a floating rate loan provided by Barclays Capital, the designation of \$38.9 million of 2012 A Floating Rate Notes (originally the 2007 D and 2007 H bond issues) to become general obligations of IHFA, the issuance of \$89.1 million 2016 Series A bonds to refund all Class I, Class II and Class III bonds in the IHFA 2003 General Indenture (originally the 2003 E, 2004 ABCD, 2005 ABCDEF and 2006 ABCD bond issues) into 2016 A-2 Class I bonds, the issuance of \$25 million of new money bonds to purchase new IHFA mortgage loans at current rates, the refunding of Class I AMT Variable Rate Demand Bonds (2004D, 2005 A, 2005D and 2005E bond issues) totaling \$30.355 million by issuing Class I AMT Variable Rate Demand Bonds Series 2016 A-3 Variable Rate Demand Bonds, the refunding of Class I AMT Variable Rate Demand Bonds in (2003E and 2004ABC) totaling \$21.560 million by issuing taxable Class II 2016 A-4 Variable Rate Demand Bonds, the redemption of 2009 A Class I and Class III fixed rate bonds totaling \$2.385 million using prepayment cash held in the 2003 General Indenture. The 2016 1 and 2016A Bond are intended as a restructuring to provide an adequate asset base and meet indenture parity requirements to maintain the investment grade quality of IHFA’s Single Family Mortgage Bond Program. No economic savings are intended to be achieved by this restructuring.

IDAHO HOUSING AND FINANCE ASSOCIATION

Notes to Financial Statements

5. Bonds, continued

The scheduled principal debt service, including July 1, 2016 special redemptions, for the periods subsequent to, and as of, June 30, 2016, is as follows (in thousands):

	2017	2018	2019	2020	2021	2022 2026	2027 2031
Single-Family Mortgage Bonds:							
2000 Indenture	\$ 10,886	\$ 5,587	\$ 5,632	\$ 5,671	\$ 5,722	\$ 29,375	
2003 Indenture	109,635	3,595	4,290	4,465	4,600	38,825	\$ 48,885
2006 Indenture	121,430	18,775	18,925	18,550	17,795	75,970	44,005
2009 Indenture	18,090	1,150	1,200	1,515	1,485	7,450	8,275
FHA Insured Housing Revenue Bonds:							
2002 Series							
Grant Revenue and Revenue Anticipation Bonds:							
2006 Series	7,820						
2008 Series A	7,950	7,930	7,905	7,815	7,700	2,340	4,005
2009 Series A	6,720	7,035	7,385	7,745	8,130	47,355	39,745
2010 Series A	1,890	1,965	2,055	2,165	2,285	4,955	60,380
2011 Series A	1,345	1,400	1,445	1,480	1,515	7,955	52,815
2012 Series A	1,530	1,585	1,650	1,720	1,790	10,100	12,185
2014 Series A	3,065	3,145	3,260	3,405	3,575	20,835	32,870
2015 Series A		7,895	8,750	9,660	10,640	104,530	31,065
TOTAL	\$ 290,361	\$ 60,062	\$ 62,497	\$ 64,191	\$ 65,237	\$ 349,690	\$ 334,230
Exclude 2016A and 2016 Series 1	\$ (1,430)	\$ (2,300)	\$ (2,920)	\$ (3,035)	\$ (2,730)	\$ (16,565)	\$ (47,535)
TOTAL Excludes 2016A and 2016 Series 1	\$ 288,931	\$ 57,762	\$ 59,577	\$ 61,156	\$ 62,507	\$ 333,125	\$ 286,695
Variable rate principal	\$ 204,126	\$ 26,792	\$ 27,607	\$ 27,286	\$ 26,547	\$ 124,800	\$ 51,855
Interest:							
Fixed	\$ 32,070	\$ 32,004	\$ 31,838	\$ 30,192	\$ 28,427	\$ 111,444	\$ 44,769
Variable	3,380	3,267	2,954	2,635	2,323	7,230	2,327
TOTAL	\$ 35,450	\$ 35,271	\$ 34,792	\$ 32,827	\$ 30,750	\$ 118,674	\$ 47,096

IDAHO HOUSING AND FINANCE ASSOCIATION

Notes to Financial Statements

5. Bonds, continued

The scheduled principal debt service, including July 1, 2016 special redemptions, for the periods subsequent to, and as of, June 30, 2016, is as follows (in thousands):

	2032	2037	
	2036	2041	TOTAL
Single-Family Mortgage Bonds:			
2000 Indenture			\$ 62,873
2003 Indenture	\$ 81,885	\$ 7,330	303,510
2006 Indenture	43,495		358,945
2009 Indenture	9,070	10,945	59,180
FHA Insured Housing Revenue Bonds:			
2002 Series		8,089	8,089
Grant Revenue and Revenue Anticipation Bonds:			
2006 Series			7,820
2008 Series A			45,645
2009 Series A			124,115
2010 Series A			75,695
2011 Series A			67,955
2012 Series A			30,560
2014 Series A			70,155
2015 Series A			172,540
TOTAL	\$ 134,450	\$ 26,364	\$ 1,387,082
Exclude 2016A and 2016 Series 1	\$ (74,205)	\$ (2,230)	(152,950)
TOTAL Excludes 2016A and 2016 Series 1	\$ 60,245	\$ 24,134	\$ 1,234,132
Variable rate principal	\$ 54,620	\$ 6,180	\$ 549,813
Interest:			
Fixed	\$ 9,386	\$ 3,217	\$ 323,347
Variable	910	26	25,052
TOTAL	\$ 10,296	\$ 3,243	\$ 348,399

IDAHO HOUSING AND FINANCE ASSOCIATION

Notes to Financial Statements

5. Bonds, continued

Long-term bond liability and short-term commercial paper activity for the years ended June 30, 2016 and 2015 was as follows (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One year
Par Bonds Payable	\$ 1,411,451	\$ 236,085	\$ (413,404)	\$ 1,234,132	\$ 258,623
Interest Payable	21,454	41,292	(43,907)	18,839	18,839
Net Original (Discount)/Premium	22,716	27,891	(18,749)	31,858	2,007
Total Bonds payable at June 30, 2016	<u>\$ 1,455,621</u>	<u>\$ 305,268</u>	<u>\$ (476,060)</u>	<u>\$ 1,284,829</u>	<u>\$ 279,469</u>
Par Bonds Payable	\$ 1,572,488	\$ -	\$ (161,037)	\$ 1,411,451	\$ 134,784
Interest Payable	23,600	47,329	(49,475)	21,454	21,454
Net Original (Discount)/Premium	28,015	-	(5,299)	22,716	1,843
Total Bonds payable at June 30, 2015	<u>\$ 1,624,103</u>	<u>\$ 47,329</u>	<u>\$ (215,811)</u>	<u>\$ 1,455,621</u>	<u>\$ 158,081</u>
Commercial Paper at June 30,2016	\$ 75,000	\$ 201,045	\$ (226,045)	\$ 50,000	\$ 50,000
Commercial Paper at June 30,2015	\$ 50,000	\$ 340,999	\$ (315,999)	\$ 75,000	\$ 75,000

IDAHO HOUSING AND FINANCE ASSOCIATION

Notes to Financial Statements

6. Redemption of Bonds

Special redemptions were made in the following bond issues (in thousands):

BOND SERIES REDEEMED	PAR VALUE OF BONDS REDEEMED		
	July 1, 2016	For the Year Ended June 30, 2016	For the Year Ended June 30, 2015
Single-Family Mortgage Bonds			
Prior		\$ 20,075	\$ 6,815
2000 Indenture	\$ 4,355	3,838	9,500
2003 Indenture	102,655	38,395	12,720
2006 Indenture	103,513	45,290	19,760
2009 Indenture	17,010		170
	<u>227,533</u>	<u>107,598</u>	<u>48,965</u>
Multi-Family Mortgage Bonds			
Balmoral II		3,870	
	<u>-</u>	<u>3,870</u>	<u>-</u>
Grant Revenue and Revenue Anticipation Bonds			
2006 Series		97,665	
2008 Series A		84,505	
	<u>-</u>	<u>182,170</u>	<u>-</u>
Special Redeem All Bonds	\$ 227,533	\$ 293,638	\$ 48,965

IDAHO HOUSING AND FINANCE ASSOCIATION

Notes to Financial Statements

7. Derivatives

The Association has entered into multiple interest rate swap agreements to reduce the Association's overall cost of borrowing long-term capital and protect against the risk of rising interest rates. To do this, the Association issued variable rate debt in connection with the same Single Family Mortgage Bond issues. The swap agreements, when combined with the associated variable rate debt, create a synthetic fixed rate debt obligation. From 2000 through 2008, the Association's use of these instruments allowed it to competitively price and acquire single-family loans while reducing interest rate risk.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* defines derivative instruments and requires that they be reported at fair value in the Statements of Net Position. The swap agreements the Association has entered into are characterized as derivatives. Offsetting changes in fair value are carried on the Statements of Net Position as either a deferred inflow or outflow or recognized in earnings of the current period as a change in investments fair value. Changes in fair value are reported depending on whether the derivative instrument is considered an effective hedge. Effective hedge fair value changes are reported as deferred inflows or outflows while non-effective hedge fair value changes are recognized in earnings in the current period. Statement No. 53 provides several methods for determining effectiveness.

The fair values of swap agreements were estimated by the Association's counterparties to the swaps and approximate the termination payments that would have been due had the swaps been terminated as of June 30, 2016. While key assumptions and methods used in deriving fair value are proprietary; in general, the fair values are determined as the difference between the present value of the fixed-rate payments made to the counterparty and the variable-rate (based on interest rates as of June 30, 2016) payments paid to the Association. A positive fair value represents the amount due the Association by the counterparty upon termination of the swap while a negative fair value represents the amount payable by the Association. Due to historically low interest rates, all of the Association's interest rate swaps had negative value as of June 30, 2016 and 2015. The fair value is reported in the Statements of Net Position of \$79.64 million and \$73.82 million, respectively.

The Association has determined that a substantial portion of its interest rate swaps effectively hedge against changes in variable interest rates. As such, changes in fair value for hedge swaps are reported as a deferred outflow of resources in the Statements of Net Position of \$72.29 million as of June 30, 2016 and \$69.01 million as of June 30, 2015. A portion of the interest rate swaps are considered non-effective for hedging purposes and are reported in the Statements of Net Position in Investments at June 30, 2016 and 2015 \$(.47) and \$(.87 million), respectively. This portion represents the notional amount of interest rate swaps that exceeds the notional amount of underlying variable debt.

The Association engaged an independent third party to verify the reasonableness of fair values of contracts as of June 30, 2016 and 2015. The results from the verification correlated materially with the fair values provided by the Association's counterparties.

Credit risk: As of June 30, 2016, the Association is not exposed to credit risk on any outstanding swaps due to their negative fair values. If interest rates rise such that the variable rate the Association receives exceeds the fixed rate the Association pays, the Association will post a positive fair value. The Association would be exposed to credit risk to the extent of the positive fair value. The Association's counterparty has a current rating of A (Fitch), A2 (Moody's), and A (S&P).

Basis risk: All but twenty-two of the Association's swaps have a dual basis: Securities Industry and Financial Markets Association (SIFMA) index plus 20 basis points when the one-month London Interbank Offered Rate (LIBOR) is less than either 3.5% or 4.0% (depending on the bond series) and 68% of LIBOR when LIBOR is 3.5% or greater. Four non-dual basis swaps have a basis of SIFMA plus 20 basis points and one has a basis of LIBOR plus 71 or 76 basis points, depending on maturation date. The Association is exposed to basis risk on dual basis swaps when variable payments received are based on LIBOR and do not offset the variable rate paid on bonds, which is based on SIFMA. On June 30, 2016 SIFMA is 41 basis points and one-month LIBOR is 46 basis points.

IDAHO HOUSING AND FINANCE ASSOCIATION

Notes to Financial Statements

7. Derivatives, continued

Rollover risk: Rollover risk relates to a mismatch in the amortization of the swaps with the amortization of the variable rate bonds. The Association has structured its debt such that not all variable debt is matched by interest rate swaps and calls certain variable rate bonds independent of the expiration of the associated interest rate swap. This exposes the Association to the risk of incurring a higher interest expense than it might otherwise incur. Swap notional amounts no longer associated with variable rate debt are reported as investment derivatives.

Termination risk: The Association or Barclays Capital may terminate an interest rate swap if the other party fails to perform under the terms of the contract. If any of the swaps are terminated, the associated variable rate bonds would no longer carry synthetic fixed interest rates and the Association would be exposed to changing interest rates and incurring interest rate risk. A termination event also results in the loss of hedge accounting, requiring all fair value deferrals to be recognized immediately. The economic risk also includes requiring making payments to the counter party to the extent of any negative fair value amounts. The risk may be offset by identifying a suitable counter party willing to enter into identical swap contracts at the termination date.

During FY2015 and FY2016, the Association redeemed and reissued bonds the created deemed terminations. Though the terms of the swap contracts were not modified, the redemption and reissue did create a deemed terminating event of the swap contracts, which requires that the value of the Deferred Outflow of Resources at the date of reissuance be amortized to interest expense.

The accounting treatment also provides that deemed borrowings being created, the result of higher off-market fixed rate being paid over the market requirements at the time of modification. These borrowings are amortized and credited to interest expense over the life the of the swap contracts.

The requirements of the accounting standard result in a dual presentation of the Deferred Outflow resources at both amortized and fair values and the presentation in the Deferred Inflow of Resources of an amount that reflect the change in the fair value of the modified contracts during the fiscal years. Interest rate swap contracts fair value defers the fair value of effectively hedged swap contracts at June 30, 2016. The fair value of effectively hedged swap positions are fully matched and deferred with this offsetting position.

Interest rate swap contracts amortized value defers the amortizing value of an implicit borrowing position created upon the refunding of variable rate debt associated with swap contracts. At the time of refunding, the swap contracts' fair value became the historical cost basis, which is amortized over the life of the swap contracts. The amortized borrowing value is fully matched and deferred with this offsetting position.

Since the current fair value of the swap contracts differs from the amortized value of the borrowing at June 30, 2016, the Association has elected to report the swap contracts' current fair value to demonstrate the full economic liability to its counterparty. The difference between current fair and amortized value is reported as a gain or loss in the non-operating revenues and expense section of the Statement of Revenues, Expenses, and Changes in Net Position. This effectively results in an historical cost position being reported at current fair value. The Association matches the duration of its swap contracts with the variable debt maturity, and therefore, does not anticipate this difference ever to be realized as a loss.

IDAHO HOUSING AND FINANCE ASSOCIATION

Notes to Financial Statements

7. Derivatives, continued

Interest Rate Swap Agreements

(in thousands)

Parity Indenture	Series	Outstanding Notional Amount		Fair Values		Change in Fair Values	
		Hedging	Investment	Hedging	Investment	Hedging	Investment
2014A	2000 Series F	\$ 1,450	\$ -	\$ (77)	\$ -	\$ 105	\$ -
2014A	2000 Series G	5,800	-	(804)	-	203	-
2014A	2001 Series A	3,065	-	(270)	-	134	-
2014A	2001 Series B	3,480	-	(345)	-	145	-
2014A	2001 Series C	3,340	-	(322)	-	143	-
2014A	2001 Series D	5,605	-	(747)	-	149	-
2014A	2001 Series E	5,605	-	(710)	-	137	-
2014A	2001 Series F	3,635	-	(377)	-	134	-
2014A	2002 Series A	3,810	-	(443)	-	148	-
2014A	2002 Series B	3,840	-	(440)	-	146	-
2014A	2002 Series C	3,850	-	(429)	-	146	-
2014A	2002 Series D	5,850	-	(764)	-	158	-
2014A	2002 Series E	3,855	-	(403)	-	123	-
2014A	2000 Series F	3,975	-	(461)	-	41	-
2014A	2000 Series G	3,975	-	(515)	-	55	-
2003A	2003 Series A	6,215	-	(1,072)	-	(11)	56
2003B	2003 Series B	5,810	-	(738)	-	(65)	133
2003C	2003 Series C	3,365	-	(431)	-	11	-
2003D	2003 Series D	5,670	-	(1,043)	-	(197)	250
2003E	2003 Series E	5,170	500	(879)	(81)	32	7
2004A	2004 Series A	4,770	1,000	(706)	(147)	63	(44)
2004B	2004 Series B	5,785	550	(1,012)	(96)	14	2
2004C	2004 Series C	5,985	-	(958)	-	41	-
2004D	2004 Series D	6,955	595	(1,133)	(95)	(59)	(3)
2005A	2005 Series A	8,075	-	(1,357)	-	(75)	-
2009A	2005 Series B	7,875	-	(1,340)	-	(59)	-
2009A	2005 Series C	7,990	-	(1,408)	-	(77)	-
2005D	2005 Series D	7,800	320	(1,290)	(52)	(75)	(2)
2005E	2005 Series E	8,260	-	(1,248)	-	(80)	-
2009A	2005 Series F	8,580	-	(1,564)	-	(80)	-
2009A	2006 Series A	8,435	-	(1,577)	-	(98)	-
2009A	2006 Series B	5,930	-	(918)	-	44	-
2009A	2006 Series C	5,715	-	(881)	-	46	-
2009A	2006 Series D	6,665	-	(1,054)	-	59	-
2012A	2007 Series D	10,585	-	(1,714)	-	(156)	-
2012A	2007 Series E	12,815	-	(4,061)	-	(2,170)	-
2012A	2007 Series F	15,955	-	(2,760)	-	(125)	-
2012A	2007 Series G	24,415	-	(5,123)	-	(673)	-
2012A	2007 Series H	30,000	-	(6,635)	-	(1,266)	-
2012A	2007 Series I	20,235	-	(2,055)	-	1,348	-
2012A	2007 Series J	25,295	-	(4,969)	-	(782)	-
2012A	2007 Series K	21,770	-	(4,373)	-	(853)	-

IDAHO HOUSING AND FINANCE ASSOCIATION

Notes to Financial Statements

7. Derivatives, continued

		<u>Interest Rate Swap Agreements</u>							
		(in thousands)							
		Fixed Rate		Variable Rate					
Parity		Fixed Rate		Received by IHFA from	Interest Rate	Credit	Scheduled		
Indenture	Series	Paid by		Interest Rate Contract	Contract Provider	Rating	Termination	Inception	
		IHFA		Provider			Date	Date	
2000F	2000 Series F	5.30%	SIFMA+.20%	(LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2018	11/6/2008	
2000G	2000 Series G	5.25%	SIFMA+.20%	(LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2021	11/6/2008	
2001A	2001 Series A	4.76%	SIFMA+.20%	(LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2020	11/6/2008	
2001B	2001 Series B	4.87%	SIFMA+.20%	(LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2020	11/6/2008	
2001C	2001 Series C	4.86%	SIFMA+.20%	(LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2020	11/6/2008	
2001D	2001 Series D	4.73%	SIFMA+.20%	(LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2022	11/6/2008	
2001E	2001 Series E	4.53%	SIFMA+.20%	(LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2022	11/6/2008	
2001F	2001 Series F	4.70%	SIFMA+.20%	(LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2021	11/6/2008	
2002A	2002 Series A	5.02%	SIFMA+.20%	(LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2021	11/6/2008	
2002B	2002 Series B	4.95%	SIFMA+.20%	(LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2021	11/6/2008	
2002C	2002 Series C	4.89%	SIFMA+.20%	(LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2021	11/6/2008	
2002D	2002 Series D	4.71%	SIFMA+.20%	(LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2022	11/6/2008	
2002E	2002 Series E	4.48%	SIFMA+.20%	(LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2021	11/6/2008	
2000F	2002 Series F	5.30%	SIFMA+.20%	(LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2018	11/6/2008	
2000G	2002 Series G	5.25%	SIFMA+.20%	(LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2021	11/6/2008	
2003A	2003 Series A	4.52%	SIFMA+.20%	(LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2026	11/6/2008	
2003B	2003 Series B	4.04%	SIFMA+.20%		Barclays Capital	A/A2	7/1/2024	11/6/2008	
2003C	2003 Series C	3.78%	SIFMA+.20%		Barclays Capital	A/A2	1/1/2025	11/6/2008	
2003D	2003 Series D	4.84%	SIFMA+.20%		Barclays Capital	A/A2	7/1/2025	11/6/2008	
2003E	2003 Series E	4.53%	SIFMA+.20%		Barclays Capital	A/A2	7/1/2025	11/6/2008	
2004A	2004 Series A	4.03%	SIFMA+.20%	(LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2026	11/7/2008	
2004B	2004 Series B	4.37%	SIFMA+.20%	(LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2027	11/7/2008	
2004C	2004 Series C	4.33%	SIFMA+.20%	(LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2025	11/7/2008	
2004D	2004 Series D	3.85%	SIFMA+.20%	(LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2028	11/7/2008	
2005A	2005 Series A	3.90%	SIFMA+.20%	(LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2029	11/7/2008	
2005B	2005 Series B	3.99%	SIFMA+.20%	(LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2028	11/7/2008	
2005C	2005 Series C	3.73%	SIFMA+.20%	(LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2028	11/7/2008	
2005D	2005 Series D	3.87%	SIFMA+.20%	(LIBOR < 4.0%)/68% LIBOR	Barclays Capital	A/A2	7/1/2028	11/7/2008	
2005E	2005 Series E	3.93%	SIFMA+.20%	(LIBOR < 4.0%)/68% LIBOR	Barclays Capital	A/A2	1/1/2029	11/7/2008	
2005F	2005 Series F	4.10%	SIFMA+.20%	(LIBOR < 4.0%)/68% LIBOR	Barclays Capital	A/A2	1/1/2029	11/7/2008	
2006A	2006 Series A	4.10%	SIFMA+.20%	(LIBOR < 4.0%)/68% LIBOR	Barclays Capital	A/A2	1/1/2029	11/7/2008	
2006B	2006 Series B	4.35%	SIFMA+.20%	(LIBOR < 4.0%)/68% LIBOR	Barclays Capital	A/A2	7/1/2025	11/7/2008	
2006C	2006 Series C	4.36%	SIFMA+.20%	(LIBOR < 4.0%)/68% LIBOR	Barclays Capital	A/A2	1/1/2025	11/7/2008	
2006D	2006 Series D	4.45%	SIFMA+.20%	(LIBOR < 4.0%)/68% LIBOR	Barclays Capital	A/A2	1/1/2025	11/7/2008	
2007D	2007 Series D	4.89%	LIBOR+.71%		Barclays Capital	A/A2	1/1/2026	12/20/2012	
2007E	2007 Series E	4.94%	LIBOR+.71%		Barclays Capital	A/A2	7/1/2025	12/20/2012	
2007F	2007 Series F	5.28%	LIBOR+.71%		Barclays Capital	A/A2	1/1/2025	12/20/2012	
2007G	2007 Series G	5.39%	LIBOR+.76%		Barclays Capital	A/A2	7/1/2028	12/20/2012	
2007H	2007 Series H	5.20%	LIBOR+.76%		Barclays Capital	A/A2	7/1/2030	12/20/2012	
2007I	2007 Series I	5.14%	LIBOR+.76%		Barclays Capital	A/A2	7/1/2028	12/20/2012	
2007J	2007 Series J	5.10%	LIBOR+.76%		Barclays Capital	A/A2	7/1/2028	12/20/2012	
2007K	2007 Series K	4.93%	LIBOR+.76%		Barclays Capital	A/A2	7/1/2030	12/20/2012	

IDAHO HOUSING AND FINANCE ASSOCIATION

Notes to Financial Statements

7. Derivatives, continued

Interest Rate Swap Agreements

Parity Indenture	Series	Outstanding Notional Amount		Fair Values		Change in Fair Values	
		Hedging	Investment	Hedging	Investment	Hedging	Investment
2013A	2006 Series E	7,550	-	(1,416)	-	(72)	-
2013A	2006 Series F	7,680	-	(1,358)	-	(88)	-
2013A	2006 Series G	7,575	-	(1,283)	-	(89)	-
2013A	2007 Series A	7,920	-	(1,530)	-	(144)	-
2013A	2007 Series B	9,010	-	(1,669)	-	(174)	-
2013A	2007 Series C	9,435	-	(1,830)	-	(191)	-
2013A	2008 Series A	21,770	-	(4,587)	-	(828)	-
2013A	2008 Series B	18,775	-	(3,651)	-	(651)	-
2013A	2008 Series C	12,685	-	(2,166)	-	(213)	-
2013A	2008 Series D	4,755	-	(746)	-	(92)	-
		<u>\$ 454,410</u>	<u>\$ 2,965</u>	<u>\$ (79,642)</u>	<u>\$ (471)</u>	<u>\$ (5,818)</u>	<u>\$ 399</u>

Interest Rate Swap Agreements

Parity Indenture	Series	Fixed Rate Paid by IHFA	Variable Rate		Interest Rate Contract Provider	Credit Rating	Scheduled Termination Date	Inception Date
			Received by IHFA from Interest Rate Contract Provider					
2006E	2006 Series E	5.55%	One-month LIBOR + .80%		Barclays Capital	A/A2	1/1/2026	11/22/2013
2006F	2006 Series F	5.32%	One-month LIBOR + .80%		Barclays Capital	A/A2	1/1/2026	11/22/2013
2006G	2006 Series G	5.20%	One-month LIBOR + .80%		Barclays Capital	A/A2	7/1/2026	11/22/2013
2007A	2007 Series A	5.37%	One-month LIBOR + .80%		Barclays Capital	A/A2	7/1/2026	11/22/2013
2007B	2007 Series B	5.22%	One-month LIBOR + .80%		Barclays Capital	A/A2	1/1/2027	11/22/2013
2007C	2007 Series C	5.31%	One-month LIBOR + .80%		Barclays Capital	A/A2	1/1/2027	11/22/2013
2008A	2008 Series A	5.12%	One-month LIBOR + .80%		Barclays Capital	A/A2	7/1/2030	11/22/2013
2008B	2008 Series B	4.98%	One-month LIBOR + .80%		Barclays Capital	A/A2	7/1/2029	11/22/2013
2008C	2008 Series C	5.05%	One-month LIBOR + .80%		Barclays Capital	A/A2	7/1/2026	11/22/2013
2008D	2008 Series D	4.77%	One-month LIBOR + .80%		Barclays Capital	A/A2	7/1/2026	11/22/2013

IDAHO HOUSING AND FINANCE ASSOCIATION

Notes to Financial Statements

7. Derivatives, continued

At June 30, 2016, the Association has \$200,000,000 in forward sales contracts (“To Be Announced” or “TBA” contracts) to issue GNMA securities in order to lock in the sales price for the securitization of single-family loans. These securities represent pools of qualified first mortgage loans originated by Association-approved lenders and brokers. Under this program, the Association periodically enters into forward contracts to sell GNMA Mortgage Backed Securities to investors before the securities are ready for delivery. The Association enters into TBA Mortgage-Backed Security Contracts to hedge the interest rate risk for loan commitments made to originating mortgage lenders. These contracts are considered investment derivatives and are not rated.

TBA Forward Contracts

Contract	Coupon rate	Outstanding Notional Amount	Fair Values	Counterparty Credit Rating
April 2016	3.50%	\$ 5,000,000	\$ (44,142)	AAA/Aaa
April 2016	3.00%	5,000,000	(88,868)	AAA/Aaa
April 2016	3.00%	5,000,000	(86,523)	AAA/Aaa
April 2016	3.00%	5,000,000	(86,523)	AAA/Aaa
April 2016	3.00%	5,000,000	(91,992)	AAA/Aaa
April 2016	3.00%	5,000,000	(81,836)	AAA/Aaa
April 2016	3.50%	5,000,000	(50,391)	AAA/Aaa
May 2016	3.00%	5,000,000	(72,461)	AAA/Aaa
May 2016	3.00%	5,000,000	(70,703)	AAA/Aaa
May 2016	3.00%	5,000,000	(60,742)	AAA/Aaa
May 2016	3.50%	5,000,000	(34,766)	AAA/Aaa
May 2016	3.00%	5,000,000	(55,273)	AAA/Aaa
May 2016	3.50%	5,000,000	(33,203)	AAA/Aaa
May 2016	3.00%	5,000,000	(48,242)	AAA/Aaa
May 2016	3.00%	5,000,000	(69,141)	AAA/Aaa
May 2016	3.50%	5,000,000	(46,484)	AAA/Aaa
May 2016	3.00%	5,000,000	(69,922)	AAA/Aaa
May 2016	3.00%	5,000,000	(70,898)	AAA/Aaa
May 2016	3.00%	5,000,000	(73,047)	AAA/Aaa
May 2016	3.50%	5,000,000	(44,336)	AAA/Aaa
May 2016	3.00%	5,000,000	(74,805)	AAA/Aaa
May 2016	3.00%	5,000,000	(70,117)	AAA/Aaa
May 2016	3.00%	5,000,000	(70,117)	AAA/Aaa
May 2016	3.00%	5,000,000	(67,773)	AAA/Aaa
June 2016	3.00%	5,000,000	(68,555)	AAA/Aaa
June 2016	3.50%	5,000,000	(43,555)	AAA/Aaa
June 2016	3.00%	5,000,000	(48,601)	AAA/Aaa
June 2016	3.50%	5,000,000	(48,242)	AAA/Aaa
June 2016	3.00%	5,000,000	(48,242)	AAA/Aaa
June 2016	3.00%	5,000,000	(38,867)	AAA/Aaa
June 2016	3.00%	5,000,000	(24,805)	AAA/Aaa
June 2016	3.00%	5,000,000	(39,648)	AAA/Aaa
June 2016	3.00%	5,000,000	(24,023)	AAA/Aaa
June 2016	3.00%	5,000,000	(41,211)	AAA/Aaa
June 2016	3.00%	5,000,000	(43,016)	AAA/Aaa
June 2016	3.00%	5,000,000	(43,359)	AAA/Aaa
June 2016	3.50%	5,000,000	(27,344)	AAA/Aaa
June 2016	3.00%	5,000,000	(19,922)	AAA/Aaa
June 2016	3.00%	5,000,000	(16,406)	AAA/Aaa
June 2016	3.00%	5,000,000	(5,859)	AAA/Aaa
		<u>\$ 200,000,000</u>	<u>\$ (2,143,960)</u>	

IDAHO HOUSING AND FINANCE ASSOCIATION

Notes to Financial Statements

8. Retirement Plans

The Idaho Housing and Finance Association Defined Contribution Retirement Plan covers substantially all Association employees. The Association contributes eight percent of annual compensation for each eligible permanent employee to a segregated account held in trust by Wells Fargo Bank. Employees are eligible to participate in the retirement plan after completion of 1,040 hours of continuous employment, and 100 percent vesting is achieved ratably over a period of five years. Plan provisions and contribution requirements are established, and may be amended, by the Association. The Association's retirement plan expense for the years ending June 30, 2016 and 2015 was \$688,000, respectively. Employees do not contribute to this Plan.

The Association also offers a deferred compensation plan qualified under Section 457 of the Internal Revenue Code. All employees who have completed 30 days of continuous employment with the Association are eligible to participate. The plan permits employees to defer up to 100 percent per year (or a maximum of \$16,500 for those under 50 and \$22,000 for those 50 and older), of salary before taxes. The Association will match up to two percent of the employee's deferral to be deposited into the employee's account and immediately vested. The Association's deferred compensation plan expense for the years ending June 30, 2016 and 2015 was \$163,000 and \$149,000, respectively. Investment choices for all contributions are employee-directed. The assets for these retirement plans are not included in the Association's financial statements as they are substantially the property of employees and are held in segregated trust accounts.

9. Conduit Debt Obligations

Interpretation No. 2 of the GASB requires disclosure of conduit debt obligations. Conduit debt obligations are certain limited obligation debt instruments issued for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. From time to time, the Association has issued bonds to provide financial assistance to entities for the construction of facilities deemed to be in the public interest. The bonds are secured by the property financed, and are payable solely from payments received on the underlying investments. Upon repayment of the bonds, ownership of the constructed facilities transfers to the entity served by the bond issuance. The Association is not obligated in any manner for repayment of these bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2016 and 2015 there were forty-one and forty, respectively, series of bonds outstanding that meet the description of conduit debt obligations not included in the Association's financial statements. They had aggregate principal amounts payable of \$246,537,000 and \$219,767,000, respectively.

The Association has included within the financial statements conduit debt obligations for housing and transportation-related bond issuances. The Association has determined that including these conduit debt obligations and related assets presents a more informed perspective of housing-related and relationship-significant debt obligations issued by the Association. The Association is not obligated in any manner for repayment of these housing and transportation related conduit debt obligations. The total outstanding indebtedness and accrued interest as of June 30, 2016 and 2015 is \$647,143,000 and \$733,492,000, respectively.

Since conduit debt by definition does not create net position to the Association, those issuances included within the financial statements with a net position have their net position reclassified to either an asset or a liability depending on the initial net position. To facilitate this reclass, a reporting classification titled "*Government and multifamily trusts' pledged revenues*" appears on the Statements of Revenues, Expenses, and Changes in Net Position. These amounts represent changes in net claims/(advance receipt(s)) to/(of) revenue sufficient to cover obligations and expenses of the issuance. Asset and liability amounts are reported in Other Assets and Other Liabilities in the Statements of Net Position, the Supplemental Financial Information Section (Bondholder Trusts, combined and detailed), and Footnote 11 (Multifamily and GARVEE bonds pledged revenues adjustment). Asset balances represent claims to future receipts sufficient to cover a shortfall between total receipts and total current obligations; liability balances represent receipt of total revenues that exceed what is sufficient and required for total current obligations.

IDAHO HOUSING AND FINANCE ASSOCIATION

Notes to Financial Statements

10. Capital Assets (in thousands)

A summary of activity in the Capital Assets is as follows:

	Balance at June 30,2015	Additions	Retirements	Balance at June 30,2016
Capital assets:				
Land	\$ 988		\$ (160)	\$ 828
Buildings and improvements	9,443	1	(2,059)	7,385
Furniture and equipment	3,480	492	(351)	3,621
Leasehold improvements	302	309	(83)	528
Computer software	1,707	136	(42)	1,801
Total capital assets	15,920	938	(2,695)	14,163
Less accumulated depreciation for:				
Land				
Buildings and improvements	(5,454)	(217)	1,590	(4,081)
Furniture and equipment	(2,954)	(290)	350	(2,894)
Leasehold improvements	(232)	(12)	83	(161)
Computer software	(1,493)	(114)	42	(1,565)
Total accumulated depreciation	(10,133)	(633)	2,065	(8,701)
Total capital assets, net	\$ 5,787	\$ 305	\$ (630)	\$ 5,462

IDAHO HOUSING AND FINANCE ASSOCIATION

Notes to Financial Statements

11. Other Assets and Liabilities

Other Assets and Other Liabilities as of June 30, 2016 and 2015 are composed of the Accounts and Balances as follows (in thousands):

	2016	2015
Other Assets:		
Accounts Receivable	\$ 6,768	\$ 7,000
Multifamily trusts' pledged revenues receivable	233	638
Prepaid expenses	194	582
REO mortgages receivable	15,990	19,363
	<u>\$ 23,185</u>	<u>\$ 27,583</u>
Other Liabilities		
Accounts Payable	\$ 79	\$ 191
Accrued vacation and other payroll related liabilities	866	960
Arbitrage rebate	306	1,183
Federal programs advances and unapplied program income	6,382	3,716
Security deposits	5	15
Unapplied payments	2,403	2,864
Other accrued liability	2,884	2,641
	<u>\$ 12,925</u>	<u>\$ 11,570</u>

12. Risk Management

The Association maintains commercial insurance coverage for officer errors and omissions, tort claims, and property loss and other casualties. The State Fund of Idaho, a competitive state fund, writes the Association's worker compensation coverage. The Association's premiums and loss experience modifications are based on the loss experience of the Association.

13. Component Units

The Housing Company (THC) and The Home Partnership Foundation (HPF) are legally separate 501(c)3 component units of the Association.

THC was formed to develop, acquire and operate real estate for the benefit of elderly, disadvantaged, limited-income or otherwise needy persons throughout the state of Idaho. As of December 31, 2015, THC had acquired and was operating sixteen multifamily housing complexes; had constructed and was operating ten multifamily housing complexes; had constructed two additional phases of housing to existing developments; had completed renovation of a hotel and turned into a new multifamily complex; had built a single family home known as The Cottage with HOME funds; had purchased land in Coeur d'Alene and Montpelier for the purpose of developing and selling workforce housing units; had purchased a single family home in Canyon County with federal NSP funds and turned it into special needs housing as intended by the program; had purchased three duplexes in Canyon County with federal NSP funds to rent as affordable housing; and had constructed three homes and sold two in Nez Perce with HOME funds; and had started construction on two multifamily housing complexes, one in McCall and one in Twin Falls, on land previously donated or purchased. Certain personnel of the Association provide services to THC and an equal number of Association Commissioners serve on THC's Board. As of June 30, 2016, three Association Commissioners and the Association's President serve on THC's Board of Directors.

IDAHO HOUSING AND FINANCE ASSOCIATION

Notes to Financial Statements

13. Component Units, continued

THC pays all expenses associated with THC operations. As of June 30, 2016 and 2015 THC paid the Association \$881,000 and \$971,000, respectively. THC owed \$82,000 and \$111,000 for the years ended June 30, 2015 and 2014. Complete financial statements for THC can be obtained from THC at P.O. Box 7899, Boise, ID 83707.

THC processes and pays vendor invoices for a townhome project, Valley Centre Townhomes, owned by the Association and 72 IHFA owned REO rental properties. The Association reimburses THC for amounts paid on a quarterly basis.

HPF helps people build a strong foundation for their lives through stable, safe, and affordable housing by making available financial resources they would not be able to obtain elsewhere. The Foundation supports shelters and shelter services for Idaho's homeless and most disadvantaged, encourages financial independence by educating individuals and families, invests in workforce housing, and facilitates tax-advantaged land donations for housing development. HPF's Board of Directors, consists primarily of Association Commissioners plus one non-Association Commission member. Certain general, administrative and fundraising expenses of the Foundation are paid by the Association. The Association also provides occupancy, accounting, gift receipting and cash management services to the Foundation. The value of these services is not reflected in the accompanying financial statements since they are not susceptible to objective measurement or valuation. Complete financial statements for HPF can be obtained from HPF at P.O. Box 7899, Boise, ID 83707.

IDAHO HOUSING AND FINANCE ASSOCIATION

Supplemental Financial Information

The following schedules present the separate financial accounts of the Association as required by bond resolutions, bond indentures, and federal program regulations. After considering certain interfund and inter-component unit eliminations, the accounts combine to the Association's Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position for the Period Ended June 30, 2016

Association Accounts (in thousands)

	Business Operations			Affordable Housing Investment Trust
	General Operating and Custodial Accounts	Federally Assisted Program	Combined	
Statement of Net Position				
ASSETS AND DEFERRED OUTFLOW OF RESOURCES				
All Cash and Cash Equivalents	\$ 100,499	\$ 10,166	\$ 110,665	\$ 1
All Investments, fair value	11,207		11,207	5,371
Loans Held for Investment, net	4,135	17,088	21,223	41,123
Loans available for sale	121,781		121,781	
Loan servicing contracts	48,055		48,055	
GARVEE highway project costs receivable, net			-	
Property and Equipment	5,067	352	5,419	43
Other Assets	310,697	76	310,773	515
Deferred Outflow--Interest Rate Swap Contracts			-	
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 601,441	\$ 27,682	\$ 629,123	\$ 47,053
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION				
Bonds				
Commercial Paper	\$ 50,000		\$ 50,000	
Swap Contract Fair Value Liability			-	
Interest Payable-Swap Contract			-	
Escrow and Project Reserve Deposits	33,161	\$ 397	33,558	
Investor Remittance Liability	42,273		42,273	
Other Liabilities	400,998	7,921	408,919	\$ 9,962
Net Position	75,009	19,364	94,373	37,091
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	\$ 601,441	\$ 27,682	\$ 629,123	\$ 47,053
Statement of Revenues, Expenses and Changes in Net Position				
OPERATING REVENUES				
Interest on Loans	\$ 5,250	\$ 28	\$ 5,278	\$ 1,976
Interest on Investments	23		23	2
Contract and Grant Administration Fees	10,405		10,405	
Gains on Loan Sales	29,114		29,114	
Loan Servicing Fees	16,315		16,315	95
Multifamily and GARVEE bonds pledged revenues			-	
Other	2,149	1,014	3,163	5
TOTAL OPERATING REVENUES	63,256	1,042	64,298	2,078
OPERATING EXPENSES				
Interest	582		582	
Salaries and Benefits	12,018	327	12,345	
Loan acquisition costs	30,929		30,929	4,681
General Operating	6,157	661	6,818	654
Bond financing costs			-	
Grants to Others			-	691
Provision for loan loss		156	156	
Other	596	1,166	1,762	-
TOTAL OPERATING EXPENSES	50,282	2,310	52,592	6,026
OPERATING INCOME (LOSS)	12,974	(1,268)	11,706	(3,948)
NONOPERATING REVENUES AND EXPENSES				
Net Increase (Decrease) in Fair Value of Investments	(3,204)		(3,204)	500
Net Increase (Decrease) in Fair Value of Servicing contracts	8,504		8,504	
Derivative instruments, interest rate swap			-	
Federal Pass-Through Revenues		43,030	43,030	
Federal Pass-Through Expenses		(43,483)	(43,483)	
TOTAL NONOPERATING REVENUES AND EXPENSES	5,300	(453)	4,847	500
CHANGE IN NET POSITION	18,274	(1,721)	16,553	(3,448)
NET POSITION, Beginning of Period	63,574	19,027	82,601	35,758
TRANSFERS	(6,839)	2,058	(4,781)	4,781
NET POSITION, End of Period	\$ 75,009	\$ 19,364	\$ 94,373	\$ 37,091

(1) The detail of the Combined Bondholder Trusts is presented on pages 50-52.

IDAHO HOUSING AND FINANCE ASSOCIATION

Supplemental Financial Information

Association Accounts (in thousands)

	Rating Compliance and Loan Guarantee Trust	Combined Bondholder Trusts (1)	Interfund Eliminations	All Association Accounts
Statement of Net Position				
ASSETS AND DEFERRED OUTFLOW OF RESOURCES				
All Cash and Cash Equivalents		\$ 76,584		\$ 187,250
All Investments, fair value	30,395	164,580		211,553
Loans Held for Investment, net	16,505	398,418		477,269
Loans available for sale		-		121,781
Loan servicing contracts				48,055
GARVEE highway project costs receivable, net		634,693		634,693
Property and Equipment		-		5,462
Other Assets	95,891	309,902	\$ (694,387)	22,694
Deferred Outflow---Interest Rate Swap Contracts		72,287		72,287
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 142,791	\$ 1,656,464	\$ (694,387)	\$ 1,781,044
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION				
Bonds		\$ 1,284,829		\$ 1,284,829
Commercial Paper		-		50,000
Swap Contract Fair Value Liability		79,642		79,642
Interest Payable-Swap Contract		11,007		11,007
Escrow and Project Reserve Deposits		-		33,558
Investor Remittance Liability				42,273
Other Liabilities	\$ 7,746	280,675	\$ (694,387)	12,915
Net Position	135,045	311	-	266,820
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	\$ 142,791	\$ 1,656,464	\$ (694,387)	\$ 1,781,044
Statement of Revenues, Expenses and Changes in Net Position				
OPERATING REVENUES				
Interest on Loans	\$ 740	\$ 28,413		\$ 36,407
Interest on Investments	304	4,118		4,447
Contract and Grant Administration Fees		-	\$ (2,769)	7,636
Gains on Loan Sales		-		29,114
Loan Servicing Fees	5	2,073	(1,693)	16,795
Multifamily and GARVEE bonds pledged revenues		28,552		28,552
Other		-		3,168
TOTAL OPERATING REVENUES	1,049	63,156	(4,462)	126,119
OPERATING EXPENSES				
Interest	574	63,151		64,307
Salaries and Benefits		-		12,345
Loan acquisition costs		-		35,610
General Operating	1,703	1,971	(4,462)	6,684
Bond financing costs		926		926
Grants to Others		-		691
Provision for loan loss		-		156
Other		76		1,838
TOTAL OPERATING EXPENSES	2,277	66,124	(4,462)	122,557
OPERATING INCOME (LOSS)	(1,228)	(2,968)	-	3,562
NONOPERATING REVENUES AND EXPENSES				
Net Increase (Decrease) in Fair Value of Investments	362	3,448		1,106
Net Increase (Decrease) in Fair Value of Servicing contracts				8,504
Derivative instruments, interest rate swap	-	(2,484)		(2,484)
Federal Pass-Through Revenues		-		43,030
Federal Pass-Through Expenses		-		(43,483)
TOTAL NONOPERATING REVENUES AND EXPENSES	362	964	-	6,673
CHANGE IN NET POSITION	(866)	(2,004)	-	10,235
NET POSITION, Beginning of Period	134,738	3,488		256,585
TRANSFERS	1,173	(1,173)		-
NET POSITION, End of Period	\$ 135,045	\$ 311	\$ -	\$ 266,820

(1) The detail of the Combined Bondholder Trusts is presented on pages 50-52.

IDAHO HOUSING AND FINANCE ASSOCIATION

Supplemental Financial Information

Association Accounts (in thousands)

	The Home Partnership Foundation	Inter- Component Unit Eliminations	All Reporting Entity Accounts
Statement of Net Position			
ASSETS AND DEFERRED OUTFLOW OF RESOURCES			
All Cash and Cash Equivalents	\$ 1,028		\$ 188,278
All Investments, fair value	502		212,055
Loans Held for Investment, net	18		477,287
Loans available for sale			121,781
Loan servicing contracts			48,055
GARVEE highway project costs receivable, net			634,693
Property and Equipment			5,462
Other Assets	491		23,185
Deferred Outflow---Interest Rate Swap Contracts			72,287
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 2,039	\$ -	\$ 1,783,083
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION			
Bonds			\$ 1,284,829
Commercial Paper			50,000
Swap Contract Fair Value Liability			79,642
Interest Payable-Swap Contract			11,007
Escrow and Project Reserve Deposits			33,558
Investor Remittance Liability			42,273
Other Liabilities	\$ 10		12,925
Net Position	2,029	-	268,849
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	\$ 2,039	\$ -	\$ 1,783,083
Statement of Revenues, Expenses and Changes in Net Position			
OPERATING REVENUES			
Interest on Loans			\$ 36,407
Interest on Investments			4,447
Contract and Grant Administration Fees			7,636
Gains on Loan Sales			29,114
Loan Servicing Fees			16,795
Multifamily and GARVEE bonds pledged revenues			28,552
Other	\$ 928	\$ (691)	3,405
TOTAL OPERATING REVENUES	928	(691)	126,356
OPERATING EXPENSES			
Interest			64,307
Salaries and Benefits	115		12,460
Loan acquisition costs			35,610
General Operating	37		6,721
Bond financing costs			926
Grants to Others	491	(691)	491
Provision for loan loss	127		283
Other			1,838
TOTAL OPERATING EXPENSES	770	(691)	122,636
OPERATING INCOME (LOSS)	158	-	3,720
NONOPERATING REVENUES AND EXPENSES			
Net Increase (Decrease) in Fair Value of Investments			1,106
Net Increase (Decrease) in Fair Value of Servicing contracts			8,504
Derivative instruments, interest rate swap			(2,484)
Federal Pass-Through Revenues			43,030
Federal Pass-Through Expenses			(43,483)
TOTAL NONOPERATING REVENUES AND EXPENSES	-	-	6,673
CHANGE IN NET POSITION	158	-	10,393
NET POSITION, Beginning of Period	1,871		258,456
TRANSFERS	-		-
NET POSITION, End of Period	\$ 2,029	\$ -	\$ 268,849

(1) The detail of the Combined Bondholder Trusts is presented on pages 50-52.

IDAHO HOUSING AND FINANCE ASSOCIATION

	2000	2003	2006	2009	Balmoral II Variable Rate Demand Housing Revenue Bond
	Indenture	Indenture	Indenture	Indenture	
Statement of Net Position					
ASSETS AND DEFERRED OUTFLOW OF RESOURCES					
Cash and Cash Equivalents held in trust		\$ 15,927	\$ 57,164	\$ 3,493	
Investments, fair value held in trust	\$ 17,222	97,122	20,392	25,421	
Loans Held for Investment, net	51,373	102,490	206,944	29,820	
GARVEE highway project costs receivable, net					
Employment Security Reserve Fund receivable					
Other Assets	547	79,131	\$ 47,101	717	
Deferred Outflow--Interest Rate Swap Contracts	5,063	18,912	48,312	-	
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 74,205	\$ 313,582	\$ 379,913	\$ 59,451	\$ -
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION					
Bonds	\$ 63,194	\$ 217,299	\$ 296,924	\$ 60,269	
Swap Contract Fair Value Liability	7,106	20,611	51,925	-	
Interest Payable-Swap Contract	1,447	2,655	6,905	-	
Other Liabilities	1,030	66,440	30,994	41	
Deferred Inflow--Interest Rate Swap Contracts					
Net Position	1,428	6,577	(6,835)	(859)	-
TOTAL LIABILITIES ,DEFERRED INFLOW OF RESOURCES AND NET POSITION	\$ 74,205	\$ 313,582	\$ 379,913	\$ 59,451	\$ -
Statement of Revenues, Expenses and Changes in Net Position					
OPERATING REVENUES					
Interest on Loans	\$ 3,351	\$ 6,601	\$ 12,694	\$ 1,329	\$ 3,870
Interest on Investments	334	1,929	1,694	148	
Loan Servicing Fees	191	474	1,290	118	
Multifamily and GARVEE bonds pledged revenues					
Other					
TOTAL OPERATING REVENUES	3,876	9,004	15,678	1,595	3,870
OPERATING EXPENSES					
Interest	3,578	9,346	15,505	2,185	3,871
General Operating	255	544	878	119	
Bond Financing Costs		710			
Other					
TOTAL OPERATING EXPENSES	3,833	10,600	16,383	2,304	3,871
OPERATING INCOME (LOSS)	43	(1,596)	(705)	(709)	(1)
NONOPERATING REVENUES AND EXPENSES					
Net Increase (Decrease) in Fair Value of Investments	476	1,621	963	388	
Derivative instruments, interest rate swap	591	(1,700)	(1,375)		
TOTAL NONOPERATING REVENUES AND EXPENSES	1,067	(79)	(412)	388	-
CHANGE IN NET POSITION	1,110	(1,675)	(1,117)	(321)	(1)
NET POSITION, Beginning of Period	318	8,381	(4,690)	(522)	1
TRANSFERS	-	(129)	(1,028)	(16)	-
NET POSITION, End of Period	\$ 1,428	\$ 6,577	\$ (6,835)	\$ (859)	\$ -

(2) The combined totals for Bondholder Trusts are presented on page 47.

IDAHO HOUSING AND FINANCE ASSOCIATION

	Falls Creek Variable Rate Demand Housing Revenue Bond	2006 Grand and Revenue Anticipation Bond	2008A Grant and Revenue Anticipation Bond	2009A Grant and Revenue Anticipation Bond	2010A Grant and Revenue Anticipation Bond
Statement of Net Position					
ASSETS AND DEFERRED OUTFLOW OF RESOURCES					
Cash and Cash Equivalents held in trust					
Investments, fair value held in trust	\$ 104	\$ 603	\$ 685	\$ 698	\$ 1,000
Loans Held for Investment, net	7,791				
GARVEE highway project costs receivable, net		107,519	134,309	130,301	77,267
Employment Security Reserve Fund receivable					
Other Assets	234	-	-	-	2
Deferred Outflow--Interest Rate Swap Contracts					
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 8,129	\$ 108,122	\$ 134,994	\$ 130,999	\$ 78,269
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION					
Bonds	\$ 8,129	\$ 10,457	\$ 50,489	\$ 130,999	\$ 78,269
Swap Contract Fair Value Liability					
Interest Payable-Swap Contract					
Other Liabilities	-	97,665	84,505	-	-
Deferred Inflow--Interest Rate Swap Contracts					
Net Position	-	-	-	-	-
TOTAL LIABILITIES ,DEFERRED INFLOW OF RESOURCES AND NET POSITION	\$ 8,129	\$ 108,122	\$ 134,994	\$ 130,999	\$ 78,269
Statement of Revenues, Expenses and Changes in Net Position					
OPERATING REVENUES					
Interest on Loans	\$ 568				
Interest on Investments					
Loan Servicing Fees					
Multifamily and GARVEE bonds pledged revenues		\$ 266	\$ 2,067	\$ 5,787	\$ 4,586
Other	-	-	-	-	-
TOTAL OPERATING REVENUES	568	266	2,067	5,787	4,586
OPERATING EXPENSES					
Interest	479	242	2,034	5,759	4,565
General Operating	13	24	33	28	21
Bond Financing Costs					
Other	76				
TOTAL OPERATING EXPENSES	568	266	2,067	5,787	4,586
OPERATING INCOME (LOSS)	-	-	-	-	-
NONOPERATING REVENUES AND EXPENSES					
Net Increase (Decrease) in Fair Value of Investments					
Derivative instruments, interest rate swap					
TOTAL NONOPERATING REVENUES AND EXPENSES	-	-	-	-	-
CHANGE IN NET POSITION	-	-	-	-	-
NET POSITION, Beginning of Period	-	-	-	-	-
TRANSFERS	-	-	-	-	-
NET POSITION, End of Period	\$ -	\$ -	\$ -	\$ -	\$ -

(2) The combined totals for Bondholder Trusts are presented on page 47.

IDAHO HOUSING AND FINANCE ASSOCIATION

	2011 Unemployment Compensation Revenue Bond	2011 Grant and Revenue Anticipation Bond	2012A Grant and Revenue Anticipation Bond	2014A Grant and Revenue Anticipation Bond	2015A Grant and Revenue Anticipation Bond	Combined Bondholder Trusts (2)
Statement of Net Position						
ASSETS AND DEFERRED OUTFLOW OF RESOURCES						
Cash and Cash Equivalents held in trust						\$ 76,584
Investments, fair value held in trust		\$ 241	\$ 186	\$ 545	\$ 361	164,580
Loans Held for Investment, net						398,418
GARVEE highway project costs receivable, net		71,112	33,769	76,500	3,916	634,693
Employment Security Reserve Fund receivable						-
Other Assets		-	-	-	182,170	309,902
Deferred Outflow--Interest Rate Swap Contracts						72,287
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ -	\$ 71,353	\$ 33,955	\$ 77,045	\$ 186,447	\$ 1,656,464
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION						
Bonds		\$ 71,353	\$ 33,955	\$ 77,045	\$ 186,447	\$ 1,284,829
Swap Contract Fair Value Liability						79,642
Interest Payable-Swap Contract						11,007
Other Liabilities		-	-	-	-	280,675
Deferred Inflow--Interest Rate Swap Contracts						-
Net Position	-	-	-	-	-	311
TOTAL LIABILITIES ,DEFERRED INFLOW OF RESOURCES AND NET POSITION	\$ -	\$ 71,353	\$ 33,955	\$ 77,045	\$ 186,447	\$ 1,656,464
Statement of Revenues, Expenses and Changes in Net Position						
OPERATING REVENUES						
Interest on Loans						\$ 28,413
Interest on Investments				\$ 13		4,118
Loan Servicing Fees						2,073
Multifamily and GARVEE bonds pledged revenues	\$ 312	\$ 3,168	1,041	2,959	8,366	28,552
Other	-	-	-	-	-	-
TOTAL OPERATING REVENUES	312	3,168	1,041	2,972	8,366	63,156
OPERATING EXPENSES						
Interest	312	3,149	1,030	2,954	8,142	63,151
General Operating		19	11	18	8	1,971
Bond Financing Costs		-	-	-	216	926
Other						76
TOTAL OPERATING EXPENSES	312	3,168	1,041	2,972	8,366	66,124
OPERATING INCOME (LOSS)	-	-	-	-	-	(2,968)
NONOPERATING REVENUES AND EXPENSES						
Net Increase (Decrease) in Fair Value of Investments						3,448
Derivative instruments, interest rate swap						(2,484)
TOTAL NONOPERATING REVENUES AND EXPENSES	-	-	-	-	-	964
CHANGE IN NET POSITION	-	-	-	-	-	(2,004)
NET POSITION, Beginning of Period	-	-	-	-	-	3,488
TRANSFERS	-	-	-	-	-	(1,173)
NET POSITION, End of Period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 311

(2) The combined totals for Bondholder Trusts are presented on page 47.