



**Idaho Housing  
and Finance**  
*Association*

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**Single Audit Report as of  
June 30, 2017 and 2016**

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## Independent Auditor's Report

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

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 (the Association), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2017 and 2016, 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.

## **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 3-8 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 48 through 53 and Section II page 11 and 12 are presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements.

The supplementary financial information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 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 financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017, on our consideration of the Idaho Housing and Finance Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Idaho Housing and Finance Association's internal control over financial reporting and compliance.

  
Boise, Idaho

October 31, 2017

# IDAHO HOUSING AND FINANCE ASSOCIATION

## Management's Discussion and Analysis

June 30, 2017

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, 2017 and 2016.

### 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, South Dakota, and Texas, 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 Trust Fund, Housing Opportunities for Persons with AIDS, Neighborhood Stabilization Program, Continuum of Care Program, Comprehensive Housing and Counseling Program, Family Self-Sufficiency 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 2017 (FY2017), reflecting stronger loan acquisition production, a larger servicing portfolio (as Loan Servicing Contracts (LSC)), higher servicing revenue, and controlled and lower costs. Assets decreased reflecting a decrease in Association-owned loans offset slightly by an increase in Association-agent serviced loans (which are not reflected in the Generally-Accepted Accounting Principles (GAAP)-based basic financial statements as loans but through the present fair value of LSC). Deferred Outflow of Resources decreased representing the amortization of previously hedged---now deemed terminated---interest swap contracts, the natural extinguishment of the notional amount of interest swap contracts, and an increase in market interest rates. Liabilities decreased reflecting a decrease of Bonds used to finance Association-owned loans. Deferred Inflow of Resources increased representing the change of the hedged fair value of deemed terminated swap positions caused by the increase in market interest rates.

The financial highlights of the Association as of June 30, 2017 compared to June 30, 2016 are as follows:

- Total net position, after fair market value and federal pass-through adjustments, increased \$32.5 million or 12.10 %.
- Total net position, before fair market value and federal pass-through adjustments, increased \$34.46 million or 12.85%.
- Total assets decreased \$57.98 million or 3.39%
- Total deferred outflow of resources decreased \$24.29 million or 33.60%
- Total liabilities decreased \$116.30 million or 7.68%
- Total deferred inflow of resources increased \$1.48 million
- Cash and investments increased \$10.67 million or 2.70%
- Loans held for investment decreased \$78.66 million or 16.48%
- Fair value of loan servicing contracts increased \$20.52 million or 42.70%
- Bonds payable decreased \$84.97 million or 13.16%
- Interest rate swap contracts' fair value decreased \$35.06 million or 44.02%
- Escrow and Project Reserve Deposits increased \$15.15 million or 45.15%
- Investor Remittances increased \$3.57 million or 8.45%
- Other liabilities increased \$21.14 million or 163.54%

- Interest on loans and GARVEE pledged revenues decreased \$13.36 million or 20.57%
- Interest on investments increased \$.66 million or 14.98%
- Gain on loan sales increased \$3.67 million or 12.62%
- Other revenue decreased \$.02 million or .59%
- Loan acquisition cost expense decreased \$3.08 million or 8.65%
- Fair value of investments decreased \$ 3.41 million or 308.68%
- Federal pass-through revenues increased \$4.01 million or 9.31%
- Federal pass-through expenses increased \$3.16 million or 7.27%

The Association experienced a solid, productive FY17 amid an improving, moderate 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,

The Association's results for FY17 reflect a return to market-based conditions. The Association experienced the expiration of federal government crisis-era financial market-support programs, which when implemented at the height of the 2008-2009 financial crisis, were designed to improve distressed conditions and stabilize economic activity. While the fallout of the financial crisis of 2008-2009 is largely settled, the Association experienced losses in FY17 in bond indentures of that era, largely due to faster than expected loan prepayments resulting from increasing home prices. These prepayments caused the bond indentures financing structure to be compromised due a mismatch of cash inflows and relatively-fixed debt outflows.

The financial 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 moderated its market activities during FY 2017, market interest rates increased, most likely reflecting anticipation of a new presidential administration's policies.

The Association continued to develop marketing and relationship channels in the State of Idaho. This effort along with developing additional servicing partnership relationships with five 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), South Dakota Housing Development Authority (SDHDA), and Texas Department of Housing and Community Affairs (TDHCA).

Overall, the Association has successfully managed its loan and financing programs during this period. Looking forward, the Association expects diminishing uncertainty in the economic, legal, and mortgage-lending environments and 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.

In FY17, increased loan acquisitions and service-retained loan sales led to a larger servicing portfolio resulting in higher gains on loan sales and servicing fees. While loan acquisitions increased, the cost of acquiring loans fell approximately 50 basis points, resulting in a positive gain to operating income. These upside factors were offset by an increase in bond financing costs but still resulting in a substantial increase in net position over FY16. Other factors contributing to FY17 results include a decrease in net interest spread (interest and investment income less interest expense) due to bond financed loans paying down faster than expected, increase in grant and contract revenue for administrating federal programs, increase in salaries and benefits for additional loan servicing staff, increase in general operating expenses related to loan servicing, and a decrease in other expense due to the one-time occurrence of a public housing facility in FY16.

These results compare to FY16 when lower interest rates impacted the Association's business operations 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 fixed and variable interest expense dislocations and to stabilize the cash flow outlook of some Association bond indentures under certain cash flow assumptions. The 2016A and 2016 1 Single Family Bonds were issued at the beginning of FY2017 to buttress the overall financial health of the bond trusts. The 2017A Single Family Bonds were issued at the beginning of FY2018 to resolve the mismatch in indenture cash flows, which should place all the indentures in stable positions such that no further losses be realized.

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, 2017, 2016, and 2015 as well as the changes in net income.

As of June 30, (in thousands)	2017		2016		2015
	Balance	% Change from prior period	Balance	% Change from prior period	Balance
Cash and cash equivalents	\$ 23,273	58.01%	\$ 14,729	(4.01%)	\$ 15,344
Cash and cash equivalents held in trust or as agent	113,114	(34.82%)	173,549	160.83%	66,536
Investments, fair value	25,925	(34.15%)	39,371	27.04%	30,991
Investments, fair value held in trust	249,255	44.34%	172,684	(31.25%)	251,174
Loans held for investment, net	398,624	(16.48%)	477,287	(17.79%)	580,542
Loans available for sale	126,964	4.26%	121,781	(17.11%)	146,924
Loan servicing contracts, fair value	68,575	42.70%	48,055	21.50%	39,551
State of Idaho GARVEE payable	600,395	(5.40%)	634,693	(2.03%)	647,866
Employment security fund receivable	-	0.00%	-	(100.00%)	50,928
Loans pending modification	3,313	100.00%	-	0.00%	-
Property and Equipment	5,153	(5.66%)	5,462	(5.62%)	5,787
Other Assets	38,225	64.87%	23,185	(15.94%)	27,583
Interest rate swap contracts	47,996	(33.60%)	72,287	4.75%	69,007
<b>Total Assets and Deferred Outflow</b>	<b>\$ 1,700,812</b>	<b>(4.61%)</b>	<b>\$ 1,783,083</b>	<b>(7.72%)</b>	<b>\$ 1,932,233</b>
Bonds	\$ 1,166,123	(9.24%)	\$ 1,284,829	(11.73%)	\$ 1,455,621
Commercial Paper	50,000	0.00%	50,000	(33.33%)	75,000
Swap contract fair value liability	44,580	(44.02%)	79,642	7.88%	73,824
Interest payable-swap contract	8,619	(21.70%)	11,007	(8.90%)	12,082
Escrow and Project Reserve Deposits	48,708	45.15%	33,558	86.84%	17,961
Investor Remittances	45,843	8.45%	42,273	52.80%	27,665
Other Liabilities	34,063	163.54%	12,925	11.71%	11,570
Interest rate swap contracts	1,484	100.00%	-	(100.00%)	54
<b>Total Liabilities and Deferred Inflow</b>	<b>\$ 1,399,420</b>	<b>(7.58%)</b>	<b>\$ 1,514,234</b>	<b>(9.53%)</b>	<b>\$ 1,673,777</b>
Net investment in capital assets	\$ 5,153	(5.66%)	\$ 5,462	(5.62%)	\$ 5,787
Bond funds	130,403	(3.66%)	135,356	(2.08%)	138,226
Section 8 voucher HAP fund	414	1235.48%	31	(73.95%)	119
The HOME Partnership Foundation, Inc fund	2,345	22.07%	1,921	10.34%	1,741
Unrestricted	163,077	29.35%	126,079	11.99%	112,583
<b>Total Net Position</b>	<b>\$ 301,392</b>	<b>12.10%</b>	<b>\$ 268,849</b>	<b>4.02%</b>	<b>\$ 258,456</b>
Interest on Loans and GARVEE pledged revenues	\$ 51,600	(20.57%)	\$ 64,959	(9.28%)	\$ 71,602
Interest on Investments	5,098	14.64%	4,447	(7.06%)	4,785
Loan servicing fees	21,347	27.10%	16,795	30.61%	12,859
Contract and grant administration fees	8,218	7.62%	7,636	11.52%	6,847
Gains on loan sales	32,787	12.62%	29,114	24.93%	23,304
Other	3,385	(0.59%)	3,405	(59.28%)	8,361
<b>Total Revenues</b>	<b>122,435</b>	<b>(3.10%)</b>	<b>126,356</b>	<b>(1.10%)</b>	<b>127,758</b>
Interest	52,776	(17.93%)	64,307	(8.88%)	70,576
Salaries and benefits	13,603	9.17%	12,460	6.87%	11,659
Loan acquisition costs	32,529	(8.65%)	35,610	35.57%	26,267
General operating	7,674	14.18%	6,721	5.51%	6,370
Bond financing costs	3,285	254.75%	926	4530.00%	20
Grants to others	646	31.57%	491	(9.58%)	543
Losses on real estate-owned property	14	100.00%	-	0.00%	-
Provision for loan loss	-	(100.00%)	283	5.99%	267
Other	871	(52.61%)	1,838	210.47%	592
<b>Total Expenses</b>	<b>111,398</b>	<b>(9.16%)</b>	<b>122,636</b>	<b>5.45%</b>	<b>116,294</b>
Operating income/(loss)	11,037	196.69%	3,720	(67.55%)	11,464
Net increase (decrease) in Fair value of investments	(2,308)	(308.68%)	1,106	(52.49%)	2,328
Net increase (decrease) in fair value of servicing rights	20,520	141.30%	8,504	(18.54%)	10,439
Derivative instruments, interest rate swap	2,902	(216.83%)	(2,484)	(7.86%)	(2,696)
Federal pass-through revenues	47,067	9.38%	43,030	12.50%	38,248
Federal pass-through expenses	(46,675)	7.34%	(43,483)	10.50%	(39,351)
<b>Total non-operating revenues and expenses</b>	<b>21,506</b>	<b>222.28%</b>	<b>6,673</b>	<b>(25.59%)</b>	<b>8,968</b>
<b>Increase/(decrease) in net position</b>	<b>\$ 32,543</b>	<b>213.12%</b>	<b>\$ 10,393</b>	<b>(49.13%)</b>	<b>\$ 20,432</b>
Loans serviced as agent (not reported on statement of net position)	\$ 7,746,283	46.20%	\$ 5,298,424	54.47%	\$ 3,430,146



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 \$5.15 million (net of accumulated depreciation), a decrease of 5.66%, primarily related to the disposition of Low-Rent Public Housing single family houses in Idaho Falls, 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 the 2016A and 2016 1 Bonds in FY2017 solely for restructuring purposes and its bond portfolio decreased by \$84.97 million or 13.16% during the last year to \$130.40 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](http://www.idahohousing.com).

# IDAHO HOUSING AND FINANCE ASSOCIATION

## Statements of Net Position

As of June 30,

2017

2016

(in thousands)

### Assets

Cash and cash equivalents	\$ 23,273	\$ 14,729
Cash and cash equivalents held in trust or as agent	113,114	173,549
Investments, fair value	25,925	39,371
Investments held in trust, fair value	249,255	172,684
Loans held for investment, net	398,624	477,287
Loans available for sale	126,964	121,781
Loan servicing contracts, fair value	68,575	48,055
Loans pending modification	3,313	-
Property and equipment	5,153	5,462
Other assets	38,225	23,185
State of Idaho GARVEE payable	600,395	634,693

### Total Assets

1,652,816 1,710,796

### Deferred Outflow of Resources

Interest rate swap contracts amortized value	33,670	40,529
Interest rate swap contracts fair value	14,326	31,758

### Total Deferred Outflow of Resources

47,996 72,287

### Total Assets and Deferred Outflow of Resources

\$ 1,700,812 \$ 1,783,083

### Liabilities

Commercial paper	\$ 50,000	\$ 50,000
Bonds & Notes	1,166,123	1,284,829
Interest payable-swap contract	8,619	11,007
Investor remittance liability	45,843	42,273
Escrow and project reserve deposits	48,708	33,558
Swap contract fair value	44,580	79,642
Other liabilities	34,063	12,925

### Total Liabilities

1,397,936 1,514,234

### Deferred Inflow of Resources

Interest rate swap contracts fair value	1,484	-
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### Total Deferred Inflow of Resources

1,484 -

### Net Position

Net investment in capital assets	5,153	5,462
Restricted:		
Bond funds	130,403	135,356
Section 8 voucher HAP fund	414	31
The Home Partnership Foundation, Inc fund	2,345	1,921
Unrestricted	163,077	126,079

### Total Net Position

301,392 268,849

### Total Liabilities, Deferred Inflow of Resources, and Net Position

\$ 1,700,812 \$ 1,783,083

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,

2017

2016

	(in thousands)	
<b>Operating Revenues</b>		
Gain on loan sales	\$ 32,787	\$ 29,114
Interest on loans and GARVEE pledged revenues	51,600	64,959
Interest on investments	5,098	4,447
Loan servicing fees	21,347	16,795
Grant and contract administration fees	8,218	7,636
Other	3,385	3,405
Total operating revenues	122,435	126,356
<b>Operating Expenses</b>		
Loan acquisition costs	32,529	35,610
Interest	52,776	64,307
Salaries and benefits	13,603	12,460
General operating	7,674	6,721
Bond financing costs	3,285	926
Grant to others	646	491
Losses on real estate-owned property	14	-
Provision for loan loss	-	283
Other	871	1,838
Total operating expenses	111,398	122,636
<b>Operating income</b>	11,037	3,720
<b>Nonoperating Revenues and Expenses</b>		
Net increase (decrease) in fair value of investments	(2,308)	1,106
Net increase (decrease) in fair value of servicing contracts	20,520	8,504
Derivative instruments, interest rate swap	2,902	(2,484)
Federal pass-through revenues	47,067	43,030
Federal pass-through expenses	(46,675)	(43,483)
Total nonoperating revenues and expenses	21,506	6,673
<b>Increase (Decrease) in Net Position</b>	32,543	10,393
<b>Net Position</b>		
<b>Net Position-beginning of year</b>	268,849	258,456
<b>Net Position-end of year</b>	\$ 301,392	\$ 268,849

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

2017

2016

(in thousands)

### Cash Flows from Operating Activities

Receipts from customers, loan interest, and fees	\$ 1,114,202	\$ 892,644
Loan principal payments	108,410	122,152
Principal and interest pass-through remittances as servicing agent	(933,823)	(628,962)
Loan sales	3,069,417	2,333,718
Loan acquisition costs	(32,529)	(35,610)
Interest paid	(58,982)	(67,765)
Payments to suppliers	(11,678)	(4,443)
Payments for transportation program costs	-	(18,430)
Payments for loans available for sale	(3,054,834)	(2,282,937)
Payments to employees for services and benefits	(13,642)	(12,554)
Loan principal additions	(59,773)	(57,492)
Net cash provided by operating activities	126,768	240,321

### Cash Flows from Noncapital Financing Activities

Bond financing costs	(3,285)	(926)
Bond and commercial paper payments	(1,025,495)	(639,449)
Bond and commercial paper issued	910,662	433,033
Federal pass-through revenues	47,067	43,030
Federal pass-through expenses	(46,675)	(43,483)
Net cash used for noncapital financing activities	(117,726)	(207,795)

### Cash Flows from Capital and Related Financing Activities

Acquisition and construction of capital assets	(411)	(914)
Net cash used for capital and related financing activities	(411)	(914)

### Cash Flows from Investing Activities

Investment purchases	(2,762,823)	(2,521,065)
Investment redemptions	2,699,067	2,592,501
Investment income	3,234	3,350
Net cash provided/(used) for investing activities	(60,522)	74,786

### Net Increase/(Decrease) in Cash

All Cash and cash equivalents, beginning of year	188,278	81,880
All Cash and cash equivalents, end of year	\$ 136,387	\$ 188,278

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

2017

2016

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

Operating income/(loss)	\$ 11,037	\$ 3,720
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### Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities

Loan principal received	108,410	122,152
Loans issued	(59,773)	(57,492)
Bond financing costs	3,285	926
Decrease (increase) in interest receivable	444	568
Depreciation and other amortization	1,170	14,123
Increase (decrease) in interest payable	1,695	(2,616)
Interest on investments	(5,098)	(4,447)
Decrease (increase) in GARVEE highway project costs receivable, net and pledged revenues	34,298	13,173
Decrease (increase) in employment security reserve fund receivable	-	50,928
Decrease (increase) in other assets	(789)	67,924
Increase (decrease) in accounts payable and other liabilities	32,091	31,372
Increase (decrease) in deposits	(2)	(10)
Total adjustments	<u>115,731</u>	<u>236,601</u>

Net cash provided by operating activities

\$ 126,768	\$ 240,321
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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,	2016	2015 (Restated)
<b>ASSETS</b>		
Cash	\$ 3,312,065	\$ 2,123,580
Investments	1,800,000	1,750,000
Escrow and Reserve Deposits	1,661,397	1,514,882
Receivables	196,874	257,053
Prepaid Expenses	173,620	148,531
HOME Funded Homes Held for Sale	133,333	132,233
Land	5,408,606	4,830,110
Buildings and Equipment (net of accumulated depreciation)	41,172,845	34,815,823
Tax Credit Fees and Other Assets (net of accumulated amortization)	212,989	606,861
	<b>\$ 54,071,729</b>	<b>\$ 46,179,073</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	\$ 987,302	\$ 1,496,360
Interest Payable	213,757	184,951
Real Estate Taxes Payable	454,384	404,175
Mortgages and Notes Payable (net of debt issuance costs of \$544,867 in 2016 and \$436,829 in 2015)	29,183,700	26,862,750
Security Deposits Payable	388,171	388,055
	31,227,315	29,336,291
<b>NET ASSETS, UNRESTRICTED</b>		
Controlling Interests	7,742,829	5,633,792
Non Controlling Interests	15,101,585	11,208,990
	<b>\$ 54,071,729</b>	<b>\$ 46,179,073</b>

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

For the Years ended December 31,	2016	2015 (Restated)
<b>REVENUES</b>		
Tenant Rents	\$ 5,951,443	\$ 5,226,794
Housing Assistance Payments	2,615,566	2,689,664
Other Grants and Contributions	2,130,000	-
Interest and Dividends	21,570	17,945
Developer Fees	-	2,026
Forgiveness of Debt on Tax Credit Exchange Loan	310,605	310,605
Property Management Services	208,714	242,559
Other	321,112	288,022
<b>TOTAL REVENUES</b>	<b>\$ 11,559,010</b>	<b>\$ 8,777,615</b>
<b>EXPENSES</b>		
Administrative	\$ 2,836,867	\$ 2,504,208
Utilities and Maintenance	2,659,557	2,531,851
Real Estate Taxes and Insurance	1,148,875	1,052,982
Depreciation and Amortization	2,840,130	2,444,254
Interest (including debt issuance cost amortization of \$21,828 in 2016 and \$12,031)	1,042,468	879,196
<b>TOTAL EXPENSES</b>	<b>\$ 10,527,897</b>	<b>\$ 9,412,491</b>
<b>SUBTOTAL</b>	1,031,113	(634,876)
Loss on Sale of Land	-	(654,794)
<b>CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTERESTS</b>	<b>\$ 1,031,113</b>	<b>\$ (1,289,670)</b>
Non Controlling Interest in Partnership Losses	1,077,924	542,311
<b>CHANGE IN NET ASSETS</b>	<b>\$ 2,109,037</b>	<b>\$ (747,359)</b>

# IDAHO HOUSING AND FINANCE ASSOCIATION

## Notes to Financial Statements

June 30, 2017 and 2016

### 1. Authorizing Legislation

The Idaho Housing and Finance Association (Association) is 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 restated audited financial statements are presented.



# IDAHO HOUSING AND FINANCE ASSOCIATION

## Notes to Financial Statements

### 2. Summary of Significant Accounting Policies, continued

As of January 1, 2016, THC adopted the provisions of Accounting Standards Update (ASU) 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. This update requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct reduction from the carrying amount of that debt liability. Adoption of this accounting stand update requires retroactive application by restating the financial statements of all prior periods presented. THC has adopted this standard as management believes this presentation more accurately reflects the costs of borrowing for arrangements in which debt issuance costs are incurred. The implementation resulted in the decrease of assets and long-term debt of \$442,674 as of December 31 2015, and an increase of interest expense and a decrease of amortization expense of \$12,031 for the year ended December 31, 2015.

#### 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 servicing contracts, 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 and various custodial accounts 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.

# IDAHO HOUSING AND FINANCE ASSOCIATION

## Notes to Financial Statements

### 2. Summary of Significant Accounting Policies, continued

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.

#### 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. The Association does not have a formal deposit policy for custodial credit risk. In the opinion of management, the Association is not exposed to this risk at June 30, 2017 and 2016. Restricted cash as of June 30, 2017 consists of \$7,076,000 in Federal Programs, \$47,424,000 in escrow deposits, and \$58,614,000 in General Operating. Restricted cash as of June 30, 2016 consists of \$76,584,000 in Bond Trusts, \$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) are 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).

During the years ended June 30, 2017 and 2016, the Association has LSC fair valued on its statement of net position at \$68,575,000 and \$48,055,000, respectively. During the years ended June 30, 2017 and 2016, the Association has unrealized LSC fair value increases of \$20,520,000 and \$8,504,000, respectively. The Association holds these assets until maturity meaning that the value will ultimately be realized over a long time horizon as loan servicing fees.

# IDAHO HOUSING AND FINANCE ASSOCIATION

## Notes to Financial Statements

### 2. Summary of Significant Accounting Policies, continued

Risks considered in determination of LSC fair value include prepayment speeds, market discount rates, delinquency and foreclosure rates, and interest rate change shock rates. Assumptions included prepayment speeds, market interest rates, earnings rates, servicing costs, acquisition costs, ancillary income, and borrower rates. The average discount rate used in this analysis is 10.67%. The range of prepayment speeds used are from 54 to 250 PSA with an average of 150 PSA.

#### 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, 2017 and 2016 was \$604,000 and \$633,000, respectively. Property and equipment are presented in the Statement of Net Position, net of accumulated depreciation of \$5,153,000 and \$5,462,000 at June 30, 2017 and 2016, 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 \$1,132,000 as of June 30, 2017 and \$1,410,000 as of June 30, 2016. 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, 2017 and 2016 the Association estimates this amount to be \$1,810,000 and \$2,746,000, 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 \$72,000 and \$164,000 as of June 30, 2017 and 2016.

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.

# IDAHO HOUSING AND FINANCE ASSOCIATION

## Notes to Financial Statements

### 2. Summary of Significant Accounting Policies, continued

#### 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 Statements of Net Position.

#### L. Investor Remittance Liability

Investor Remittance Liability is composed of borrower principle and interest payment funds held by the Association pending remittance to the owners of the loans, primarily GNMA, FNMA, and FHLMC. These funds are remitted according to the loan owners' contractual requirements, which vary, but in no case exceed 30 days. Investor Remittance liabilities payable were \$45,843,000 and \$42,273,000 at June 30, 2017 and 2016, respectively.

#### M. 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, 2017, 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 1.9101%. 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%.

#### N. 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 \$133,162,000 and \$137,308,000 at June 30, 2017 and 2016, respectively, are restricted by bond indentures and programmatic requirements; approximately \$51,504,000 and \$37,048,000 at June 30, 2017 and 2016, respectively, are designated by the Board for programmatic uses in connection with the Affordable Housing Investment Trust; and the remaining balances of \$116,726,000 and \$94,493,000 held in the General Operating Account at June 30, 2017 and 2016, include \$5,153,000 and \$5,462,000, respectively, net invested in capital assets, and \$111,605,000 and \$89,031,000, respectively, unrestricted and available for general operations of the Association.

#### O. 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. Nonoperating revenues include activities that have the characteristics of nonexchange 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 nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

#### P. 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

#### Q. New Accounting Principles and Restatement of Net Position

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

Statement No. 72, *Fair Value and Measurement*; 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, other than GASB Statement No. 76, do not and will not have an impact on the Association's financial position given current operations and obligations. GASB Statement No. 76 codified GASB Staff Questions and Answers (Q&A) contained in GASB Implementation Guides as Level B Authoritative GAAP.

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.

GASB Statement No. 81, *Irrevocable Split-Interest Agreement*. In the opinion of the management, this standard will not have an impact on the Association's financial position given current operations and obligations. GASB Statement No. 85, *Omnibus 2017* and GASB Statement No. 86, *Certain Debt Extinguishment Issues*. Management has not studied fully these last two standards but is of the opinion that any impact will be minimal or non-existent.

GASB has issued the following standard effective for Fiscal Year 2019:

GASB Statement No. 83, *Certain Asset Retirement Obligations*. Management has not studied fully this standard but is of the opinion that any impact will be minimal or non-existent.

GASB has issued the following standard effective for Fiscal Year 2020:

GASB Statement No. 84, *Fiduciary Activities*. Management has not studied fully this standard but is of the opinion that assets and liabilities held on behalf of others will require enhanced reporting and disclosure.

GASB has issued the following standard effective for Fiscal Year 2021:

GASB Statement No. 87, *Leases*. Management has not studied fully this standard but is of the opinion that any impact will be minimal or non-existent.

# 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* and GASB Statement No. 72, *Fair Value Measurement and Application* require 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, 2017 and 2016, the Association has overnight investments of \$13,663,000 and \$4,890,000, respectively, in money market funds and \$9,186,000 and \$12,700,000, respectively, 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 \$275,180 million of Investments and Investments held in trust within this hierarchy. Money market funds of \$184,613 million, U.S. Government obligations of \$7,556 million, U.S. Agency obligations of \$29,797 million, U.S. Government mortgage-backed securities of \$49,377 million, TBA Contracts of \$.630 million, and Accrued interest of \$.703 million are valued using quoted market prices (Level 1). Land and townhomes of \$2,504 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, 2017 and 2016, the Association had the following investments and maturities (in thousands):

		2017							
		Investment Maturities (in Years)							
Investment Type	Fair Value	Less Than 1	1-5	6-10	11-15	16-20	21-25	More Than 30	
Money market funds	\$ 184,613	\$ 184,613							
U.S. Government obligations	7,556	4,990	\$ 1,148	\$ 1,418					
U.S. Agency obligations	29,797			593	\$ 9,752	\$ 19,452			
U.S. Government mortgage backed securities	49,377	6	41	18	500	34		\$ 48,778	
TBA Contracts	630	630							
Land and townhomes	2,504	2,504							
	<u>274,477</u>	<u>\$ 192,743</u>	<u>\$ 1,189</u>	<u>\$ 2,029</u>	<u>\$ 10,252</u>	<u>\$ 19,486</u>	<u>\$ -</u>	<u>\$ 48,778</u>	
Accrued interest	<u>703</u>								
All Investments	<u>\$ 275,180</u>								

		2016							
		Investment Maturities (in Years)							
Investment Type	Fair Value	Less Than 1	1-5	6-10	11-15	16-20	21-25	More Than 30	
Money market funds	\$ 130,889	\$ 130,889							
Investment agreements	4,218						\$ 4,218		
U.S. Government obligations	8,796	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>								

At June 30, 2017, the Association's had 24 U.S. agency mortgage-backed security pools, which pay monthly principal and interest.

# IDAHO HOUSING AND FINANCE ASSOCIATION

## Notes to Financial Statements

### 3. Investments, continued

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, 2017, the Association has \$360,990,000 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 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, the Association has \$454,410,000 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 of \$471,000 as of June 30, 2016. 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, 2017 and 2016, the Association has \$180,000,000 and \$200,000,000 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, 2017, 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, 2017 and 2016, the Association's remaining investments are rated by Moody's Investor Service as follows (in thousands):

Investment Type	Rating	2017	2016
U.S. Agency Obligations	Aaa	\$ 79,174	\$ 65,594

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, 2017, the Association had investments of five percent or more in Federal Farm Credit Bank obligations of \$17,070,000, and Ginnie Mae obligations of \$47,907,000.

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.

During the years ended June 30, 2017 and 2016, the Association realized net gains of \$1,224,000 and \$924,000 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, 2017 and 2016 is \$(1,837,000) and \$1,106,000, 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, 2017 and 2016, is \$471,000 and \$399,000 respectively related to derivative interest rate swap contracts fair market value considered investments. Also, included in the amount for the year ending June 30, 2017 and 2016, is \$2,774,000 and \$(3,203,000), respectively related to TBA contracts.

The unrealized gain/(loss) on investments held at June 30, 2017 and 2016 is \$6,255,000 and \$10,767,000, 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, 2017 and 2016, 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, 2017 and 2016 is as follows (in thousands):

2017			
	Non-Pool Insured	Pool Insured	Total
FHA Insurance	\$ 148,970		\$ 148,970
VA Guaranteed	13,417		13,417
Commercially Insured	98,339	\$ 13,653	111,992
USDA Rural Development Insurance	36,577		36,577
Association Insured	44,046		44,046
	<u>\$ 341,349</u>	<u>\$ 13,653</u>	<u>355,002</u>
Other			
Multifamily Bond Financed			7,791
Single Family IHFA Capital Pool			126
Multifamily IHFA Capital Pool			2,901
Social Service and Development IHFA Capital Pool			5,955
Construction			8,623
State Small Business Credit Initiative			18,140
Loan Loss Provision			(1,882)
Interest Receivable on Loans			1,968
Total Loans held for investment, net			<u>\$ 398,624</u>
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>

# IDAHO HOUSING AND FINANCE ASSOCIATION

## Notes to Financial Statements

### 4. Loans, continued

As of June 30, 2017 and 2016 the loans receivable includes \$11,037,000 and \$8,145,000, respectively, in notes receivable from The Housing Company (THC), which require repayment within 24 and 25 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 2017 and 2016. 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.

# IDAHO HOUSING AND FINANCE ASSOCIATION

## Notes to Financial Statements

### 4. Loans, continued

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, 2017. IHFA services loans sold to FNMA or FHLMC or secured by GNMA. Gains or losses are recognized based on the difference between 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, 2017 and 2016, the Association realized \$32,787,000 and \$30,914,000, respectively, in gains on the sale of loans to FNMA, FHLMC, and GNMA. As of June 30, 2017 and 2016, the Association had commitments to sell or secure \$320,683,000 and \$339,364,000 of single-family mortgages to FNMA and FHMLC or through GNMA. As of June 30, 2017 and 2016, the Association had commitments to sell or secure \$30,799,000 and \$39,110,000, respectively, of single-family mortgages on behalf of Connecticut Housing Finance Authority. As of June 30, 2017 and 2016, the Association had commitments to sell or secure \$35,212,000 and \$34,301,000, respectively, of single-family mortgages on behalf of South Dakota Housing Development Authority. As of June 30, 2017 and 2016 the Association had commitments to sell or secure \$12,766,000 and \$22,163,000, respectively, of single-family mortgages on behalf of Iowa Finance Authority. As of June 30, 2017 and 2016 the Association had commitments to sell or secure \$32,537,000 and \$25,760,000 on behalf of New Mexico Mortgage Finance Authority. As of June 30, 2017 the Association had commitments to sell or secure \$73,671,000 on behalf of Texas Department of Housing and Community Affairs.

As of June 30, 2017 and 2016, the Association estimates \$93,181,000 and \$106,641,000, 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 \$716,545,000 and \$576,518,000, 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, 2017 and 2016, the Association was an agent for the following loans (in thousands):

2017	
	Total
Federal Home Loan Mortgage Corporation	\$ 309,495
Federal National Mortgage Association	2,719,770
Government National Mortgage Association	4,400,043
Iowa Finance Authority	12,693
Connecticut Housing Finance Authority	27,353
South Dakota Housing Development Authority	34,322
New Mexico Mortgage Finance Authority	31,388
Texas Department of Housing and Community Affairs	81,971
Idaho Community Reinvestment Corporation	16,004
Neighborhood Housing Services	3,200
Boise Valley Habitat	1,523
HOME Loan Balances	71,940
Neighborhood Stabilization Program	8,338
Tax Credit Assistance Program	10,051
TCEP Loan Program	17,209
Other	983
Total Loans serviced as agent	<u><u>\$ 7,746,283</u></u>

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><u>\$ 5,298,424</u></u>

# IDAHO HOUSING AND FINANCE ASSOCIATION

## Notes to Financial Statements

### 5. Bonds (dollars in thousands)

Description and Due Date	Average Bond Yield	2017	2016
<b>Single-Family Mortgage Bonds:</b>			
2000 Indenture			
Variable Rate Class 1	1.473%	\$ 48,340	\$ 62,873
	1.473%	48,340	62,873
2003 Indenture			
Class I Bonds	3.131%	72,555	42,660
Variable Rate Class I	0.805%	76,985	118,170
Class II Bonds	0.000%	-	9,660
Variable Rate Class II	0.816%	41,360	21,725
Class III Bonds	0.000%	-	22,165
	1.692%	190,900	214,380
2006 Indenture			
Class I Bonds	2.014%	57,420	-
Variable Rate Class I	1.511%	177,290	295,125
	1.639%	234,710	295,125
2009 Indenture			
Class I Bonds	3.525%	21,465	50,800
Class II Bonds	4.688%	4,910	4,910
Class III Bonds	4.236%	3,120	3,470
	3.758%	29,495	59,180
<b>Total Single-Family Mortgage Bonds:</b>		<b>503,445</b>	<b>631,558</b>
<b>FHA Insured Housing Revenue Bonds:</b>			
2007 Series	5.900%	8,011	8,089
		8,011	8,089
<b>Grant and Revenue Anticipation Bonds</b>			
2006 Series	4.537%	-	7,820
2008 Series A	4.864%	37,695	45,645
2009 Series A	4.997%	117,395	124,115
2010 Series A	6.317%	73,805	75,695
2011 Series	4.864%	66,610	67,955
2012 Series A	4.227%	29,030	30,560
2014 Series A	4.809%	67,090	70,155
2015 Series A	5.000%	172,540	172,540
	5.061%	564,165	594,485
<b>Total Bonds</b>		<b>1,075,621</b>	<b>1,234,132</b>
<b>Note:</b>			
Loan Guaranty Note		43,676	-
Interest Payable		17,846	18,839
Net Original (Discount)/Premium		28,980	31,858
<b>TOTAL BONDS and Notes</b>		<b>\$ 1,166,123</b>	<b>\$ 1,284,829</b>

\* 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.

# IDAHO HOUSING AND FINANCE ASSOCIATION

## Notes to Financial Statements

### 5. Bonds, continued

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.

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.

The Association borrowed \$43,676,000 to provide collateral parity support for the 2006 bond indenture, for the refunding of certain bonds of the Borrower and paying the termination amounts on certain interest rate swaps, which the Borrower has elected to terminate. The note payable is a five-year term note with five-annual minimum principle payments of \$5,000,000 commencing in July 2017 with the balance due in July 2021. The interest rate is the one-year LIBOR Index Rate.

Please refer to Note 14 Subsequent Events for additional information on bond issuances.

# IDAHO HOUSING AND FINANCE ASSOCIATION

## Notes to Financial Statements

### 5. Bonds, continued

The scheduled principal debt service, including July 1, 2017 special redemptions, for the periods subsequent to, and as of, June 30, 2017, is as follows (in thousands):

	2018	2019	2020	2021	2022	2023 2027	2028 2032
Single-Family Mortgage Bonds:							
2000 Indenture	\$ 7,720	\$ 4,927	\$ 4,961	\$ 5,012	\$ 5,053	\$ 20,667	\$ -
2003 Indenture	46,460	2,100	2,180	2,510	3,085	28,400	42,970
2006 Indenture	154,685	10,300	10,230	9,805	9,295	23,630	8,650
2009 Indenture	19,130	760	980	990	930	4,210	2,345
FHA Insured Housing Revenue Bonds:							
2002 Series							
Grant and Revenue Anticipation Bonds							
2008 Series A	7,930	7,905	7,815	7,700	235	6,110	-
2009 Series A	7,035	7,385	7,745	8,130	8,545	39,520	39,035
2010 Series A	1,965	2,055	2,165	2,285	2,410	2,545	60,380
2011 Series	1,400	1,445	1,480	1,515	1,545	8,045	51,180
2012 Series A	1,585	1,650	1,720	1,790	1,860	10,480	9,945
2014 Series A	3,145	3,260	3,405	3,575	3,760	21,905	28,040
2015 Series A	7,895	8,750	9,660	10,640	19,060	116,535	-
Term Note:							
Rating Compliance and Loan Guarantee	12,000	5,000	5,000	5,000	16,676		
<b>Total</b>	<b>\$ 270,950</b>	<b>\$ 55,537</b>	<b>\$ 57,341</b>	<b>\$ 58,952</b>	<b>\$ 72,454</b>	<b>\$ 282,047</b>	<b>\$ 242,545</b>
Variable rate principal	\$ 168,650	\$ 17,896	\$ 20,787	\$ 22,300	\$ 40,309	\$ 57,982	\$ 20,025
Interest:							
Fixed	\$ 29,908	\$ 29,091	\$ 27,473	\$ 25,744	\$ 23,862	\$ 88,082	\$ 21,585
Variable	5,172	4,953	4,541	4,073	3,022	11,274	8,432
<b>TOTAL</b>	<b>\$ 35,080</b>	<b>\$ 34,044</b>	<b>\$ 32,014</b>	<b>\$ 29,817</b>	<b>\$ 26,884</b>	<b>\$ 99,356</b>	<b>\$ 30,017</b>



# IDAHO HOUSING AND FINANCE ASSOCIATION

## Notes to Financial Statements

### 5. Bonds, continued

The scheduled principal debt service, including July 1, 2017 special redemptions, for the periods subsequent to, and as of, June 30, 2017, is as follows (in thousands):

	2033 2037	2038 2042	TOTAL
Single-Family Mortgage Bonds:			
2000 Indenture	\$ -	\$ -	\$ 48,340
2003 Indenture	62,185	1,010	190,900
2006 Indenture	8,115	-	234,710
2009 Indenture	150	-	29,495
FHA Insured Housing Revenue Bonds:			
2002 Series		8,011	8,011
Grant and Revenue Anticipation Bonds			
2008 Series A			37,695
2009 Series A			117,395
2010 Series A			73,805
2011 Series			66,610
2012 Series A			29,030
2014 Series A			67,090
2015 Series A			172,540
Term Note:			
Rating Compliance and Loan Guarantee			43,676
<b>Total</b>	<b>\$ 70,450</b>	<b>\$ 9,021</b>	<b>\$ 1,119,297</b>
Variable rate principal	\$ 40,390	\$ 1,010	\$ 389,349
Interest:			
Fixed	\$ 1,849		\$ 247,594
Variable	4,205	270	\$ 45,942
<b>TOTAL</b>	<b>\$ 6,054</b>	<b>\$ 270</b>	<b>\$ 293,536</b>

## 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, 2017 and 2016 was as follows (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One year
Par Bonds Payable	\$ 1,234,132	\$ 145,331	\$ (303,842)	\$ 1,075,621	\$ 258,950
Note Payable		51,294	(7,618)	43,676	12,000
Interest Payable	18,839	38,325	(39,318)	17,846	17,846
Net Original (Discount)/Premium	31,858		(2,878)	28,980	2,878
Total Bonds payable at June 30, 2017	<u>\$ 1,284,829</u>	<u>\$ 234,950</u>	<u>\$ (353,656)</u>	<u>\$ 1,166,123</u>	<u>\$ 291,674</u>
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 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>
Commercial Paper at June 30,2017	\$ 50,000	\$ 714,035	\$ (714,035)	\$ 50,000	\$ 50,000
Commercial Paper at June 30,2016	\$ 75,000	\$ 201,045	\$ (226,045)	\$ 50,000	\$ 50,000

# 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, 2017	For the Year Ended June 30, 2017	For the Year Ended June 30, 2016
<b>Single-Family Mortgage Bonds</b>			
Prior			\$ 20,075
2000 Indenture	\$ 2,580	\$ 7,855	3,838
2003 Indenture	43,795	86,670	38,395
2006 Indenture	143,895	109,913	45,290
2009 Indenture	18,450	28,610	-
	<u>208,720</u>	<u>233,048</u>	<u>107,598</u>
<b>Multi-Family Mortgage Bonds</b>			
Balmoral II			3,870
	<u>-</u>	<u>-</u>	<u>3,870</u>
<b>Grant Revenue and Revenue Anticipation Bonds</b>			
2006 Series A			97,665
2008 Series A			84,505
	<u>-</u>	<u>-</u>	<u>182,170</u>
Special Redeem All Bonds	\$ 208,720	\$ 233,048	\$ 293,638

# 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 as the approximate amount the Association's would pay a market participant to terminate the contractual positions as of June 30, 2017. 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, 2017) 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, 2017 and 2016. The fair value is reported in the Statements of Net Position of \$44.58 million and \$79.64 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 \$44.97 million and \$72.29 million as of June 30, 2017 and 2016, respectively and as a deferred inflow of resources of \$1.48 million and \$0 as of June 30, 2017 and 2016, respectively. 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, 2017 and 2016 \$0 and \$(.47) million). 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 calculate the fair values of contracts as of June 30, 2017 and 2016. The results of the calculation correlate materially with the fair values provided by the Association's counterparties.

Credit risk: As of June 30, 2017, 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, ten have a basis of LIBOR plus 80 basis points, five have a basis of LIBOR plus 76 basis points, and three LIBOR plus 71 basis points. 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, 2017 SIFMA is 91 basis points and one-month LIBOR is 1.22 percent.

# 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 FY2016 and FY2017, the Association redeemed and reissued bonds that 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. In July 2017 (FY18), the Association modified certain interest swaps by reducing fixed pay/variable received. There was no change in the present value of the swap contracts based solely this modification.

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, 2017. 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, 2017, 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 or a gain.

# IDAHO HOUSING AND FINANCE ASSOCIATION

## Notes to Financial Statements

### 7. Derivatives, continued

#### Interest Rate Swap Agreements

(in thousands)

2017

Parity Indenture	Series	Outstanding Notional Amount		Fair Values		Change in Fair Values	
		Hedging	Investment	Hedging	Investment	Hedging	Investment
2000	2000 Series F	\$ 535	-	\$ (17)	-	\$ 60	-
2000	2000 Series G	4,800	-	(493)	-	311	-
2000	2001 Series A	2,210	-	(138)	-	132	-
2000	2001 Series B	2,620	-	(188)	-	157	-
2000	2001 Series C	2,480	-	(172)	-	150	-
2000	2001 Series D	4,660	-	(462)	-	285	-
2000	2001 Series E	4,660	-	(436)	-	274	-
2000	2001 Series F	2,800	-	(213)	-	164	-
2000	2002 Series A	2,980	-	(257)	-	186	-
2000	2002 Series B	3,005	-	(255)	-	185	-
2000	2002 Series C	3,000	-	(246)	-	183	-
2000	2002 Series D	4,825	-	(470)	-	294	-
2000	2002 Series E	3,025	-	(233)	-	170	-
2000	2002 Series F	3,370	-	(280)	-	181	-
2000	2002 Series G	3,370	-	(319)	-	196	-
2003	2003 Series A	5,405	-	(703)	-	369	-
2003	2003 Series B	4,945	-	(457)	-	281	-
2003	2003 Series C	2,900	-	(266)	-	165	-
2003	2003 Series D	4,980	-	(695)	-	349	-
2003	2003 Series E	4,980	-	(629)	-	250	81
2003	2004 Series A	5,075	-	(543)	-	163	147
2003	2004 Series B	5,625	-	(729)	-	283	96
2003	2004 Series C	5,255	-	(621)	-	337	-
2003	2004 Series D	6,790	-	(785)	-	348	95
2003	2005 Series A	7,255	-	(872)	-	485	-
2003	2005 Series B	7,060	-	(868)	-	474	-
2003	2005 Series C	7,165	-	(787)	-	461	-
2003	2005 Series D	7,290	-	(858)	-	430	52
2003	2005 Series E	7,425	-	(908)	-	500	-
2003	2005 Series F	7,720	-	(1,024)	-	540	-
2003	2006 Series A	7,770	-	(1,036)	-	541	-
2003	2006 Series B	5,270	-	(590)	-	328	-
2003	2006 Series C	5,145	-	(567)	-	314	-
2003	2006 Series D	6,000	-	(697)	-	357	-
2006	2006 Series E	6,750	-	(887)	-	529	-
2006	2006 Series F	6,875	-	(837)	-	520	-
2006	2006 Series G	6,755	-	(783)	-	500	-

# IDAHO HOUSING AND FINANCE ASSOCIATION

## Notes to Financial Statements

### 7. Derivatives, continued

#### Interest Rate Swap Agreements

(in thousands)

2017

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					
2000	2000 Series F	5.2500%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR		Barclays Capital	A/A2	7/1/2021	11/6/2008
2000	2000 Series G	4.8660%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR		Barclays Capital	A/A2	7/1/2020	11/6/2008
2000	2001 Series A	4.7300%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR		Barclays Capital	A/A2	7/1/2022	11/6/2008
2000	2001 Series B	4.5300%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR		Barclays Capital	A/A2	7/1/2022	11/6/2008
2000	2001 Series C	4.7000%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR		Barclays Capital	A/A2	1/1/2021	11/6/2008
2000	2001 Series D	5.0200%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR		Barclays Capital	A/A2	1/1/2021	11/6/2008
2000	2001 Series E	4.9500%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR		Barclays Capital	A/A2	1/1/2021	11/6/2008
2000	2001 Series F	4.8900%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR		Barclays Capital	A/A2	1/1/2021	11/6/2008
2000	2002 Series A	4.7100%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR		Barclays Capital	A/A2	7/1/2022	11/6/2008
2000	2002 Series B	4.4800%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR		Barclays Capital	A/A2	7/1/2021	11/6/2008
2000	2002 Series C	3.7900%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR		Barclays Capital	A/A2	1/1/2024	11/6/2008
2000	2002 Series D	5.3000%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR		Barclays Capital	A/A2	1/1/2018	11/6/2008
2000	2002 Series E	4.1400%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR		Barclays Capital	A/A2	1/1/2024	11/6/2008
2000	2002 Series F	4.7600%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR		Barclays Capital	A/A2	1/1/2020	11/6/2008
2000	2002 Series G	4.8600%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR		Barclays Capital	A/A2	7/1/2020	11/6/2008
2003	2003 Series A	4.5190%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR		Barclays Capital	A/A2	1/1/2026	11/6/2008
2003	2003 Series B	4.0360%	SIFMA+.20%		Barclays Capital	A/A2	7/1/2024	11/6/2008
2003	2003 Series C	3.7800%	SIFMA+.20%		Barclays Capital	A/A2	1/1/2025	11/6/2008
2003	2003 Series D	4.8400%	SIFMA+.20%		Barclays Capital	A/A2	7/1/2025	11/6/2008
2003	2003 Series E	4.5300%	SIFMA+.20%		Barclays Capital	A/A2	7/1/2025	11/6/2008
2003	2004 Series A	4.0290%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR		Barclays Capital	A/A2	1/1/2026	11/7/2008
2003	2004 Series B	4.3700%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR		Barclays Capital	A/A2	1/1/2027	11/7/2008
2003	2004 Series C	4.3300%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR		Barclays Capital	A/A2	7/1/2025	11/7/2008
2003	2004 Series D	3.8500%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR		Barclays Capital	A/A2	1/1/2028	11/7/2008
2003	2005 Series A	3.9000%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR		Barclays Capital	A/A2	1/1/2029	11/7/2008
2003	2005 Series B	3.9850%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR		Barclays Capital	A/A2	7/1/2028	11/7/2008
2003	2005 Series C	3.7300%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR		Barclays Capital	A/A2	7/1/2028	11/7/2008
2003	2005 Series D	3.8650%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR		Barclays Capital	A/A2	7/1/2028	11/7/2008
2003	2005 Series E	3.9300%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR		Barclays Capital	A/A2	1/1/2029	11/7/2008
2003	2005 Series F	4.0950%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR		Barclays Capital	A/A2	1/1/2029	11/7/2008
2003	2006 Series A	4.1000%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR		Barclays Capital	A/A2	1/1/2029	11/7/2008
2003	2006 Series B	4.3500%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR		Barclays Capital	A/A2	7/1/2025	11/7/2008
2003	2006 Series C	4.3600%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR		Barclays Capital	A/A2	1/1/2025	11/7/2008
2003	2006 Series D	4.4500%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR		Barclays Capital	A/A2	1/1/2025	11/7/2008
2006	2006 Series E	5.5480%	LIBOR + .80%		Barclays Capital	A/A2	1/1/2026	11/22/2013
2006	2006 Series F	5.3210%	LIBOR + .80%		Barclays Capital	A/A2	1/1/2026	11/22/2013
2006	2006 Series G	5.1970%	LIBOR + .80%		Barclays Capital	A/A2	7/1/2026	11/22/2013

# IDAHO HOUSING AND FINANCE ASSOCIATION

## Notes to Financial Statements

### 7. Derivatives, continued

#### Interest Rate Swap Agreements 2017

Parity Indenture	Series	Outstanding Notional Amount		Fair Values		Change in Fair Values	
		Hedging	Investment	Hedging	Investment	Hedging	Investment
2006	2007 Series A	7,250	-	(961)	-	569	-
2006	2007 Series B	8,230	-	(1,036)	-	633	-
2006	2007 Series C	8,785	-	(1,150)	-	680	-
2006	2007 Series D	9,510	-	(1,031)	-	683	-
2006	2007 Series E	-	-	-	-	4,061	-
2006	2007 Series F	-	-	-	-	2,760	-
2006	2007 Series G	21,965	-	(3,253)	-	1,870	-
2006	2007 Series H	27,525	-	(4,195)	-	2,440	-
2006	2007 Series I	-	-	-	-	2,055	-
2006	2007 Series J	22,775	-	(3,084)	-	1,885	-
2006	2007 Series K	19,760	-	(2,686)	-	1,687	-
2006	2008 Series A	19,760	-	(2,864)	-	1,723	-
2006	2008 Series B	17,035	-	(2,240)	-	1,411	-
2006	2008 Series C	11,360	-	(1,318)	-	848	-
2006	2008 Series D	4,260	-	(441)	-	305	-
Totals		\$ 360,990	\$ -	\$ (44,580)	\$ -	\$ 35,062	\$ 471

#### Interest Rate Swap Agreements 2017

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					
2006	2007 Series A	5.3660%	LIBOR + .80%		Barclays Capital	A/A2	7/1/2026	11/22/2013
2006	2007 Series B	5.2180%	LIBOR + .80%		Barclays Capital	A/A2	1/1/2027	11/22/2013
2006	2007 Series C	5.3070%	LIBOR + .80%		Barclays Capital	A/A2	1/1/2027	11/22/2013
2006	2007 Series D	4.8930%	LIBOR+.71%		Barclays Capital	A/A2	1/1/2026	12/20/2012
2006	2007 Series E	4.9360%	LIBOR+.71%		Barclays Capital	A/A2	7/1/2025	12/20/2012
2006	2007 Series F	5.2840%	LIBOR+.71%		Barclays Capital	A/A2	1/1/2025	12/20/2012
2006	2007 Series G	5.3920%	LIBOR+.76%		Barclays Capital	A/A2	7/1/2028	12/20/2012
2006	2007 Series H	5.1980%	LIBOR+.76%		Barclays Capital	A/A2	7/1/2030	12/20/2012
2006	2007 Series I	5.1420%	LIBOR+.76%		Barclays Capital	A/A2	7/1/2028	12/20/2012
2006	2007 Series J	5.1020%	LIBOR+.76%		Barclays Capital	A/A2	7/1/2028	12/20/2012
2006	2007 Series K	4.9320%	LIBOR+.76%		Barclays Capital	A/A2	7/1/2030	12/20/2012
2006	2008 Series A	5.1240%	LIBOR + .80%		Barclays Capital	A/A2	7/1/2030	11/22/2013
2006	2008 Series B	4.9760%	LIBOR + .80%		Barclays Capital	A/A2	7/1/2029	11/22/2013
2006	2008 Series C	5.0540%	LIBOR + .80%		Barclays Capital	A/A2	7/1/2026	11/22/2013
2006	2008 Series D	4.7720%	LIBOR + .80%		Barclays Capital	A/A2	7/1/2026	11/22/2013



# IDAHO HOUSING AND FINANCE ASSOCIATION

## Notes to Financial Statements

### 7. Derivatives, continued

#### Interest Rate Swap Agreements

(in thousands)

2016

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

#### Interest Rate Swap Agreements

(in thousands)

2016

Parity Indenture	Series	Fixed Rate		Variable Rate		Interest Rate	Credit Rating	Scheduled Termination Date	Inception Date
		Paid by IHFA		Received by IHFA from Interest Rate Contract Provider					
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  
2016

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)	-
		\$ 454,410	\$ 2,965	\$ (79,642)	\$ (471)	\$ (5,818)	\$ 399

Interest Rate Swap Agreements  
2016

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, 2017, the Association has \$180,000,000 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  
2017

Contract	Coupon rate	Outstanding Notional Amount	Fair Values	Counterparty Credit Rating
April 2017	3.00%	\$ 5,000,000	\$ 21,875	AAA/Aaa
April 2017	3.00%	5,000,000	(6,250)	AAA/Aaa
April 2017	3.50%	5,000,000	(3,125)	AAA/Aaa
April 2017	3.00%	5,000,000	(19,531)	AAA/Aaa
April 2017	3.50%	5,000,000	(8,594)	AAA/Aaa
May 2017	3.00%	5,000,000	(6,250)	AAA/Aaa
May 2017	3.00%	5,000,000	(781)	AAA/Aaa
May 2017	3.00%	5,000,000	(19,531)	AAA/Aaa
May 2017	3.00%	5,000,000	(13,281)	AAA/Aaa
May 2017	3.00%	5,000,000	(21,094)	AAA/Aaa
May 2017	3.00%	5,000,000	(3,125)	AAA/Aaa
May 2017	3.50%	5,000,000	7,031	AAA/Aaa
May 2017	3.00%	5,000,000	4,688	AAA/Aaa
May 2017	3.00%	5,000,000	19,531	AAA/Aaa
May 2017	3.50%	5,000,000	25,391	AAA/Aaa
May 2017	3.00%	5,000,000	22,656	AAA/Aaa
May 2017	3.00%	5,000,000	10,938	AAA/Aaa
May 2017	3.00%	5,000,000	22,656	AAA/Aaa
June 2017	3.50%	5,000,000	21,875	AAA/Aaa
June 2017	3.50%	5,000,000	22,656	AAA/Aaa
June 2017	3.00%	5,000,000	24,219	AAA/Aaa
June 2017	3.00%	5,000,000	35,156	AAA/Aaa
June 2017	3.00%	5,000,000	49,219	AAA/Aaa
June 2017	3.50%	5,000,000	32,813	AAA/Aaa
June 2017	3.00%	5,000,000	46,094	AAA/Aaa
June 2017	3.00%	5,000,000	35,938	AAA/Aaa
June 2017	3.50%	5,000,000	20,313	AAA/Aaa
June 2017	3.00%	5,000,000	53,906	AAA/Aaa
June 2017	3.00%	5,000,000	53,906	AAA/Aaa
June 2017	3.00%	5,000,000	33,594	AAA/Aaa
June 2017	3.00%	5,000,000	39,844	AAA/Aaa
June 2017	3.00%	5,000,000	39,063	AAA/Aaa
June 2017	3.00%	5,000,000	32,031	AAA/Aaa
June 2017	3.00%	5,000,000	24,219	AAA/Aaa
June 2017	3.00%	5,000,000	22,656	AAA/Aaa
June 2017	3.00%	5,000,000	10,938	AAA/Aaa
		\$ 180,000,000	\$ 631,644	

# IDAHO HOUSING AND FINANCE ASSOCIATION

## Notes to Financial Statements

### 7. Derivatives, continued

TBA Forward Contracts  
2016

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
		\$ 200,000,000	\$ (2,143,960)	

# 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, 2017 and 2016 were \$776,000 and \$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, 2017 and 2016 was \$171,000 and \$163,000, 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, 2017 and 2016 there were forty one and thirty eight, 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 \$268,755,297 and \$246,537,000, respectively.

The Association services conduit debt obligations for housing and transportation-related bond issuances. The Association is not obligated in any manner for repayment of these housing and transportation related conduit debt obligations. The Association has determined that this series of bonds outstanding meet the description of conduit debt obligations not included in the Association's financial statements. The total outstanding indebtedness and accrued interest as of June 30, 2017 and 2016 is \$564,165,000 and \$647,143,000, 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 re-classified to either an asset or a liability depending on the initial net position. To facilitate this re-class, a reporting classification titled "*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 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 30,2016	Additions	Retirements	Balance at June 30,2017
Capital assets:				
Land	\$ 828	\$ 34	\$ (42)	\$ 820
Buildings and improvements	7,385	92	(731)	6,746
Furniture and equipment	3,621	211	(331)	3,501
Leasehold improvements	528			528
Computer software	1,801	74		1,875
Total capital assets	14,163	411	(1,104)	13,470
Less accumulated depreciation for:				
Land				
Buildings and improvements	(4,081)	(185)	656	(3,610)
Furniture and equipment	(2,894)	(271)	332	(2,833)
Leasehold improvements	(161)	(16)		(177)
Computer software	(1,565)	(132)		(1,697)
Total accumulated depreciation	(8,701)	(604)	988	(8,317)
Total capital assets, net	\$ 5,462	\$ (193)	\$ (116)	\$ 5,153

	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, 2017 and 2016 are composed of the Accounts and Balances as follows (in thousands):

	2017	2016
<b>Other Assets:</b>		
Accounts Receivable	\$ 30,421	\$ 6,768
Multifamily trusts' pledged revenues receivable	49	233
Prepaid expenses	226	194
REO mortgages receivable	7,529	15,990
	<u>\$ 38,225</u>	<u>\$ 23,185</u>
<b>Other Liabilities</b>		
Accounts Payable	\$ 156	\$ 79
Accrued vacation and other payroll related liabilities	827	866
Arbitrage rebate	119	306
Federal programs advances and unapplied program income	5,220	6,382
Security deposits	3	5
Unapplied payments	25,858	2,403
Other accrued liability	1,880	2,884
	<u>\$ 34,063</u>	<u>\$ 12,925</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.



# IDAHO HOUSING AND FINANCE ASSOCIATION

## Notes to Financial Statements

### 13. Component Units, continued

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, 2016, THC had acquired and was operating sixteen multifamily housing complexes; had constructed and was operating twelve 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 one multifamily housing complex in Idaho. Certain personnel of the Association provide services to THC and an equal number of Association Commissioners serve on THC's Board. As of December 31, 2016, three Association Commissioners and the Association's President serve on THC's Board of Directors. THC pays all expenses associated with THC operations. As of June 30, 2017 and 2016 THC paid the Association \$1,058,000 and \$881,000, respectively. THC owed \$74,000 and \$82,000 for the years ended June 30, 2017 and 2016. 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 25 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.

### 14. Subsequent Events

In July 2017, the Association issued the 2017 Series A Single Family Mortgage Bonds Proceeds of the 2017 Series A Bonds are used to pay and redeem the following bonds previously issued by the Issuer: the 2012 Series A Bonds (2006 Indenture) in part in a principal amount equal to \$34,655,000, the 2013 Series A-1 Bonds (2006 Indenture) in part in a principal amount equal to \$39,955,000, the 2013 Series A-2 Bonds (2006 Indenture) in part in a principal amount equal to \$3,630,000, the 2009 Series C Bonds (2009 Indenture) in part in a principal amount equal to \$6,020,000, and the 2009 Series 1-A Bonds (2009 Indenture) in part in a principal amount equal to \$8,420,000. In connection with such refunding, the Issuer and Barclays Bank PLC (the "Interest Rate Contract Provider") have agreed to allocate and transfer the interest rate contracts related to such refunded variable rate bonds to the 2017 Series A Bonds. Bond are intended as a restructuring to provide a better match of loan prepayment speeds and swap contract fixed rates and maturation dates. No economic savings are intended to be achieved by this restructuring.

# 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, 2017

### Association Accounts (in thousands)

	Business Operations			Affordable Housing Investment Trust
	General Operating and Custodial Accounts	Federally Assisted Program	Combined	
<b>Statement of Net Position</b>				
<b>ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>				
All Cash and Cash Equivalents	\$ 127,334	\$ 7,076	\$ 134,410	\$ 1
All Investments, fair value	873		873	4,554
Loans Held for Investment, net	27,001	331	27,332	46,565
State of Idaho GARVEE payable				
Loans available for sale	126,964		126,964	
Loans Pending Modification	3,313		3,313	
Loan servicing contracts	68,575		68,575	
Loans serviced as agent	7,638,746	107,537	7,746,283	
Property and Equipment	4,906	203	5,109	44
Other Assets	267,371	578	267,949	387
Deferred Outflow--Interest Rate Swap Contracts			-	
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<b>\$ 8,265,083</b>	<b>\$ 115,725</b>	<b>\$ 8,380,808</b>	<b>\$ 51,551</b>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION</b>				
Bonds				
Commercial Paper	\$ 50,000		\$ 50,000	
Loans held in custody as agent	7,638,746	\$ 107,537	7,746,283	
Swap Contract Fair Value Liability			-	
Interest Payable-Swap Contract			-	
Escrow and Project Reserve Deposits	48,310	398	48,708	
Investor Remittance Liability	45,843		45,843	
Other Liabilities	366,708	6,309	373,017	\$ 3
Deferred Inflow--Interest Rate Swap Contracts			-	
Net Position	115,476	1,481	116,957	51,548
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION</b>	<b>\$ 8,265,083</b>	<b>\$ 115,725</b>	<b>\$ 8,380,808</b>	<b>\$ 51,551</b>
<b>Statement of Revenues, Expenses and Changes in Net Position</b>				
<b>OPERATING REVENUES</b>				
Interest on Loans	\$ 3,589	\$ 12	\$ 3,601	\$ 2,006
Interest on Investments	148		148	5
Contract and Grant Administration Fees	8,378		8,378	
Gains on Loan Sales	32,787		32,787	
Loan Servicing Fees	20,972		20,972	121
Other	1,798	716	2,514	9
<b>TOTAL OPERATING REVENUES</b>	<b>67,672</b>	<b>728</b>	<b>68,400</b>	<b>2,141</b>
<b>OPERATING EXPENSES</b>				
Interest	1,006		1,006	
Salaries and Benefits	13,322	173	13,495	
Loan acquisition costs	26,390		26,390	6,139
General Operating	5,836	1,296	7,132	151
Bond financing costs			-	
Grants to Others			-	710
Loss on Real Estate Owned Properties		14	14	-
Other	638	33	671	120
<b>TOTAL OPERATING EXPENSES</b>	<b>47,192</b>	<b>1,516</b>	<b>48,708</b>	<b>7,120</b>
<b>OPERATING INCOME (LOSS)</b>	<b>20,480</b>	<b>(788)</b>	<b>19,692</b>	<b>(4,979)</b>
<b>NONOPERATING REVENUES AND EXPENSES</b>				
Net Increase (Decrease) in Fair Value of Investments	2,774		2,774	(1)
Net Increase (Decrease) in Fair Value of Servicing contracts	20,520		20,520	
Derivative instruments, interest rate swap				
Federal Pass-Through Revenues		47,067	47,067	
Federal Pass-Through Expenses		(46,675)	(46,675)	
<b>TOTAL NONOPERATING REVENUES AND EXPENSES</b>	<b>23,294</b>	<b>392</b>	<b>23,686</b>	<b>(1)</b>
<b>CHANGE IN NET POSITION</b>	<b>43,774</b>	<b>(396)</b>	<b>43,378</b>	<b>(4,980)</b>
NET POSITION, Beginning of Period	75,009	19,364	94,373	37,091
TRANSFERS	(3,307)	(17,487)	(20,794)	19,437
<b>NET POSITION, End of Period</b>	<b>\$ 115,476</b>	<b>\$ 1,481</b>	<b>\$ 116,957</b>	<b>\$ 51,548</b>

(1) The detail of the Combined Bondholder Trusts is presented on pages 51-53.

# 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
<b>Statement of Net Position</b>				
<b>ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>				
All Cash and Cash Equivalents				\$ 134,411
All Investments, fair value	\$ 20,740	\$ 248,510		274,677
Loans Held for Investment, net	5,910	318,806		398,613
State of Idaho GARVEE payable		600,395		600,395
Loans available for sale				126,964
Loans Pending Modification				3,313
Loan servicing contracts				68,575
Loans serviced as agent			\$ (7,746,283)	-
Property and Equipment				5,153
Other Assets	104,895	273,281	(608,301)	38,211
Deferred Outflow--Interest Rate Swap Contracts		47,996		47,996
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<b>\$ 131,545</b>	<b>\$ 1,488,988</b>	<b>\$ (8,354,584)</b>	<b>\$ 1,698,308</b>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION</b>				
Bonds	\$ 43,676	\$ 1,122,447		\$ 1,166,123
Commercial Paper				50,000
Loans held in custody as agent			\$ (7,746,283)	-
Swap Contract Fair Value Liability		44,580		44,580
Interest Payable-Swap Contract		8,619		8,619
Escrow and Project Reserve Deposits				48,708
Investor Remittance Liability				45,843
Other Liabilities	183	269,141	(608,301)	34,043
Deferred Inflow--Interest Rate Swap Contracts		1,484		1,484
Net Position	87,686	42,717		298,908
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION</b>	<b>\$ 131,545</b>	<b>\$ 1,488,988</b>	<b>\$ (8,354,584)</b>	<b>\$ 1,698,308</b>
<b>Statement of Revenues, Expenses and Changes in Net Position</b>				
<b>OPERATING REVENUES</b>				
Interest on Loans	\$ 504	\$ 45,489		\$ 51,600
Interest on Investments	229	4,716		5,098
Contract and Grant Administration Fees			\$ (160)	8,218
Gains on Loan Sales				32,787
Loan Servicing Fees	2	1,533	(1,281)	21,347
Other	15	312		2,850
<b>TOTAL OPERATING REVENUES</b>	<b>750</b>	<b>52,050</b>	<b>(1,441)</b>	<b>121,900</b>
<b>OPERATING EXPENSES</b>				
Interest	1,160	50,610		52,776
Salaries and Benefits				13,495
Loan acquisition costs				32,529
General Operating	51	1,745	(1,441)	7,638
Bond financing costs		3,285		3,285
Grants to Others				710
Loss on Real Estate Owned Properties				14
Other		80		871
<b>TOTAL OPERATING EXPENSES</b>	<b>1,211</b>	<b>55,720</b>	<b>(1,441)</b>	<b>111,318</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(461)</b>	<b>(3,670)</b>	<b>-</b>	<b>10,582</b>
<b>NONOPERATING REVENUES AND EXPENSES</b>				
Net Increase (Decrease) in Fair Value of Investments	(143)	(4,938)		(2,308)
Net Increase (Decrease) in Fair Value of Servicing contracts				20,520
Derivative instruments, interest rate swap		2,902		2,902
Federal Pass-Through Revenues		-		47,067
Federal Pass-Through Expenses		-		(46,675)
<b>TOTAL NONOPERATING REVENUES AND EXPENSES</b>	<b>(143)</b>	<b>(2,036)</b>	<b>-</b>	<b>21,506</b>
<b>CHANGE IN NET POSITION</b>	<b>(604)</b>	<b>(5,706)</b>	<b>-</b>	<b>32,088</b>
NET POSITION, Beginning of Period	135,045	311		266,820
TRANSFERS	(46,755)	48,112		-
<b>NET POSITION, End of Period</b>	<b>\$ 87,686</b>	<b>\$ 42,717</b>	<b>\$ -</b>	<b>\$ 298,908</b>

(1) The detail of the Combined Bondholder Trusts is presented on pages 51-53.

# IDAHO HOUSING AND FINANCE ASSOCIATION

## Supplemental Financial Information

### Association Accounts (in thousands)

	The Home Partnership Foundation	Inter- Component Unit Eliminations	All Reporting Entity Accounts
<b>Statement of Net Position</b>			
<b>ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>			
All Cash and Cash Equivalents	\$ 1,976		\$ 136,387
All Investments, fair value	503		275,180
Loans Held for Investment, net	11		398,624
State of Idaho GARVEE payable			600,395
Loans available for sale			126,964
Loans Pending Modification			3,313
Loan servicing contracts			68,575
Loans serviced as agent			-
Property and Equipment			5,153
Other Assets	14		38,225
Deferred Outflow---Interest Rate Swap Contracts			47,996
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<b>\$ 2,504</b>	<b>\$ -</b>	<b>\$ 1,700,812</b>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION</b>			
Bonds			\$ 1,166,123
Commercial Paper			50,000
Loans held in custody as agent			-
Swap Contract Fair Value Liability			44,580
Interest Payable-Swap Contract			8,619
Escrow and Project Reserve Deposits			48,708
Investor Remittance Liability			45,843
Other Liabilities	\$ 20		34,063
Deferred Inflow--Interest Rate Swap Contracts			1,484
Net Position	2,484	-	301,392
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION</b>	<b>\$ 2,504</b>	<b>\$ -</b>	<b>\$ 1,700,812</b>
<b>Statement of Revenues, Expenses and Changes in Net Position</b>			
<b>OPERATING REVENUES</b>			
Interest on Loans			\$ 51,600
Interest on Investments			5,098
Contract and Grant Administration Fees			8,218
Gains on Loan Sales			32,787
Loan Servicing Fees			21,347
Other	\$ 1,245	\$ (710)	3,385
<b>TOTAL OPERATING REVENUES</b>	<b>1,245</b>	<b>(710)</b>	<b>122,435</b>
<b>OPERATING EXPENSES</b>			
Interest			52,776
Salaries and Benefits	108		13,603
Loan acquisition costs			32,529
General Operating	36		7,674
Bond financing costs			3,285
Grants to Others	646	(710)	646
Loss on Real Estate Owned Properties			14
Other			871
<b>TOTAL OPERATING EXPENSES</b>	<b>790</b>	<b>(710)</b>	<b>111,398</b>
<b>OPERATING INCOME (LOSS)</b>	<b>455</b>	<b>-</b>	<b>11,037</b>
<b>NONOPERATING REVENUES AND EXPENSES</b>			
Net Increase (Decrease) in Fair Value of Investments			(2,308)
Net Increase (Decrease) in Fair Value of Servicing contracts			20,520
Derivative instruments, interest rate swap			2,902
Federal Pass-Through Revenues			47,067
Federal Pass-Through Expenses			(46,675)
<b>TOTAL NONOPERATING REVENUES AND EXPENSES</b>	<b>-</b>	<b>-</b>	<b>21,506</b>
<b>CHANGE IN NET POSITION</b>	<b>455</b>	<b>-</b>	<b>32,543</b>
NET POSITION, Beginning of Period	2,029		268,849
TRANSFERS	-		-
<b>NET POSITION, End of Period</b>	<b>\$ 2,484</b>	<b>\$ -</b>	<b>\$ 301,392</b>

(1) The detail of the Combined Bondholder Trusts is presented on pages 51-53.

**IDAHO HOUSING AND FINANCE ASSOCIATION**  
**Supplemental Financial Information**

**Combined Bondholder Trusts (in thousands)**

	2000 Indenture	2003 Indenture	2006 Indenture	2009 Indenture
<b>Statement of Net Position</b>				
<b>ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>				
Cash and Cash Equivalents held in trust				
Investments, fair value held in trust	\$ 11,498	\$ 112,967	\$ 111,164	\$ 7,895
Loans Held for Investment, net	42,310	91,162	154,386	23,157
State of Idaho GARVEE payable				
Other Assets	341	26,040	64,198	419
Deferred Outflow--Interest Rate Swap Contracts	2,780	11,943	33,273	
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<b>\$ 56,929</b>	<b>\$ 242,112</b>	<b>\$ 363,021</b>	<b>\$ 31,471</b>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</b>				
Bonds	\$ 48,713	\$ 193,573	\$ 236,782	\$ 30,054
Swap Contract Fair Value Liability	4,179	13,635	26,766	
Interest Payable-Swap Contract	1,140	2,364	5,115	
Other Liabilities	1,765	25,017	57,606	2,623
Deferred Inflow--Interest Rate Swap Contracts		1,484		
Net Position	1,132	6,039	36,752	(1,206)
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</b>	<b>\$ 56,929</b>	<b>\$ 242,112</b>	<b>\$ 363,021</b>	<b>\$ 31,471</b>
<b>Statement of Revenues, Expenses and Changes in Net Position</b>				
<b>OPERATING REVENUES</b>				
Interest on Loans	\$ 2,724	\$ 5,428	\$ 9,543	\$ 1,055
Interest on Investments	543	2,113	1,726	334
Loan Servicing Fees	156	368	913	96
Other		6	306	
<b>TOTAL OPERATING REVENUES</b>	<b>3,423</b>	<b>7,915</b>	<b>12,488</b>	<b>1,485</b>
<b>OPERATING EXPENSES</b>				
Interest	2,758	7,874	12,137	1,334
General Operating	192	461	857	83
Bond Financing Costs		1,906	1,379	
Other				
<b>TOTAL OPERATING EXPENSES</b>	<b>2,950</b>	<b>10,241</b>	<b>14,373</b>	<b>1,417</b>
<b>OPERATING INCOME (LOSS)</b>	<b>473</b>	<b>(2,326)</b>	<b>(1,885)</b>	<b>68</b>
<b>NONOPERATING REVENUES AND EXPENSES</b>				
Net Increase (Decrease) in Fair Value of Investments	(763)	(1,495)	(2,271)	(409)
Derivative instruments, interest rate swap		(362)	3,264	
<b>TOTAL NONOPERATING REVENUES AND EXPENSES</b>	<b>(763)</b>	<b>(1,857)</b>	<b>993</b>	<b>(409)</b>
<b>CHANGE IN NET POSITION</b>	<b>(290)</b>	<b>(4,183)</b>	<b>(892)</b>	<b>(341)</b>
NET POSITION, Beginning of Period	1,428	6,577	(6,835)	(859)
TRANSFERS	(6)	3,645	44,479	(6)
<b>NET POSITION, End of Period</b>	<b>\$ 1,132</b>	<b>\$ 6,039</b>	<b>\$ 36,752</b>	<b>\$ (1,206)</b>

(2) The combined totals for Bondholder Trusts are presented on page 49.

**IDAHO HOUSING AND FINANCE ASSOCIATION**  
**Supplemental Financial Information**

**Combined Bondholder Trusts (in thousands)**

	Falls Creek Variable Rate Demand Housing Revenue Bond	2006 Grant and Revenue Anticipation Bond	2008 A Grant and Revenue Anticipation Bond	2009 A Grant and Revenue Anticipation Bond	2010 A Grant and Revenue Anticipation Bond
<b>Statement of Net Position</b>					
<b>ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>					
Cash and Cash Equivalents held in trust					
Investments, fair value held in trust	\$ 106		\$ 671	\$ 714	\$ 1,746
Loans Held for Investment, net	7,791				
State of Idaho GARVEE payable		\$ 99,785	\$ 125,797	\$ 123,059	\$ 74,558
Other Assets	153				
Deferred Outflow--Interest Rate Swap Contracts					
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<b>\$ 8,050</b>	<b>\$ 99,785</b>	<b>\$ 126,468</b>	<b>\$ 123,773</b>	<b>\$ 76,304</b>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</b>					
Bonds	\$ 8,050	\$ 2,160	\$ 41,963	\$ 123,773	\$ 76,304
Swap Contract Fair Value Liability					
Interest Payable-Swap Contract					
Other Liabilities	-	97,625	84,505		
Deferred Inflow--Interest Rate Swap Contracts					
Net Position	-				
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</b>	<b>\$ 8,050</b>	<b>\$ 99,785</b>	<b>\$ 126,468</b>	<b>\$ 123,773</b>	<b>\$ 76,304</b>
<b>Statement of Revenues, Expenses and Changes in Net Position</b>					
<b>OPERATING REVENUES</b>					
Interest on Loans	\$ 569		\$ 1,470	\$ 5,521	\$ 4,511
Interest on Investments					
Loan Servicing Fees					
Other	-				
<b>TOTAL OPERATING REVENUES</b>	<b>569</b>	<b>-</b>	<b>1,470</b>	<b>5,521</b>	<b>4,511</b>
<b>OPERATING EXPENSES</b>					
Interest	476		1,460	5,495	4,493
General Operating	13		10	26	18
Bond Financing Costs					
Other	80				
<b>TOTAL OPERATING EXPENSES</b>	<b>569</b>	<b>-</b>	<b>1,470</b>	<b>5,521</b>	<b>4,511</b>
<b>OPERATING INCOME (LOSS)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NONOPERATING REVENUES AND EXPENSES</b>					
Net Increase (Decrease) in Fair Value of Investments					
Derivative instruments, interest rate swap					
<b>TOTAL NONOPERATING REVENUES AND EXPENSES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
NET POSITION, Beginning of Period	-	-	-	-	-
TRANSFERS					
NET POSITION, End of Period	\$ -	\$ -	\$ -	\$ -	\$ -

(2) The combined totals for Bondholder Trusts are presented on page 49.

**IDAHO HOUSING AND FINANCE ASSOCIATION**  
**Supplemental Financial Information**

**Combined Bondholder Trusts (in thousands)**

	2011 Grant and Revenue Anticipation Bond	2012 A Grant and Revenue Anticipation Bond	2014 A Grant and Revenue Anticipation Bond	2015 A Grant and Revenue Anticipation Bond	Combined Bondholder Trusts (2)
<b>Statement of Net Position</b>					
<b>ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>					
Cash and Cash Equivalents held in trust					
Investments, fair value held in trust	\$ 240	\$ 189	\$ 356	\$ 964	\$ 248,510
Loans Held for Investment, net					318,806
State of Idaho GARVEE payable	\$ 69,598	\$ 32,018	\$ 73,208	\$ 2,372	600,395
Other Assets				182,130	273,281
Deferred Outflow--Interest Rate Swap Contracts					47,996
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<b>\$ 69,838</b>	<b>\$ 32,207</b>	<b>\$ 73,564</b>	<b>\$ 185,466</b>	<b>\$ 1,488,988</b>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</b>					
Bonds	\$ 69,838	\$ 32,207	\$ 73,564	\$ 185,466	\$ 1,122,447
Swap Contract Fair Value Liability					44,580
Interest Payable-Swap Contract					8,619
Other Liabilities					269,141
Deferred Inflow--Interest Rate Swap Contracts					1,484
Net Position					42,717
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</b>	<b>\$ 69,838</b>	<b>\$ 32,207</b>	<b>\$ 73,564</b>	<b>\$ 185,466</b>	<b>\$ 1,488,988</b>
<b>Statement of Revenues, Expenses and Changes in Net Position</b>					
<b>OPERATING REVENUES</b>					
Interest on Loans	\$ 3,116	\$ 994	\$ 2,872	\$ 7,686	\$ 45,489
Interest on Investments					4,716
Loan Servicing Fees					1,533
Other					312
<b>TOTAL OPERATING REVENUES</b>	<b>3,116</b>	<b>994</b>	<b>2,872</b>	<b>7,686</b>	<b>52,050</b>
<b>OPERATING EXPENSES</b>					
Interest	3,098	985	2,854	7,646	50,610
General Operating	18	9	18	40	1,745
Bond Financing Costs					3,285
Other					80
<b>TOTAL OPERATING EXPENSES</b>	<b>3,116</b>	<b>994</b>	<b>2,872</b>	<b>7,686</b>	<b>55,720</b>
<b>OPERATING INCOME (LOSS)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,670)</b>
<b>NONOPERATING REVENUES AND EXPENSES</b>					
Net Increase (Decrease) in Fair Value of Investments					(4,938)
Derivative instruments, interest rate swap					2,902
<b>TOTAL NONOPERATING REVENUES AND EXPENSES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,036)</b>
<b>CHANGE IN NET POSITION</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,706)</b>
NET POSITION, Beginning of Period					311
TRANSFERS					48,112
<b>NET POSITION, End of Period</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 42,717</b>

(2) The combined totals for Bondholder Trusts are presented on page 49.

**Supplementary Reports on the Federal Awards  
Programs Required by the Uniform Guidance and Cost Certificate  
For the Year Ended June 30, 2017**

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**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of the Idaho Housing and Finance Association (the Association), a component of the State of Idaho, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Idaho Housing and Finance Association's basic financial statements, and have issued our report thereon dated October 31, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Idaho Housing and Finance Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Idaho Housing and Finance Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Idaho Housing and Finance Association's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Idaho Housing and Finance Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho  
October 31, 2017



**Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by *the Uniform Guidance***

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

**Report on Compliance for Each Major Federal Program**

We have audited the Idaho Housing and Finance Association's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Idaho Housing and Finance Association's major federal programs for the year ended June 30, 2017. The Idaho Housing and Finance Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Idaho Housing and Finance Association's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Idaho Housing and Finance Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Idaho Housing and Finance Association's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the Idaho Housing and Finance Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

### **Report on Internal Control over Compliance**

Management of the Idaho Housing and Finance Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Idaho Housing and Finance Association's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Idaho Housing and Finance Association's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Boise, Idaho  
October 31, 2017

# IDAHO HOUSING AND FINANCE ASSOCIATION

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

FEDERAL GRANTOR/PROGRAM OR CLUSTER TITLE	Federal CFDA Number	Federal Expenditures	Amounts Passed- Through to Subrecipients
<u>U.S. Department of Housing and Urban Development</u>			
Emergency Shelter Grants Program	14.231	\$ 923,084	\$ 830,884
HOME Investment Partnerships Program			-
HOME Investment Partnerships Program	14.239	8,507,456	
HOME Loan Balances	14.239	68,336,080	
		<u>76,843,536</u>	
Housing Opportunities for Persons with AIDS	14.241	434,106	408,322
Continuum of Care Program	14.267	2,275,980	2,041,872
Housing Trust Fund	14.275	398,343	-
Comprehensive Housing and Counseling Program	14.169	161,023	45,272
Family Self Sufficiency (FSS) Program	14.896	238,584	238,584
Section 8 Project-Based Cluster:			
Section 8 New Construction/Substantial Rehabilitation	14.182	2,962,900	-
Section 8 Performance Based Contract Administration	14.195	16,668,676	-
		<u>19,631,576</u>	
Low Rent Public Housing Operating Subsidy	14.850	87,952	-
Public Housing Capital Fund	14.872	23,639	-
Housing Voucher Cluster			
Housing Choice Voucher Program	14.871	18,501,827	-
Mainstream 5-year Program	14.879	384,391	-
		<u>18,886,218</u>	
<u>HUD Federal Mortgage Insurance &amp; Guarantees</u>			
Federal Housing Administration - Mortgage Insurance - Homes	14.117	1,548,618,398	-
Public and Indian Housing Indian Loan Guarantee program	14.865	1,652,846	-
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii (NSP loan balances)	14.228	9,692,455	-
TOTAL HUD EXPENDITURES		<u>1,679,867,740</u>	<u>3,564,934</u>
<u>U.S. Department of Veterans Affairs</u>			
Dept of Veterans Affairs - Veterans Housing - Guaranteed and Insured Loans	64.114	154,633,733	-
<u>U.S. Department of Agriculture</u>			
US Department of Agriculture (USDA) - Very Low to Moderate Income Housing Loans	10.410	186,874,272	-
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 2,021,375,745</u>	<u>\$ 3,564,934</u>

See Notes to Schedule of Expenditures of Federal Awards

# IDAHO HOUSING AND FINANCE ASSOCIATION

## Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

### 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal expenditure activity of the Association and is presented on the basis of expenditures made. The reporting entity is defined in Note 2 to the Association's basic financial statements. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a select portion of the operations of the Association, it is not intended to and does not present the financial position, change in net position, or cash flows of the Association.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on this schedule are presented using the accrual basis of accounting as described in Note 2 to the Association's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures may or may not be allowable or are limited as to reimbursement.

The Association has not elected to use the 10% de minimis cost rate.

### 3. MAJOR PROGRAMS

The following programs represent all Federal awards tested as major programs. Since the Association is a high-risk auditee, coverage of at least 40 percent of federally awarded funds was required. Actual coverage was approximately 91 percent of total federally awarded expenditures.

<u>Federal Awards Tested as Major Programs</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
HOME Investment Partnerships Program	14.239	\$ 76,843,536
Section 8 Project-Based Cluster:		
Section 8 New Construction/Substantial Rehabilitation	14.182	2,962,900
Section 8 Performance Based Contract Administration	14.195	16,668,676
Federal Housing Administration - Mortgage Insurance - Homes	14.117	1,548,618,398
US Department of Agriculture (USDA) - Very Low to Moderate Income Housing Loans	10.410	186,874,272

### 4. SUBRECIPIENTS

The Association provides grant funds through various subrecipients in the State of Idaho. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

The Association has certain compliance responsibilities with respect to its subrecipients, including monitoring the subrecipients to help ensure they use the sub-awards as authorized by law, regulations, and the provisions of the grant agreements.

# IDAHO HOUSING AND FINANCE ASSOCIATION

## Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

### 5. FEDERAL LOAN PROGRAMS

The federal loan programs listed subsequently are administered directly by the Association and balances and transactions relating to these programs are included in the Association's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2017 consists of:

FEDERAL GRANTOR/PROGRAM OR CLUSTER TITLE	CFDA Number	Loan Balance at June 30, 2017
HOME Investment Partnerships Program	14.239	\$ 71,940,041
Neighborhood Stabilization Program	14.228	8,337,684

### 6. FEDERAL MORTGAGE INSURANCE & GUARANTEES

The Association originates mortgages which are insured and guaranteed by the Federal Housing Administration, Department of Veterans Affairs, and USDA Rural Housing Services. Loans originated during the year are included in the schedule of federal expenditures. The balance of loans outstanding and owned by the Association at June 30, 2017 consists of:

FEDERAL GRANTOR/PROGRAM OR CLUSTER TITLE	Federal CFDA Number	Outstanding Loan Balance at June 30, 2017
Federal Housing Administration - Mortgage Insurance - Homes	14.117	\$ 148,969,715
Dept of Veterans Affairs - Veterans Housing - Guaranteed and Insured Loans	64.114	13,416,666
US Department of Agriculture (USDA) - Very Low to Moderate Income Housing Loans	10.410	36,577,593

# IDAHO HOUSING AND FINANCE ASSOCIATION

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2017

### Section I – Summary of Auditor’s Results

#### Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

#### Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported

Type of auditor’s report issued on compliance for Major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.239	HOME Investment Partnerships Program
	Section 8 Project Based Cluster:
14.182	Section 8 New Construction/Substantial Rehabilitation
14.195	Section 8 Performance Based Contract Administration
14.117	Federal Housing Administration - Mortgage Insurance - Homes
10.410	US Department of Agriculture (USDA) - Very Low to Moderate Income Housing Loans

Dollar threshold used to distinguish between Type A and Type B programs:	\$3,000,000
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Auditee qualifies as low-risk auditee?	No
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### Section II – Financial Statement Findings

No matters were reported.



### **Section III – Federal Award Findings and Questioned Costs**

#### **Current Year Findings**

No matters were reported



### **Independent Accountant's Report**

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

Our report on our audit of the financial statements of the Idaho Housing and Finance Association as of June 30, 2017 appears on Section I page 1. The audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The letter from the U.S. Department of Housing and Urban Development and the Forms HUD-53001 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Form HUD-53001 correctly reports the closing of the Capital Fund Grants for comprehensive grant number ID16P02050115. The amounts reported appear accurate and appear to have been expended for Capital Fund Purposes. The amounts as reported in the general ledger agree to the amounts included in the Actual Modernization Cost Certificate reports.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho  
October 31, 2017



U.S. Department of Housing and Urban Development

Seattle Regional Office  
Seattle Federal Office Building  
Office of Public Housing  
909 First Avenue, Suite 360  
Seattle, WA 98104-1000

OCT 27 2016

RECEIVED  
NOV 01 2016

Gerald Hunter, Executive Director  
Idaho Housing Finance Association  
Attn: Cheryl Brown  
P.O. Box 7899  
Boise, ID 83707-1899

Dear Mr. Hunter:

Subject: Review and Approval of Final Performance and Evaluation (P&E) Report and  
Actual Modernization Cost Certificate (AMCC) for Capital Fund Program (CFP)  
ID16P02050115

Our office reviewed the Final Performance and Evaluation (P&E) Report and the  
AMCC (HUD-53001) for the subject CFP grant. The Final P&E Report and the AMCC are  
approved as submitted for audit. A signed copy of the AMCC is enclosed for your records.

Please ensure that the CFP costs for this grant are verified during your next regularly  
scheduled fiscal audit. Also, please provide the auditor a copy of the AMCC as an enclosure  
for the financial statement in the audit report.

Following receipt of the audit report and providing there are no findings, we will  
approve the AMCC and provide a final copy for your records.

If you have any questions, please contact Carmen Tennison, Facilities Management  
Specialist by email at [carmen.tennison@hud.gov](mailto:carmen.tennison@hud.gov) or at (907) 677-9898.

Sincerely,

Harlan Stewart  
Director  
Office of Public Housing

Enclosure

form HUD 53001

**Actual Modernization  
Cost Certificate**

U.S. Department of Housing  
and Urban Development  
Office of Public and Indian Housing

OMB Approval No. 2577-0157 (exp. 1/31/2017)

Comprehensive Improvement Assistance Program (CIAP)  
Comprehensive Grant Program (CGP)

Public reporting burden for this collection of information is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Paperwork Reduction Project (2577-0044 and 0157), Office of Information Technology, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number.

Do not send this form to the above address.

This collection of information requires that each Housing Authority (HA) submit information to enable HUD to initiate the fiscal closeout process. The information will be used by HUD to determine whether the modernization grant is ready to be audited and closed out. The information is essential for audit verification and fiscal close out. Responses to the collection are required by regulation. The information requested does not lend itself to confidentiality.

HA Name: <b>Idaho Housing and Finance Association</b>	Modernization Project Number: <b>ID16P02050115</b>
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The HA hereby certifies to the Department of Housing and Urban Development as follows:

1. That the total amount of Modernization Cost (herein called the "Actual Modernization Cost") of the Modernization Grant, is as shown below:

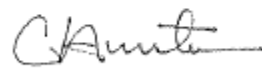
A. Original Funds Approved	\$ 99,161
B. Funds Disbursed	\$ 99,161
C. Funds Expended (Actual Modernization Cost)	\$ 99,161
D. Amount to be Recaptured (A-C)	\$ 0
E. Excess of Funds Disbursed (B-C)	\$ 0

- That all modernization work in connection with the Modernization Grant has been completed;
- That the entire Actual Modernization Cost or liabilities therefor incurred by the HA have been fully paid;
- That there are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work; and
- That the time in which such liens could be filed has expired.

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Signature of Executive Director & Date:

X  10/25/2016  
**Gerald Hunter, President and Executive Director**

For HUD Use Only

The Cost Certificate is approved for audit:  
Approved for Audit (Director, Office of Public Housing / ONAP Administrator)  Date: 10/27/2016

The audited costs agree with the costs shown above:  
Verified: (Designated HUD Official)  Date:

X Approved: (Director, Office of Public Housing / ONAP Administrator) Date: