Idaho Housing and Finance Association

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Single Audit Report as of June 30, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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.

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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 50 through 55 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 5, 2018, 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 solely 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 the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Idaho Housing and Finance Association's internal control over financial reporting and compliance.

Eide Bailly LLP

Boise, Idaho
October 5, 2018

IDAHO HOUSING AND FINANCE ASSOCIATION
Management's Discussion and Analysis

June 30, 2018

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, 2018 and 2017.

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, Texas and Washington, 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 2018 (FY18), reflecting stronger loan acquisition production, a larger servicing portfolio (as Loan Servicing Contracts (LSC)), higher servicing revenue, and cost containment. 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, 2018 compared to June 30, 2017 are as follows:

- Total net position, after fair market value and federal pass-through adjustments, increased $52.7 million or 17.46 %
- Total net position, before fair market value and federal pass-through adjustments, increased $58.54 million or 19.30%
- Total assets decreased $104.34 million or 6.31%
- Total deferred outflow of resources decreased $9.5 million or 19.82%
- Total liabilities decreased $169.36 million or 12.11%
- Total deferred inflow of resources increased $2.88 million
- Cash and investments decreased $41.09 million or 9.98%
- Loans held for investment decreased $64.39 million or 16.15%
- Fair value of loan servicing contracts increased $43.90 million or 64.02%
- Bonds and notes payable decreased $235 million or 20.15%
- Interest rate swap contracts' fair value decreased $17.92 million or 40.21%
- Escrow and Project Reserve Deposits increased $36.23 or 74.37%
- Investor Remittances increased $15.17 or 33.10%
- Other liabilities increased $16.38 million or 48.08%

- Interest on loans and GARVEE pledge revenues decreased $5.26 million or 10.20%
- Interest on investments decreased $.36 million or 7.00%
- Gain on loan sales decreased $10.68 million or 32.57%
- Other revenue increased $1.37 million or 40.35%
- Loan acquisition cost expense increased $2.1 million or 6.45%
- Fair value of investments decreased $ 3.19 million or 138.21%
- Federal pass-through revenues decreased $1.26 million or 2.68%
- Federal pass-through expenses decreased $.46 million or .98%

The Association experienced a solid, productive FY18 amid a strong general economic environment, a vibrant Idaho real estate market, and modest increases in interest rates. The following significant factors characterized and affected the Association's financial results:

1) Increased loan production and servicing portfolio value,
2) Lower gains on loan sales,
3) Modestly increasing interest rates,
4) Stable bond trust losses due to restructuring,
5) Real estate owned loss experience returning to and continuing similar to pre-2008 levels,

The Association's results for FY18 reflect a return to market-based conditions. The Association experienced the start of the Federal Reserve downsizing its balance sheet, which when implemented at the height of the 2008-2009 financial crisis, was 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 strong loan payoffs 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, which necessitated a bond restructuring and resulted in bond indenture financial stability.

As the financial crisis, in part precipitated by poor underwriting standards of subprime and exotic loans during the 2004 to 2007 period and led to a severe disruption of the world's financial markets, has ended, the Association no longer expects this period to have a material impact on its financial result in future years. 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. As the Federal Reserve ends its market activities during, the Association expects market interest rates to continue to modestly increase but not having a significant impact on its financial results.

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

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 FY18, increased loan acquisitions and service-retained loan sales led to a larger servicing portfolio resulting in higher gains servicing fees. Gain on loan sales dropped dramatically due to the Federal Reserve beginning the process of shrinking its balance sheet, which primarily contains U.S. Treasury financial instruments and U.S. Agency mortgage-backed securities. This exit strategy has resulted in lower market demand leading to decreased prices of these instruments and lower prices of the loans sold to back the mortgage-backed securities. Other factors contributing to FY18 results include an increase in net interest spread (interest and investment income less interest expense) due to bond trust stabilization, increase in grant and contract revenue for administrating federal programs, increase in salaries and benefits for additional loan servicing staff, and an increase in general operating expenses related to loan servicing. Finally, the Association expanded its commercial paper financing facilities by $50 million to support higher levels of loan acquisition and sales.

These results compare to FY17 when 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.

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 are being 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, 2018, 2017, and 2016 as well as the changes in net income.

As of June 30, (in thousands)	2018 Balance	2018 % Change from prior period	2017 Balance	2017 % Change from prior period	2016 Balance
Cash and cash equivalents	$ 15,386	(33.89%)	$ 23,273	58.01%	$ 14,729
Cash and cash equivalents held in trust or as agent	166,702	47.38%	113,114	(34.82%)	173,549
Investments, fair value	60,112	131.87%	25,925	(34.15%)	39,371
Investments, fair value held in trust	128,273	(48.54%)	249,255	44.34%	172,684
Loans held for investment, net	334,232	(16.15%)	398,624	(16.48%)	477,287
Loans available for sale	123,180	(2.98%)	126,964	4.26%	121,781
Loan servicing contracts, fair value	112,479	64.02%	68,575	42.70%	48,055
State of Idaho GARVEE Payable	566,936	(5.57%)	600,395	(5.40%)	634,693
Loans pending modification	7,325	100.00%	3,313	0.00%	-
Property and Equipment	6,460	25.36%	5,153	(5.66%)	5,462
Other Assets	27,395	(28.33%)	38,225	64.87%	23,185
Interest rate swap contracts	38,483	(19.82%)	47,996	(33.60%)	72,287
Total Assets and Deferred Outflow	$ 1,586,963	(6.69%)	$ 1,700,812	(4.61%)	$ 1,783,083
Bonds	$ 931,120	(20.15%)	$ 1,166,123	(9.24%)	$ 1,284,829
Commercial Paper	100,000	100.00%	50,000	0.00%	50,000
Swap contract fair value liability	26,656	(40.21%)	44,580	(44.02%)	79,642
Interest payable-swap contract	7,166	(16.86%)	8,619	(21.70%)	11,007
Escrow and Project Reserve Deposits	84,934	74.37%	48,708	45.15%	33,558
Investor Remittances	61,015	33.10%	45,843	8.45%	42,273
Other Liabilities	17,686	(48.08%)	34,063	163.54%	12,925
Interest rate swap contracts	4,363	100.00%	1,484	#DIV/0!	-
Total Liabilities and Deferred Inflow	$ 1,232,940	(11.90%)	$ 1,399,420	(7.58%)	$ 1,514,234
Net investment in capital assets	$ 6,460	25.36%	$ 5,153	(5.66%)	$ 5,462
Restricted					
Bond funds	143,221	9.83%	130,403	(3.66%)	135,356
Section 8 voucher HAP fund	105	(74.64%)	414	1235.48%	31
The HOME Partnership Foundation, Inc fund	2,626	11.98%	2,345	22.07%	1,921
Unrestricted	201,611	23.63%	163,077	29.35%	126,079
Total Net Position	$ 354,023	17.46%	$ 301,392	12.10%	$ 268,849
Interest on loans and GARVEE pledged revenues	$ 46,338	(10.20%)	$ 51,600	(20.57%)	$ 64,959
Interest on Investments	4,741	(7.00%)	5,098	14.64%	4,447
Loan servicing fees	29,138	36.50%	21,347	27.10%	16,795
Contract and grant administration fees	9,813	19.41%	8,218	7.62%	7,636
Gains on loan sales	22,107	(32.57%)	32,787	12.62%	29,114
Other	4,751	40.35%	3,385	(0.59%)	3,405
Total Revenues	116,888	(4.53%)	122,435	(3.10%)	126,356
Interest	45,255	(14.25%)	52,776	(17.93%)	64,307
Salaries and benefits	14,986	10.17%	13,603	9.17%	12,460
Loan acquisition costs	34,626	6.45%	32,529	(8.65%)	35,610
General operating	9,535	24.25%	7,674	14.18%	6,721
Bond financing costs	1,026	(68.77%)	3,285	254.75%	926
Grants to others	844	30.65%	646	31.57%	491
Losses on real estate-owned property	16	100.00%	14	0.00%	-
Provision for loan loss	-	0.00%	-	(100.00%)	283
Other	1,601	83.81%	871	-52.61%	1,838
Total Expenses	107,889	(3.15%)	111,398	(9.16%)	122,636
Operating income/(loss)	8,999	(18.47%)	11,037	196.69%	3,720
Net increase (decrease) in Fair value of investments					
Net increase (decrease) in fair value of servicing rights	43,904	113.96%	20,520	141.30%	8,504
Derivative instruments, interest rate swap	5,640	94.35%	2,902	(216.83%)	(2,484)
Federal pass-through revenues	45,805	(2.68%)	47,067	9.38%	43,030
Federal pass-through expenses	(46,219)	(0.98%)	(46,675)	7.34%	(43,483)
Total non-operating revenues and expenses	49,130	106.31%	23,814	327.77%	5,567
Increase/(decrease) in net position	$ 58,129	66.79%	$ 34,851	275.27%	$ 9,287
Loans serviced as agent (not reported on statement of net position)	$ 11,086,200	43.12%	$ 7,746,283	46.20%	$ 5,298,424

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 8 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 $6.46 million (net of accumulated depreciation), an increase of 25.36%, related to the addition of second office location and new software programs. 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 2017A Bonds in FY2018 solely for restructuring purposes and its bond portfolio decreased by $235.00 million or 20.15% 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 Finance Director at Idaho Housing and Finance Association, P.O. Box 7899, Boise, ID 83707-1899, or contact our website at www.idahohousing.com.

IDAHO HOUSING AND FINANCE ASSOCIATION
Statements of Net Position

As of June 30,	2018	2017
	(in thousands)	
Assets		
Cash and cash equivalents	$ 15,386	$ 23,273
Cash and cash equivalents held in trust or as agent	166,702	113,114
Investments, fair value	60,112	25,925
Investments held in trust, fair value	128,273	249,255
Loans held for investment, net	334,232	398,624
Loans available for sale	123,180	126,964
Loan servicing contracts, fair value	112,479	68,575
Loans pending modification	7,325	3,313
Property and equipment	6,460	5,153
Other assets	27,395	38,225
State of Idaho GARVEE Payable	566,936	600,395
Total Assets	1,548,480	1,652,816
Deferred Outflow of Resources		
Interest rate swap contracts amortized value	29,599	33,670
Interest rate swap contracts fair value	8,884	14,326
Total Deferred Outflow of Resources	38,483	47,996
Total Assets and Deferred Outflow of Resources	$ 1,586,963	$ 1,700,812
Liabilities		
Commercial paper	$ 100,000	$ 50,000
Bonds and notes	931,120	1,166,123
Interest payable-swap contract	7,166	8,619
Investor remittance liability	61,015	45,843
Escrow and project reserve deposits	84,934	48,708
Swap contract fair value	26,656	44,580
Other liabilities	17,686	34,063
Total Liabilities	1,228,577	1,397,936
Deferred Inflow of Resources		
Interest rate swap contracts fair value	4,363	1,484
Total Deferred Inflow of Resources	4,363	1,484
Net Position		
Net investment in capital assets	6,460	5,153
Restricted:		
Bond funds	143,221	130,403
Section 8 voucher HAP fund	105	414
The Home Partnership Foundation, Inc fund	2,626	2,345
Unrestricted	201,611	163,077
Total Net Position	354,023	301,392
Total Liabilities, Deferred Inflow of Resources, and Net Position	$ 1,586,963	$ 1,700,812

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 fiscal years ended June 30,	2018	2017
	(in thousands)	
Operating Revenues		
Gain on loan sales	$ 22,107	$ 32,787
Interest on loans and GARVEE pledged revenues	46,338	51,600
Interest on investments	4,741	5,098
Loan servicing fees	29,138	21,347
Grant and contract administration fees	9,813	8,218
Other	4,751	3,385
Total operating revenues	116,888	122,435
Operating Expenses		
Loan acquisition costs	34,626	32,529
Interest	45,255	52,776
Salaries and benefits	14,986	13,603
General operating	9,535	7,674
Bond financing costs	1,026	3,285
Grant to others	844	646
Losses on real estate-owned property	16	14
Other	1,601	871
Total operating expenses	107,889	111,398
Operating income	8,999	11,037
Nonoperating Revenues and Expenses		
Net increase (decrease) in fair value of investments	(5,498)	(2,308)
Net increase (decrease) in fair value of servicing contracts	43,904	20,520
Derivative instruments, interest rate swap	5,640	2,902
Federal pass-through revenues	45,805	47,067
Federal pass-through expenses	(46,219)	(46,675)
Total nonoperating revenues and expenses	43,632	21,506
Increase (Decrease) in Net Position	52,631	32,543
Net Position		
Net Position-beginning of year	301,392	268,849
Net Position-end of year	$ 354,023	$ 301,392

IDAHO HOUSING AND FINANCE ASSOCIATION
Statements of Cash Flows

For the Fiscal Years Ended June 30	2018	2017
	(in thousands)	
Cash Flows from Operating Activities		
Receipts from customers, loan interest, and fees	$ 1,404,727	$ 1,114,202
Loan principal payments	92,942	108,410
Principal and interest pass-through remittances as servicing agent	(1,213,240)	(933,823)
Loan sales	4,225,900	3,069,417
Loan acquisition costs	(34,626)	(32,529)
Interest paid	(48,790)	(58,982)
Payments to suppliers	(8,030)	(11,678)
Payments for loans available for sale	(4,231,147)	(3,054,834)
Payments to employees for services and benefits	(14,928)	(13,642)
Loan principal additions	(26,047)	(59,773)
Net cash provided by operating activities	146,761	126,768
Cash Flows from Noncapital Financing Activities		
Bond financing costs	(1,878)	(3,285)
Bond and commercial paper payments	(930,378)	(1,025,495)
Bond and commercial paper issued	751,187	910,662
Federal pass-through revenues	45,805	47,067
Federal pass-through expenses	(46,219)	(46,675)
Net cash used for noncapital financing activities	(181,483)	(117,726)
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(1,964)	(411)
Net cash used for capital and related financing activities	(1,964)	(411)
Cash Flows from Investing Activities		
Investment purchases	(4,187,601)	(2,762,823)
Investment redemptions	4,268,185	2,699,067
Investment income	1,803	3,234
Net cash provided/(used) by investing activities	82,387	(60,522)
Net Increase/(Decrease) in Cash	45,701	(51,891)
All Cash and cash equivalents, beginning of year	136,387	188,278
All Cash and cash equivalents, end of year	$ 182,088	$ 136,387

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	2018	2017
Reconciliation of net operating revenues/(expenses) to net cash provided by operating activities:		
Operating income/(loss)	$ 8,999	$ 11,037
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Loan principal received	92,942	108,410
Loans issued	(26,047)	(59,773)
Bond financing costs	1,878	3,285
Decrease (increase) in interest receivable	349	444
Depreciation and other amortization	924	1,170
Increase (decrease) in interest payable	796	1,695
Interest on investments	(4,741)	(5,098)
Decrease (increase) in GARVEE highway project costs receivable, net and pledged revenues	33,459	34,298
Decrease (increase) in employment security reserve fund receivable		
Decrease (increase) in other assets	8,245	(789)
Increase (decrease) in accounts payable and other liabilities	29,958	32,091
Increase (decrease) in deposits	(1)	(2)
Total adjustments	137,762	115,731
Net cash provided by operating activities	$ 146,761	$ 126,768

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,	2017	2016
ASSETS		
Cash	$ 4,267,947	$ 3,312,065
Investments	3,300,000	1,800,000
Escrow and Reserve Deposits	1,727,547	1,661,397
Receivables	154,950	196,874
Prepaid Expenses	189,682	173,620
HOME Funded Homes Held for Sale	155,743	133,333
Land	5,208,387	5,408,606
Buildings and Equipment (net of accumulated depreciation)	41,714,566	41,172,845
Financing Costs and Other (net of accumulated amortization)	210,925	212,989
	$ 56,929,747	$ 54,071,729
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 676,356	$ 987,302
HOME Funded Homes Held for Sale	-	-
Interest Payable	213,968	213,757
Real Estate Taxes Payable	468,364	454,384
Mortgages and Notes Payable	23,293,676	29,183,700
Security Deposits Payable	396,530	388,171
	25,048,894	31,227,315
NET ASSETS, UNRESTRICTED		
Controlling Interests	8,067,575	7,742,829
Non Controlling Interests	23,813,278	15,101,585
LIABILITIES AND NET ASSETS	$ 56,929,747	$ 54,071,729

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

For the Years Ended December 31,	2017	2016
REVENUES		
Tenant Rents	$ 6,514,550	$ 5,951,443
Housing Assistance Payments	2,842,146	2,615,566
Other Grants and Contributions	-	2,130,000
Interest and Dividends	42,745	21,570
Forgiveness of Debt on Tax Credit Exchange Loan	310,605	310,605
Property Management Services	123,066	208,714
Other	362,727	321,112
TOTAL REVENUES	$ 10,195,839	$ 11,559,010
EXPENSES		
Administrative	$ 2,823,099	$ 2,836,867
Utilities and Maintenance	2,867,390	2,659,557
Real Estate Taxes and Insurance	1,218,299	1,148,875
Depreciation and Amortization	3,295,718	2,840,130
Interest	900,721	1,042,468
TOTAL EXPENSES	$ 11,105,227	$ 10,527,897
SUBTOTAL	(909,388)	1,031,113
Loss on Sale of Assets	(30,262)	-
INCREASE (DECREASE) IN NET ASSETS BEFORE NONCONTROLLING INTERESTS	$ (939,650)	$ 1,031,113
Noncontrolling Interest	1,264,396	1,077,924
INCREASE IN NET ASSETS	$ 324,746	$ 2,109,037

IDAHO HOUSING AND FINANCE ASSOCIATION
Notes to Financial Statements

June 30, 2018 and 2017

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

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

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

2. Summary of Significant Accounting Policies, continued

C. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those assumed in determining the collectability of receivables, determining the recoverability on other real estate owned property, the fair value of interest rate swaps and 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.

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.

2. Summary of Significant Accounting Policies, continued

E. Cash and Cash Equivalents

Cash and cash equivalents include General Operating Account cash, General Operating Account investments with maturities of less than three months at the date of purchase, Federally Assisted Program cash and Affordable Housing Investment Trust cash are held at Wells Fargo Bank 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, 2018 and 2017. Restricted cash as of June 30, 2018 consists of $10,065,000 in Federal Programs, $83,431,000 in escrow deposits, and $73,206,000 in General Operating. 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.

F. Bond Financing Costs/Bond Financing Cost Expense

Bond financing costs are expensed in the period incurred.

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

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

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

During the years ended June 30, 2018 and 2017, the Association has LSC fair valued on its statement of net position at $112,479,000 and $68,575,000, respectively. During the years ended June 30, 2018 and 2017, the Association has unrealized LSC fair value increases of $43,904,000 and $20,520,000, 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 10.43%. The range of prepayment speeds used are from 3 to 211 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, 2018 and 2017 was $618,000 and $604,000, respectively. Property and equipment are presented in the Statement of Net Position, net of accumulated depreciation of $6,460,000 and $5,153,000 at June 30, 2018 and 2017, 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 $700,000 as of June 30, 2018 and $1,132,000 as of June 30, 2017. 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, 2018, and 2017 the Association estimates this amount to be $914,000 and $1,810,000, 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 $0 and $72,000 as of June 30, 2018 and 2017, respectively.

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 Statement 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 $61,015,000 and $45,843,000 at June 30, 2018 and 2017, 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, 2018, the Association had $100,000,000 of commercial paper outstanding maturing in 90 to 180 days from date of issue, with weighted average interest rates of 2.2684%. 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%.

N. Net Position
Net Position, the amount of 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 $145,952,000 and $133,162,000 at June 30, 2018 and 2017, respectively, are restricted by bond indentures and programmatic requirements; approximately $52,832,000 and $51,504,000 at June 30, 2018 and 2017, respectively, are designated by the Board for programmatic uses in connection with the Affordable Housing Investment Trust; and the remaining balances of $155,229,000 and $116,726,000 held in the General Operating Account at June 30, 2018 and 2017, include $6,460,000 and $5,153,000, respectively, net invested in capital assets, and $148,779,000 and $111,605,000, 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.

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*. 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.

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

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* and GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* Management has not studied fully these 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 2020:

GASB Statement No. 84, *Fiduciary Activities* GASB 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. Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61)* 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 2021:

GASB Statement No. 87, *Leases* and GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* Management has not studied fully these standards but is of the opinion that any impact will be minimal or non-existent.

IDAHO HOUSING AND FINANCE ASSOCIATON
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 Bank and Key Bank 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, 2018, and 2017, the Association has overnight investments of $5,952,000 and $13,663,000, respectively, in money market funds and $14,565,000 and $9,186,000, 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 $188.385 million of Investments and Investments held in trust within this hierarchy. Money market funds of $118.476 million, U.S. Government obligations of $.247 million, U.S. Agency obligations of $26.151 million, U.S. Government mortgage-backed securities of $43.731 million, TBA Contracts of ($1.349 million), and Accrued interest of $.645 million are valued using quoted market prices (Level 1). Interest rate swaps of ($.654 million) are valued using a propriety pricing model (Level 2). Land and townhomes of $1.138 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, 2018, and 2017, the Association had the following investments and maturities (in thousands):

2018

	Fair Value	Less Than 1	1-5	6-10	11-15	16-20	21-25	More Than 30
			Investment Maturities (in Years)					
Investment Type								
Money market funds	$ 118,476	$ 118,476						
U.S. Government obligations	247		20	227				
U.S. Agency obligations	26,151			1,813	7,100	17,238		
U.S. Agency obligations								43,647
U.S. Government mortgage backed securities	43,731				84			43,647
Interest rate swaps	(654)		(654)					
TBA Contracts	(1,349)	(1,349)						
Land and townhomes	1,138	1,138						
	187,740	$ 118,265	$ (634)	$ 2,040	$ 7,184	$ 17,238	$ -	$ 87,294
Accrued interest	645							
All Investments	$ 188,385							

2017

	Fair Value	Less Than 1	1-5	6-10	11-15	16-20	21-25	More Than 30
			Investment Maturities (in Years)					
Investment Type								
Money market funds	$ 184,613	$ 184,613						
U.S. Government obligations	7,556	4990	1148	1418				
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						
	274,477	$ 192,743	$ 1,189	$ 2,029	$ 10,252	$ 19,486	$ -	$ 48,778
Accrued interest	703							
All Investments	$ 275,180							

At June 30, 2018, the Association's had 7 U.S. agency mortgage-backed security pools, which pay monthly principal and interest.

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

3. Investments, continued

At June 30, 2018, the Association has $269,505,000 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. The Association pays fixed-rate payments between 0% and 0% 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, 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, 2018 and 2017, the Association has $306,000,000 and $180,000,000 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, 2018, 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, 2018, and 2017, the Association's remaining investments are rated by Moody's Investor Service as follows (in thousands):

Investment Type	Rating	2018	2017
U.S. Agency Obligations	Aaa	$ 69,882	$ 79,174

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.

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, 2018, the Association had investments of five percent or more in Federal Farm Credit Bank obligations of $16,612,000, and Ginnie Mae obligations of $42,804,000.

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.

During the years ended June 30, 2018 and 2017, the Association realized net gains of $865,000 and $1,224,000 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, 2018 and 2017 is ($6,152,000) and $(1,837,000), 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, 2018 and 2017, is $(654,000) and $471,000 respectively related to derivative interest rate swap contracts fair market value considered investments. Also, included in the amount for the year ending June 30, 2018 and 2017, is $1,979,000 and $2,774,000, respectively, related to TBA contracts.

The unrealized gain/(loss) on investments held at June 30, 2018 and 2017 is $2,736,000 and $6,255,000, 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, 2018 and 2017, 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
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4. Loans Held for Investment and Loans Serviced as Agent, continued

A summary of security for loans as of June 30, 2018 and 2017, is as follows (in thousands):

2018

	Non-Pool Insured	Pool Insured	Total
FHA Insurance	$ 119,420		$ 119,420
VA Guaranteed	11,072		11,072
Commercially Insured	57,175	$ 9,678	66,853
USDA Rural Development Insurance	30,751		30,751
Association Insured	23,960		23,960
	$ 242,378	$ 9,678	252,056
Other			
Multifamily Bond Financed			7,790
Single Family IHFA Capital Pool			118
Multifamily IHFA Capital Pool			2,774
Social Service and Development IHFA Capital Pool			42,387
Construction			9,776
State Small Business Credit Initiative			18,626
Loan Loss Provision			(914)
Interest Receivable on Loans			1,619
Total Loans held for investment, net			$ 334,232

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
	$ 341,349	$ 13,653	355,002
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			$ 398,624

4. Loans Held for Investment and Loans Serviced as Agent, continued

As of June 30, 2018, and 2017 the loans receivable includes $6,362,000 and $11,037,000, respectively, in notes receivable from The Housing Company (THC), which require repayment within 23 and 24 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 2018 and 2017. Loan interest rates are fixed over the loan term at levels exceeding yields on corresponding debt issued to purchase the loans. Federal tax law limits such excess yields. Loan terms range from less than one year to 40 years.

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

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

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

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

Loans originated and intended for sale to FNMA or FHLMC or securitized through GNMA are carried at the lower of aggregate cost or fair value, as determined by hedge coverage and the difference in the loan yield and the 60-day commitment rate yield offered by FNMA, FHLMC or GNMA MBS rate on June 30, 2018. 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, 2018 and 2017, the Association realized $22,107,000 and $32,787,000, respectively, in gains on the sale of loans to FNMA FHMLC, and GNMA. As of June 30, 2018, and 2017, the Association had commitments to sell or secure $85,074,000 and $320,683,000 of single-family mortgages to FNMA and FHMLC or through GNMA. As of June 30, 2018, and 2017, the Association had commitments to sell or secure $46,627,000 and $30,799,000, respectively, of single-family mortgages on behalf of Connecticut Housing Finance Authority. As of June 30, 2018, and 2017, the Association had commitments to sell or secure $42,881,000 and $35,212,000, respectively, of single-family mortgages on behalf of South Dakota Housing Development Authority. As of June 30, 2018, and 2017 the Association had commitments to sell or secure $15,151,000 and $12,766,000, respectively, of single-family mortgages on behalf of Iowa Finance Authority. As of June 30, 2018, and 2017 the Association had commitments to sell or secure $33,125,000 and $32,537,000 on behalf of New Mexico Mortgage Finance Authority. As of June 30, 2018, and 2017 the Association had commitments to sell or secure $70,314,000 and $73,671,000 on behalf of Texas Department of Housing and Community Affairs. As of June 30, 2018, the Association had commitments to sell or secure $77,073,000 on behalf of Washington State Housing Finance Commission.

As of June 30, 2018, and 2017, the Association estimates $67,030,000 and $93,181,000, 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 $833,078,000 and $716,545,000, respectively, of single-family mortgages, which had not yet been funded.

IDAHO HOUSING AND FINANCE ASSOCIATION
Notes to Financial Statements

As of June 30, 2018, and 2017, the Association was an agent for the following loans (in thousands):

2018

	Total
Federal Home Loan Mortgage Corporation	$ 322,360
Federal National Mortgage Association	3,964,599
Government National Mortgage Association	6,360,761
Iowa Finance Authority	15,152
Connecticut Housing Finance Authority	46,977
South Dakota Housing Development Authority	42,886
New Mexico Mortgage Finance Authority	29,877
Texas Department of Housing and Community Affairs	117,334
Washington State Housing Finance Commission	55,605
Idaho Community Reinvestment Corporation	16,549
Neighborhood Housing Services	3,182
Boise Valley Habitat	1,189
HOME Loan Balances	74,301
Neighborhood Stabilization Program	9,123
Tax Credit Assistance Program	10,051
TCEP Loan Program	15,514
Other	740
Total Loans serviced as agent	$ 11,086,200

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	$ 7,746,283

IDAHO HOUSING AND FINANCE ASSOCIATION
Notes to Financial Statements

5. Bonds (dollars in thousands)

Description and Due Date	Average Bond Yield	2018	2017
Single-Family Mortgage Bonds:			
2000 Indenture			
Variable Rate Class 1	1.919%	$ 37,990	$ 48,340
	1.919%	37,990	48,340
2003 Indenture			
Class I Bonds	3.393%	58,080	72,555
Variable Rate Class I	1.218%	56,590	76,985
Variable Rate Class II	1.477%	18,530	41,360
	2.177%	133,200	190,900
2006 Indenture			
Class I Bonds	2.014%	-	57,420
Variable Rate Class I	1.706%	136,050	177,290
	1.731%	136,050	234,710
2009 Indenture			
Class I Bonds	3.960%	3,210	21,465
Class II Bonds	4.629%	2,755	4,910
Class III Bonds	4.247%	1,950	3,120
	4.263%	7,915	29,495
Total Single-Family Mortgage Bonds:		315,155	503,445
Notes Payable	3.448%	31,676	43,676
FHA Insured Housing Revenue Bonds:			
2007 Series	5.900%	7,927	8,011
		7,927	8,011
Grant and Revenue Anticipation Bonds:			
2008 Series A	4.652%	15,720	37,695
2009 Series A	4.842%	23,260	117,395
2010 Series A	6.195%	71,840	73,805
2011 Series A	4.882%	65,210	66,610
2012 Series A	4.073%	27,445	29,030
2014 Series A	4.898%	63,945	67,090
2015 Series A	5.000%	164,645	172,540
2017 Series A	5.000%	91,265	-
	4.615%	523,330	564,165
Total Bonds		878,088	1,075,621
Interest Payable		15,765	17,846
Net Original (Discount)/Premium		37,267	28,980
Total Bonds and Notes		$ 931,120	$ 1,166,123

5. Bonds, continued

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

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

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

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

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
Notes to Financial Statements

5. Bonds, continued

The scheduled principal debt service, including July 1, 2018 special redemptions, for the periods subsequent to, and as of June 30, 2018, is as follows (in thousands):

	2019	2020	2021	2022	2023	2024 2028	2029 2033
Single-Family Mortgage Bonds:							
2000 Indenture	$ 7,683	$ 4,216	$ 4,252	$ 4,293	$ 4,324	$ 13,222	$ -
2003 Indenture	11,290	1,870	2,175	2,635	3,605	27,755	41,000
2006 Indenture	29,805	9,270	8,885	8,420	5,550	10,845	21,135
2009 Indenture	1,650	620	635	590	625	2,440	1,355
Term Note:							
Rating Compliance and Loan Guarantee	5,000	5,000	5,000	16,676	-	-	-
MF	7	-	-	-	-	-	-
	$ 55,435	$ 20,976	$ 20,947	$ 32,614	$ 14,104	$ 54,262	$ 63,490
Grant Revenue and Revenue Anticipation Bonds:							
2008 Series A	$ 7,905	$ 7,815	$ -	$ -	$ -	$ -	$ -
2009 Series A	7,385	7,745	8,130	-	-	-	-
2010 Series A	2,055	2,165	2,285	2,410	2,545	-	60,380
2011 Series A	1,445	1,480	1,515	1,545	1,575	9,295	48,355
2012 Series A	1,650	1,720	1,790	1,860	1,940	10,875	7,610
2014 Series A	3,260	3,405	3,575	3,760	3,955	29,195	16,795
2015 Series A	8,750	9,660	10,640	19,060	19,680	96,855	-
2017 Series A	-	-	6,680	7,705	8,455	68,425	-
Variable rate principal	$ 48,593	$ 20,356	$ 20,037	$ 31,479	$ 12,064	$ 37,657	$ 40,590
Interest:							
Fixed	$ 28,557	$ 26,653	$ 24,969	$ 23,162	$ 21,258	$ 75,050	$ 12,009
Variable	5,220	4,815	4,345	3,879	2,954	11,937	9,215
TOTAL	$ 33,777	$ 31,468	$ 29,314	$ 27,041	$ 24,212	$ 86,987	$ 21,224

IDAHO HOUSING AND FINANCE ASSOCIATION
Notes to Financial Statements

5. Bonds, continued

The scheduled principal debt service, including July 1, 2018 special redemptions, for the periods subsequent to, and as of June 30, 2018, is as follows (in thousands):

	2034 2038	2039 2043	TOTAL
Single-Family Mortgage Bonds:			
2000 Indenture	$ -	$ -	$ 37,990
2003 Indenture	$ 42,870	-	133,200
2006 Indenture	37,805	$ 4,335	136,050
2009 Indenture			7,915
Term Note:			
Rating Compliance and Loan Guarantee	-	-	31,676
	-	7,920	7,927
	$ 80,675	$ 12,255	$ 354,758
Grant Revenue and Revenue Anticipation Bonds:			
2008 Series A	$ -	$ -	$ 15,720
2009 Series A			23,260
2010 Series A			71,840
2011 Series A			65,210
2012 Series A			27,445
2014 Series A			63,945
2015 Series A			164,645
			91,265
Variable rate principal	$ 67,215	$ 4,335	$ 282,326
Interest:			
Fixed	$ 3,106	$ 1,169	$ 215,933
Variable	3,512	90	45,967
TOTAL	$ 6,618	$ 1,259	$ 261,900

5. Bonds, continued

Long-term bond liability and short-term commercial paper activity for the years ended June 30, 2018 and 2017 was as follows (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One year
Par Bonds Payable	$ 1,075,621	$ 183,945	$ (413,153)	$ 846,413	$ 82,885
Note Payable	43,676	-	(12,000)	31,676	5,000
Interest Payable	17,846	35,199	(37,281)	15,764	15,764
Net Original (Discount)/Premium	28,980	12,017	(3,730)	37,267	4,080
Total Bonds payable at June 30, 2018	$ 1,166,123	$ 231,161	$ (466,164)	$ 931,120	$ 107,729
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 June 30,2017	$ 1,284,829	$ 234,950	$ (353,656)	$ 1,166,123	$ 291,674
Commercial Paper at June 30, 2018	$ 50,000	$ 555,225	$ (505,225)	$ 100,000	$ 100,000
Commercial Paper at June 30, 2017	$ 50,000	$ 714,035	$ (714,035)	$ 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, 2018	For the Year Ended June 30, 2018	For the Year Ended June 30, 2017
Single-Family Mortgage Bonds			
Prior			
2000 Indenture	$ 3,215	$ 2,250	$ 2,580
2003 Indenture	9,175	11,370	43,795
2006 Indenture	20,000	41,075	143,895
2009 Indenture	1,020	2,645	18,450
	33,410	57,340	208,720
Grant Revenue and Revenue Anticpation Bonds			
2006 Series		14,045	-
2008 Series A		87,100	-
	-	101,145	-
Special Redeem All Bonds	$ 33,410	$ 158,485	$ 208,720

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, 2018. 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, 2018) 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, 2018 and 2017. The fair value is reported in the Statements of Net Position of $27.31 million and $44.58 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 $38.48 million and $44.97 million as of June 30, 2018 and 2017, respectively and as a deferred inflow of resources of $4.36 million and $1.48 million as of June 30, 2018 and 2017, 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, 2018 and 2017 of $.654 million and $0, respectively. This portion represents the notional amount of interest rate swaps that exceeds the notional amount of underlying variable debt.

The Association engaged an independent third party to calculate the fair values of contracts as of June 30, 2018 and 2017. The results of the calculation correlate materially with the fair values provided by the Association's counterparties.

Credit risk: As of June 30, 2018, 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, 2018 SIFMA is 1.51 percent and one-month LIBOR is 2.00 percent.

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 FY2018 and FY2017, the Association redeemed and reissued bonds the created deemed terminations. Though the terms of the swap contracts were not modified, the redemption and reissue did create a deemed terminating event of the swap contracts, which requires that the value of the Deferred Outflow of Resources at the date of reissuance be amortized to interest expense. In FY2018, 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 on 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 of 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, 2018. 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, 2018, 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)
2018

Parity		utstanding Notional Amou		Fair Values		Change in Fair Values	
Indenture	Series	Hedging	Investment	Hedging	Investment	Hedging	Investment
2014A	2000 Series F	$ -	$ -	$ -	$ -	$ 17	$ -
2014A	2000 Series G	3,790	-	(281)	-	212	-
2014A	2001 Series A	1,375	-	(58)	-	80	-
2014A	2001 Series B	1,780	-	(89)	-	99	-
2014A	2001 Series C	1,645	-	(79)	-	93	-
2014A	2001 Series D	3,765	-	(274)	-	188	-
2014A	2001 Series E	3,765	-	(257)	-	179	-
2014A	2001 Series F	2,015	-	(108)	-	105	-
2014A	2002 Series A	2,185	-	(136)	-	121	-
2014A	2002 Series B	2,205	-	(134)	-	121	-
2014A	2002 Series C	2,180	-	(128)	-	118	-
2014A	2002 Series D	3,855	-	(277)	-	193	-
2014A	2002 Series E	2,240	-	(123)	-	110	-
2014A	2002 Series F	2,810	-	(169)	-	111	-
2014A	2002 Series G	2,810	-	(197)	-	122	-
2003A	2003 Series A	4,635	-	(474)	-	229	-
2003B	2003 Series B	4,105	-	(281)	-	176	-
2003C	2003 Series C	-	2,470	(205)	39	61	(39)
2003D	2003 Series D	4,315	-	(470)	-	225	-
2003E	2003 Series E	-	4,315	(563)	144	66	(144)
2004A	2004 Series A	4,400	-	(353)	-	190	-
2004B	2004 Series B	-	4,940	(684)	190	45	(190)
2004C	2004 Series C	-	4,550	(562)	152	59	(152)
2004D	2004 Series D	6,080	-	(528)	-	257	-
2005A	2005 Series A	6,495	-	(592)	-	280	-
2005B	2005 Series B	-	6,305	(3)	(588)	865	588
2005C	2005 Series C	-	6,390	(2)	(522)	785	522
2005D	2005 Series D	6,515	-	(580)	-	278	-
2005E	2005 Series E	6,635	-	(610)	-	298	-
2009A	2005 Series F	6,915	-	(710)	-	314	-
2009A	2006 Series A	6,955	-	(718)	-	318	-
2009A	2006 Series B	4,455	-	(382)	-	208	-
2009A	2006 Series C	4,335	-	(364)	-	203	-
2009A	2006 Series D	5,055	-	(456)	-	241	-
2012A	2007 Series D	8,360	-	(580)	-	451	-
2012A	2007 Series E	-	-	-	-	-	-
2012A	2007 Series F	-	-	-	-	-	-
2012A	2007 Series G	19,600	-	(1,966)	-	1,287	-
2012A	2007 Series H	24,950	-	(2,620)	-	1,575	-
2012A	2007 Series I	-	-	-	-	-	-
2012A	2007 Series J	20,370	-	(1,819)	-	1,265	-
2012A	2007 Series K	17,855	-	(1,569)	-	1,117	-

IDAHO HOUSING AND FINANCE ASSOCIATION
Notes to Financial Statements

7. Derivatives, continued

Interest Rate Swap Agreements
(in thousands)
2018

Parity Indenture	Series	Fixed Rate Paid by IHFA	Variable Rate Received by IHFA from Interest Rate Contract Provider	Interest Rate Contract Provider	Credit Rating	Scheduled Termination Date	Inception Date
2014A	2000 Series F	5.25%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2021	11/6/2008
2014A	2000 Series G	4.87%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2020	11/6/2008
2014A	2001 Series A	4.73%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2022	11/6/2008
2014A	2001 Series B	4.53%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2022	11/6/2008
2014A	2001 Series C	4.70%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2021	11/6/2008
2014A	2001 Series D	5.02%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2021	11/6/2008
2014A	2001 Series E	4.95%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2021	11/6/2008
2014A	2001 Series F	4.89%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2021	11/6/2008
2014A	2002 Series A	4.71%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2022	11/6/2008
2014A	2002 Series B	4.48%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2021	11/6/2008
2014A	2002 Series C	3.79%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2024	11/6/2008
2014A	2002 Series D	5.30%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2018	11/6/2008
2014A	2002 Series E	4.14%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2024	11/6/2008
2014A	2002 Series F	4.76%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2020	11/6/2008
2014A	2002 Series G	4.86%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2020	11/6/2008
2015A	2003 Series A	4.52%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2026	11/6/2008
2015A	2003 Series B	4.04%	SIFMA+.20%	Barclays Capital	A/A2	7/1/2024	11/6/2008
2015A	2003 Series C	3.78%	SIFMA+.20%	Barclays Capital	A/A2	1/1/2025	11/6/2008
2015A	2003 Series D	4.84%	SIFMA+.20%	Barclays Capital	A/A2	7/1/2025	11/6/2008
2016A	2003 Series E	4.53%	SIFMA+.20%	Barclays Capital	A/A2	7/1/2025	11/6/2008
2016A	2004 Series A	4.03%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2026	11/7/2008
2016A	2004 Series B	4.37%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2027	11/7/2008
2016A	2004 Series C	4.33%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2025	11/7/2008
2016A	2004 Series D	3.85%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2028	11/7/2008
2016A	2005 Series A	3.90%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	1/1/2029	11/7/2008
2009A	2005 Series B	3.99%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2028	11/7/2008
2009A	2005 Series C	3.73%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR	Barclays Capital	A/A2	7/1/2028	11/7/2008
2016A	2005 Series D	3.87%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR	Barclays Capital	A/A2	7/1/2028	11/7/2008
2016A	2005 Series E	3.93%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR	Barclays Capital	A/A2	1/1/2029	11/7/2008
2009A	2005 Series F	4.10%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR	Barclays Capital	A/A2	1/1/2029	11/7/2008
2009A	2006 Series A	4.10%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR	Barclays Capital	A/A2	1/1/2029	11/7/2008
2009A	2006 Series B	4.35%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR	Barclays Capital	A/A2	7/1/2025	11/7/2008
2009A	2006 Series C	4.36%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR	Barclays Capital	A/A2	1/1/2025	11/7/2008
2009A	2006 Series D	4.45%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR	Barclays Capital	A/A2	1/1/2025	11/7/2008
2012A	2007 Series D	4.89%	LIBOR+.71%	Barclays Capital	A/A2	1/1/2026	12/20/2012
2012A	2007 Series E	4.94%	LIBOR+.71%	Barclays Capital	A/A2	7/1/2025	12/20/2012
2012A	2007 Series F	5.28%	LIBOR+.71%	Barclays Capital	A/A2	1/1/2025	12/20/2012
2012A	2007 Series G	5.39%	LIBOR+.76%	Barclays Capital	A/A2	7/1/2028	12/20/2012
2012A	2007 Series H	5.20%	LIBOR+.76%	Barclays Capital	A/A2	7/1/2030	12/20/2012
2012A	2007 Series I	5.14%	LIBOR+.76%	Barclays Capital	A/A2	7/1/2028	12/20/2012
2012A	2007 Series J	5.10%	LIBOR+.76%	Barclays Capital	A/A2	7/1/2028	12/20/2012
2012A	2007 Series K	4.93%	LIBOR+.76%	Barclays Capital	A/A2	7/1/2030	12/20/2012

7. Derivatives, continued

Interest Rate Swap Agreements
2018

Parity Indenture	Series	Outstanding Hedging	Outstanding Investment	Fair Values Hedging	Fair Values Investment	Change in Fair Values Hedging	Change in Fair Values Investment
2013A	2006 Series E	5,835	-	(533)	-	354	-
2013A	2006 Series F	5,955	-	(492)	-	345	-
2013A	2006 Series G	5,830	-	(453)	-	330	-
2013A	2007 Series A	6,480	-	(570)	-	391	-
2013A	2007 Series B	7,340	-	(605)	-	431	-
2013A	2007 Series C	7,795	-	(680)	-	470	-
2013A	2008 Series A	17,855	-	(1,711)	-	1,153	-
2013A	2008 Series B	-	15,400	(1,222)	(69)	1,018	69
2013A	2008 Series C	10,155	-	(749)	-	569	-
2013A	2008 Series D	3,810	-	(240)	-	201	-
		$ 269,505	$ 44,370	$ (26,656)	$ (654)	$ 17,924	$ 654

Interest Rate Swap Agreements
2018

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

Interest Rate Swap Agreements
(in thousands)
2017

Parity		Outstanding Notional Amount		Fair Values		Change in Fair Values	
Indenture	Series	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	-

7. Derivatives, continued

Interest Rate Swap Agreements
(in thousands)
2017

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

7. Derivatives, continued

Interest Rate Swap Agreements
2017

Parity		Outstanding Notional Amount		Fair Values		Change in Fair Values	
Indenture	Series	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

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2017

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

7. Derivatives, continued

At June 30, 2018, the Association has $306,000,000 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.

IDAHO HOUSING AND FINANCE ASSOCIATION
Notes to Financial Statements

7. Derivatives, continued

TBA Forward Contracts

Contract	Coupon rate	2018 Outstanding Notional Amount	Fair Values	Counterparty Credit Rating
April 2018	4.00%	$ 4,000,000	$ (19,380)	AAA/Aaa
April 2018	4.00%	7,000,000	(31,728)	AAA/Aaa
April 2018	4.00%	1,000,000	(6,251)	AAA/Aaa
April 2018	4.00%	7,000,000	(8,759)	AAA/Aaa
May 2018	4.00%	6,000,000	(17,820)	AAA/Aaa
May 2018	4.00%	10,000,000	(70,325)	AAA/Aaa
May 2018	4.00%	19,000,000	(133,618)	AAA/Aaa
May 2018	4.00%	24,000,000	(176,280)	AAA/Aaa
May 2018	4.00%	10,000,000	(73,450)	AAA/Aaa
May 2018	4.00%	6,000,000	(20,633)	AAA/Aaa
May 2018	4.00%	4,000,000	(38,130)	AAA/Aaa
May 2018	4.00%	5,000,000	(18,756)	AAA/Aaa
May 2018	4.00%	10,000,000	(65,638)	AAA/Aaa
May 2018	4.00%	7,500,000	(77,353)	AAA/Aaa
May 2018	4.00%	5,000,000	(24,225)	AAA/Aaa
May 2018	4.00%	5,000,000	(26,569)	AAA/Aaa
May 2018	4.00%	5,000,000	(26,569)	AAA/Aaa
May 2018	4.50%	7,000,000	(48,108)	AAA/Aaa
May 2018	4.50%	10,000,000	(18,800)	AAA/Aaa
May 2018	4.50%	7,000,000	(65,660)	AAA/Aaa
May 2018	4.00%	5,000,000	(25,781)	AAA/Aaa
May 2018	4.00%	5,000,000	(5,859)	AAA/Aaa
May 2018	4.00%	5,000,000	3,125	AAA/Aaa
June 2018	3.50%	179,027	(7)	AAA/Aaa
June 2018	4.00%	10,000,000	(29,700)	AAA/Aaa
June 2018	4.00%	6,000,000	(21,819)	AAA/Aaa
June 2018	4.00%	25,000,000	(102,633)	AAA/Aaa
June 2018	4.00%	4,000,000	(16,421)	AAA/Aaa
June 2018	4.00%	14,000,000	(59,115)	AAA/Aaa
June 2018	4.00%	6,000,000	(6,563)	AAA/Aaa
June 2018	4.00%	8,000,000	(11,875)	AAA/Aaa
June 2018	4.00%	7,000,000	(18,594)	AAA/Aaa
June 2018	4.00%	5,000,000	(14,063)	AAA/Aaa
June 2018	4.50%	10,000,000	(23,413)	AAA/Aaa
June 2018	4.00%	7,000,000	(14,219)	AAA/Aaa
June 2018	4.00%	10,000,000	(25,000)	AAA/Aaa
June 2018	4.00%	5,000,000	(13,281)	AAA/Aaa
June 2018	4.00%	7,000,000	1,094	AAA/Aaa
June 2018	4.00%	7,000,000	3,281	AAA/Aaa
		$ 305,679,027	$ (1,348,891)	

7. Derivatives, continued

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	

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, 2018 and 2017 were $861,000 and $776,000, 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, 2018 and 2017 was $179,000 and $171,000, 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, 2018, and 2017, there were forty and forty one, 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 $310,113,000 and $268,755,000, 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, 2018 and 2017 is $523,330,000 and $564,165,000, 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-classed 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 30,2017	Additions	Reclass	Retirements	Balance at June 30,2018
Capital assets:					
Land	$ 820	$ 12		$ (21)	$ 811
Buildings and improvements	6,746	284	$ (48)	(176)	6,806
Furniture and equipment	3,501	1,117	48	(18)	4,648
Leasehold improvements	528	226			754
Computer software	1,875	325			2,200
Total capital assets	13,470	1,964	-	(215)	15,219
Less accumulated depreciation for:					
Land					
Buildings and improvements	(3,610)	(178)		158	(3,630)
Furniture and equipment	(2,833)	(287)		17	(3,103)
Leasehold improvements	(177)	(28)			(205)
Computer software	(1,697)	(124)			(1,821)
Total accumulated depreciation	(8,317)	(617)	-	175	(8,759)
Total capital assets, net	$ 5,153	$ 1,347	$ -	$ (40)	$ 6,460

	Balance at June 30,2016	Additions	Reclass	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

IDAHO HOUSING AND FINANCE ASSOCIATION
Notes to Financial Statements

11. Other Assets and Liabilities

Other Assets and Other Liabilities as of June 30, 2018 and 2017, are composed of the Accounts and Balances as follows (in thousands):

	2018	2017
Other Assets:		
Accounts receivable	$ 15,582	$ 30,421
Multifamily trusts' pledged revenues receivable	49	49
Prepaid expenses	139	226
Insurance receivable	550	2,359
Loans Pending Foreclsoure	2,483	1,204
Nonconforming loans-Held for sale	2,139	3,255
REO mortgages receivable	6,453	711
	$ 27,395	$ 38,225
Other Liabilities:		
Accounts payable	$ 368	$ 156
Accrued vacation and other payroll related liabilities	885	827
Arbitrage rebate	-	119
Deferred buydowns	-	
Federal programs advances and unapplied program income	8,004	5,220
Multifamily trusts' pledged revenues payable	-	
Security deposits	2	3
Unapplied payments	5,821	25,858
Other accrued liability	2,606	1,880
	$ 17,686	$ 34,063

12. Risk Management

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

13. Component Units

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

THC was formed to develop, acquire and operate real estate for the benefit of elderly, disadvantaged, limited-income or otherwise needy persons throughout the state of Idaho. As of December 31, 2017, THC had acquired and was operating fifteen multifamily housing complexes; had constructed and was operating fifteen 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 and sold three homes in Nez Perce with HOME funds; and had started pre-development on three duplexes that will be built in Kuna with HOME and Housing Trust Fund moneys and started predevelopment of the renovation of a hotel to turn into a new multifamily complex in Idaho Falls.. 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, 2017, 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, 2018, and 2017 THC paid the Association $985,000 and $1,058,000, respectively. THC owed $189,000 and $74,000 for the years ended June 30, 2018 and 2017, respectively. 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 16 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

On August 27, 2018, HUD made a claim against the Association in the amount of $632,000 due to the Association's failure to enforce affordability periods on two multi-family projects. The Association is appealing the claim and any final settlement amount is unknown. Any amount agreed to will result in an expense to the Association and an increase in the Association's HOME local treasury account.

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, 2018

Association Accounts (in thousands)

	Business Operations: General Operating and Custodial Accounts	Business Operations: Federally Assisted Program	Combined	Affordable Housing Investment Trust
Statement of Net Position				
ASSETS AND DEFERRED OUTFLOW OF RESOURCES				
All Cash and Cash Equivalents	$ 169,797	$ 10,066	$ 179,863	$ 1
All Investments, fair value	29,434		29,434	3,077
Loans Held for Investment, net	28,701	341	29,042	49,366
State of Idaho GARVEE Payable			-	
Loans available for sale	123,180		123,180	
Loans Pending Modification	7,325		7,325	
Loan servicing contracts	112,479		112,479	
Loans serviced as agent	10,977,211	108,989	11,086,200	
Property and Equipment	6,277	140	6,417	43
Other Assets	111,763	659	112,422	426
Deferred Outflow---Interest Rate Swap Contracts			-	
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$ 11,566,167	$ 120,195	$ 11,686,362	$ 52,913
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION				
Bonds				
Commercial Paper	$ 100,000		$ 100,000	
Loans held in custody as agent	10,977,211	$ 108,989	11,086,200	
Swap Contract Fair Value Liability			-	
Interest Payable-Swap Contract			-	
Escrow and Project Reserve Deposits	84,534	400	84,934	
Investor Remittance Liability	61,015		61,015	
Other Liabilities	189,395	9,700	199,095	$ 38
Deferred Inflow--Interest Rate Swap Contracts			-	
Net Position	154,012	1,106	155,118	52,875
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	$ 11,566,167	$ 120,195	$ 11,686,362	$ 52,913
Statement of Revenues, Expenses and Changes in Net Position				
OPERATING REVENUES				
Interest on Loans	$ 4,077		$ 4,077	$ 2,371
Interest on Investments	454		454	28
Contract and Grant Administration Fees	10,018		10,018	
Gains on Loan Sales	22,107		22,107	
Loan Servicing Fees	28,096		28,096	144
Other	2,504	$ 253	2,757	45
TOTAL OPERATING REVENUES	67,256	253	67,509	2,588
OPERATING EXPENSES				
Interest	1,503		1,503	
Salaries and Benefits	14,757	113	14,870	
Loan acquisition costs	32,055		32,055	2,571
General Operating	7,093	1,351	8,444	171
Bond financing costs	1		1	
Grants to Others			-	720
Loss on Real Estate Owned Properties	5		5	11
Other	1,447	68	1,515	-
TOTAL OPERATING EXPENSES	56,861	1,532	58,393	3,473
OPERATING INCOME (LOSS)	10,395	(1,279)	9,116	(885)
NONOPERATING REVENUES AND EXPENSES				
Net Increase (Decrease) in Fair Value of Investments	(1,979)		(1,979)	(1)
Net Increase (Decrease) in Fair Value of Servicing contracts	43,904		43,904	
Derivative instruments, interest rate swap				
Federal Pass-Through Revenues		45,805	45,805	
Federal Pass-Through Expenses		(46,219)	(46,219)	
TOTAL NONOPERATING REVENUES AND EXPENSES	41,925	(414)	41,511	(1)
CHANGE IN NET POSITION	52,320	(1,693)	50,627	(886)
NET POSITION, Beginning of Period	115,476	1,481	116,957	51,548
TRANSFERS	(13,784)	1,318	(12,466)	2,213
NET POSITION, End of Period	$ 154,012	$ 1,106	$ 155,118	$ 52,875

(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
Statement of Net Position				
ASSETS AND DEFERRED OUTFLOW OF RESOURCES				
All Cash and Cash Equivalents				$ 179,864
All Investments, fair value	$ 28,614	$ 126,762		187,887
Loans Held for Investment, net	5,658	250,156		334,222
State of Idaho GARVEE Payable		566,936		566,936
Loans available for sale				123,180
Loans Pending Modification				7,325
Loan servicing contracts				112,479
Loans serviced as agent				11,086,200
Property and Equipment				6,460
Other Assets	95,541	59,665	$ (240,750)	27,304
Deferred Outflow---Interest Rate Swap Contracts		38,483		38,483
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$ 129,813	$ 1,042,002	$ (240,750)	$ 12,670,340
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION				
Bonds	$ 31,782	$ 899,338		$ 931,120
Commercial Paper		-		100,000
Loans held in custody as agent				11,086,200
Swap Contract Fair Value Liability		26,656		26,656
Interest Payable-Swap Contract		7,166		7,166
Escrow and Project Reserve Deposits		-		84,934
Investor Remittance Liability				61,015
Other Liabilities	8,879	50,410	$ (240,750)	17,672
Deferred Inflow--Interest Rate Swap Contracts		4,363		4,363
Net Position	89,152	54,069		351,214
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	$ 129,813	$ 1,042,002	$ (240,750)	$ 12,670,340
Statement of Revenues, Expenses and Changes in Net Position				
OPERATING REVENUES				
Interest on Loans	$ 433	$ 39,457		$ 46,338
Interest on Investments	318	3,941		4,741
Contract and Grant Administration Fees		-	$ (205)	9,813
Gains on Loan Sales		-		22,107
Loan Servicing Fees	6	1,167	(275)	29,138
Other	1,211	121		4,134
TOTAL OPERATING REVENUES	1,968	44,686	(480)	116,271
OPERATING EXPENSES				
Interest	1,093	42,659		45,255
Salaries and Benefits		-		14,870
Loan acquisition costs		-		34,626
General Operating	41	1,307	(480)	9,483
Bond financing costs		1,025		1,026
Grants to Others		-		720
Loss on Real Estate Owned Properties		-		16
Other		86		1,601
TOTAL OPERATING EXPENSES	1,134	45,077	(480)	107,597
OPERATING INCOME (LOSS)	834	(391)	-	8,674
NONOPERATING REVENUES AND EXPENSES				
Net Increase (Decrease) in Fair Value of Investments	(246)	(3,272)		(5,498)
Net Increase (Decrease) in Fair Value of Servicing contracts				43,904
Derivative instruments, interest rate swap		5,640		5,640
Federal Pass-Through Revenues		-		45,805
Federal Pass-Through Expenses		-		(46,219)
TOTAL NONOPERATING REVENUES AND EXPENSES	(246)	2,368	-	43,632
CHANGE IN NET POSITION	588	1,977	-	52,306
NET POSITION, Beginning of Period	87,686	42,717		298,908
TRANSFERS	878	9,375		-
NET POSITION, End of Period	$ 89,152	$ 54,069	$ -	$ 351,214

(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
Statement of Net Position			
ASSETS AND DEFERRED OUTFLOW OF RESOURCES			
All Cash and Cash Equivalents	$ 2,224		$ 182,088
All Investments, fair value	498		188,385
Loans Held for Investment, net	10		334,232
State of Idaho GARVEE Payable			566,936
Loans available for sale			123,180
Loans Pending Modification			7,325
Loan servicing contracts			112,479
Loans serviced as agent			11,086,200
Property and Equipment			6,460
Other Assets	91		27,395
Deferred Outflow---Interest Rate Swap Contracts			38,483
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$ 2,823	$ -	$ 12,673,163
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION			
Bonds			$ 931,120
Commercial Paper			100,000
Loans held in custody as agent			11,086,200
Swap Contract Fair Value Liability			26,656
Interest Payable-Swap Contract			7,166
Escrow and Project Reserve Deposits			84,934
Investor Remittance Liability			61,015
Other Liabilities	$ 14		17,686
Deferred Inflow--Interest Rate Swap Contracts			4,363
Net Position	2,809	-	354,023
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	$ 2,823	$ -	$ 12,673,163
Statement of Revenues, Expenses and Changes in Net Position			
OPERATING REVENUES			
Interest on Loans			$ 46,338
Interest on Investments			4,741
Contract and Grant Administration Fees			9,813
Gains on Loan Sales			22,107
Loan Servicing Fees			29,138
Other	$ 1,337	$ (720)	4,751
TOTAL OPERATING REVENUES	1,337	(720)	116,888
OPERATING EXPENSES			
Interest			45,255
Salaries and Benefits	116		14,986
Loan acquisition costs			34,626
General Operating	52		9,535
Bond financing costs			1,026
Grants to Others	844	(720)	844
Loss on Real Estate Owned Properties			16
Other			1,601
TOTAL OPERATING EXPENSES	1,012	(720)	107,889
OPERATING INCOME (LOSS)	325	-	8,999
NONOPERATING REVENUES AND EXPENSES			
Net Increase (Decrease) in Fair Value of Investments			(5,498)
Net Increase (Decrease) in Fair Value of Servicing contracts			43,904
Derivative instruments, interest rate swap			5,640
Federal Pass-Through Revenues			45,805
Federal Pass-Through Expenses			(46,219)
TOTAL NONOPERATING REVENUES AND EXPENSES	-	-	43,632
CHANGE IN NET POSITION	325	-	52,631
NET POSITION, Beginning of Period	2,484		301,392
TRANSFERS	-		-
NET POSITION, End of Period	$ 2,809	$ -	$ 354,023

(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
Statement of Net Position				
ASSETS AND DEFERRED OUTFLOW OF RESOURCES				
Cash and Cash Equivalents held in trust				
Investments, fair value held in trust	$ 9,224	$ 68,182	$ 41,409	$ 2,857
Loans Held for Investment, net	34,040	75,185	122,539	10,602
Deferred Bond Financing Costs		-		
State of Idaho GARVEE Payable				
Other Assets	444	20,214	$ 38,719	220
Deferred Outflow--Interest Rate Swap Contracts	1,491	9,121	27,871	
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$ 45,199	$ 172,702	$ 230,538	$ 13,679
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION				
Bonds	$ 38,393	$ 135,676	$ 137,354	$ 8,084
Swap Contract Fair Value Liability	2,310	8,537	15,809	
Interest Payable-Swap Contract	873	2,106	4,187	
Other Liabilities	1,819	9,549	32,258	6,731
Deferred Inflow--Interest Rate Swap Contracts	95	1,530	2,738	
Net Position	1,709	15,304	38,192	(1,136)
TOTAL LIABILITIES ,DEFERRED INFLOW OF RESOURCES AND NET POSITION	$ 45,199	$ 172,702	$ 230,538	$ 13,679
Statement of Revenues, Expenses and Changes in Net Position				
OPERATING REVENUES				
Interest on Loans	$ 2,209	$ 4,422	$ 7,403	$ 456
Interest on Investments	606	2,036	943	321
Loan Servicing Fees	127	299	696	45
Other			121	
TOTAL OPERATING REVENUES	2,942	6,757	9,163	822
OPERATING EXPENSES				
Interest	2,119	6,405	9,024	401
General Operating	161	353	581	48
Bond Financing Costs		-	983	
Other				
TOTAL OPERATING EXPENSES	2,280	6,758	10,588	449
OPERATING INCOME (LOSS)	662	(1)	(1,425)	373
NONOPERATING REVENUES AND EXPENSES				
Net Increase (Decrease) in Fair Value of Investments	(573)	(1,975)	(432)	(292)
Derivative instruments, interest rate swap	485	1,646	3,509	
TOTAL NONOPERATING REVENUES AND EXPENSES	(88)	(329)	3,077	(292)
CHANGE IN NET POSITION	574	(330)	1,652	81
NET POSITION, Beginning of Period	1,132	6,039	36,752	(1,206)
TRANSFERS	3	9,595	(212)	(11)
NET POSITION, End of Period	$ 1,709	$ 15,304	$ 38,192	$ (1,136)

(2) The combined totals for Bondholder Trusts are presented on page 48.

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	2008A Grant and Revenue Anticipation Bond	2009A Grant and Revenue Anticipation Bond	2010A Grant and Revenue Anticipation Bond
Statement of Net Position					
ASSETS AND DEFERRED OUTFLOW OF RESOURCES					
Cash and Cash Equivalents held in trust					
Investments, fair value held in trust	$ 108		$ 609	$ 569	$ 1,726
Loans Held for Investment, net	7,790				
Deferred Bond Financing Costs		-	-	-	-
State of Idaho GARVEE Payable		$ 1,846	18,480	26,493	72,537
Other Assets	68	-	-	-	
Deferred Outflow--Interest Rate Swap Contracts					
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$ 7,966	$ 1,846	$ 19,089	$ 27,062	$ 74,263
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION					
Bonds	$ 7,966	$ 1,846	$ 19,089	$ 27,062	$ 74,263
Swap Contract Fair Value Liability					
Interest Payable-Swap Contract					
Other Liabilities	-	-	-	-	-
Deferred Inflow--Interest Rate Swap Contracts					
Net Position	-	-	-	-	-
TOTAL LIABILITIES ,DEFERRED INFLOW OF RESOURCES AND NET POSITION	$ 7,966	$ 1,846	$ 19,089	$ 27,062	$ 74,263
Statement of Revenues, Expenses and Changes in Net Position					
OPERATING REVENUES					
Interest on Loans and Pledged Revenues	$ 568		$ 569	$ 2,095	$ 4,430
Interest on Investments			5	5	9
Loan Servicing Fees					
Other	-	-	-	-	-
TOTAL OPERATING REVENUES	568	-	574	2,100	4,439
OPERATING EXPENSES					
Interest	470		566	2,074	4,415
General Operating	12	-	8	26	24
Bond Financing Costs		-	-	-	-
Other	86				
TOTAL OPERATING EXPENSES	568	-	574	2,100	4,439
OPERATING INCOME (LOSS)	-	-	-	-	-
NONOPERATING REVENUES AND EXPENSES					
Net Increase (Decrease) in Fair Value of Investments					
Derivative instruments, interest rate swap					
TOTAL NONOPERATING REVENUES AND EXPENSES	-	-	-	-	-
CHANGE IN NET POSITION	-	-	-	-	-
NET POSITION, Beginning of Period	-	-	-	-	-
TRANSFERS					
NET POSITION, End of Period	$ -	$ -	$ -	$ -	$ -

(2) The combined totals for Bondholder Trusts are presented on page 48.

Combined Bondholder Trusts (in thousands)

	2011 Grant and Revenue Anticipation Bond	2012A Grant and Revenue Anticipation Bond	2014A Grant and Revenue Anticipation Bond	2015A Grant and Revenue Anticipation Bond	2017A Grant and Revenue Anticipation Bond	Combined Bonds
Statement of Net Position						
ASSETS AND DEFERRED OUTFLOW OF RESOURCES						
Cash and Cash Equivalents held in trust						
Investments, fair value held in trust	$ 228	$ 175	$ 353	$ 936	$ 386	$ 126,762
Loans Held for Investment, net						250,156
Deferred Bond Financing Costs	-	-	-	-	-	-
State of Idaho GARVEE Payable	68,040	30,219	69,647	175,472	104,202	566,936
Other Assets				-	-	59,665
Deferred Outflow--Interest Rate Swap Contracts						38,483
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$ 68,268	$ 30,394	$ 70,000	$ 176,408	$ 104,588	$ 1,042,002
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION						
Bonds	$ 68,268	$ 30,394	$ 70,000	$ 176,408	$ 104,535	899,338
Swap Contract Fair Value Liability						26,656
Interest Payable-Swap Contract						7,166
Other Liabilities	-	-	-	-	53	50,410
Deferred Inflow--Interest Rate Swap Contracts						4,363
Net Position	-	-	-	-	-	54,069
TOTAL LIABILITIES ,DEFERRED INFLOW OF RESOURCES						-
AND NET POSITION	$ 68,268	$ 30,394	$ 70,000	$ 176,408	$ 104,588	$ 1,042,002
Statement of Revenues, Expenses and Changes in Net Position						
OPERATING REVENUES						
Interest on Loans and Pledged Revenues	$ 3,056	$ 928	$ 2,777	$ 7,300	$ 3,244	39,457
Interest on Investments	2	1	4	7	2	3,941
Loan Servicing Fees						1,167
Other	-	-	-	-	-	121
TOTAL OPERATING REVENUES	3,058	929	2,781	7,307	3,246	44,686
OPERATING EXPENSES						
Interest	3,042	921	2,761	7,267	3,194	42,659
General Operating	16	8	20	40	10	1,307
Bond Financing Costs	-	-	-	-	42	1,025
Other						86
TOTAL OPERATING EXPENSES	3,058	929	2,781	7,307	3,246	45,077
OPERATING INCOME (LOSS)	-	-	-	-	-	(391)
NONOPERATING REVENUES AND EXPENSES						
Net Increase (Decrease) in Fair Value of Investments						(3,272)
Derivative instruments, interest rate swap						5,640
TOTAL NONOPERATING REVENUES AND EXPENSES	-	-	-	-	-	2,368
CHANGE IN NET POSITION	-	-	-	-	-	1,977
NET POSITION, Beginning of Period	-	-	-	-	-	42,717
TRANSFERS						9,375
NET POSITION, End of Period	$ -	$ -	$ -	$ -	$ -	$ 54,069

(2) The combined totals for Bondholder Trusts are presented on page 48.

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

TABLE OF CONTENTS

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, 2018, 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 5, 2018.

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.

Eide Bailly LLP

Boise, Idaho
October 5, 2018

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, 2018. 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, 2018.

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.

Eide Bailly LLP

Boise, Idaho
October 5, 2018

IDAHO HOUSING AND FINANCE ASSOCIATION
Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

FEDERAL GRANTOR/PROGRAM OR CLUSTER TITLE	Federal CFDA Number	Federal Expenditures	Amounts Passed-Through to Subrecipients
U.S. Department of Housing and Urban Development			
Emergency Shelter Grants Program	14.231	$ 1,249,685	$ 1,150,932
HOME Investment Partnerships Program			-
HOME Investment Partnerships Program	14.239	6,303,070	
HOME Loan Balances	14.239	78,933,985	
		85,237,055	
Housing Opportunities for Persons with AIDS	14.241	471,062	435,370
Continuum of Care Program	14.267	2,335,160	2,002,575
Comprehensive Housing and Counseling Program	14.169	135,871	18,569
Family Self Sufficiency (FSS) Program	14.896	224,692	-
Section 8 Project-Based Cluster:			
Section 8 New Construction/Substantial Rehabilitation	14.182	2,805,534	-
Section 8 Performance Based Contract Administration	14.195	17,032,913	-
		19,838,447	
Low Rent Public Housing Operating Subsidy	14.850	54,438	-
Public Housing Capital Fund	14.872	51,275	-
Housing Voucher Cluster			
Housing Choice Voucher Program	14.871	18,576,918	-
Mainstream 5-year Program	14.879	407,276	-
		18,984,194	
HUD Federal Mortgage Insurance & Guarantees			
Federal Housing Administration - Mortgage Insurance - Homes	14.117	2,049,265,100	-
Public and Indian Housing Indian Loan Guarantee program	14.865	1,428,951	-
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii (NSP loan balances)	14.228	10,287,844	-
TOTAL HUD EXPENDITURES		2,189,563,774	3,607,446
U.S. Department of Veterans Affairs			
Dept of Veterans Affairs - Veterans Housing - Guaranteed and Insured Loans	64.114	198,673,323	-
U.S. Department of Agriculture			
US Department of Agriculture (USDA) - Very Low to Moderate Income Housing Loans	10.410	228,029,275	-
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 2,616,266,372	$ 3,607,446

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, 2018

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.

Federal Awards Tested as Major Programs	Federal CFDA Number	Expenditures
Section 8 Project-Based Cluster:		
Housing Choice Voucher Program	14.871	$ 18,576,918
Mainstream 5-year Program	14.879	407,276
Federal Housing Administration - Mortgage Insurance - Homes	14.117	2,049,265,100
Dept of Veterans Affairs - Veterans Housing - Guaranteed and Insured Loans	64.114	198,673,323
Continuum of Care Program	14.267	2,335,160

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.

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, 2018 consists of:

FEDERAL GRANTOR/PROGRAM OR CLUSTER TITLE	Federal CFDA Number	Outstanding Loan Balance at June 30, 2018
HOME Investment Partnerships Program	14.239	$ 74,300,667
Neighborhood Stabilization Program	14.228	9,122,816

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, 2018 consists of:

FEDERAL GRANTOR/PROGRAM OR CLUSTER TITLE	Federal CFDA Number	Outstanding Loan Balance at June 30, 2018
Federal Housing Administration - Mortgage Insurance - Homes	14.117	$ 119,420,444
Dept of Veterans Affairs - Veterans Housing - Guaranteed and Insured Loans	64.114	11,072,063
US Department of Agriculture (USDA) - Very Low to Moderate Income Housing Loans	10.410	30,751,308

IDAHO HOUSING AND FINANCE ASSOCIATION
Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2018

Section I – Summary of Auditor's Results

<u>Financial Statements</u>	
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?	No
Noncompliance material to financial statements noted?	No
<u>Federal Awards</u>	
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:

CFDA Number(s)	Name of Federal Program or Cluster
14.117	Federal Housing Administration Mortgage Insurance - Home
64.114	Department of Veterans Affairs – Guaranteed Mortgage Loans
14.871	Housing Choice Voucher Program
14.879	Housing Choice Mainstream Voucher Program
14.267	Continuum of Care

Dollar threshold used to distinguish between Type A and Type B programs:	$1,651,849
Auditee qualifies as low-risk auditee?	No

Section II – Financial Statement Findings

No matters were reported

Section III – Federal Award Findings and Questioned Costs

Current Year Findings

No matters were reported

CPAs & BUSINESS ADVISORS

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, 2018 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.

Eide Bailly LLP

Boise, Idaho
October 5, 2018

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877 W. Main St., Ste. 800 | Boise, ID 83702-5858 | T 208.344.7150 | F 208.344.7435 | EOE

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

April 30, 2018

Gerald Hunter, Executive Director
Idaho Housing and Finance Association
P. O. Box 7899
Boise, Idaho 83707-1899

Dear Mr. Hunter:

Enclosed is a copy of the approved Actual Modernization Cost Certificate (AMCC) for Project Number ID16P020501-15. The AMCC is approved pursuant to HUD Handbook 7485.1, REV-4, paragraph 12-6, based on our determination that costs shown on the AMCC agree with the audited costs contained in the Auditor's report. The approved AMCC attests to final closeout of this modernization project.

If you have any questions concerning this action, please contact Cherie Shanks, Engineer, at (206) 220-5290 or Cathleen Hausheer, Financial Analyst, at (206) 220-6210.

Sincerely,

HARLAN STEWART

Digitally signed by: HARLAN STEWART
DN: CN = HARLAN STEWART C = US
O = U.S. Government OU = Department of Housing and Urban Development, Office of Administration
Date: 2018.04.30 13:30:52 -08'00'

Harlan Stewart
Director
Office of Public Housing

Enclosure

cc: Fort Worth, Acct, 6AF (with enclosure)

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:	Modernization Project Number:
Idaho Housing and Finance Association	ID16P02050115

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

2. That all modernization work in connection with the Modernization Grant has been completed;
3. That the entire Actual Modernization Cost or liabilities therefor incurred by the HA have been fully paid;
4. 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
5. 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 [signature] 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)

x [signature] Date: 10/27/2016

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

x Cat K Hausheer Date: 4/30/2018

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

x HARLAN STEWART Digitally signed by: HARLAN STEWART DN: CN = HARLAN STEWART C = US O = U.S. Government OU = ~~Department of Housing and Urban Development, Office of~~ Administration Date: 2018.04.30 13:29:34 -06'00' Date: 04/30/2018

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