# BOARD OF DIRECTORS

***California Housing Finance Agency***
***Board of Directors***

***Audit Committee***

Tuesday, November 12, 2013

Burbank Airport Marriott Hotel
& Convention Center
2500 Hollywood Way
Burbank, California
(818) 843-6000

9:00 a.m.

1. Roll Call.

2. Chairman comments.

3. Review and discussion of the Audited Financial Statements for the California Housing Finance Fund for the year ended June 30, 2013, Single Audit of Federal Funds, and Proposition 1C Agreed-upon Procedures Report including a discussion with auditors from CliftonLarsonAllen LLP.


A. CalHFA Governance Letter ..... 1
B. CalHFA Annual Report ..... 17
C. CalHFA Single Audit Report ..... 85
D. Prop 1C ..... 101
E. Management Letter ..... 103
F. California Housing Finance Fund ..... 105


4. Public testimony.

5. Adjournment.

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CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Board of Directors
California Housing Finance Fund
Sacramento, California

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of California Housing Finance Fund (the Fund) as of and for the year ended June 30, 2013, and have issued our report thereon dated October 11, 2013. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

***Qualitative aspects of accounting practices***

*Accounting policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Fund are described in Note 2 to the financial statements.

As described in Note 2 , the Fund changed accounting policies related to FASB & AICPA pronouncements by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, in 2012. Also described in Note 2, the Fund changed accounting policies related to reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in 2012.

We noted no transactions entered into by the Fund during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

*Accounting estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were:

- Management's estimate of the allowance for loan losses is based on management's knowledge and experience about past and current events, assumptions about future events and analysis of the collectability. We evaluated the key factors and assumptions used to develop the allowance for loan losses in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the fair market value of investments and other assets is based on management's knowledge and experience about past and current events, assumptions about future events and outside third parties. We evaluated the key factors and assumptions used to develop the fair market value of investments and other assets in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the fair market value of derivative instruments and evaluation of derivative instruments effectiveness is based on management's knowledge and experience about past and current events, assumptions about future events and outside third parties. We evaluated the key factors and assumptions used to develop the fair market value of derivative instruments and evaluation of derivative instruments effectiveness in determining that it is reasonable in relation to the financial statements taken as a whole.

*Financial statement disclosures*

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

***Difficulties encountered in performing the audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Uncorrected misstatements***

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

***Disagreements with management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

***Management representations***

We have requested certain representations from management that are included in the attached management representation letter dated.

***Management consultations with other independent accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Fund's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting

accountant to check with us to determine that the consultant has all the relevant facts. We were informed by management that there were no consultations with other accountants.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the Fund's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

***Significant findings or issues that were discussed, or the subject of correspondence, with management***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year. The following summarizes the significant findings or issues arising from the audit that were discussed, or the subject of correspondence, with management:

- During the cash management testing for the Section 8 Project-Based Cluster federal program, we noted that 13 of 18 federal draws tested for Housing Assistance Payments paid out to Projects between July 1, 2012 – June 30, 2013 were disbursed more than three business days after the receipt of the funds. The time frame ranged from seven to ten days.

We have provided a separate letter to you dated October 11, 2013, communicating internal control related matters identified during the audit.

***Other information in documents containing audited financial statements***

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the schedule of expenditures of federal awards (SEFA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFA to determine that the SEFA complies with the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFA is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated October 11, 2013.

With respect to the supplemental combining program information (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with

accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated October 11, 2013.

The supplemental combining program information accompanying the financial statements, which is the responsibility of management, was prepared for purposes of additional analysis and is not a required part of the financial statements. Such information was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we did not express an opinion or provide any assurance on it.

Other information is being included in documents containing the audited financial statements and the auditors' report thereon. Our responsibility for such other information does not extend beyond the financial information identified in our auditors' report. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in such documents. As required by professional standards, we read supplemental combining program information (the other information) in order to identify material inconsistencies between the audited financial statements and the other information. We did not identify any material inconsistencies between the other information and the audited financial statements.

This communication is intended solely for the information and use of the Board of Directors and management of the Fund and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

**CliftonLarsonAllen LLP**

Baltimore, Maryland
October 11, 2013

**PASSED ADJUSTMENT SUMMARY**
**California Housing Finance Agency**
**Finance Fund**
**Year Ended June 30, 2013**

| | Effect of misstatements on: | | | |
|---|---|---|---|---|
| **Description** | **Assets** | **Liabilities** | **Fund Balance/Net Assets** | **Net Expense/Revenue and Change in Net Assets/Fund Balance** |
| **Fair Market Value of Derivative Swap liability** | | $ (2,778,317) | $ 2,778,317 | $ 2,778,317 |
| Subtotals | - | (2,778,317) | 2,778,317 | 2,778,317 |
| Net prior year misstatements | - | - | | - |
| Total misstatements | $ - | $ (2,778,317) | $ 2,778,317 | $ 2,778,317 |
| Financial statement totals | | | | |

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CalHFA California Housing Finance Agency

October 11, 2013

CliftonLarsonAllen LLP
9515 Deereco Road, Suite 500
Timonium, MD 21093

This representation letter is provided in connection with your audit of the financial statements of California Housing Finance Fund ("Fund"), which is administered by the California Housing Finance Agency, as of June 30, 2013, and the respective changes in financial position and, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of October 11, 2013, the following representations made to you during your audit.

**Financial Statements**

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 24, 2013 or in the terms of the agreement dated March 1, 2012, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. The financial statements include all properly classified funds and other financial information of the fund required by generally accepted accounting principles to be included in the financial reporting entity.

- We acknowledge and have fulfilled our responsibility for 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.

- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

- We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions used in making those estimates, and we believe the estimates (including those measured at fair value) and the significant assumptions used in making those accounting estimates are reasonable.

- Significant estimates have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Significant estimates are estimates at the financial statement date that could change materially within the next year.

- Related party relationships and transactions, including, but not limited to, revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

- All known events occurring subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure has been adjusted or disclosed.

- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.

- The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

- Guarantees, whether written or oral, under which the entity is contingently liable, if any, have been properly recorded or disclosed in accordance with U.S. GAAP.

- Arrangements with financial institutions involving repurchase, reverse repurchase, or securities lending agreements, compensating balances, or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements, have been properly recorded or disclosed in the financial statements.

- Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the financial statement date and have been reduced to their estimated net realizable value.

- We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefits (OPEB) liabilities and costs for financial accounting purposes are appropriate in the circumstances.

- We are not aware of the State making any plans to make frequent amendments to the pension or other postretirement benefit plans.

**Information Provided**

- We have provided you with:

    - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.

    - Additional information that you have requested from us for the purpose of the audit.

    - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

- Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
- Access to all audit or relevant monitoring reports, if any, received from funding sources.

- All transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others when the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, grantors, regulators, or others.
- We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse whose effects should be considered when preparing financial statements.
- We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statements.
- We have taken timely and appropriate steps to remedy findings that you have reported to us.
- We have a process to track the status of audit findings and recommendations.
- We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

- We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

- We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to California Housing Finance Fund, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

- There are no violations or possible violations of laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

- The entity has complied with all aspects of contractual or grant agreements that would have a material effect on the financial statements in the event of noncompliance.

- We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

- The financial statements properly classify all funds and activities.

- Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.

- Investments, derivative instruments, and other real estate held are properly valued.

- Provisions for uncollectible receivables have been properly identified and recorded.

- Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

- Revenues are appropriately classified in the statement of activities.

- Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

- Deposits and investment securities are properly classified as to risk and are properly valued and disclosed.

- Capital assets are properly capitalized, reported, and, if applicable, depreciated.

- We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and

unrestricted net position is available and have determined that net position is properly recognized under the policy.

- We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

- With respect to federal award programs:

    - We are responsible for understanding and complying with, and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, including requirements relating to preparation of the schedule of expenditures of federal awards.

    - We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 §310.b, and we believe the SEFA, including its form and content, is fairly presented in accordance with OMB Circular A-133 §310.b. The methods of measurement and presentation of the SEFA have not changed from those used in the prior period, and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA.

    - If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issued the SEFA and the auditors' report thereon.

    - We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133, and included in the SEFA expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

    - We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.

    - We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.

- We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.

- We have received no requests from a federal agency to audit one or more specific programs as a major program.

- We have complied with the direct and material compliance requirements except for noncompliance disclosed to you, including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards.

- We have disclosed to you any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.

- We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.

- We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

- We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.

- We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.

- There are no known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.

- We have disclosed to you whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies and/or material weaknesses in internal control over compliance, have occurred subsequent to the date as of which compliance was audited.

- Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.

- The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.

- We have taken appropriate action, including issuing management decisions, on a timely basis after receipt of subrecipients' auditors' reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements, and have ensured that subrecipients have taken the appropriate and timely corrective action on findings.

- We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.

- We have charged costs to federal awards in accordance with applicable cost principles.

- We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

- We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133.

- We are responsible for preparing a corrective action plan and taking corrective action on each audit finding.

Timothy Hsu for Claudia Cappio

**Timothy Hsu, CFA**
**Director of Financing**

Claudia Cappio, Executive Director

Lori Hamahashi, Acting Comptroller

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**PASSED ADJUSTMENT SUMMARY**
**California Housing Finance Agency**
**Finance Fund**
**Year Ended June 30, 2013**

| | Effect of misstatements on: | | | |
|---|---|---|---|---|
| **Description** | **Assets** | **Liabilities** | **Fund Balance/Net Assets** | **Net Expense/Revenue and Change in Net Assets/Fund Balance** |
| **Fair Market Value of Derivative Swap liability** | | $ (2,778,317) | $ 2,778,317 | $ 2,778,317 |
| Subtotals | - | (2,778,317) | 2,778,317 | 2,778,317 |
| Net prior year misstatements | - | - | | - |
| Total misstatements | $ - | $ (2,778,317) | $ 2,778,317 | $ 2,778,317 |
| Financial statement totals | | | | |

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**CALIFORNIA HOUSING FINANCE AGENCY**
**(A Component Unit of the State of California)**


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**INDEPENDENT AUDITORS' REPORT**

Board of Directors
California Housing Finance Fund
Sacramento, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the California Housing Finance Fund (the Fund), which is administered by the California Housing Finance Agency (the Agency), a component unit of the State of California which comprise the statement of net position as of June 30, 2013, and the related statement of revenues, expenses and changes in net position, and cash flows for the period then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of June 30, 2013, and the changes in financial position and cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the Agency as of June 30, 2013, the changes in its financial position, or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-14 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 Fund's basic financial statements. The combining program information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining program information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining program information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The combining program information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2013, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

**CliftonLarsonAllen LLP**

Baltimore, Maryland
October 11, 2013

**CALIFORNIA HOUSING FINANCE FUND**
**Management Discussion and Analysis**
**of Financial Position and Results of Operations**
**As of and for the fiscal years ended June 2013 and 2012**

**Introduction – The California Housing Finance Agency**

The California Housing Finance Agency ("Agency") was created in 1975 by an act of the California Legislature and commenced operations in 1976. The Agency is a component unit of the State of California ("State") and is included in the State's Comprehensive Annual Financial Report. The Agency is authorized to administer the activities of the California Housing Finance Fund ("Fund"), the California Housing Loan Insurance Fund ("Mortgage Insurance Fund") and two state general obligation bond funds. The Agency is governed by a Board of Directors which consists of 11 voting members and three non-voting members. Of the 11 voting members, six are appointed by the Governor, three are ex-officio and two are appointed by the Legislature. The statutory role of the Board is to: 1) enact the annual financing resolutions that permit the issuance of bonds and 2) enact the Agency's operating budget and business plan. Subject to the supervision of the Board, the Agency's day-to-day operational authority statutorily resides with the Agency's Executive Director. The annual audited financial statements of both the Fund and the Mortgage Insurance Fund are available on the Agency's website - www.calhfa.ca.gov.

The CalHFA Mortgage Assistance Corporation ("CalHFA MAC") is a nonprofit public benefit corporation organized under the laws and rules of the state of California and within the meaning of Section 501(c)(3) of the Internal Revenue Code. CalHFA MAC is organized as an entity separate from CalHFA and its purposes, amongst other things are 1) to "develop and administer programs permitted under the Emergency Economic Stabilization Relief Act of 2008 (EESA) and to act as an institution eligible to receive funds under EESA's Troubled Asset Relief Program", and 2) to "lessen the burdens of government by assisting CalHFA prevent or mitigate the impact of foreclosures on low and moderate income persons within the State of California". Although CalHFA grants CalHFA MAC a license to use "CalHFA" in its name, both acknowledge they are separate entities. Both are created under different provisions of law; the sources of funding for each are different; the funds are maintained separately; each maintains its own set of books and records separately; operational decisions of CalHFA MAC are not under the direction or control of Agency's Executive Director or the Agency's Governing Board. CalHFA MAC is solely responsible for its contractual and other obligations incident to running the Keep Your Home California ("KYHC") program. The annual audited financial statements of CalHFA MAC are available on the Keep Your Home California website - www.keepyourhomecalifornia.org.

The following Management Discussion and Analysis applies only to the activities of the California Housing Finance Fund and should be read in conjunction with the Fund's financial statements and the notes to the financial statements. Operations of the Fund include the issuance of Agency bonds and notes to fund loans to qualified borrowers for single family houses and multifamily developments. The Agency is entirely self-funded and does not draw upon the general taxing authority of the State.

The financial statements present the totals of the Fund. The supplemental combining information of the Fund is organized by the following major categories: Homeownership Programs, Multifamily Rental Housing Programs, and Other Programs and Accounts. This information and information for specific programs and accounts is reported after the Notes to the financial statements.

The Homeownership Programs provide low cost mortgage capital to a network of approved lenders from whom the Fund purchases previously funded and closed loans secured by single family homes purchased by individual borrowers. The Multifamily Rental Housing Programs are typically used to directly fund loans to developers and housing sponsors for the construction or acquisition of multifamily rental housing developments. Interest rates on the Fund loans are generally below market rate; however, the programs are operated to be self-supporting. The Agency issues its own bonds and uses other available monies to provide the funding for these loan programs. Interest paid to bondholders is generally exempt from both state and federal tax; however, the Agency also issues federally-taxable bonds.

The Other Programs and Accounts category includes the Agency's Housing Assistance Trust ("HAT"), funded periodically from a portion of the Fund's operating income before transfers. The HAT provides a source of funding for low or very low income multifamily developments and other special purpose loans. Loans for these purposes generally would not produce sufficient revenues to support payments to bondholders. These loans typically accrue simple interest with repayment of principal and interest deferred for the term of the loan or until certain events occur, such as a sale of the property. Also included in this category are certain State-funded programs, which the Agency has been asked to administer for the State on a contract basis. Operating expenses of the Agency's loan and bond programs are paid from an Operating Account that is replenished from the Fund's operating income before transfers. Other accounts maintained by the Agency provide security for the issuance of bonds, emergency contingencies, loan servicing operations and loan warehousing activities.

**Summary of Financial Results 2013-2012**

- Operating loss before transfers was $70 million for fiscal year 2013 compared to an operating loss of $105.4 million for fiscal year 2012. The operating results for fiscal year 2013 improved by $35.4 million, or 33.6%, when compared to fiscal year 2012.

- In July 2012, the Agency refunded $466.1 million of variable rate bonds issued under the HMRB indenture. The Agency continued to actively manage and reduce the Fund's interest expense and exposures within the debt portfolio and redeemed $1.72 billion of bonds during fiscal year 2013.

- The Fund's mortgage loan delinquencies declined slightly as the California housing market slowly improved over the last fiscal year. The Fund's single family loan portfolio consists of 45.2% federally guaranteed loans and 54.8% conventional loans. The overall delinquency ratio of the Fund's single family loan portfolio was 13% or 2,411 delinquent loans as of June 30, 2013. By comparison, the delinquency ratio for the Agency's single family portfolio was 13.6% or 2,901 loans as of June 30, 2012. Overall, the total number of delinquent loans declined by16.9% or 490 loans.

- Under the Home Mortgage Revenue Bonds ("HMRB") indenture, there was a total of $56.7 million of loans written-off during fiscal year 2013 due to the sale of foreclosed properties (net of insurance payment received) and on short sales (net of insurance payment received), of $33.2 million and $23.5 million, respectively. The remaining HMRB foreclosed properties were written down by $6.2 million to reflect anticipated losses, net of anticipated insurance payment, upon sale of the foreclosed properties.

- The net total allowance for loan loss reserve under the HMRB indenture decreased by $7.9 million changing from $117 million in fiscal year 2012 to $109.1 million in fiscal year 2013.

- The Fund had $162.1 million in new loans receivable during fiscal year 2013. Total program loans receivable decreased by close to $672.3 million at June 30, 2013. Decreases in program loans receivable for the homeownership loan portfolio were primarily due to the loan prepayments. Loan prepayments include all unscheduled principal payments applied to the unpaid principal balance of a loan such as principal received in loan payoff transactions, short sale and foreclosure transactions, and mortgage insurance claims, etc.

- Other revenues were $39.3 million for fiscal year 2013 compared to $18.6 million in fiscal year 2012. The increase was primarily due to the increase in the fair value of the investment swaps and increase in the multifamily prepayment penalties fees offset by the decrease in administrative fees revenue for fiscal year 2013.

- During fiscal year 2013, $38.6 million was transferred into the Fund by the State pursuant to the Housing and Emergency Shelter Trust Fund Acts of 2002 and 2006 and for other loan and grant programs administered by the Agency. The funds were used to make loans and grants to borrowers and homeowners through programs administered by the Agency on a contract basis.

**Condensed Financial Information:**

**Condensed Schedule of Assets, Liabilities, and Net Position**

The following table presents condensed Schedule of Assets, Liabilities, and Net Position for the Fund as of June 30, 2013 and 2012 and the change from the prior year (dollars in millions):

**Condensed Statement of Net Position**

| | 2013 | 2012 | Change |
|---|---|---|---|
| Assets | | | |
| Cash and investments | $ 1,901 | $ 2,789 | $ (888) |
| Program loans receivable-net | 4,786 | 5,459 | (673) |
| Other | 97 | 500 | (403) |
| Total Assets | 6,784 | 8,748 | (1,964) |
| Deferred Outflows of Resources | 127 | - | 127 |
| Liabilities | | | |
| Bonds payable | 4,816 | 6,503 | (1,687) |
| Unamortized premium/Deferred gain | 3 | 6 | (3) |
| Notes payable | 81 | 88 | (7) |
| Other | 592 | 701 | (109) |
| Total Liabilities | 5,492 | 7,298 | (1,806) |
| Deferred Inflows of Resources | - | - | - |
| Net Position | | | |
| Invested in capital assets | 1 | 1 | - |
| Restricted net position | 1,418 | 1,449 | (31) |
| Total Net Position | $ 1,419 | $ 1,450 | $ (31) |

**Assets**

Of the Fund's assets, 98.6% is represented by cash and investments and program loans receivable. The Fund does not have a significant investment in capital assets, holding $1.0 million in furniture and equipment.

Total assets decreased by $1.96 billion during fiscal year 2013. The Fund's cash and investments were $1.9 billion as of June 30, 2013, a decrease of $888.7 million from June 30, 2012. The cash and investments balance decrease is primarily due to the increase in bond redemption activity in Homeownership and Multifamily Programs.

Of the Fund's assets, 28.0% is in the form of cash and investments at fiscal year end. Of the Fund's investment balance, 5.6% is in investment agreements. The amount of funds invested in investment agreements during the 2013 fiscal year decreased by $106.2 million. Additionally, $1.24 billion of the Fund's investments are held in the State's Surplus Money Investment Fund ("SMIF") and earn a variable rate of interest. The amount of funds invested in SMIF during fiscal year 2013 decreased by $74 million.

The composition of cash and investments as of June 30, 2013 and 2012 and the changes from the prior year are shown in the table below (dollars in millions):

**Cash and Investments**

| | 2013 | 2012 | Change |
|---|---|---|---|
| Investment agreements | $ 106 | $ 212 | $ (106) |
| SMIF | 1,238 | 1,312 | (74) |
| Commercial Paper | 32 | - | 32 |
| Securities | 490 | 705 | (215) |
| Cash | 35 | 560 | (525) |
| Total Cash and Investments | $ 1,901 | $ 2,789 | $ (888) |

Program loans receivable decreased by $672.3 million during fiscal year 2013 compared to fiscal year 2012. This decrease is primarily due to loan prepayments along with loan write-offs of $56.7 million in fiscal year 2013. Loan prepayments decreased to $575.5 million during fiscal year 2013 compared to $637.8 million received in fiscal year 2012. Real estate owned ("REO") properties decreased $66.1 million to $20.1 million during fiscal year 2013 compared to $86.2 million in fiscal year 2012.

As of June 30, 2013 and June 30, 2012, the fair values of interest rate swaps were in the negative position of $217.7 million and $324.2 million, respectively.

Other Assets decreased by $402.5 million during fiscal year 2013 when compared to fiscal year 2012. The decrease is primarily due to the recording of the deferred outflow of resources related to interest rate swaps, decrease in the number of REO properties and decrease in cash collateral held by the swap counterparties.

**Liabilities**

The Fund's liabilities were $5.49 billion as of June 30, 2013, a decrease of $1.81 billion from June 30, 2012. Of the Fund's liabilities, 87.7% is in the form of bond indebtedness. The Fund's bonds payable at June 30, 2013 decreased by $1.69 billion from the prior year mainly due to the scheduled principal payments, $1.72 billion in bond redemptions offset by the $136.6 million of bonds issued. The Agency's governing statutes impose a cap of $13.15 billion for bonds and notes issued and outstanding within the Fund for the year ended June 30, 2013 and 2012.

All of the bonds issued by the Agency are reported within the Fund and also includes the reporting of conduit bond obligations as liabilities in the accompanying financial statements along with the related assets. The bonds are limited obligations of the Agency, payable solely from the revenues and other funds and money pledged and assigned under the applicable indenture, series indenture, or master pledge and assignment (see Note 7).

The Agency issues both tax-exempt and federally taxable bonds. During the 2013 fiscal year, federally taxable bonds outstanding decreased by $290.0 million and as of June 30, 2013 represent 22.4% of all bonds outstanding, while tax-exempt bonds outstanding decreased by $1.40 billion and as of June 30, 2013 represent 77.6% of all bonds outstanding. The use of federally taxable bonds allows the Agency to leverage its allocation of the Private Activity Bond volume cap for the Homeownership Programs. This limitation is imposed by the federal government to regulate the issuance of tax-exempt bonds for private purposes. During fiscal year 2013, the Agency issued $2.8 million in tax-exempt bonds and $133.8 million in taxable bonds.

Shown below are the amounts of variable and fixed rate indebtedness, by tax status, as of June 30, 2013 and 2012 and the changes from the prior year (dollars in millions):

**Bonds Payable**

| | 2013 | 2012 | Change |
|---|---|---|---|
| Tax-Exempt Bonds | | | |
| *Variable Rate | $ 1,526 | $ 2,496 | $ (970) |
| Fixed Rate | 2,211 | 2,638 | (427) |
| Total Tax-Exempt Bonds | 3,737 | 5,134 | (1,397) |
| Federally Taxable Bonds | | | |
| *Variable Rate | 660 | 1,025 | (365) |
| Fixed Rate | 419 | 344 | 75 |
| Total Federally Taxable Bonds | 1,079 | 1,369 | (290) |
| Total Bonds Outstanding | $ 4,816 | $ 6,503 | $ (1,687) |

* Certain variable rate bonds have been swapped to a fixed rate (see Note 7 to the Financial Statements).

All other liabilities decreased by $109 million during fiscal year 2013. The decrease was mainly due to the decrease in Derivative SWAP liability.

**Net Position**

All of the Fund's net position is restricted pursuant to trust agreements with bondholders and the Agency's enabling legislation or net investment in capital assets. The total net position of the Fund decreased by $31.2 million primarily as a result of transfers to the Fund in the amount of $38.6 million offset by the $70 million of operating losses for fiscal year 2013.

**Revenues, Expenses, and Changes in Net Position**

The following table presents condensed schedules of revenues, expenses, and changes in net position for the Fund for the fiscal years ended June 30, 2013 and June 30, 2012 and the changes from the prior year (dollars in millions):

**Condensed Schedules of Revenues, Expenses, and Changes in Net Position**

| | 2013 | 2012 | Change |
|---|---|---|---|
| Operating Revenues: | | | |
| Interest income program loans – net | $ 256 | $ 289 | $ (33) |
| Interest income investments – net | 31 | 34 | (3) |
| Increase (Decrease) in fair value of investments | (25) | 42 | (67) |
| Other loan and commitment fees | 32 | 30 | 2 |
| Other revenues | 39 | 19 | 20 |
| Total Operating Revenues | 333 | 414 | (81) |
| Operating Expenses: | | | |
| Interest | 172 | 191 | (19) |
| Mortgage servicing fees | 10 | 12 | (2) |
| Salaries & general expenses | 40 | 41 | (1) |
| Other expenses | 181 | 275 | (94) |
| Total Operating Expenses | 403 | 519 | (116) |
| Operating Loss before transfers | $ (70) | $ (105) | $ 35 |

**Operating Revenues**

Total operating revenues of the Fund were $332.7 million during fiscal year 2013 compared to $413.9 million during fiscal year 2012, a decrease of $81.2 million or 19.6%.

Interest income on program loans was $256.3 million during fiscal year 2013 compared to $289.4 million during fiscal year 2012, a decrease of $33.2 million. The decrease in interest income on program loans is primarily the result of a decrease in interest income on program loans and a decrease in the yield reduction liability for the Fund's homeownership and multifamily loan portfolios. Overall, program loans receivable decreased $672.3 million or 12.3% at June 30, 2013 compared to June 30, 2012.

Interest income from investments decreased 8.8% to $31.3 million in fiscal year 2013 from $34.3 million in fiscal year 2012. The decrease is primarily due to the decrease in interest income from mortgage backed securities. Investment Agreements decreased $106.2 million from $211.9 million at June 30, 2012 to $105.6 million as of June 30, 2013, while SMIF decreased $74 million from $1.31 billion to $1.24 billion.

The total fair value of investments was negative $25.5 million in fiscal year 2013, a net decrease of $67.1 million from fiscal year 2012, which had a positive fair value of investments of $41.6 million. The increase in the Treasury rates during fiscal year 2013 caused the value of the Fund's mortgage-backed securities to decline. There was no gain or loss on the sale of securities in the fiscal year ending June 30, 2013.

Other loan and commitment fees increased $1.4 million to $31.4 million in fiscal year 2013 compared to $30 million for fiscal year 2012. The increase was primarily due to the increase in prepayment penalty fees. The prepayment penalty fees were $23.4 million and $1.3 million as of June 30, 2013 and June 30, 2012, respectively.

Other revenues increased by $20.7 million to $39.3 million during fiscal year 2013 compared to $18.6 million in fiscal year 2012. The increase was primarily due to the change in the fair value of investment swap revenue.

**Operating Expenses**

Total operating expenses of the Fund were $402.5 million during fiscal year 2013 compared to $519.3 million during fiscal year 2012, a decrease of $116.8 million or 22.5%. The decrease is a combination of the decrease in bond interest expenses, REO expenses, administrative fees expense, and swap expenses.

Bonds payable at June 30, 2013 decreased by $1.69 billion from June 30, 2012 and bond interest and swap expense, which represents 42.7% of the Fund's total operating expenses, decreased by $19.5 million or 10.1% compared to fiscal year 2012. The decrease in bond interest and swap expense is attributed to the increased bond redemption activity and the Agency's participation in the Temporary Credit and Liquidity Program ("TCLP") which provides replacement credit and facilities for existing variable rate debt for State and local Housing Finance Agencies.

Salaries and general expenses slightly decreased from $41.3 million during fiscal year 2012 to $40.2 million during fiscal year 2013 (as shown in the condensed statements of revenues, expenses and changes in net position).

**Operating Loss before Transfers**

Operating loss before transfers for fiscal year 2013 was $70 million compared to an operating loss of $105.4 million for fiscal year 2012. The $35.4 million decrease in operating loss before transfers is reflective of the activities mentioned above.

**Economic Factors**

Since the Agency is self-supporting, it does not draw upon the general taxing authority of the State. As the State of California's affordable housing lender, however, the Agency's operations can be directly impacted by several market/economic factors as follows:

- Trends in single family home prices – Beginning in FY 2010, the Agency sustained significant losses from the disposition of non-performing single family loans. Over the past fiscal year, however, the losses were lower due to a strong rebound in California home sale prices. A continued upward trend in single family home prices will have a positive impact on the Agency's profitability.

- Success of the lending programs - The Agency's multifamily lending program was reinstated in April 2013 and the Agency's single family lending program was reinstated in August 2013. Successful lending programs will improve the Agency's short-term and potentially long-term profitability.

- Trends in interest rates – The Agency has a significant interest-rate swap portfolio and fluctuations in interest rates impact the Agency's collateral posting requirements. In general, higher interest rates will reduce the collateral posting requirements and improve the Agency's liquidity profile, and lower interest rates will increase the collateral posting requirements and limit the Agency's liquidity profile.

- Trends in the Agency's credit ratings - The Agency has primarily two credit ratings that materially impact its financial results: i) CalHFA's issuer credit rating (S&P A-/Moody's A3); ii) Home Mortgage Revenue Bonds (S&P BBB/Moody's Baa2). FY 2013 was the first time since 2009 in which the rating agency's annual credit reviews did not result in a rating downgrade. A positive trend in these two ratings would improve the Agency's prospects in its continued efforts to restructure the Agency's legacy capital structure.

**Request for Information**

Questions concerning any of the information presented in this financial report or requests for additional information should be addressed to:

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**Summary of Financial Results 2012-2011**

- Operating loss before transfers was $105.4 million for fiscal year 2012 compared to an operating loss of $116.9 million for fiscal year 2011. The Agency has been primarily focused on loss mitigation while continuing to provide loan availability and down-payment assistance for qualified first time homebuyers.

- Other revenues were $18.6 million for fiscal year 2012 compared to $99.8 million in fiscal year 2011. The decrease was primarily due to the changes in the gain on early debt extinguishment and decrease in fair value of the investment swaps. The Agency recorded a $35.5 million gain on sale of early debt extinguishment in fiscal year 2011 compared to $0 in fiscal year 2012 and the fair value of investment swaps declined by $41.4 million in fiscal year 2012.

- The Fund's mortgage loan delinquencies have declined over the past year. The Fund's single family loan portfolio consists of 44.7% Federally guaranteed and 55.3% conventional loans. The overall delinquency ratio of the Fund's single family loan portfolio was 13.6% or 2,901 delinquent loans as of June 30, 2012. By comparison, the delinquency ratio for the Agency's single family portfolio was 14.7% or 3,546 loans as of June 30, 2011. Overall, the total number of delinquent loans declined by 18.2% or 645 loans.

- The Fund had $188.2 million in new loans receivable during fiscal year 2012. Total program loans receivable decreased by close to $862.3 million at fiscal year end. Decreases in program loans receivable for the homeownership loan portfolio were primarily due to the loan prepayments. Loan prepayments include all unscheduled principal payments applied to the unpaid principal balance of a loan such as principal received in loan payoff transactions, short sale and foreclosure transactions, and mortgage insurance claims, etc.

- Under the Home Mortgage Revenue Bonds ("HMRB") indenture, there was a total of $105.8 million of loans written-off during fiscal year 2012 due to the sale of foreclosed properties (net of insurance payment received) and on short sales (net of insurance payment received), $89.9 million and $15.9 million, respectively. The remaining HMRB foreclosed properties were written down by $27.2 million to reflect anticipated losses, net of anticipated insurance payment, upon sale of the foreclosed properties.

- The net total allowance for loan loss reserve under the HMRB indenture decreased by $5.3 million changing from $122.3 million in fiscal year 2011 to $117.0 million in fiscal year 2012.

- The Agency continued to actively manage and reduce the Fund's interest expense and exposures within the debt portfolio and redeemed $1.24 billion of bonds during fiscal year 2012.

- In June 2012, the Agency closed a bond issuance and converted $466.1 million of temporary rate bonds to permanent fixed rate bonds under the Federal Government's HFA Initiative Program – New Issue Bond Program ("NIBP") for the purpose of refunding variable rate bonds issued under the HMRB indenture. The refunding is scheduled to occur in July 2012.

- During fiscal year 2012, $75.1 million was transferred into the Fund by the State pursuant to the Housing and Emergency Shelter Trust Fund Act of 2002. The funds were used to make loans and grants to borrowers and homeowners through programs administered by the Agency on a contract basis.

- As part of the Governor's Reorganization Plan (GRP) for California government in 2012, both the Agency and Department of Housing and Community Development are scheduled to move into the newly formulated Business, Consumer Services and Housing Agency ("BCSHA") while the Business, Transportation and Housing Agency ("BT&H") is dissolved. An excerpt from the GRP No. 2 states that: " (12) Existing law establishes the California Housing Finance Agency within the Business, Transportation and Housing Agency, and authorizes the California Housing Agency to carry out various powers and duties relating to meeting the housing needs of persons and families of low or moderate income. This plan would instead provide that the California Housing Finance Agency is within the Department of Housing and Community Development and make various conforming changes."

- In April/May 2012, the Little Hoover Commission, an independent state oversight agency, reviewed the GRP and approved a reorganization that keeps both entities intact. The Agency would retain its board structure and independence to manage financial risks and its bond debt. The Project Initiation Document ("PID") is due to the Governor's Office in late 2012 and it is expected that the major areas of the collaboration/consolidation model are in place by July 1, 2013.

- The Agency's Standard and Poor's issuer credit and HMRB ratings, along with the Agency's ratings from Moody's, remained unchanged during fiscal year 2012.

**Condensed Financial Information:**

**Condensed Schedule of Assets, Liabilities, and Net position**

The following table presents condensed Schedule of Assets, Liabilities, and Net Position for the Fund as of June 30, 2012 and 2011 and the change from the prior year (dollars in millions):

**Condensed Statement of Net Assets**

| | 2012 | 2011 | Change |
|---|---|---|---|
| Assets | | | |
| Cash and investments | $ 2,789 | $ 3,336 | $ (547) |
| Program loans receivable-net | 5,459 | 6,321 | (862) |
| Other | 500 | 562 | (62) |
| Total Assets | 8,748 | 10,219 | (1,471) |
| Liabilities | | | |
| Bonds payable | 6,503 | 7,843 | (1,340) |
| Unamortized premium/Deferred gain | 6 | 8 | (2) |
| Notes payable | 88 | 91 | (3) |
| Other | 701 | 797 | (96) |
| Total Liabilities | 7,298 | 8,739 | (1,441) |
| Net Position | | | |
| Invested in capital assets | 1 | 1 | - |
| Restricted net position | 1,449 | 1,479 | (30) |
| Total Net Position | $ 1,450 | $ 1,480 | $ (30) |
| Total Liabilities and Net Position | $ 8,748 | $ 10,219 | $ (1,471) |

**Assets**

Of the Fund's assets, 94.3% is represented by cash and investments and program loans receivable. The Fund does not have a significant investment in capital assets, holding $1.1 million in furniture and equipment.

Total assets decreased by $1.47 billion during fiscal year 2012. The Fund's cash and investments were $2.79 billion as of June 30, 2012, a decrease of $546.6 million from June 30, 2011. The cash and investments balance decrease is primarily due to the increased in bond redemption activity in Homeownership and Multifamily Programs.

Of the Fund's assets, 31.9% is in the form of cash and investments at fiscal year end. Of the Fund's investment balance, 9.5% is in investment agreements. The amount of funds invested in investment agreements during the 2012 fiscal year decreased by $25.4 million. Additionally, $1.31 billion of the Fund's investments are held in the State's Surplus Money Investment Fund ("SMIF") and earn a variable rate of interest. The amount of funds invested in SMIF during fiscal year 2012 decreased by $199.5 million.

The composition of cash and investments as of June 30, 2012 and 2011 and the changes from the prior year are shown in the table below (dollars in millions):

**Cash and Investments**

| | 2012 | 2011 | Change |
|---|---|---|---|
| Investment agreements | $ 212 | $ 237 | $ (25) |
| SMIF | 1,312 | 1,512 | (200) |
| Securities | 705 | 456 | 249 |
| Cash | 560 | 1,131 | (571) |
| Total Cash and Investments | $ 2,789 | $ 3,336 | $ (547) |

Program loans receivable decreased by $862.3 million during fiscal year 2012 compared to fiscal year 2011. This decrease is primarily due to an increase in loan prepayments along with an increase in loan write-offs in fiscal year 2012. Loan prepayments decreased to $637.8 million during fiscal year 2012 compared to $776.9 million received in fiscal year 2011. Real estate owned ("REO") properties decreased $106.3 million to $86.2 million during fiscal year 2012 compared to $192.5 million in fiscal year 2011.

As of June 30, 2012 and June 30, 2011, the fair values of interest rate swaps were in the negative position of $324.4 million and $252.4 million, respectively.

Other Assets decreased by $61.8 million during fiscal year 2012 when compared to fiscal year 2011. The decrease is primarily due to the recording of the deferred outflow of resources related to interest rate swaps, and a decrease in REO properties offset by the increase in cash collateral held by the swap counterparties.

**Liabilities**

The Fund's liabilities were $7.30 billion as of June 30, 2012, a decrease of $1.44 billion from June 30, 2011. Of the Fund's liabilities, 89.2% is in the form of bond indebtedness. The Fund's bonds payable at June 30, 2012 decreased by $1.34 billion from the prior year mainly due to the scheduled principal payments and $1.24 billion in bond redemptions. The Agency's governing statutes impose a cap of $13.15 billion for bonds and notes issued and outstanding within the Fund for the year ended June 30, 2012 and 2011.

All of the bonds issued by the Agency are reported within the Fund and also includes the reporting of conduit bond obligations as liabilities in the accompanying financial statements along with the related assets. The bonds are limited obligations of the Agency, payable solely from the revenues and other funds and money pledged and assigned under the applicable indenture, series indenture, or master pledge and assignment (see Note 7).

The Agency issues both tax-exempt and federally taxable bonds. During the 2012 fiscal year, federally taxable bonds outstanding decreased by $1,002.8 million and as of June 30, 2012 represent 21.1% of all bonds outstanding, while tax-exempt bonds outstanding decreased by $337.3 million and as of June 30, 2012 represent 78.9% of all bonds outstanding. The use of federally taxable bonds allows the Agency to leverage its allocation of the Private Activity Bond volume cap for the Homeownership Programs. This limitation is imposed by the federal government to regulate the issuance of tax-exempt bonds for private purposes. During fiscal year 2012, the Agency did not issue any taxable bonds.

Shown below are the amounts of variable and fixed rate indebtedness, by tax status, as of June 30, 2012 and 2011 and the changes from the prior year (dollars in millions):

**Bonds Payable**

| | 2012 | 2011 | Change |
|---|---|---|---|
| Tax-Exempt Bonds | | | |
| *Variable Rate | $ 2,496 | $ 3,226 | $ (730) |
| Fixed Rate | 2,638 | 2,245 | 393 |
| Total Tax-Exempt Bonds | 5,134 | 5,471 | (337) |
| Federally Taxable Bonds | | | |
| *Variable Rate | 1,025 | 2,014 | (989) |
| Fixed Rate | 344 | 358 | (14) |
| Total Federally Taxable Bonds | 1,369 | 2,372 | (1,003) |
| Total Bonds Outstanding | $ 6,503 | $ 7,843 | $ (1,340) |

* Certain variable rate bonds have been swapped to a fixed rate (see Note 7 to the Financial Statements).

All other liabilities decreased by $95.9 million during fiscal year 2012. The decrease was a combination of reclassification of gap loan loss reserve and mortgage insurance loan loss reserve to allowance for loan loss against the loan receivables, swap liability increase, and decrease in Pooled Money Investment Account (PMIA) loan payable. As of June 30, 2012, there was no outstanding balance for PMIA.

**Net position**

All of the Fund's net position is restricted pursuant to trust agreements with bondholders and the Agency's enabling legislation or invested in capital assets. Total net position of the Fund decreased by $30.3 million primarily as a result of transfers to the Fund in the amount of $75.1 million pursuant to the Housing and Emergency Shelter Trust Fund Acts of 2002 and 2006 and was offset by operating losses of the Fund in the amount of $105.4 million.

**Revenues, Expenses, and Changes in Net position**

The following table presents condensed schedules of revenues, expenses, and changes in net position for the Fund for the fiscal years ended June 30, 2012 and June 30, 2011 and the changes from the prior year (dollars in millions):

**Condensed Schedules of Revenues, Expenses, and Changes in Net position**

| | 2012 | 2011 | Change |
|---|---|---|---|
| Operating Revenues: | | | |
| Interest income program loans – net | $ 289 | $ 346 | $ (57) |
| Interest income investments – net | 34 | 32 | 2 |
| Increase (Decrease) in fair value of investments | 42 | (5) | 47 |
| Other loan and commitment fees | 30 | 31 | (1) |
| Other revenues | 19 | 100 | (81) |
| Total Operating Revenues | 414 | 504 | (90) |
| Operating Expenses: | | | |
| Interest | 191 | 249 | (58) |
| Mortgage servicing fees | 12 | 14 | (2) |
| Salaries & general expenses | 41 | 43 | (2) |
| Other expenses | 275 | 315 | (40) |
| Total Operating Expenses | 519 | 621 | (102) |
| Operating Loss before transfers | $ (105) | $ (117) | $ 12 |

**Operating Revenues**

Total operating revenues of the Fund were $413.9 million during fiscal year 2012 compared to $504.2 million during fiscal year 2011, a decrease of $90.3 million or 17.9%.

Interest income on program loans was $289.4 million during fiscal year 2012 compared to $346.4 million during fiscal year 2011, a decrease of $57 million. The decrease in interest income on program loans is primarily the result of a decrease in interest income on program loans and a net increase in the yield reduction liability for the Fund's homeownership and multifamily loan portfolios. Overall, program loans receivable decreased $862.2 million or 13.6% at June 30, 2012 compared to June 30, 2011.

Interest income from investments increased 8.6% to $34.3 million in fiscal year 2012 from $31.6 million in fiscal year 2011. The increase is primarily due to the increase in interest income from mortgage backed securities. Investment Agreements decreased $25.4 million from $237.3 million at June 30, 2011 to $211.9 million as of June 30, 2012, while SMIF decreased $200 million from $1.51 billion to $1.31 billion.

The increase in the total fair value of investments was $41.6 million in fiscal year 2012, a net increase of $46.5 million from fiscal year 2011, which had a decrease of $4.9 million in the fair value of investments. There was no gain on sale of securities in fiscal year ending June 30, 2012.

Other loan and commitment fees decreased $1.3 million to $30 million in fiscal year 2012 compared to $31.3 million for fiscal year 2011. The decrease was primarily due to the lower amount of loan servicing fees and the application fees received by the Fund.

Other revenues decreased by $81.2 million to $18.6 million during fiscal year 2012 compared to $99.8 million in fiscal year 2011. The decrease was primarily due to the decrease in the gain on debt extinguishment and the decrease in fair value of investment swap revenue.

**Operating Expenses**

Total operating expenses of the Fund were $519.3 million during fiscal year 2012 compared to $621.1 million during fiscal year 2011, a decrease of $101.8 million or 16.4%. The decrease is primarily due to the decrease in bond interest expenses and swap expenses.

Bonds payable at June 30, 2012 decreased by $1.34 billion from June 30, 2011 and bond interest and swap expense, which represents 36.8% of the Fund's total operating expenses, decreased by $58.0 million or 23.3% compared to fiscal year 2011. The decrease in bond interest and swap expense is attributed to the increased bond redemption activity and the Agency's participation in the Temporary Credit and Liquidity Program ("TCLP") which provides replacement credit and facilities for existing variable rate debt for State and local Housing Finance Agencies.

Salaries and general expenses slightly decreased from $42.7 million during fiscal year 2011 to $41.3 million during fiscal year 2012 (as shown in the condensed statements of revenues, expenses and changes in net position).

**Operating Loss before Transfers**

Operating loss before transfers for fiscal year 2012 was $105.4 million compared to an operating loss of $116.9 million for fiscal year 2011. The $11.5 million decrease in operating loss before transfers is reflective of the activities mentioned above.

**CALIFORNIA HOUSING FINANCE FUND**
**STATEMENTS OF NET POSITION**
**June 30, 2013 and June 30, 2012**
(Dollars in Thousands)

| | 2013 Totals | 2012 Totals |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $ 35,025 | $ 559,865 |
| Investments | 1,375,758 | 1,652,102 |
| Current portion - program loans receivable, net of allowance | 155,133 | 163,801 |
| Interest receivable: | | |
| Program loans, net | 30,974 | 29,018 |
| Investments | 4,461 | 6,506 |
| Accounts receivable | 18,909 | 24,894 |
| Other assets | 3,576 | 85,536 |
| Total current assets | 1,623,836 | 2,521,722 |
| Noncurrent assets: | | |
| Investments | 489,991 | 577,505 |
| Program loans receivable, net of allowance | 4,631,407 | 5,295,050 |
| Deferred financing costs | 17,728 | 23,860 |
| Other assets | 21,504 | 329,867 |
| Total noncurrent assets | 5,160,630 | 6,226,282 |
| Total assets | 6,784,466 | 8,748,004 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Accumulated increase in fair value of hedging derivatives | 126,717 | - |
| LIABILITIES | | |
| Current liabilities: | | |
| Bonds payable | 105,988 | 107,273 |
| Notes payable | 2,888 | - |
| Interest payable | 70,690 | 84,955 |
| Due to other government entities, net | 898 | 570 |
| Compensated absences | 4,263 | 4,254 |
| Deposits and other liabilities | 248,196 | 230,370 |
| Total current liabilities | 432,923 | 427,422 |
| Noncurrent liabilities: | | |
| Bonds payable | 4,712,924 | 6,402,243 |
| Notes payable | 78,170 | 87,929 |
| Due to other government entities, net | 28,888 | 32,805 |
| Other liabilities | 217,718 | 324,224 |
| Unearned revenues | 21,915 | 23,569 |
| Total noncurrent liabilities | 5,059,615 | 6,870,770 |
| Total liabilities | 5,492,538 | 7,298,192 |
| Commitments and contingencies (see notes 11 and 13) | | |
| DEFERRED INFLOWS OF RESOURCES | | |
| Accumulated increase in fair value of hedging derivatives | - | - |
| NET POSITION | | |
| Net investment in capital assets | 962 | 1,119 |
| Restricted by indenture | 347,318 | 323,271 |
| Restricted by statute | 1,070,365 | 1,125,422 |
| Total Net position | $ 1,418,645 | $ 1,449,812 |

See notes to financial statements.

**CALIFORNIA HOUSING FINANCE FUND**
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**
**Years Ended June 30, 2013 and June 30, 2012**
(Dollars in Thousands)

| | 2013 Totals | 2012 Totals |
|---|---|---|
| OPERATING REVENUES | | |
| Interest income: | | |
| Program loans, net | $ 256,268 | $ 289,433 |
| Investments, net | 31,302 | 34,332 |
| (Decrease) Increase in fair value of investments | (25,492) | 41,577 |
| Loan commitment fees | 2,090 | 2,577 |
| Other loan fees | 29,292 | 27,378 |
| Other revenues | 39,275 | 18,595 |
| Total operating revenues | 332,735 | 413,892 |
| SALARIES AND GENERAL EXPENSES | | |
| Interest | 171,835 | 191,265 |
| Amortization of bond discount and bond premium | (944) | (1,024) |
| Mortgage servicing expenses | 9,942 | 11,688 |
| Provision for program loan losses | 68,613 | 105,833 |
| Salaries and general expenses | 40,199 | 41,303 |
| Other expenses | 112,881 | 170,232 |
| Total salaries and general expenses | 402,526 | 519,297 |
| Operating loss before transfers | (69,791) | (105,405) |
| Transfers in | 38,624 | 75,142 |
| Decrease in net position | (31,167) | (30,263) |
| Accumulated increase in fair value of hedging derivatives | 1,449,812 | 1,480,075 |
| Net position at end of year | $ 1,418,645 | $ 1,449,812 |

See notes to financial statements.

**CALIFORNIA HOUSING FINANCE FUND**
**STATEMENTS OF CASH FLOWS**
**Years Ended June 30, 2013 and June 30, 2012**
(Dollars in Thousands)

| | 2013 Totals | 2012 Totals |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | $ 254,311 | $ 298,527 |
| Payments to suppliers | (21,591) | (23,828) |
| Payments to employees | (29,758) | (30,357) |
| Other receipts | 736,143 | 626,860 |
| Net cash provided by operating activities | 939,105 | 871,202 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Due from other government entities | 4,845 | (18,836) |
| Net cash used for noncapital financing activities | 4,845 | (18,836) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Proceeds from sales of bonds | 136,573 | 32,862 |
| Payment of bond principal | (106,808) | (139,387) |
| Early bond redemptions | (1,723,776) | (1,236,983) |
| Interest paid on debt | (186,098) | (206,990) |
| Interfund transfers | 38,624 | 75,142 |
| Changes in deferred costs | 983 | (47) |
| Net cash used for by capital and related financing activities | (1,840,502) | (1,475,403) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from maturity and sale of investments | 3,368,452 | 4,149,265 |
| Purchase of investments | (3,030,086) | (4,132,174) |
| Interest on investments, net | 33,346 | 34,834 |
| Net cash provided by (used for) investing activities | 371,712 | 51,925 |
| Net decrease in cash and cash equivalents | (524,840) | (571,112) |
| Cash and cash equivalents at beginning of year | 559,865 | 1,130,977 |
| Cash and cash equivalents at end of year | $ 35,025 | $ 559,865 |
| Reconciliation of operating income to net cash provided by (used in) operating activities: | | |
| Operating loss | $ (69,791) | $ (105,405) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Interest expense on debt | 171,835 | 191,265 |
| Interest on investments | (31,302) | (34,332) |
| Changes in fair value of investments | 25,491 | (41,577) |
| Accretion of capital appreciation bonds | - | 453 |
| Amortization of bond discount | 173 | 78 |
| Amortization of deferred losses on refundings of debt | (1,531) | 335 |
| Amortization of bond issuance costs | 5,149 | 4,875 |
| Amortization of bond premium | (2,105) | (1,916) |
| Amortization of deferred revenue | (2,090) | (2,577) |
| Depreciation | 284 | 277 |
| Provision for program loan losses | 68,613 | 105,833 |
| Provision for yield reduction payments | (8,038) | (3,092) |
| Provision for nonmortgage investment excess | (396) | (737) |
| Effect of changes in operating assets and liabilities: | | |
| Purchase of program loans-net | (230,764) | (171,765) |
| Collection of principal from program loans, net | 900,521 | 919,276 |
| Interest receivable | (1,957) | 9,096 |
| Accounts receivable | 9,024 | 919 |
| Other assets | 194,225 | (60,116) |
| Compensated absences | 9 | (111) |
| Deposits and other liabilities | 17,825 | (1,167) |
| Other liabilities | (106,070) | 61,590 |
| Net cash provided by operating activities | $ 939,105 | $ 871,202 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Noncash transfer of program loan to REO | $ 86,662 | $ 115,948 |

See notes to financial statements.

**CALIFORNIA HOUSING FINANCE FUND**
**NOTES TO FINANCIAL STATEMENTS**
**Fiscal Years Ended June 30, 2013 and 2012**

**Note 1 – AUTHORIZING LEGISLATION AND ORGANIZATION**

The California Housing Finance Fund ("Fund") is one of two continuously appropriated funds administered by the California Housing Finance Agency ("Agency"). The Agency was created by the Zenovich-Moscone-Chacon Housing and Home Finance Act ("Act"), as amended, as a public instrumentality, a political subdivision and a component unit of the State of California ("State"), and administers the activities of the Fund and the California Housing Loan Insurance Fund ("Mortgage Insurance Fund"). These funds allow the Agency to carry out its purpose of financing the housing needs of persons and families of low and moderate income within the State. The Agency is authorized to issue its bonds, notes and other obligations to fund loans to qualified borrowers for single family houses and multifamily developments. The Agency has no taxing power and is exempt from federal income taxes and state franchise taxes. Funding of loan programs on an on-going basis is derived principally from bond proceeds and interest earned on loans and investments.

The Agency is governed by a Board of Directors which consists of 11voting members and three non-voting members. Of the 11 voting members, six are appointed by the Governor, three are ex-officio and two are appointed by the Legislature. The statutory role of the Board is to: 1) enact the annual financing resolutions that permit the issuance of bonds and 2) enact the Agency's operating budget and business plan. Subject to the supervision of the Board, the Agency's day-to-day operational authority statutorily resides with the Agency's Executive Director.

The Agency may also provide administrative, consulting and technical services in connection with the financing of housing developments; act as a State representative in receiving and allocating federal housing subsidies; and make grants, under certain circumstances, to housing sponsors (providing that grants may not be made with proceeds from the sale of bonds or notes).

The Agency is the administrator of the Home Purchase Assistance Fund, established by Section 51341 of the Health and Safety Code *et seq*. which is a state general obligation bond program, the funds of which are neither generated nor held within the Fund, and therefore, not included in the accompanying financial statements.

The accompanying financial statements are the financial statements of the Fund and do not include the financial position or the results of operations of the Mortgage Insurance Fund which insures loans owned by the Agency and others to finance the acquisition, new construction or rehabilitation of residential structures in California. As of December 31, 2012, the Mortgage Insurance Fund had total assets of $1.2 million and deficit of $111.2 million (not covered by this Independent Auditors' Report).

The accompanying financial statements are the financial statements of the Fund and do not include the financial position or the results of operations of CalHFA Mortgage Assistance Corporation ("CalHFA MAC") which is a nonprofit public benefit corporation and organized as an entity separate from CalHFA. As of September 30, 2012, CalHFA MAC had total assets of $278.3 million and net position of $26 thousand (not covered by this Independent Auditors' Report).

As a fund of a component unit of the State, the financial information of the Fund is included in the State's Comprehensive Annual Financial Report.

Programs and accounts are as follows:

*Home Mortgage Revenue Bonds*: The Home Mortgage Revenue Bonds provide financing for the Agency's Home Mortgage Program which purchases eligible mortgage loans, secured by trust deeds on newly constructed or existing single family homes, condominiums, planned unit developments and manufactured housing permanently attached to the land and originated and serviced by qualified lending institutions. All mortgage loans purchased under this program will be insured either by the Federal Housing Administration ("FHA"), the Mortgage Insurance Fund, the Department of Veterans Affairs ("VA"), a private mortgage guaranty insurance policy, or a combination thereof, covering a loss of up to fifty percent (50%), one hundred percent (100%) in the case of a FHA insured loan, of the outstanding principal amount of the mortgage loans.

*Housing Program Bonds:* The Housing Program Bonds Indenture was created to provide a vehicle for issuing debt to finance either multifamily or single family programs of the Agency. Bonds issued under this indenture are backed by the Agency's general obligation. As of June 30, 2013, the Agency has three series of bonds issued and outstanding under this indenture. These bonds were issued to finance deferred payment, simple interest loans originated under certain of the Agency's down payment assistance programs, as well as to finance certain multifamily loans.

*Residential Mortgage Revenue Bonds:* The Residential Mortgage Revenue Bonds are issued by the Agency pursuant to a national initiative of the United States Treasury to assist state and local housing finance authorities by the Federal Program. The Bonds, issued as escrow bonds pursuant to the Indenture, are to be converted to long-term fixed-rate bonds. The Treasury has agreed, through government-sponsored agencies, to purchase certain mortgage revenue bonds at rates lower than the prevailing market intended to reduce the costs of funds to issuers to the making or financing of mortgage loans.

*Multifamily Loan Purchase Bonds*: On July 26, 2000, the Agency purchased 278 Department of Housing and Urban Development ("HUD") Section 236 loans with an aggregate unpaid principal balance of approximately $270 million. The purpose of this transaction was to enhance the ability of the Agency to assist affordable housing sponsors to refinance their projects and extend the period during which the units are offered at affordable rents to very-low-income and lower-income tenants. The Agency expects to provide the financing for many of these transactions.

*Multifamily Housing Revenue Bonds II*: The Multifamily Housing Revenue Bonds II are fixed rate bonds collateralized by the GNMA mortgage-backed securities and/or FHA insured loans. The bonds were issued to provide financing for multi-unit rental housing developments which are utilized for occupancy by persons and families of low and moderate income. The loans may provide acquisition, construction (both for new construction and rehabilitation) and permanent financing for developments.

*Multifamily Housing Revenue Bonds III*: The Multifamily Housing Revenue Bonds III are fixed or variable rate bonds collateralized by GNMA mortgage-backed securities and/or FHA insured loans and/or uninsured loans. The bonds provide financing for multi-unit rental housing developments which are utilized for occupancy by persons and families of low and moderate income. The loans may provide acquisition, construction (both for new construction and rehabilitation), and permanent financing for developments.

*Variable Rate Demand Limited Obligation Multifamily Housing Revenue Bonds (Mission Gardens Apartments Project):* This Bond is issued pursuant to and in compliance with the Zenovich Moscone Chacon Housing and Home Finance Act, consisting of Parts 1 through 4 of Division 31 of the California Health and Safety Code, and a resolution of the Issuer. The Bonds are special, limited obligations of the Issuer payable solely from and secured by the Trust Estate pledged therefore pursuant to the Indenture. The Bonds are issued to provide funds to finance a multifamily housing project located in the City of Santa Cruz, California, owned by Mission Gardens Affordable, L.P., a California limited partnership.

*Variable Rate Demand Limited Obligation Multifamily Housing Revenue Bonds (Montecito Village Apartments Project):* This Bond is issued pursuant to and in compliance with the Zenovich Moscone Chacon Housing and Home Finance Act, consisting of Parts 1 through 4 of Division 31 of the California Health and Safety Code, and a resolution of the Issuer. The Bonds are special, limited obligations of the Issuer payable solely from and secured by the Trust Estate pledged therefore pursuant to the Indenture. The Bonds are issued to provide funds to finance a multifamily housing project located in the City of Ramona, California, owned by Montecito Village Affordable, L.P., a California limited partnership.

*Limited Obligation Multifamily Housing Revenue Bonds (Fairmont Apartments Project):* The bonds were issued to finance a loan to the borrower for acquisition, rehabilitation and development of a 31-unit multifamily rental housing project located in the City of Oakland, California, and known as Fairmont Apartments.

*Limited Obligation Multifamily Housing Revenue Bonds (Belovida Apartment Project):* The bonds were issued pursuant to a Trust Indenture dated as of August 1, 2010 between the Agency and U.S. Bank National Association, as Trustee. The proceeds of the Bonds are used by the Agency to finance a mortgage loan, to Belovida at Newbury Park, L.P., for the purpose of financing a portion of the cost of the acquisition, construction and development of a multifamily rental housing development located in the city of San Jose, California. As of February 15, 2013, the bonds were fully redeemed.

*Limited Obligation Multifamily Housing Revenue Bonds (Highlands Point Apartments):* The bonds were issued pursuant to the Act and this Indenture to finance the acquisition, construction and development of an approximately 293-unit multifamily rental housing development located within the City of San Ramon, California to be known as Highlands Point Apartments for persons and families of low or moderate income.

*Limited Obligation Multifamily Housing Revenue Bonds (South Pace Apartments):* The bonds were issued pursuant to the Act for the purpose of funding a loan to finance the borrower's acquisition, rehabilitation, and development of a 93-unit multifamily rental housing project located in the City of Fairfield, California and known as South Pace apartments. The loan is secured by certain Construction Deed of Trust with Absolute Assignment of Leases and Rents, Security Agreement and Fixture Filing.

*Limited Obligation Multifamily Housing Revenue Bonds (GNMA Collateralized Mortgage Loan - One Santa Fe Apartments):* The bonds were issued to acquire fully modified mortgage-backed securities, Ginnie Mae Certificates, issued by PNC Bank, N.A. backed by a mortgage loan to 1SF-R, LP, which mortgage loan is insured by the Secretary of Housing and Urban Development. The Mortgage Loan is made to the borrower to provide for the financing of a multifamily rental housing development located in Los Angeles, California and to be known as One Santa Fe Apartment.

*Limited Obligation Multifamily Housing Revenue Bonds (Woolf House Apartments):* The bonds were issued for the purpose of making a loan to Woolf House Partners LP, to finance a portion of the costs of acquiring, rehabilitating equipping and otherwise improving an existing 182-unit residential rental apartment complex.

*Limited Obligation Multifamily Housing Revenue Bonds (Willow Wood Denny Place Apartment Project):* The Bonds are issued pursuant to the Trust Indenture, dated as of March 1, 2013, between the Agency and U.S. Bank National Association, as Trustee. The

bonds were issued to finance a loan to the borrower for the acquisition, rehabilitation and development of a 36-unit multifamily rental housing project located in the City of North Hollywood, California.

*Affordable Multifamily Housing Revenue Bonds:* The Affordable Multifamily Housing Revenue Bonds are issued under the Indenture in connection with the New Issue Bond Program of the HFA Initiative pursuant to the Memorandum of Understanding dated October 19, 2009 among Treasury, the Federal Housing Finance Agency, Fannie Mae and Freddie Mac to facilitate financing for various state and local housing finance agencies to serve homebuyers and low and moderate income renter.

*Housing Assistance Trust*: The Housing Assistance Trust ("HAT") is comprised of Agency investments in special purpose mortgage loans promoting both rental housing and homeownership, remaining investments in mortgage loans from fully redeemed bond indentures, and funds to assist in the development of single and multifamily projects through various low-interest loan and technical assistance programs. Also, included within HAT are funds held in trust representing Earned Surplus and Financial Adjustment Factor ("FAF") Savings from HUD Section 8 projects. Earned Surplus is to be used in lowering the rents for persons and families of low or moderate income in accordance with state law. FAF Savings are to be used in providing decent, safe, and sanitary housing, which is available for very-low income families and persons qualifying in accordance with federal law.

*Contract Administration Programs*: The Agency administers loan and grant programs for the Rental Housing Construction Program, the School Facilities Fee Assistance Program, the California Homebuyer's Down payment Assistance Program, National Foreclosure Mitigation Counseling Program, Mental Health Services Act Housing Program, and programs offered pursuant to the Housing and Emergency Shelter Trust Fund Act of 2002 and 2006. Funding of these programs was appropriated by the legislature or provided by voter authorized State bond programs to other departments and agencies within the State that have contracted with the Agency for this purpose. All monies transferred in accordance with the agreements and for the purposes of the program are considered assets of the Fund. The Fund had cash and non-cash transfers in the amount of $38.6 million and $75.1 million for fiscal year 2013 and 2012, respectively.

*Supplementary Bond Security Account*: This account was established exclusively to secure issuances of bonds. This security may be accomplished by creating supplementary reserve accounts to provide for payment of the principal, interest, redemption premiums or sinking fund payments on bonds, or by insuring mortgage loans made with the proceeds of bond issues or to indemnify the Mortgage Insurance Fund for losses.

*Emergency Reserve Account:* This account was established by the Agency to meet its obligations and liabilities incurred in connection with its housing loan programs. This reserve is maintained at approximately one percent (1%) of the aggregate amount of the Agency's net program loans receivable.

*Loan Servicing:* The Agency services nearly all multifamily program loans, approximately 37.1% of the Agency's homeownership program loans in first lien position (as of June 30, 2013), and all junior or subordinate lien homeownership program loans and certain other loans for the California State Teachers' Retirement System and Fannie Mae. Loan servicing agreements require that the Agency hold and maintain escrow and reserve accounts, on behalf of borrowers, that are reported as "Deposits and Other Liabilities".

*Loan Warehousing:* Homeownership loans are typically warehoused as they are purchased from originating lenders and subsequently transferred to individual bond financings on a monthly basis. The Agency did not borrow any funds from the State's Pooled Money Investment Account ("PMIA") for the purpose of short-term warehousing of Agency loans in FY 2013.

*Citigroup Global Markets:* The Loan Agreements were made and entered into by and between the Agency and Citibank, N.A., as lender, under the Zenovich-Moscone-Chacon Housing and Home Finance Act. Pursuant to the Loan Agreements, the proceeds of the Agency Loans will be used to retire certain indebtedness of the Agency including to refund and redeem all or a portion of certain Multifamily Rental Housing Bonds of the Agency that were originally issued to finance the Projects, and for other valid purposes of the Agency under the Act.

*Operating Account:* The Operating Account was established for purposes of depositing funds available to the Agency for payment of operating and administrative expenses of the Agency and financing expenditures not associated with specific bond funds.

**Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation and Accounting:* The Fund is accounted for as an enterprise fund. Accordingly, the accompanying financial statements have been prepared using the accrual method of accounting and on the basis of accounting principles generally accepted in the United States of America (hereinafter referred to as "Generally Accepted Accounting Principles").

*Recently Adopted Accounting Pronouncements:* The Agency recently adopted GASB 62 and 63 for the period ending June 30, 2013. In December, 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective for periods beginning after December 15, 2011, with earlier application

encouraged. The objective of GASB Statement No. 62 is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is include in the FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for period beginning after December 15, 2011, with earlier application encouraged. GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. For fiscal year 2013, both GASB 62 and 63 had no effect on the financial statements of the Fund.

*New Accounting Pronouncements:* In March 2012, the GASB issued Statement No. 65, Items *Previously Reported as Assets and Liabilities*, effective for period beginning after December 15, 2012, with earlier application encouraged. GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflow of resources, certain items that were previously reported as assets and liabilities. The Agency will apply GASB No. 65 for the fiscal year beginning July 1, 2013.

*Use of Estimates*: The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates are used in determining the fair values of the interest rate swaps. The fair values of the swaps are based on factors such as future interest rates and a discount rate. Actual results could differ materially from those estimates.

*Cash and Cash Equivalents*: The Agency considers cash on hand, cash on deposit with financial institutions and cash held in money market funds to be cash and cash equivalents.

*Investments*: All investments are reported at fair value as determined by financial services providers or financial publications, except for certain non-participating fixed interest investment contracts which are valued using cost based measures. The net increase (decrease) in the fair value of investments includes both realized and unrealized gains and losses.

*Interest Rate Swap Agreements*: The Agency enters into interest rate swap agreements with swap counterparties to manage variable interest rate risk exposure resulting from the issuance of variable rate bonds. The interest rate swap agreements provide synthetic fixed rates of interest on the underlying bonds and are accounted for as matched swaps in accordance with settlement accounting. An interest rate swap is considered to be a matched swap if it is linked through designation with an asset or liability that is on the statements of net position, provided that it has the opposite interest characteristics of such Statements of net position item. Under settlement accounting, periodic net cash settlements under the swap agreements are treated as an increase or decrease in interest expense of the related bond liability over the lives of the agreements. While these swap contracts hedge floating rate bonds issued within the HMRB indenture, hedging expenses are a general obligation of the Agency that is often reimbursed with excess revenue transfers from the HMRB indenture. The interest rate swap agreements allow the Agency to manage the interest rate risk associated with variable rate debt.

*Program Loans Receivable, net*: Loans receivables are carried at their outstanding principal balances, less an allowance for loan losses.

*Allowance for Program Loan Losses*: The Agency's policy is to charge expenses for estimated probable losses which are established as an allowance for loan losses. The allowance is an amount that management believes will be adequate to absorb losses inherent in existing loans based on evaluations of collectability and prior loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the portfolio, overall portfolio quality, loan concentrations, specific problem loans, delinquencies, and anticipated economic and other conditions that may affect the borrowers' ability to repay the loans. While management uses the best information available to evaluate the adequacy of its allowance, future adjustments to the allowance may be necessary if actual experience differs from the factors used in making the evaluations.

*Other Real Estate Owned ("REO")*: Property acquired by the Agency through foreclosure is recorded at the lower of estimated fair value less estimated selling costs (fair value) or the carrying value of the related loan at the date of foreclosure and is included in "Other Assets" on the accompanying financial statements. At the time the property is acquired, if the fair value is less than the loan amounts outstanding, any difference is charged against the allowance for loan losses. After acquisition, valuations are periodically performed and, if the carrying value of the property exceeds the current fair value, a valuation allowance is established by a charge to operations. Subsequent increases in the fair value may reduce or eliminate the allowance. Operating costs on foreclosed real estate are expensed as incurred. Costs incurred for physical improvements to foreclosed real estate are capitalized if the value is recoverable through future sale.

*Bonds Payable and Notes Payable, net*: Bonds Payable and Notes Payable are carried at their outstanding principal balances, plus unamortized bond premiums, less unamortized bond discounts, unamortized underwriters discounts and deferred losses on refundings.

*Bond Premium, Discount and Deferred Financing Costs:* Premium, discount and financing costs on bonds are deferred and amortized over the life of the related bond issue using the straight line method of amortization.

*Capital Appreciation Bonds*: Capital appreciation bonds are payable upon redemption or at maturity in an amount equal to the initial principal amount of such bond plus an amount of interest which, based on semi-annual compounding from the original issuance date, will

produce a given yield to the stated maturity. This "Accreted Value" is accrued as bond interest, thereby increasing the original issuance amount of the capital appreciation bond which is not paid until redemption or maturity.

*Compensated Absences*: Agency employees accrue vacation or annual leave in varying amounts for each monthly period worked. Employees may accumulate leave time, subject to certain limitations, and upon retirement, termination, or death may be compensated for certain accumulated amounts at their then current rates of pay. The Agency records an expense for all accumulated leave that the Agency would be required to pay if all employees terminated their employment.

*Unearned Revenue*: Unearned revenue represents the receipt of certain loan commitment fees and other fees from lenders and borrowers, which is generally recognized as revenue over the life of the associated loans. Also included in unearned revenue is the cumulative amount by which pass-through revenues exceed expenses and allowable costs of issuance of certain programs.

*Net Position:* Net Position is equal to assets plus deferred outflows of resources less the sum of liabilities plus deferred inflows of resources. Net position is classified as net investment in capital assets or restricted net position. Net investment in capital assets represents investments in office equipment and furniture net of depreciation. Restricted net position represent net position balances under the lien of bond indentures that are therefore pledged to bondholders. State statutes further restrict other net position of the Fund solely for purposes of the Agency and provide for a continuing appropriation of such assets for the benefit of bondholders.

*Extinguishment of Debt*: The Agency accounts for gains and losses associated with debt refundings by deferring such gains or losses and recognizing them as revenues or expenses over the shorter of the term of the bonds extinguished or the term of the refunding bonds. Gains or losses associated with debt redemptions and maturing principal, other than refundings, are recognized as income or expense at the date of the extinguishment.

*Operating Revenues and Expenses*: The Fund's primary operating revenue is derived from the investment of bond proceeds in the loan programs and investment securities. The primary expense is interest expense on bonds outstanding. Net interest income is an important measure of performance for the Fund. "Interest income program loans" and "interest income investments-net" are shown as operating revenues in the statements of Revenue, Expenses and Changes in Net Position.

*Other Operating Revenues and Expenses:* The Agency administers certain Section 8 contracts under the HUD guidelines of New Construction and Substantial Rehabilitation. Included in most contracts is an administrative fee earned by the Agency which totaled $1.7 million for both years ended June 30, 2013 and 2012. The Agency also administers National Foreclosure Mitigation Counseling Program ("FMC"). The HUD and FMC pass-through payments aggregated $66.6 million and $73.4 million for the years ended June 30, 2013 and 2012, respectively, and are reported as other operating revenues and expenses within Other Programs and Accounts.

**Note 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS**

The Fund utilizes a cash and investment pool maintained by the State Treasurer's office. Each program and account's portion of this pool is included in investments on the statements of net position. In addition, other types of investments are separately held by most of the programs and accounts.

*Cash and Cash Equivalents*: At June 30, 2013 and 2012, all cash and cash equivalents, totaling $35 million and $559.9 billion, respectively, were covered by federal depository insurance or by collateral held by the Agency's agent in the Agency's name.

*Investments*: Investment of funds is restricted by the Act and the various bond resolutions and indentures of the Agency, generally, to certain types of investment securities, including direct obligations of the U.S. Government and its agencies, the State Treasurer's Pooled Money Investment Account, long term investment agreements which are issued by institutions rated within the top two ratings of a nationally recognized rating service, and other financial instruments.

In December 2010, the Agency entered into a U. S. Bank National Association Open Repurchase agreement with U.S. Bank through its Money Center for most of the programs except HMRB. In March 2013, U.S. Bank discontinued the Open Repurchase Investment. The Agency entered into an U.S. Bank National Association Daily Liquid (open-ended) Commercial Paper (Open CP) agreement with U.S. Bank in March, 2013, as an alternative to the Open Repurchase investment. The Open CP agreements are unsecured promissory notes issued by U.S. Bank National Association. The Open CP is not insured by Federal Deposit Insurance Corporation ("FDIC") or guaranteed by any governmental agency or authority, or by U.S. Bank. As of June 30, 2013, the par value and market value of Open CP agreements was $32 million.

The Agency is required to post collateral based on the Agency's current Long Term Debt Ratings assigned by either Standard and Poor's Rating Group or Moody's Investor Service, Inc., as set forth in each International Swap Dealers Association, Inc. ("ISDA") Master Agreement (see Note 7). The total cash and fair market value of investment securities posted as collateral at June 30, 2013 and 2012 was $61.9 million and $120.3 million, respectively.

Investments at June 30, 2013 and 2012 are as follows (dollars in thousands):

| | Fair Value June, 30 2013 | Fair Value June, 30 2012 |
|---|---|---|
| U.S. Agency Securities --- GNMA's | $ 250,223 | $ 423,058 |
| Federal Agency Securities | 239,768 | 154,447 |
| Investment Agreements --- Financial Institutions (at cost) | 61,381 | 141,624 |
| Total | | |
| Other Investments: | | |
| Surplus Money Investment Fund --- State of California | 1,238,133 | 1,312,147 |
| 'US Bank NA Open CP/Open Repo | 32,011 | 128,102 |
| Other Investment Agreements (at cost) | 44,233 | 70,229 |
| Total Investments | $ 1,865,749 | $ 2,229,607 |
| Current portion | 1,375,758 | 1,652,102 |
| Noncurrent portion | 489,991 | 577,505 |
| Total | $ 1,865,749 | $ 2,229,607 |

**Note 4 – INVESTMENT RISK FACTORS**

Investments by type at June 30, 2013 and 2012 are consists of the following (dollars in thousands):

| | 2013 Totals | 2012 Totals |
|---|---|---|
| U.S. Agency Securities --- GNMA's | $ 250,223 | $ 423,058 |
| Federal Agency Securities | 239,768 | 154,447 |
| Investment Agreements --- Financial Institutions (at cost) | 105,614 | 211,853 |
| US Bank NA Open CP/Open Repo | 32,011 | 128,102 |
| Surplus Money Investment Fund --- State of California | 1,238,133 | 1,312,147 |
| Total Investments | $ 1,865,749 | $ 2,229,607 |

There are many factors that can affect the value of investments. Some, such as credit risk, custodial credit risk, and concentration of credit risk and interest rate risk, may affect both equity and fixed income securities. Equity and debt securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates. It is the investment policy of the Agency to invest substantially all of its funds in fixed income securities, which limits the Agency's exposure to most types of risk.

*Credit Risk*: Fixed income securities are subject to credit risk, which is the chance that an issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. Certain fixed income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government are not considered to have credit risk.

The credit risk profile for fixed income securities at June 30, 2013 and 2012 are as follows (dollars in thousands):

| | 2013 Totals | 2012 Totals |
|---|---|---|
| Fixed income securities: | | |
| U.S. government guaranteed | $ 489,991 | $ 577,505 |
| Guaranteed interest contracts: | | |
| Rated Aaa/AA+ | - | 116 |
| Rated Aaa/NR | 6,059 | 12,716 |
| Rated Aa1/AA+ | 10 | - |
| Rated Aa2/AA | - | 12,399 |
| Rated Aa2/AA- | 6,675 | - |
| Rated Aa3/A+ | - | 128,102 |
| Rated A1+/P1 | 32,011 | - |
| Rated A1/AA+ | 6,078 | 8,845 |
| Rated A1/AA- | 32,893 | 53,011 |
| Rated A2/A | 53,899 | 110,208 |
| Rated A3/NR | - | 14,558 |
| Total fixed income securities | $ 627,616 | $ 917,460 |

*Custodial Credit Risk*: Custodial credit risk is the risk that in the event of the failure of the custodian, the investments may not be returned. At June 30, 2013, the Agency did not have any investments exposed to custodial credit. All investments are held by the State of California or by pledging financial institutions in the name of the Agency.

*Concentration of Credit Risk*: Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the Agency to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments. Investments issued or guaranteed by the U.S. government and investments in external investment pools, such as the commingled funds managed by the Agency are not considered subject to concentration of credit risk. At June 30, 2013, no investments in any one issuer exceed 5% of the net position, except for securities issued by the U.S. government or its agencies.

*Interest Rate Risk*: Interest rate risk is the risk that the value of fixed income securities will decline due to decreasing interest rates. The terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes. At June 30, 2013, the Agency does not have any debt investments that are highly sensitive to changes in interest rates.

Effective duration is the approximate change in price of a security resulting from a 100 basis points (1 percentage point) change in the level of interest rates. It is not a measure of time. The guaranteed interest contracts are valued at par and therefore not subject to interest rate risk. The effective duration for U.S. government guaranteed fixed income securities at June 30, 2013 and 2012 are as follows:

| | 2013 | 2012 |
|---|---|---|
| Fixed income securities: | | |
| U.S. government guaranteed | 16.00 | 16.31 |

**Note 5 – PROGRAM LOANS RECEIVABLE**

Changes in program loans receivable for the years ended June 30, 2013 and 2012 are as follows (dollars in thousands):

| | 2013 Totals | 2012 Totals |
|---|---|---|
| Beginning of year balance | $ 5,458,851 | $ 6,932,903 |
| Loans purchased/funded | 248,712 | 304,167 |
| Noncash transfers - REO | (86,662) | (115,948) |
| Amortized principal repayments | (238,313) | (178,580) |
| Prepayments | (575,547) | (637,826) |
| Principal Reduction Program | (18,094) | (1,491) |
| Chargeoffs | (55,365) | (115,626) |
| Unamortized Mortgage Discount | 146 | (3,101) |
| Transfer to mortgage-backed securities | - | (439,685) |
| Transfer to REO- net of write-down | 66,059 | (86,186) |
| Allowance for loan loss | (13,247) | (199,776) |
| | $ 4,786,540 | $ 5,458,851 |
| Current portion | $ 155,133 | $ 163,801 |
| Noncurrent portion | 4,631,407 | 5,295,050 |
| Total | $ 4,786,540 | $ 5,458,851 |

**Note 6 – ALLOWANCE FOR PROGRAM LOAN LOSSES**

Changes in the allowance for program loan losses for the year ended June 30, 2013 and 2012 are as follows (dollars in thousands):

| | 2013 Totals | 2012 Totals |
|---|---|---|
| Beginning of year balance | $ 199,776 | $ 94,326 |
| Provisions for program loan losses | 68,612 | 105,833 |
| Noncash transfer of Gap and CalHLIF reserve to Allowance for loan loss | - | 115,243 |
| Chargeoffs | (55,365) | (115,626) |
| End of year balance | $ 213,023 | $ 199,776 |

**Note 7 – BONDS AND NOTES PAYABLE AND ASSOCIATED INTEREST RATE SWAPS**

The Act empowers the Agency, on behalf of the Fund, to issue both federally taxable and tax exempt bonds and notes. Bonds and notes issued by the Agency are not debts of the State but are special and general obligations of the Agency payable solely from and collateralized by the revenues and other assets pledged under the respective indentures. The Act provides the Agency with the authority to have outstanding bonds or notes, at any one time, in the aggregate principal amount of $13.15 billion excluding refunding issues and certain taxable securities.

The Agency, on behalf of the Fund, as part of its interest rate risk management program, has entered into interest rate swap agreements with various counterparties wherein the Agency has agreed to pay fixed or variable rates of interest and receive floating rate payments.

Bonds payable and the terms and outstanding notional amounts and fair value of associated interest rate swaps as of June 30, 2013 are as follows (dollars in thousands):

| | Bonds | | | | | |
|---|---|---|---|---|---|---|
| Bond Issue | Type of Bond | Interest Rate Range | Final Maturity Date | Outstanding Fixed | Outstanding Variable | Total |
| Home Mortgage Revenue Bonds: | | | | | | |
| 2000 Series H | Taxable | 0.410% | 2017 | | $ 16,255 | $ 16,255 |
| 2000 Series J | Tax-Exempt | | | | | |
| 2000 Series N | Tax-Exempt | 0.130% | 2031 | | 15,930 | 15,930 |
| 2000 Series V | Taxable | 0.580% | 2032 | | 11,185 | 11,185 |
| 2000 Series V | Taxable | 0.580% | 2032 | | 15,490 | 15,490 |
| 2000 Series X-2 | Tax-Exempt | 0.130% | 2031 | | 4,805 | 4,805 |
| 2000 Series Z | Taxable | 0.470% | 2031 | | 30,840 | 30,840 |
| 2001 Series D | Taxable | 0.550% | 2022 | | 39,135 | 39,135 |
| 2001 Series G | Taxable | 0.490% | 2029 | | 32,375 | 32,375 |
| 2001 Series J | Tax-Exempt | 0.130% | 2032 | | 18,485 | 18,485 |
| 2001 Series K | Taxable | 0.530% | 2032 | | 39,815 | 39,815 |
| 2001 Series N | Tax-Exempt | | | | | |
| 2001 Series O | Taxable | 0.560% | 2032 | | 42,745 | 42,745 |
| 2001 Series S | Taxable | 0.600% | 2023 | | 28,585 | 28,585 |
| 2001 Series U | Tax-Exempt | 0.130% | 2032 | | 27,945 | 27,945 |
| 2001 Series V | Taxable | 0.420% | 2031 | | 13,600 | 13,600 |
| 2002 Series B | Tax-Exempt | 0.130% | 2033 | | 23,875 | 23,875 |
| 2002 Series C | Taxable | 0.540% | 2033 | | 22,665 | 22,665 |
| 2002 Series D | Taxable | 0.460% | 2030 | | 21,375 | 21,375 |
| 2002 Series F | Tax-Exempt | | | | | |
| 2002 Series H | Taxable | 0.540% | 2022 | | 17,650 | 17,650 |
| 2002 Series J | Tax-Exempt | 0.130% | 2033 | | 45,940 | 45,940 |
| 2002 Series L | Taxable | 0.540% | 2024 | | 17,940 | 17,940 |
| 2002 Series M | Tax-Exempt | 0.540% | 2025 | | 28,920 | 28,920 |
| 2002 Series O | Taxable | 0.510% | 2033 | | 13,715 | 13,715 |
| 2002 Series P | Tax-Exempt | | | | | |
| 2002 Series Q | Tax-Exempt | | | | | |
| 2002 Series U | Tax-Exempt | 0.130% | 2031 | | 20,350 | 20,350 |
| 2003 Series D | Tax-Exempt | 0.130% | 2022 | | 21,940 | 21,940 |
| 2003 Series F | Tax-Exempt | 0.130% | 2034 | | 7,535 | 7,535 |
| 2003 Series G | Taxable | 0.440% | 2034 | | 12,695 | 12,695 |
| 2003 Series H | Tax-Exempt | 0.130% | 2032 | | 28,285 | 28,285 |
| 2003 Series I | Taxable | 0.470% | 2033 | | 27,415 | 27,415 |

**Swaps**

| Type | Fixed Rate Paid By Agency | Floating Rate Received By Agency | Effective Date | Termination Date | Outstanding Notional/Applicable Amount | Fair Value |
|---|---|---|---|---|---|---|
| Fixed payer | 4.9000% | LIBOR @ 65% | 5/25/00 | 8/1/30 | $ 18,105 | $ (4,273) |
| Fixed payer | 4.5275% | LIBOR @ 65% | 10/5/00 | 8/1/15 | 12,860 | (594) |
| Fixed payer | 7.0960% | 6 mo LIBOR | 10/5/00 | 8/1/14 | 7,410 | (269) |
| Fixed payer | 4.5100% | LIBOR @ 65% | 12/13/00 | 8/1/31 | 21,400 | (4,354) |
| Fixed payer | 6.8430% | 3 mo LIBOR | 12/13/00 | 8/1/16 | 13,170 | (1,118) |
| Fixed payer | 6.2150% | 3 mo LIBOR+.26% | 1/25/01 | 8/1/19 | 27,710 | (3,567) |
| Fixed payer | 6.0100% | 3 mo LIBOR+.20% | 4/5/01 | 2/1/16 | 13,000 | (1,038) |
| Fixed payer | 4.1430% | LIBOR @ 65% | 5/31/01 | 8/1/24 | 26,710 | (2,815) |
| Fixed payer | 3.9910% | LIBOR @ 65% | 7/26/01 | 8/1/18 | 4,885 | (416) |
| Fixed payer | 6.3600% | 3 mo LIBOR+.27% | 7/26/01 | 8/1/20 | 31,370 | (4,551) |
| Fixed payer | 5.5300% | 3 mo LIBOR+.31% | 10/10/01 | 8/1/18 | 18,610 | (1,681) |
| Fixed payer | 4.1300% | SIFMA less .15% | 12/6/01 | 8/1/32 | 36,580 | (4,618) |
| Fixed payer | 3.8880% | LIBOR @ 65% | 4/18/02 | 8/1/27 | 32,770 | (5,411) |
| Fixed payer | 3.9940% | LIBOR @ 65% | 6/6/02 | 2/1/24 | 29,165 | (3,784) |
| Fixed payer | 3.8630% | LIBOR @ 65% | 8/8/02 | 8/1/32 | 50,970 | (5,298) |
| Fixed payer | 3.7280% | LIBOR @ 65% | 10/17/02 | 8/1/22 | 39,815 | (4,091) |
| Fixed payer | 3.1480% | LIBOR @ 65% | 12/12/02 | 8/1/22 | 47,885 | (4,422) |
| Fixed payer | 3.8200% | LIBOR @ 65% | 12/12/02 | 8/1/32 | 10,635 | (230) |
| Fixed payer | 2.6750% | LIBOR @ 60%+.26% | 8/7/03 | 8/1/30 | 32,565 | (68) |

| Bond Issue | Type of Bond | Interest Rate Range | Final Maturity Date | Outstanding Fixed | Outstanding Variable | Total |
|---|---|---|---|---|---|---|
| | | | Bonds | | | |
| 2003 Series K | Tax-Exempt | 0.120% | 2033 | | 37,810 | 37,810 |
| 2003 Series L | Taxable | 0.470% | 2034 | | 20,850 | 20,850 |
| 2003 Series M | Tax-Exempt | 0.130% | 2024 | | 28,010 | 28,010 |
| 2003 Series M | Tax-Exempt | 0.130% | 2034 | | 40,705 | 40,705 |
| 2003 Series N | Taxable | 0.500% | 2034 | | 20,660 | 20,660 |
| 2004 Series A | Tax-Exempt | | | | | |
| 2004 Series E | Tax-Exempt | 0.120% | 2035 | | 28,305 | 28,305 |
| 2004 Series E | Tax-Exempt | 0.120% | 2035 | | 43,845 | 43,845 |
| 2004 Series F | Taxable | 0.480% | 2035 | | 33,675 | 33,675 |
| 2004 Series G | Tax-Exempt | | | | | |
| 2004 Series G | Tax-Exempt | | | | | |
| 2004 Series I | Tax-Exempt | | | | | |
| 2005 Series A | Tax-Exempt | 0.130% | 2035 | | 85,760 | 85,760 |
| 2005 Series B | Tax-Exempt | 0.130% | 2016 | | 2,795 | 2,795 |
| 2005 Series B | Tax-Exempt | 0.120% | 2035 | | 82,790 | 82,790 |
| 2005 Series D | Tax-Exempt | 0.130% | 2038 | | 42,930 | 42,930 |
| 2005 Series F | Tax-Exempt | 0.120% | 2037 | | 40,915 | 40,915 |
| 2005 Series F | Tax-Exempt | 0.120% | 2038 | | 61,830 | 61,830 |
| 2005 Series H | Tax-Exempt | 0.130% | 2036 | | 29,545 | 29,545 |
| 2006 Series C | Tax-Exempt | 0.130% | 2037 | | 28,490 | 28,490 |
| 2006 Series C | Tax-Exempt | 0.130% | 2037 | | 71,120 | 71,120 |
| 2006 Series D | Tax-Exempt | 4.250% - 4.400% | 2017 | 20,000 | | 20,000 |
| 2006 Series E | Tax-Exempt | 4.600% - 5.000% | 2026 | 38,830 | | 38,830 |
| 2006 Series F | Tax-Exempt | | | | | |
| 2006 Series F | Tax-Exempt | 0.100% | 2041 | | 44,020 | 44,020 |
| 2006 Series G | Tax-Exempt | 3.700% - 3.875% | 2016 | 18,165 | | 18,165 |
| 2006 Series H | Tax-Exempt | 5.750% | 2030 | 14,195 | | 14,195 |
| 2006 Series I | Tax-Exempt | 4.600% - 4.875% | 2041 | 62,760 | | 62,760 |
| 2006 Series J | Tax-Exempt | 4.100% - 4.150% | 2016 | 12,710 | | 12,710 |
| 2006 Series K | Tax-Exempt | 4.550% - 5.500% | 2042 | 130,660 | | 130,660 |
| 2006 Series L | Tax-Exempt | 4.050% - 4.150% | 2016 | 18,880 | | 18,880 |
| 2006 Series M | Tax-Exempt | 4.550% - 5.000% | 2042 | 94,940 | | 94,940 |
| 2007 Series A | Taxable | 5.720% | 2032 | 88,340 | | 88,340 |
| 2007 Series B | Taxable | 0.470% | 2042 | | 40,000 | 40,000 |
| 2007 Series C | Taxable | 0.470% | 2042 | | 20,000 | 20,000 |
| 2007 Series D | Tax-Exempt | 4.150% - 4.400% | 2018 | 39,315 | | 39,315 |
| 2007 Series E | Tax-Exempt | 4.650% - 5.000% | 2042 | 98,415 | | 98,415 |
| 2007 Series F | Tax-Exempt | 4.500% - 4.700% | 2017 | 25,370 | | 25,370 |
| 2007 Series G | Tax-Exempt | 4.950% - 5.050% | 2029 | 65,615 | | 65,615 |
| 2007 Series G | Tax-Exempt | 5.500% | 2042 | 36,505 | | 36,505 |
| 2007 Series H | Tax-Exempt | 0.100% | 2033 | | 9,415 | 9,415 |
| 2007 Series H | Tax-Exempt | 0.100% | 2042 | | 50,000 | 50,000 |
| 2007 Series I | Tax-Exempt | 4.100% - 4.350% | 2017 | 9,780 | | 9,780 |
| 2007 Series J | Tax-Exempt | 5.750% | 2047 | 15,210 | | 15,210 |
| 2007 Series K | Tax-Exempt | 0.100% | 2037 | | 10,540 | 10,540 |
| 2007 Series K | Tax-Exempt | 0.100% | 2038 | | 25,000 | 25,000 |
| 2007 Series M | Taxable | 5.835% | 2032 | 77,610 | | 77,610 |
| 2007 Series N | Taxable | 0.470% | 2043 | | 60,000 | 60,000 |
| 2008 Series A | Tax-Exempt | 3.900% - 4.500% | 2020 | 28,180 | | 28,180 |
| 2008 Series B | Tax-Exempt | 4.800% - 5.000% | 2028 | 11,710 | | 11,710 |
| 2008 Series C | Tax-Exempt | 0.100% | 2041 | | 2,225 | 2,225 |
| 2008 Series C | Tax-Exempt | 0.100% | 2041 | | 3,420 | 3,420 |
| 2008 Series C | Tax-Exempt | 0.100% | 2041 | | 5,485 | 5,485 |
| 2008 Series C | Tax-Exempt | 0.100% | 2041 | | 7,760 | 7,760 |
| 2008 Series C | Tax-Exempt | 0.100% | 2041 | | 3,680 | 3,680 |

**Swaps**

| Type | Fixed Rate Paid By Agency | Floating Rate Received By Agency | Effective Date | Termination Date | Outstanding Notional/Applicable Amount | Fair Value |
|---|---|---|---|---|---|---|
| Fixed payer | 3.2700% | LIBOR @ 60%+.26% | 8/1/04 | 2/1/18 | 38,865 | (103) |
| Fixed payer | 3.0875% | LIBOR @ 60%+.26% | 8/1/04 | 8/1/30 | 23,250 | (1,605) |
| Fixed payer | 3.5400% | LIBOR @ 60%+.26% | 4/1/05 | 8/1/20 | 37,050 | (645) |
| Fixed payer | 4.1330% | LIBOR @ 60%+.26% | 4/1/05 | 2/1/35 | 43,845 | (966) |
| Fixed payer | 3.6100% | LIBOR @ 60%+.26% | 2/1/05 | 2/1/34 | 43,115 | (4,635) |
| Fixed payer | 4.0821% | LIBOR @ 60%+.26% | 8/1/04 | 2/1/35 | 3,465 | (101) |
| Fixed payer | 3.5600% | LIBOR @ 60%+.26% | 8/4/04 | 2/1/33 | 13,605 | (1,404) |
| Fixed payer | 3.8040% | LIBOR @ 60%+.26% | 4/5/05 | 8/1/35 | 85,760 | (10,836) |
| Fixed payer | 3.0490% | LIBOR @ 60%+.26% | 7/1/05 | 2/1/16 | 18,225 | (610) |
| Fixed payer | 3.7260% | LIBOR @ 60%+.26% | 7/1/05 | 2/1/35 | 10,200 | (336) |
| Fixed payer | 3.1580% | LIBOR @ 60%+.26% | 5/19/05 | 2/1/36 | 43,970 | (1,505) |
| Fixed payer | 3.3860% | LIBOR @ 60%+.26% | 7/28/05 | 2/1/38 | 46,775 | (1,913) |
| Fixed payer | 3.8570% | LIBOR @ 62%+.25% | 12/15/05 | 2/1/36 | 37,290 | (1,851) |
| Fixed payer | 4.0590% | LIBOR @ 62%+.25% | 4/19/06 | 2/1/37 | 71,120 | (4,886) |
| Fixed payer | 4.2550% | LIBOR @ 62%+.25% | 7/27/06 | 8/1/40 | 50,000 | (2,803) |
| Fixed payer | 4.1360% | LIBOR @ 62%+.25% | 7/27/06 | 2/1/41 | 60,000 | (5,769) |
| Fixed payer | 4.0480% | LIBOR @ 62%+.25% | 8/8/07 | 2/1/31 | 50,000 | (5,217) |
| Fixed payer | 4.2360% | LIBOR @ 62%+.25% | 8/8/07 | 2/1//38 | 50,000 | (6,000) |
| Fixed payer | 3.9870% | LIBOR @ 63%+.24% | 11/7/07 | 8/1/32 | 25,000 | (1,974) |
| Fixed payer | 4.0400% | LIBOR @ 63%+.24% | 11/7/07 | 2/1/38 | 25,000 | (1,974) |
| Fixed payer | 4.8000% | LIBOR @ 65% | 4/6/00 | 2/1/23 | 2,225 | (585) |
| Fixed payer | 4.1430% | LIBOR @ 65% | 5/31/01 | 8/1/24 | 10,075 | (2,013) |
| Fixed payer | 3.9940% | LIBOR @ 65% | 6/6/02 | 2/1/24 | 7,005 | (1,423) |
| Fixed payer | 3.8630% | LIBOR @ 65% | 8/8/02 | 8/1/32 | 7,760 | (1,748) |

| | Bonds | | | | | |
|---|---|---|---|---|---|---|
| Bond Issue | Type of Bond | Interest Rate Range | Final Maturity Date | Outstanding Fixed | Outstanding Variable | Total |
| 2008 Series D | Tax-Exempt | 0.100% | 2043 | | 1,680 | 1,680 |
| 2008 Series D | Tax-Exempt | 0.100% | 2043 | | 2,595 | 2,595 |
| 2008 Series D | Tax-Exempt | 0.100% | 2043 | | 1,355 | 1,355 |
| 2008 Series D | Tax-Exempt | 0.100% | 2043 | | 3,865 | 3,865 |
| 2008 Series D | Tax-Exempt | 0.100% | 2031 | | 10,020 | 10,020 |
| 2008 Series D | Tax-Exempt | 0.100% | 2031 | | 16,330 | 16,330 |
| 2008 Series D | Tax-Exempt | 0.100% | 2043 | | 4,210 | 4,210 |
| 2008 Series E | Tax-Exempt | 0.100% | 2032 | | 3,395 | 3,395 |
| 2008 Series F | Tax-Exempt | 0.100% | 2032 | | 14,305 | 14,305 |
| 2008 Series G | Taxable | 6.000% | 2025 | 50,000 | | 50,000 |
| 2008 Series H | Taxable | 4.950% | 2020 | 69,235 | | 69,235 |
| 2008 Series I | Taxable | | | | | |
| 2008 Series I | Taxable | | | | | |
| 2008 Series I | Taxable | 1.770% | 2042 | | 37,235 | 37,235 |
| 2008 Series J | Tax-Exempt | 4.500% - 5.125% | 2018 | 45,525 | | 45,525 |
| 2008 Series K | Tax-Exempt | 5.300% - 5.550% | 2033 | 89,710 | | 89,710 |
| 2008 Series L | Tax-Exempt | 5.200% - 5.550% | 2038 | 130,995 | | 130,995 |
| Housing Program Bonds: | | | | | | |
| 2004 Series A | Tax-Exempt | 0.130% | 2036 | | 26,835 | 26,835 |
| 2006 Series A | Tax-Exempt | 4.750% - 4.950% | 2036 | 42,890 | | 42,890 |
| Residential Mortgage Revenue Bonds: | | | | | | |
| 2009 Series A-5 | Tax-Exempt | 3.160% | 2041 | 408,160 | | 408,160 |
| 2009 Series A-6 | Tax-Exempt | 3.270% | 2030 | 69,950 | | 69,950 |
| 2010 Series A | Tax-Exempt | 1.400% - 4.625% | 2027 | 20,855 | | 20,855 |
| 2011 Series A | Tax-Exempt | 1.200% - 4.750% | 2028 | 63,600 | | 63,600 |
| 2013 Series A | Taxable | 2.900% | 2042 | 97,891 | | 97,891 |
| 2013 Series B | Taxable | 2.900% | 2042 | 33,273 | | 33,273 |
| Multifamily Loan Purchase Bonds: | | | | | | |
| 2000 Series A | Taxable | Variable | 2017 | | 9,087 | 9,087 |
| Multifamily Housing Revenue Bonds III: | | | | | | |
| 1997 Series A | Tax-Exempt | 5.850% - 6.000% | 2038 | 55,275 | | 55,275 |
| 1998 Series A | Tax-Exempt | 5.400% - 5.500% | 2038 | 24,785 | | 24,785 |
| 1998 Series B | Tax-Exempt | 5.400% - 5.500% | 2039 | 60,085 | | 60,085 |
| 1998 Series C | Tax-Exempt | 5.200% - 5.300% | 2022 | 6,365 | | 6,365 |
| 1999 Series A | Tax-Exempt | 5.200% - 5.375% | 2036 | 28,210 | | 28,210 |
| 2000 Series B | Tax-Exempt | | | | | |
| 2000 Series D | Tax-Exempt | | | | | |
| 2001 Series D | Tax-Exempt | 0.110% | 2021 | | 565 | 565 |
| 2001 Series E | Tax-Exempt | 0.130% | 2036 | | 31,235 | 31,235 |
| 2001 Series F | Tax-Exempt | 0.130% | 2032 | | 11,365 | 11,365 |
| 2001 Series G | Tax-Exempt | 0.130% | 2025 | | 3,085 | 3,085 |
| 2001 Series G | Tax-Exempt | 0.130% | 2036 | | 34,925 | 34,925 |
| 2001 Series G | Tax-Exempt | 0.130% | 2036 | | 8,700 | 8,700 |
| 2001 Series H | Taxable | 0.148% | 2036 | | 14,715 | 14,715 |
| 2002 Series A | Tax-Exempt | 0.130% | 2037 | | 8,635 | 8,635 |
| 2002 Series A | Tax-Exempt | 0.130% | 2037 | | 6,590 | 6,590 |

**Swaps**

| Type | Fixed Rate Paid By Agency | Floating Rate Received By Agency | Effective Date | Termination Date | Outstanding Notional/Applicable Amount | Fair Value |
|---|---|---|---|---|---|---|
| Fixed payer | 4.9000% | LIBOR @ 65% | 5/25/00 | 8/1/30 | 1,680 | (609) |
| Fixed payer | 4.1430% | LIBOR @ 65% | 5/31/01 | 8/1/24 | 2,595 | (477) |
| Fixed payer | 3.9910% | LIBOR @ 65% | 7/26/01 | 8/1/18 | 1,355 | (200) |
| Fixed payer | 4.1300% | SIFMA less .15% | 12/6/01 | 8/1/32 | 3,865 | (794) |
| Fixed payer | 4.8500% | LIBOR @ 65% | 11/18/08 | 2/1/17 | 17,100 | (1,044) |
| Fixed payer | 4.8000% | LIBOR @ 65% | 4/6/00 | 2/1/23 | 9,700 | (1,227) |
| Fixed payer | 4.8000% | LIBOR @ 65% | 11/18/00 | 2/1/17 | 4,210 | (622) |
| Fixed payer | 4.6600% | LIBOR @ 65% | 11/18/08 | 2/1/16 | 6,660 | (373) |
| Fixed payer | 3.8700% | LIBOR @ 65% | 11/18/08 | 8/1/17 | 15,720 | (1,047) |
| Fixed payer | 6.1950% | LIBOR | 8/1/02 | 8/1/14 | 5,080 | (123) |
| Fixed payer | 7.1100% | LIBOR | 11/18/08 | 8/1/22 | 30,315 | (7,180) |
| Fixed payer | 4.5850% | LIBOR @ 64% | 7/12/00 | 2/1/31 | 1,130 | (186) |
| Fixed payer | 4.3950% | LIBOR @ 64% | 11/18/08 | 2/1/31 | 12,545 | (2,759) |
| Fixed payer | 4.4520% | SIFMA less .20% | 6/28/01 | 8/1/22 | 2,050 | (316) |
| Fixed payer | 4.7120% | SIFMA less .15% | 6/28/01 | 2/1/36 | 44,045 | (10,338) |
| Fixed payer | 4.0290% | SIFMA less .20% | 2/1/02 | 2/1/32 | 12,800 | (1,797) |
| Fixed payer | 4.2050% | SIFMA less .15% | 2/1/02 | 8/1/36 | 3,100 | (494) |
| Fixed payer | 4.2050% | SIFMA less .15% | 2/1/02 | 8/1/36 | 36,400 | (6,641) |
| Fixed payer | 4.5950% | SIFMA less .15% | 2/1/04 | 2/1/34 | 8,700 | (1,940) |
| Fixed payer | 4.5000% | SIFMA less .15% | 8/1/02 | 8/1/32 | 15,400 | (3,032) |
| Fixed payer | 4.8900% | SIFMA less .15% | 2/2/04 | 2/1/37 | 10,660 | (2,851) |

| Bond Issue | Type of Bond | Interest Rate Range | Final Maturity Date | Bonds Outstanding Fixed | Bonds Outstanding Variable | Bonds Total |
|---|---|---|---|---|---|---|
| 2002 Series B | Tax-Exempt | 0.110% | 2031 | | 16,470 | 16,470 |
| 2002 Series C | Tax-Exempt | 0.126% | 2037 | | 5,835 | 5,835 |
| 2002 Series C | Tax-Exempt | 0.126% | 2037 | | 14,760 | 14,760 |
| 2002 Series D | Tax-Exempt | 0.130% | 2033 | | 3,920 | 3,920 |
| 2002 Series E | Tax-Exempt | 0.130% | 2037 | | 9,255 | 9,255 |
| 2002 Series E | Tax-Exempt | 0.130% | 2037 | | 37,785 | 37,785 |
| 2003 Series C | Tax-Exempt | 0.512% | 2038 | | 8,790 | 8,790 |
| 2003 Series C | Tax-Exempt | 0.512% | 2038 | | 12,720 | 12,720 |
| 2003 Series C | Tax-Exempt | 0.512% | 2038 | | 8,680 | 8,680 |
| 2004 Series A | Tax-Exempt | | | | | |
| 2004 Series B | Tax-Exempt | 1.784% | 2036 | | 1,695 | 1,695 |
| 2004 Series B | Tax-Exempt | 1.784% | 2036 | | 5,680 | 5,680 |
| 2004 Series B | Tax-Exempt | 1.784% | 2036 | | 4,990 | 4,990 |
| 2004 Series B | Tax-Exempt | 1.784% | 2036 | | 12,590 | 12,590 |
| 2004 Series B | Tax-Exempt | 1.784% | 2036 | | 1,535 | 1,535 |
| 2004 Series C | Tax-Exempt | 0.441% | 2037 | | 5 | 5 |
| 2004 Series C | Tax-Exempt | 0.441% | 2037 | | 7,045 | 7,045 |
| 2004 Series D | Tax-Exempt | 0.440% | 2039 | | 42,380 | 42,380 |
| 2005 Series A | Tax-Exempt | 0.110% | 2035 | | 2,155 | 2,155 |
| 2005 Series B | Tax-Exempt | 0.156% | 2038 | | 2,310 | 2,310 |
| 2005 Series B | Tax-Exempt | 0.156% | 2038 | | 2,180 | 2,180 |
| 2005 Series B | Tax-Exempt | 0.156% | 2038 | | 3,085 | 3,085 |
| 2005 Series C | Tax-Exempt | 3.900% - 4.900% | 2036 | 8,020 | | 8,020 |
| 2005 Series D | Tax-Exempt | 0.126% | 2038 | | 16,220 | 16,220 |
| 2005 Series E | Tax-Exempt | 4.350% - 5.125% | 2038 | 19,385 | | 19,385 |
| 2006 Series A | Tax-Exempt | 0.126% | 2041 | | 1,070 | 1,070 |
| 2006 Series A | Tax-Exempt | 0.126% | 2041 | | 1,360 | 1,360 |
| 2006 Series A | Tax-Exempt | 0.126% | 2041 | | 3,595 | 3,595 |
| 2007 Series A | Tax-Exempt | 4.400% - 4.750% | 2034 | 1,425 | | 1,425 |
| 2007 Series B | Tax-Exempt | 0.076% | 2040 | | 790 | 790 |
| 2007 Series B | Tax-Exempt | 0.076% | 2040 | | 1,470 | 1,470 |
| 2007 Series C | Tax-Exempt | 0.076% | 2042 | | 5,165 | 5,165 |
| 2007 Series C | Tax-Exempt | 0.076% | 2040 | | 4,625 | 4,625 |
| 2008 Series A | Tax-Exempt | 0.110% | 2040 | | 7,695 | 7,695 |
| 2008 Series B | Tax-Exempt | 0.131% | 2036 | | 17,985 | 17,985 |
| 2008 Series B | Tax-Exempt | 0.131% | 2038 | | 9,515 | 9,515 |
| 2008 Series C | Tax-Exempt | 0.187% | 2038 | | 5,335 | 5,335 |
| 2008 Series C | Tax-Exempt | 0.187% | 2036 | | 13,080 | 13,080 |
| 2008 Series C | Tax-Exempt | 0.187% | 2038 | | 740 | 740 |
| Affordable Multifamily Housing Revenue Bonds: | | | | | | |
| 2009 Series A-1 | Tax-Exempt | 4.090% | 2043 | 12,500 | | 12,500 |
| 2009 Series A-2 | Tax-Exempt | 3.210% | 2042 | 4,810 | | 4,810 |
| 2009 Series A-3 | Tax-Exempt | 3.210% | 2042 | 5,710 | | 5,710 |
| 2009 Series A-4 | Tax-Exempt | 3.210% | 2042 | 5,060 | | 5,060 |
| 2009 Series A-5 | Tax-Exempt | 3.210% | 2042 | 4,630 | | 4,630 |
| 2009 Series A-6 | Tax-Exempt | 3.010% | 2044 | 5,100 | | 5,100 |
| 2009 Series A-7 | Tax-Exempt | 3.010% | 2051 | 13,710 | | 13,710 |
| 2009 Series A-8 | Tax-Exempt | 3.010% | 2051 | 12,820 | | 12,820 |
| 2009 Series A-9 | Tax-Exempt | 3.010% | 2044 | 10,850 | | 10,850 |
| 2009 Series A-10 | Tax-Exempt | 3.010% | 2044 | 48,660 | | 48,660 |
| 2009 Series A-11 | Tax-Exempt | 3.010% | 2040 | 9,580 | | 9,580 |
| 2009 Series A-12 | Tax-Exempt | 3.010% | 2041 | 6,400 | | 6,400 |
| 2009 Series A-13 | Tax-Exempt | 3.010% | 2041 | 5,690 | | 5,690 |
| 2009 Series A-14 | Tax-Exempt | 3.010% | 2044 | 10,370 | | 10,370 |

**Swaps**

| Type | Fixed Rate Paid By Agency | Floating Rate Received By Agency | Effective Date | Termination Date | Outstanding Notional/Applicable Amount | Fair Value |
|---|---|---|---|---|---|---|
| Fixed payer | 4.0370% | SIFMA less .20% | 2/1/03 | 2/1/35 | 22,030 | (3,629) |
| Fixed payer | 4.4050% | SIFMA less .15% | 2/1/04 | 2/1/37 | 12,770 | (2,779) |
| Fixed payer | 4.6380% | SIFMA less .15% | 8/1/05 | 8/1/37 | 14,985 | (3,573) |
| Fixed payer | 4.0850% | SIFMA less .20% | 2/3/03 | 2/1/35 | 10,745 | (1,954) |
| Fixed payer | 4.1510% | SIFMA less .15% | 2/3/03 | 2/1/35 | 14,175 | (2,638) |
| Fixed payer | 4.5710% | SIFMA less .15% | 11/1/04 | 8/1/37 | 37,785 | (9,287) |
| Fixed payer | 3.5560% | LIBOR @ 60%+.26% | 2/1/04 | 8/1/35 | 12,580 | (60) |
| Fixed payer | 4.0260% | LIBOR @ 60%+.26% | 8/1/05 | 8/1/35 | 13,370 | (45) |
| Fixed payer | 4.1770% | LIBOR @ 60%+.26% | 2/1/06 | 8/1/38 | 15,595 | (54) |
| Fixed payer | 3.0590% | LIBOR @ 60%+.21% | 8/1/04 | 8/1/34 | 18,120 | (1,750) |
| Fixed payer | 3.6920% | LIBOR @ 60%+.26% | 8/1/06 | 8/1/36 | 11,590 | (1,472) |
| Fixed payer | 3.3860% | LIBOR @ 60%+.26% | 8/1/04 | 8/1/34 | 5,700 | (15) |
| Fixed payer | 3.3300% | LIBOR @ 60%+.26% | 8/1/04 | 8/1/34 | 4,860 | (423) |
| Fixed payer | 4.9783% | SIFMA less .15% | 8/1/06 | 2/1/39 | 12,585 | (2,383) |
| Fixed payer | 4.5390% | SIFMA less .15% | 8/1/04 | 8/1/34 | 2,290 | (364) |
| Fixed payer | 3.4350% | LIBOR @ 60%+.21% | 2/1/05 | 8/1/25 | 7,170 | (830) |
| Fixed payer | 3.5640% | SIFMA less .20% | 7/1/05 | 8/1/35 | 2,155 | (279) |
| Fixed payer | 3.9540% | SIFMA less .15% | 6/15/05 | 8/1/35 | 2,470 | (314) |
| Fixed payer | 4.0790% | SIFMA less .15% | 2/1/07 | 2/1/37 | 22,960 | (3,310) |
| Fixed payer | 3.9570% | SIFMA less .15% | 8/1/07 | 2/1/38 | 3,720 | (475) |
| Fixed payer | 3.7010% | LIBOR @ 60%+.26% | 2/1/06 | 2/1/38 | 28,410 | (4,546) |
| Fixed payer | 4.042% * HR | 97% SIFMA & HR | 6/15/06 | 8/1/27 | 6,195 | (808) |
| Fixed payer | 4.381% * HR | 97% SIFMA & HR | 6/15/06 | 8/1/39 | 8,780 | (1,326) |
| Fixed payer | 4.492% * HR | 97% SIFMA & HR | 6/15/06 | 2/1/41 | 4,005 | (623) |
| Fixed payer | 3.9370% | LIBOR @ 64%+.25% | 7/12/07 | 2/1/22 | 2,110 | (233) |
| Fixed payer | 4.2220% | LIBOR @ 64%+.25% | 8/1/09 | 2/1/40 | 5,745 | (1,057) |
| Fixed payer | 3.7280% | LIBOR @ 63%+.30% | 2/1/08 | 8/1/42 | 6,000 | (678) |
| Fixed payer | 3.9190% | LIBOR @ 63%+.30% | 11/1/09 | 8/1/40 | 13,495 | (2,171) |
| Fixed payer | 3.2950% | LIBOR @ 61%+.24% | 11/1/09 | 8/1/40 | 10,105 | (1,459) |
| Fixed payer | 3.3850% | SIFMA less .15% | 8/1/03 | 8/1/36 | 21,475 | (2,204) |
| Fixed payer | 4.2950% | SIFMA less .15% | 8/1/05 | 2/1/38 | 26,415 | (3,245) |
| Fixed payer | 3.8830% | LIBOR @ 60%+.26% | 12/1/04 | 8/1/38 | 8,255 | (1,687) |
| Fixed payer | 3.9680% | LIBOR @ 60%+.26% | 7/1/05 | 2/1/36 | 13,080 | (2,582) |
| Fixed payer | 4.0600% | LIBOR @ 60%+.26% | 2/1/06 | 8/1/38 | 8,580 | (1,915) |

| Bond Issue | Type of Bond | Interest Rate Range | Final Maturity Date | Bonds Outstanding Fixed | Bonds Outstanding Variable | Bonds Total |
|---|---|---|---|---|---|---|
| 2009 Series A-16 | Tax-Exempt | 3.550% | 2044 | 4,250 | | 4,250 |
| 2009 Series A-17-1 | Tax-Exempt | 3.550% | 2044 | 12,870 | | 12,870 |
| 2009 Series A-18 | Tax-Exempt | 3.550% | 2044 | 9,460 | | 9,460 |
| 2009 Series A-19 | Tax-Exempt | 2.320% | 2051 | 77,830 | | 77,830 |
| 2009 Series A-20 | Tax-Exempt | 2.330% | 2051 | 16,500 | | 16,500 |
| 2009 Series A-21 | Tax-Exempt | 2.320% | 2046 | 54,880 | | 54,880 |
| 2009 Series A-22 | Tax-Exempt | 2.320% | 2039 | 35,870 | | 35,870 |
| Variable Rate Demand Limited Obligation Multifamily Housing Revenue Bonds (Mission Gardens Apartments) | | | | | | |
| 2009 Series A | Tax-Exempt | 0.060% | 2041 | | 4,620 | 4,620 |
| Variable Rate Demand Limited Obligation Multifamily Housing Revenue Bonds (Montecito Village Apartments) | | | | | | |
| 2009 Series B | Tax-Exempt | 0.060% | 2043 | | 6,325 | 6,325 |
| Limited Obligation Multifamily Housing Revenue Bonds (Fairmont Apartments) | | | | | | |
| 2009 Series C | Tax-Exempt | 7.000% | 2026 | 424 | | 424 |
| Subordinate Limited Obligation Multifamily Housing Revenue Bonds (Highlands Point Apartments) | | | | | | |
| 2010 Series B | Taxable | 6.000% | 2044 | 2,350 | | 2,350 |
| Limited Obligation Multifamily Housing Revenue Bonds (South Pace Apartments) | | | | | | |
| 2010 Series C | Tax-Exempt | 4.500% | 2012 | 2,151 | | 2,151 |
| Limited Obligation Multifamily Housing Revenue Bonds (One Santa Fe Apartments) | | | | | | |
| 2011 Series A | Tax-Exempt | 2.500% - 3.350% | 2021 | 8,370 | | 8,370 |
| Limited Obligation Multifamily Housing Revenue Bonds (Woolf House Apartments) | | | | | | |
| 2011 Series B | Tax-Exempt | 1.050% | 2014 | 16,700 | | 16,700 |
| Limited Obligation Multifamily Housing Revenue Bonds (Willow Wood & Denny Place Apartments) | | | | | | |
| 2013 Series A | Tax-Exempt | 3.010% | 2045 | | 2,637 | 2,637 |
| | | | | 2,630,369 | 2,185,889 | 4,816,258 |
| Unamortized discount | | | | | | (141) |
| Unamortized premium | | | | | | 7,693 |
| Unamortized deferred losses on refundings | | | | | | (4,898) |
| | | | | | | $ 4,818,912 |

**Swaps**

| Type | Fixed Rate Paid By Agency | Floating Rate Received By Agency | Effective Date | Termination Date | Outstanding Notional/Applicable Amount | Fair Value |
|---|---|---|---|---|---|---|
| | | | | | $ 1,934,630 | $ (217,718) |

**Note Payable:** The Agency entered into a loan agreement with Citibank N.A. on March 1, 2010. The Agency received funds to use for special bond redemptions in exchange for a total note payable of $95.1 million. The loan is collateralized by the Multifamily loan receivables. The Agency collects and remits the mortgage payments less servicing fees to Citibank on 31 Multifamily loans. The Citibank loans note payable balance is $81.1 million and $87.9 million at June 30, 2013 and 2012, respectively, as included in Notes Payable in the combined statements of net position. The outstanding maturity dates of the note payable are various and ranges from July 1, 2013 to January 1, 2046. The range of the interest rates for the note payable is from 5.25% to 9.15%. The table below provides a summary of the note payment requirements for the next five years and in five year increments thereafter (dollars in thousands).

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2014 | $ 2,888 | $ 4,376 | $ 7,264 |
| 2015 | 3,070 | 4,198 | 7,268 |
| 2016 | 3,212 | 4,013 | 7,225 |
| 2017 | 3,319 | 3,842 | 7,161 |
| 2018 | 3,523 | 3,651 | 7,174 |
| 2019-2023 | 20,829 | 14,953 | 35,782 |
| 2024-2028 | 21,525 | 8,908 | 30,433 |
| 2029-2033 | 14,014 | 4,138 | 18,152 |
| 2034-2038 | 5,559 | 1,355 | 6,914 |
| 2039-2043 | 1,913 | 569 | 2,482 |
| 2044-2046 | 1,206 | 84 | 1,290 |
| Total | $ 81,058 | $ 50,087 | $ 131,145 |

**Conduit Bond Obligations:** Beginning in 2009, the Agency has issued conduit housing revenue bonds to provide financial assistance for the acquisition, construction, and development of multifamily rental housing. The bonds are limited obligations of the Agency, payable solely from the revenues and other funds and money pledged and assigned under the applicable indenture, series indenture, or master pledge and assignment. However, the bonds are reported as liabilities in the accompanying financial statements along with the related assets.

The Agency had twenty-seven series of conduit debt obligations aggregating $320.4 million as of June 30, 2013 and twenty-nine series of conduit debt obligations aggregating $341.6 million as of June 30, 2012.

For the years ended June 30, 2013 and June 30, 2012, all the authorized conduit bonds were issued.

For the year ended June 30, 2013, the Agency initially issued $2.5 million in conduit draw-down bonds. For the year ended June 30, 2012, the Agency issued $25.1 million in conduit bonds and converted $94.3 million of New Issue Bond Program escrow funds to conduit bonds.

The Agency may collect amounts from borrowers for application processing, issuance fees, administration fees, special issuer fees, unearned revenue-prepaid administration fees, and California Debt Limit Allocation Committee (CDLAC) performance fees. If the conduit bonds are issued, the CDLAC performance fees are returned. For the year ended June 30, 2013, the Agency collected $0.2 million in issuance fees, $1.9 million in administration fees, $0.3 million in special issuer fees, and $0.3 million in unearned revenue-prepaid administration fees. For the year ended June 30, 2012, the Agency collected $5 thousand in application fees, $0.9 million in issuance fees, $0.9 million in administration fees, $0.3 million in special issuer fees, and $0.4 million in unearned revenue-prepaid administration fees. The collected amounts are used to pay the Agency's operating expenses.

**Reconciliation of Bonds Payable:** Changes in bonds payable for the year ended June 30, 2013 and 2012 are as follows (dollars in thousands):

| | 2013 Totals | 2012 Totals |
|---|---|---|
| Beginning of year balance | $ 6,509,516 | $ 7,851,024 |
| New bonds issued | 136,573 | 32,862 |
| Scheduled maturities | (99,938) | (136,337) |
| Redemptions | (1,723,776) | (1,236,983) |
| Bond accretions | | 453 |
| Amortized discount | 173 | 78 |
| Amortized premium | (2,105) | (1,916) |
| Amortized deferred loss | 988 | 335 |
| Additions to deferred loss | (2,519) | |
| End of year balance | $ 4,818,912 | $ 6,509,516 |
| | | |
| Current portion | $ 105,988 | $ 107,273 |
| Noncurrent portion | 4,712,924 | 6,402,243 |
| Total | $ 4,818,912 | $ 6,509,516 |

**Variable Rate Debt and Debt Service Requirements:** The Agency's variable rate debt is typically related to remarketed rates or common indices such as the Securities Industry and Financial Markets Association ("SIFMA") or the London Inter-Bank Offered Rate ("LIBOR") and resets periodically. The interest calculations shown in the table below are based on the variable rate in effect at June 30, 2013, and may not be indicative of the actual interest expense that will be incurred by the Fund. As rates vary, variable rate bond interest payments and net swap payments will vary. The table below provides a summary of debt service requirements and net swap payments for the next five years and in five year increments thereafter (dollars in thousands).

| Fiscal Year | Fixed/Variable Unswapped | | Variable Swapped | | Interest Rate | |
|---|---|---|---|---|---|---|
| Ending June 30 | Principal | Interest | Principal | Interest | Swaps, Net | Total |
| 2014 | $ 93,195 | $113,706 | $ 12,790 | $ 2,092 | $ 73,613 | $ 295,396 |
| 2015 | 114,200 | 109,625 | 12,865 | 1,696 | 67,626 | 306,012 |
| 2016 | 136,400 | 104,444 | 16,120 | 1,669 | 62,054 | 320,687 |
| 2017 | 106,215 | 100,060 | 17,740 | 1,638 | 56,964 | 282,617 |
| 2018 | 115,437 | 95,341 | 26,060 | 1,579 | 52,535 | 290,952 |
| 2019-2023 | 594,165 | 420,090 | 210,145 | 6,674 | 209,288 | 1,440,362 |
| 2024-2028 | 611,524 | 308,051 | 193,420 | 4,583 | 148,200 | 1,265,778 |
| 2029-2033 | 648,610 | 202,941 | 402,770 | 2,448 | 89,895 | 1,346,664 |
| 2034-2038 | 537,360 | 124,830 | 318,200 | 559 | 30,461 | 1,011,410 |
| 2039-2043 | 424,005 | 65,700 | 53,760 | 50 | 2,028 | 545,543 |
| 2044-2048 | 152,777 | 6,963 | - | - | - | 159,740 |
| 2049-2052 | 18,500 | 498 | | | | 18,998 |
| Total | $ 3,552,388 | $ 1,652,249 | $ 1,263,870 | $ 22,988 | $ 792,664 | $ 7,284,159 |

For the year ended June 30, 2013, the difference between the gross bonds payable and the net bonds payable was $2.7 million. This represented the aggregate of the unamortized deferred loss, bond premium, and bond discount.

**Objective of the Interest Rate Swaps***:* In order to protect against rising rates, the Agency primarily entered into swaps to establish synthetic fixed rates for a like amount of the Agency's variable rate bond obligations. The majority of the Agency's interest rate swap transactions are structured for the Agency to pay a fixed interest rate while receiving a variable interest rate (fixed payer swaps) and exceptions are listed under Basis Risk Associated with Interest Rate Swaps. Synthetic fixed rates provide the Agency with a significantly lower fixed cost of funds compared to issuing fixed-rate bonds; however, the increased risks related to the synthetic fixed rates have the effect of increasing costs to the Agency.

**Terms, Fair Value and Credit Risk***:* The terms and fair values of the outstanding fixed payer swaps as of June 30, 2013 are summarized in the table at the beginning of Note 7. The terms and fair values of the outstanding basis swaps are summarized in the table under Basis Risk Associated with Interest Rate Swaps.

The fair value of the swaps is reported as “Derivative swap asset” within “Other assets” or as “Derivative swap liability” within “Other liabilities” in the statements of net position. The accumulated decrease or increase in the fair value of the effective swaps is reported as “Accumulated decrease in fair value of hedging derivatives” within “Deferred outflow of resources” or “Accumulated increase in fair value of hedging derivatives” within “Deferred inflow of resources” in the statements of net position. Alternatively, the gain or loss on the fair value of the ineffective swaps is reported as “Investment swap revenues” within “Other revenues” in the statements of revenues, expenses and changes in net position. The Agency did not pay or receive any cash when the swap transactions were initiated except for in-substance assignments. The following table summarizes the swap fair value activity in the statements of net position as of June 30, 2013 and 2012 and the statements of revenues, expenses, and changes in net position for the years ended June 30, 2013 and 2012 (dollars in thousands):

| | 2013 | 2012 |
|---|---|---|
| Statements of Net Position: | | |
| Derivative swap asset | $ 137 | $ 376 |
| Accumulated decrease in fair value of hedging derivatives | 126,717 | 239,108 |
| Derivative swap liability | 217,718 | 324,224 |
| Statements of Revenues, Expenses, and Changes in Net Position: | | |
| Investment swap revenues | $ (6,124) | $ (44,741) |

Except as discussed under rollover risk, the Agency’s swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated “bonds payable” category.

As of June 30, 2013, the Agency executes interest rate swap transactions with 11 swap counterparties. All of the Agency’s interest rate swap agreements require the Agency to post collateral if its general obligation credit ratings, as issued by Moody’s and Standard and Poor’s fall below a certain level or if the fair value of the swaps breach a certain threshold. The collateral can be posted in several forms in the amount of the fair value of the interest rate swaps. If the Agency does not post collateral, the interest rate swap can be terminated by the counterparty. As of June 30, 2013, the Agency had total cash and fair value of mortgage-backed securities posted as collateral with swap counterparties in the amount of $3.1 million and $58.7 million, respectively, as included in “Other assets” and “Investments” in the statements of net position. As of June 30, 2012, the Agency had total cash and fair value of mortgage-backed securities posted as collateral in the amount of $85.0 million and $35.3 million, respectively

Because interest rates are generally lower than the rates in effect at inception of the swap agreements, the Agency’s fixed payer swap agreements had an aggregate negative fair value of $217.7 million as of June 30, 2013 and $324.2 million as of June 30, 2012. Fair values are as reported by the Agency’s dealer counterparties and are estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

As of June 30, 2013, the Agency’s swap portfolio had an aggregate asset position of $0.1 million. This represents the maximum loss that would be reported at the reporting date if all counterparties failed to perform as contracted. However, this maximum exposure is eliminated by the applicable counterparty swap liabilities included in the $217.7 million total. Therefore, the Agency has no net exposure to credit risk.

The table below shows the number of fixed payer swaps and outstanding notional amounts by the counterparties’ respective credit ratings as of June 30, 2013 (dollars in thousands).

| Moody's | Standard & Poors | Outstanding Notional Amount | Number of Swap Transactions |
|---|---|---|---|
| Aa1 | AA- | $ 25,000 | 1 |
| Aa2 | AAA | 209,210 | 7 |
| Aa3 | AAA | 576,930 | 34 |
| Aa3 | A+ | 409,720 | 16 |
| A2 | A+ | 217,390 | 12 |
| A2 | A | 12,800 | 1 |
| Baa1 | A- | 283,885 | 9 |
| Baa2 | A- | 189,590 | 7 |
| Baa2 | BBB | 10,105 | 1 |
| | | $ 1,934,630 | 88 |

**Interest Rate Risk:** The Agency is exposed to interest rate risk on its fixed payer swaps. As the LIBOR or the SIFMA swap index decreases, the Agency's net payments on the swaps increase.

**Basis Risk:** All of the Agency's interest rate swaps contain an element of basis risk, the risk that the floating rate component of the swap will not match the floating rate of the underlying bonds. This risk arises because floating rates paid by swap counterparties are based on indices, which consist of market-wide averages, while interest paid on the Agency's variable rate bonds is specific to individual bond issues.

Historically, the Agency's variable rate tax-exempt bonds trade at a slight discount to the SIFMA index. For those swaps associated with tax-exempt bonds for which the Agency receives a variable rate payment based on a percentage of LIBOR, the Agency is exposed to basis risk should the relationship between SIFMA and LIBOR converge.

Multiple swap formulas have been used by the Agency. As of June 30, 2013, the formulas for the swap portfolio utilized the SIFMA, the 1 month LIBOR, the 3 month LIBOR, and the 6 month LIBOR rates. As of June 30, 2013, rates for the SIFMA, the 1 month LIBOR, the 3 month LIBOR, and the 6 month LIBOR were 0.06%, 0.19%, 0.27%, and 0.41% respectively. The swap formulas will continue to be monitored for its effectiveness in case the Agency chooses to enter into any future interest rate swaps. In addition, the Agency holds 8 basis swaps as a means to change the variable rate formula received for $190.4 million of swap notional amount. These basis swaps changed the variable rate formula received from counterparties from 65% of LIBOR to those described in the following table as of June 30, 2013 (dollars in thousands):

| Bond Issue | Variable Rate Paid By Agency | Floating Rate Received By Agency */** | Effective Date | Termination Date | Outstanding Notional/Applicable Amount | Fair Value |
|---|---|---|---|---|---|---|
| Home Mortgage Revenue Bonds: | | | | | | |
| 2000 Series C | LIBOR @ 65% | LIBOR @ 85%-0.019% | 2/1/04 | 2/1/17 | $ 21,310 | $ 16 |
| 2000 Series J | LIBOR @ 65% | LIBOR @ 85%-0.019% | 2/1/04 | 8/1/30 | 19,785 | 7 |
| 2000 Series U | LIBOR @ 65% | LIBOR @ 85%-0.019% | 2/1/04 | 8/1/15 | 12,860 | 5 |
| 2000 Series X-2 | LIBOR @ 65% | LIBOR @ 85%-0.019% | 2/1/04 | 8/1/31 | 21,400 | 11 |
| 2001 Series N | LIBOR @ 65% | LIBOR @ 85%-0.019% | 2/1/04 | 8/1/18 | 6,240 | 8 |
| 2002 Series B | LIBOR @ 65% | LIBOR @ 85%-0.019% | 2/1/04 | 8/1/27 | 32,770 | 2 |
| 2002 Series F | LIBOR @ 65% | LIBOR @ 85%-0.019% | 2/1/04 | 2/1/24 | 36,170 | 39 |
| 2002 Series M | LIBOR @ 65% | LIBOR @ 85%-0.019% | 2/1/04 | 8/1/22 | 39,815 | 49 |
| | | | | | $ 190,350 | $ 137 |

* The notional amount and the amortization of these swaps mirror the initial 65% of LIBOR swaps, basically overlaying the swaps so that the effective rate received from the counterparties are the rates shown in the table above.

**The variable interest rate received by the counterparties is dependent on the LIBOR interest rate at the time of settlement. The rate shown in the table is the effective rate at June 30, 2013.

**Termination Risk:** Counterparties to the Agency's interest rate swap agreements have ordinary termination rights that require settlement payments by the Agency or the counterparty based on the fair value of the swap at the date of termination.

**Rollover Risk:** The Agency is exposed to rollover risk on interest rate swaps that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these swaps terminate, the Agency will be re-exposed to the risks being hedged by the swaps. The fixed payer interest rate swaps' termination dates and associated debts' maturities are listed in the previous bonds payable and interest rate swap table.

**Over Hedged Bonds:** All notional amounts (or "applicable amounts") of the fixed payer swaps match the principal amounts of the associated debt with the following exceptions as of June 30, 2013 (dollars in thousands):

| Bond Issue | Bonds Outstanding | Swap Notional Amount | Unmatched Swap | Fair Value |
|---|---|---|---|---|
| Home Mortgage Revenue Bonds | | | | |
| 2000 Series J * | | $ 18,105 | $ 18,105 | $ (4,266) |
| 2000 Series U * | $ 11,185 | 12,860 | 1,675 | (72) |
| 2000 Series X2 * | 4,805 | 21,400 | 16,595 | (3,368) |
| 2001 Series J | 18,485 | 26,710 | 8,225 | (867) |
| 2001 Series N * | | 4,885 | 4,885 | (408) |
| 2001 Series U | 27,945 | 36,580 | 8,635 | (1,090) |
| 2002 Series B * | 23,875 | 32,770 | 8,895 | (1,468) |
| 2002 Series F * | | 29,165 | 29,165 | (3,745) |
| 2002 Series J | 45,940 | 50,970 | 5,030 | (523) |
| 2002 Series M * | 28,920 | 39,815 | 10,895 | (1,107) |
| 2002 Series P | | 47,885 | 47,885 | (4,422) |
| 2002 Series Q | | 10,635 | 10,635 | (230) |
| 2003 Series H | 28,285 | 32,565 | 4,280 | (9) |
| 2003 Series K | 37,810 | 38,865 | 1,055 | (3) |
| 2004 Series A | | 23,250 | 23,250 | (1,605) |
| 2004 Series E | 28,305 | 37,050 | 8,745 | (152) |
| 2004 Series G | | 43,115 | 43,115 | (4,635) |
| 2004 Series G | | 3,465 | 3,465 | (100) |
| 2004 Series I | | 13,605 | 13,605 | (1,404) |
| 2005 Series B | 2,795 | 18,225 | 15,430 | (516) |
| 2005 Series D | 42,930 | 43,970 | 1,040 | (36) |
| 2005 Series H | 29,545 | 37,290 | 7,745 | (384) |
| 2006 Series F | | 50,000 | 50,000 | (2,803) |
| 2006 Series F | 44,020 | 60,000 | 15,980 | (1,537) |
| 2007 Series H | 9,415 | 50,000 | 40,585 | (4,234) |
| 2007 Series K | 10,540 | 25,000 | 14,460 | (1,142) |
| 2008 Series C | 3,420 | 10,075 | 6,655 | (1,329) |
| 2008 Series C | 5,485 | 7,005 | 1,520 | (309) |
| 2008 Series D | 10,020 | 17,100 | 7,080 | (432) |
| 2008 Series E | 3,395 | 6,660 | 3,265 | (183) |
| 2008 Series F | 14,305 | 15,720 | 1,415 | (94) |
| 2008 Series I | | 5,080 | 5,080 | (123) |
| 2008 Series I | | 30,315 | 30,315 | (7,180) |
| Multifamily Housing Revenue Bonds III | | | | |
| 2000 Series B | | 1,130 | 1,130 | (187) |
| 2000 Series D | | 12,545 | 12,545 | (2,759) |
| 2001 Series D | 565 | 2,050 | 1,485 | (229) |
| 2001 Series E | 31,235 | 44,045 | 12,810 | (3,007) |
| 2001 Series F | 11,365 | 12,800 | 1,435 | (201) |
| 2001 Series G | 3,085 | 3,100 | 15 | (2) |
| 2001 Series G | 34,925 | 36,400 | 1,475 | (269) |
| 2002 Series A | 8,635 | 15,400 | 6,765 | (1,332) |
| 2002 Series A | 6,590 | 10,660 | 4,070 | (1,088) |
| 2002 Series B | 16,470 | 22,030 | 5,560 | (916) |
| 2002 Series C | 5,835 | 12,770 | 6,935 | (1,509) |
| 2002 Series C | 14,760 | 14,985 | 225 | (54) |
| 2002 Series D | 3,920 | 10,745 | 6,825 | (1,241) |
| 2002 Series E | 9,255 | 14,175 | 4,920 | (916) |
| 2003 Series C | 8,790 | 12,580 | 3,790 | (18) |
| 2003 Series C | 12,720 | 13,370 | 650 | (2) |
| 2003 Series C | 8,680 | 15,595 | 6,915 | (24) |
| 2004 Series A | | 18,120 | 18,120 | (1,750) |
| 2004 Series B | 1,695 | 11,590 | 9,895 | (1,256) |
| 2004 Series B | 5,680 | 5,700 | 20 | (1) |
| 2004 Series B | 1,535 | 2,290 | 755 | (120) |
| 2004 Series C | 7,045 | 7,170 | 125 | (15) |
| 2005 Series B | 2,310 | 2,470 | 160 | (20) |
| 2005 Series B | 2,180 | 22,960 | 20,780 | (2,996) |
| 2005 Series B | 3,085 | 3,720 | 635 | (81) |
| 2005 Series D | 16,220 | 28,410 | 12,190 | (1,951) |
| 2006 Series A | 1,070 | 6,195 | 5,125 | (668) |
| 2006 Series A | 1,360 | 8,780 | 7,420 | (1,120) |
| 2006 Series A | 3,595 | 4,005 | 410 | (64) |
| 2007 Series B | 1,470 | 5,745 | 4,275 | (787) |
| 2007 Series B | 790 | 2,110 | 1,320 | (146) |

| Bond Issue | Bonds Outstanding | Swap Notional Amount | Unmatched Swap | Fair Value |
|---|---|---|---|---|
| Multifamily Housing Revenue Bonds III (continued) | | | | |
| 2007 Series C | 4,625 | 13,495 | 8,870 | (1,427) |
| 2007 Series C | 5,165 | 6,000 | 835 | (94) |
| 2008 Series A | 7,695 | 10,105 | 2,410 | (348) |
| 2008 Series B | 17,985 | 21,475 | 3,490 | (358) |
| 2008 Series B | 9,515 | 26,415 | 16,900 | (2,076) |
| 2008 Series C | 5,335 | 8,255 | 2,920 | (597) |
| 2008 Series C | 740 | 8,580 | 7,840 | (1,750) |
| Total | $ 707,350 | $ 1,378,105 | $ 670,755 | $ (81,155) |

*Includes Basis Swap.

**Note 8 – NONMORTGAGE INVESTMENT AND MORTGAGE YIELD**

In accordance with Federal law, the Agency is required to rebate to the Internal Revenue Service ("IRS") the excess of the amount actually earned on all nonmortgage investments (derived from investing the bond proceeds) over the amount that would have been earned had those investments borne a rate equal to the yield on the bond issue, plus any income attributable to such excess. As of June 30, 2013 and 2012, the Fund had liabilities to the IRS totaling $1.2 million and $1.6 million respectively reported in the statements of net position as "Due to IRS" within "Due to other government entities." For the years ended June 30, 2013 and 2012, the net effects of changes in the liability account have been recorded as increases in "Interest income: Investments" in the statements of revenues, expenses and changes in net position.

Additionally, the Agency has identified all the bond series that were issued as variable rate plans of finance and subject to review and monitoring of mortgage yield excess. As of June 30, 2013 and 2012, the Fund had liabilities to the IRS totaling $9.8 million and $17.8 million respectively reported in the statements of net position as "Due to IRS" within "Due to other government entities." For the years ended June 30, 2013 and 2012, the net effects of changes in the liability account have been recorded as increases in "Interest income: Program loans" in the statements of revenues, expenses and changes in net position. The Agency will continue to monitor the status of mortgage yield compliance to mitigate further liability.

**Note 9 – EXTINGUISHMENT OF DEBT**

On June 7, 2012, the Agency converted New Issue Bond Program escrow funds into Residential Mortgage Revenue Bonds 2009 Series A-5 and the proceeds were used to refund prior Home Mortgage Revenue Bonds on July 4, 2012. Additionally on April 30, 2013, the Agency issued Residential Mortgage Revenue Bonds 2013 Series AB and the proceeds were used to refund prior Residential Mortgage Revenue Bonds on May 1, 2013. The losses from the debt refundings were deferred and will be amortized as a component of interest expense over the shorter of the term of the bonds extinguished or the term of the refunding bonds. Both instances were applicable in the debt refundings. A summary of the losses from the extinguishment of Homeownership Programs' debt for the year ended June 30, 2013 is as follows (dollars in thousands):

| | |
|---|---|
| Unmatured principal | $ 599,875 |
| Unamortized bond issuance costs | (747) |
| Unamortized underwriter's fees | (1,772) |
| Net obligation refunded | 597,356 |
| Less proceeds disbursed | 599,875 |
| Deferred loss on refunding | $ (2,519) |

The refundings will decrease the debt service cash flow for Homeownership Programs by approximately $19.6 million. The refundings may also provide for an economic gain (present value of the difference between new and old debt service requirements) for Home Ownership Programs, which is estimated to be $13.5 million.

**Note 10 – PENSION PLAN AND OTHER EMPLOYEE BENEFITS**

The Fund contributes to the Public Employees' Retirement Fund ("PERF") as part of the State of California, the primary government. The PERF is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employment Retirement System ("CalPERS"). CalPERS provides retirement, death, disability and post retirement health care benefits to members as established by state statute. CalPERS issues a publicly available Comprehensive Annual Financial Report ("CAFR") that includes financial statements and required supplementary information for the Public Employees' Retirement Fund. A copy of that report may be obtained from CalPERS, Central Supply, P.O. Box 942715, Sacramento, CA 95229-2715 or via the internet at www.calpers.ca.gov.

For the CalPERS fiscal year ended June 30, 2013 the employer contribution rates were 20.503% – 20.457% for the period from July 2012 to June 2013. The employer contribution rates were 18.175% - 17.025% for July 2011 – June 2012.

The Fund's contributions to the PERF for the years ended June 30, 2013 and 2012 were $8 million and $7.1 million, respectively, equal to the required contributions for each fiscal year.

Required contributions are determined by actuarial valuation using the individual entry age normal actuarial cost method. The most recent actuarial valuation available is as of June 30, 2011 which actuarial assumptions included (a) 7.5% investment rate of return compounded annually, (b) projected salary increases that vary based on duration of service, and (c) overall payroll growth factor of 3.00% annually. Both (a) and (c) included an inflation component of 2.75% compounded annually and a .25% per annum productivity increase assumption.

The most recent actuarial valuation of the PERF indicated that there was an unfunded actuarial accrued liability. The amount of the underfunded liability applicable to each agency or department cannot be determined. For trend information, which presents CalPERS progress in accumulating sufficient assets to pay benefits when due, please see the June 30, 2012 CalPERS CAFR.

The Other Postemployment Benefits ("OPEB") is a cost-sharing multiple-employer defined benefit healthcare plan administered by CalPERS. The State of California is required to include the information in its financial reports. State Controller's Office sets the employer contribution rate based on the annual required contribution ("ARC") of the employers, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Agency's estimated unfunded OPEB costs were $17.9 million and $13.4 million for the year ended June 30, 2013 and June 30, 2012. This liability was added to personal services at the end of fiscal year. As of June 30, 2013, the allocated contribution of OPEB from the Fund was $2.5 million, compared to $1.8 million for the year ended June 30, 2012. CalPERS issues a publicly available CAFR that includes financial statements and required supplementary information for the OPEB.

**Note 11 – COMMITMENTS**

As of June 30, 2013, the Agency had no outstanding commitments and conditionally approved loan reservation to fund Homeownership Program and Multifamily Program loans. As of June 30, 2013, the Agency had proceeds available from bonds issued to fund $1.3 million of Homeownership Program loans and $94.4 million of Multifamily Program loans.

**Note 12 – LEASES**

The Agency has three office locations in California and has entered into three separate lease agreements for office space. The Base Rent Schedules are as follows (dollar in thousands):

| Fiscal years ended June 30 | 500 Capitol Mall Tower, LLC (Sacramento Office) | Harsch Investment Properties, LLC (West Sacramento Office) | Slauson Investors, LLC (Culver City Office) | Total |
|---|---|---|---|---|
| | Lease ends 7/31/23 | Lease ends 5/31/16 | Lease ends 2/28/19 | |
| 2013 | $2,235 | $347 | $313 | $2,895 |
| 2014 | 2,280 | 358 | 122 | 2,760 |
| 2015 | 2,325 | 302 | 235 | 2,862 |
| 2016 | 2,372 | 310 | 242 | 2,924 |
| 2017 | 2,419 | - | 249 | 2,668 |
| 2018 - 2022 | 12,842 | - | 411 | 13,253 |
| 2023 - 2024 | 2,952 | - | - | 2,952 |
| Total | $27,425 | $1,317 | $1,572 | $30,314 |

**Note 13 – ARRANGEMENTS WITH THE MORTGAGE INSURANCE FUND**

All operating and administrative expenses of the Agency are initially paid from the Fund including certain operating and administrative expenses in support of mortgage guarantee insurance programs which are reported in the Mortgage Insurance Fund. Monthly, the Fund charges the Mortgage Insurance Fund for these expenses.

The Agency Board of Directors approved Resolution 03-19 on March 20, 2003 authorizing the Agency to utilize the resources of the fund to support the mortgage guaranty insurance programs of the Agency in the following two ways: 1) the Executive Director of the Agency is authorized to create one or more supplementary reserve accounts within the Supplementary Bond Security Account ("SBSA")of the Fund to indemnify the Mortgage Insurance Fund for losses incurred or to pay claims against the Mortgage Insurance Fund in connection with loans financed by the Agency, and 2) the Executive Director of the Agency may establish an inter-fund credit agreement by which the Mortgage Insurance Fund may borrow such sums from the Fund as may be required to maintain the claims paying rating of any credit rating service.

Subsequently, the Agency Executive Director established an inter-fund credit agreement in the amount of $10 million in which the Mortgage Insurance Fund may borrow from the Fund as needed for the purpose of paying claims arising out of policies of mortgage guarantee insurance and costs and expenses related to the payment of such claims. Interest rate(s) and repayment terms are determined upon receipt of a request to draw on this credit facility. The Mortgage Insurance Fund had not requested a draw on this credit through June 30, 2013.

Resolution 03-19 authorized the Executive Director of the Agency to create one or more supplementary reserve accounts within the SBSA of the California Housing Finance Fund to indemnify the Mortgage Insurance Fund for losses incurred or to pay claims. The amendment places a limitation on the indemnity obligation to an aggregate amount not to exceed $135 million. In August 2011, the cap was reached and the aggregate total of $135 million in gap claim payments was paid from May 2008 to August 2011 As of June 30, 2013, the allowance for loan loss reserve established under the HMRB indenture decreased $7.9 million from $117 million to $109.1 million.

Effective March 1, 2003, the Mortgage Insurance Fund entered into a reinsurance treaty and administrative services agreement with Genworth Mortgage Insurance Corporation ("Genworth"). This agreement cedes to Genworth a 75% quota share of the insurance risk for most loans insured by the Mortgage Insurance Fund and provides for certain administrative services to be performed by Genworth. Prior to February 2011, Genworth was paying the full amount of the loss (100%) to the insured and was billing the Mortgage Insurance Fund for its portion of the loss (25%) each month. Effective February 1, 2011, Genworth is paying for their portion of the loss (75%) directly to the insured and the Mortgage Insurance Fund is paying for its portion of the loss (25%) directly to the insured. As of June 30, 2013, there is no cash or investments remaining in the Mortgage Insurance Fund to pay outstanding claims. The California Housing Finance Fund has already established a reserve to cover the anticipated shortfall for the loans insured by the Mortgage Insurance Fund. As of June 30, 2013, the reserve amount established under the HMRB indenture was $59.3 million.

**Note 14 – LITIGATION**

Certain lawsuits and claims arising in the ordinary course of business have been filed or are pending against the Agency. Based upon information available to the Agency, its review of such lawsuits and claims and consultation with counsel, the Agency believes the liability relating to these actions, if any, would not have a material adverse effect on the Fund's financial statements.

**Note 15 – RELATED PARTY TRANSACTIONS**

CalHFA MAC entered into an administrative agreement with CalHFA for support services, which include an allocation of CalHFA staff to provide program oversight, administrative and legal support, and direct reimbursement for goods and services of outside vendors. Due to its status as a state governmental agency, CalHFA enjoys the benefit of discounts for goods and services with strategic business partners. The administrative agreement enables CalHFA MAC to leverage these discounts by providing for CalHFA to purchase goods and services during program implementation and ongoing operations. CalHFA MAC reimburses CalHFA for these items at the actual cost expended. CalHFA MAC had liabilities to CalHFA of $93,000 and $0.53 million for the fiscal year ended June 30, 2013 and June 30, 2012, respectively. These amounts were comprised of accounts payable and accrued expenses resulting from unbilled vendor invoices for materials and services. Additionally, actual cash reimbursements paid to CalHFA totaled $1.1 million and $1.3 million for the fiscal year ended June 30, 2013 and June 30, 2012, respectively.

CalHFA MAC also leases office space from the CalHFA under an operation lease with a term of four years and five months that expires April 30, 2015.

**Note 16 – SUBSEQUENT EVENTS**

Effective July 1, 2013, pursuant to the Governor's Reorganization Plan 2, the California Housing Finance Agency/Organization Code 2260 was moved from being in the Business, Transportation and Housing Agency to being in the Department of Housing and Community Development/Organization Code 2240, and the California Housing Finance Agency was given a new Level 2 Organization Code of 2245. The Department of Housing and Community Development has no administrative authority over the California Housing Finance Fund. Pursuant to Health and Safety Code section 51000, expenditures from the California Housing Finance Fund are administered by the California Housing Finance Agency and are not subject to the supervision or approval of any other officer or division of state government. Further, pursuant to Health and Safety Code section 51000.1, no officer or division of state government has the authority to transfer any sums of money from any fund or account of the California Housing Finance Agency, except as authorized by the executive director of the California Housing Finance Agency or a designated trustee pertaining to bonds issued by the California Housing Finance Agency.

Effective January 1, 2014, per Assembly Bill 984, CalHFA's Board structure will change from a 14-member to a 16-member Board of Directors by adding the following two voting members: 1) the Secretary of Veterans Affairs and 2) one member appointed by the Governor who has specific knowledge of bonds and related financial instruments, interest rate swaps, and risk management. As a result of this change, the Board of Directors will consist of 16 members (13 voting members and three non-voting members). Of the 13 voting members, seven are appointed by the Governor, four are ex-officio and two are appointed by the Legislature.

* * * * * * *

**CALIFORNIA HOUSING FINANCE FUND**
**STATEMENTS OF NET POSITION**
**WITH ADDITIONAL COMBINING INFORMATION**
**June 30, 2013**
(Dollars in Thousands)

| | HOMEOWNERSHIP PROGRAMS | MULTIFAMILY RENTAL HOUSING PROGRAMS | OTHER PROGRAMS AND ACCOUNTS | COMBINED TOTALS |
|---|---|---|---|---|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ 9,761 | $ 766 | $ 24,498 | $ 35,025 |
| Investments | 505,167 | 48,923 | 821,668 | 1,375,758 |
| Current portion - program loans receivable | 79,844 | 33,939 | 41,350 | 155,133 |
| Interest receivable - Program loans | 14,103 | 5,629 | 11,242 | 30,974 |
| Interest receivable - Investments | 3,032 | 552 | 877 | 4,461 |
| Accounts receivable | 14,826 | - | 4,083 | 18,909 |
| Due (to) from other funds | (8,945) | - | 8,945 | - |
| Other assets | 61 | 327 | 3,188 | 3,576 |
| Total current assets | 617,849 | 90,136 | 915,851 | 1,623,836 |
| Noncurrent assets: | | | | |
| Investments | 336,846 | 70,852 | 82,293 | 489,991 |
| Program loans receivable | 2,955,099 | 1,154,537 | 521,771 | 4,631,407 |
| Deferred financing costs | 14,903 | 2,823 | 2 | 17,728 |
| Other assets | 20,493 | - | 1,011 | 21,504 |
| Total Noncurrent assets | 3,327,341 | 1,228,212 | 605,077 | 5,160,630 |
| Total Assets | 3,945,190 | 1,318,348 | 1,520,928 | 6,784,466 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Accumulated increase in fair value of hedging derivatives | - | 59,057 | 67,660 | 126,717 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Bonds payable | 64,725 | 41,263 | - | 105,988 |
| Notess payable | - | - | 2,888 | 2,888 |
| Interest payable | 33,847 | 14,464 | 22,379 | 70,690 |
| Due (from) to other government entities | (86) | - | 984 | 898 |
| Compensated absences | - | - | 4,263 | 4,263 |
| Deposits and other liabilities | 4,719 | 435 | 243,042 | 248,196 |
| Total current liabilities | 103,205 | 56,162 | 273,556 | 432,923 |
| Noncurrent liabilities: | | | | |
| Bonds payable | 3,650,249 | 1,062,675 | - | 4,712,924 |
| Notess payable | - | - | 78,170 | 78,170 |
| Due to other government entities | 2,146 | 8,808 | 17,934 | 28,888 |
| Other liablities | - | 90,522 | 127,196 | 217,718 |
| Unearned revenues | 1,497 | 13 | 20,405 | 21,915 |
| Total noncurrent liabilities | 3,653,892 | 1,162,018 | 243,705 | 5,059,615 |
| Total Liabilities | 3,757,097 | 1,218,180 | 517,261 | 5,492,538 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Accumulated increase in fair value of hedging derivatives | - | - | - | - |
| NET POSITION | | | | |
| Net investment in capital assets | - | - | 962 | 962 |
| Restricted by indenture | 188,093 | 159,225 | - | 347,318 |
| Restricted by statute | - | - | 1,070,365 | 1,070,365 |
| Total Net position | $ 188,093 | $ 159,225 | $ 1,071,327 | $ 1,418,645 |

**CALIFORNIA HOUSING FINANCE FUND**
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**
**WITH ADDITIONAL COMBINING INFORMATION**
**Year Ended June 30, 2013**
(Dollars in Thousands)

| | HOMEOWNERSHIP PROGRAMS | MULTIFAMILY RENTAL HOUSING PROGRAMS | OTHER PROGRAMS AND ACCOUNTS | COMBINED TOTALS |
|---|---|---|---|---|
| OPERATING REVENUES | | | | |
| Interest income: | | | | |
| Program loans and loan agreements -- net | $ 181,365 | $ 58,427 | $ 16,476 | $ 256,268 |
| Interest income - Investments -- net | 20,808 | 5,221 | 5,273 | 31,302 |
| Decrease in fair value of investments | (17,647) | (4,224) | (3,621) | (25,492) |
| Loan commitment fees | 161 | - | 1,929 | 2,090 |
| Other loan fees | - | 22,882 | 6,410 | 29,292 |
| Other revenues | 212 | (2,369) | 41,432 | 39,275 |
| Total Operating revenues | 184,899 | 79,937 | 67,899 | 332,735 |
| SALARIES AND GENERAL EXPENSES | | | | |
| Interest | 100,346 | 33,889 | 37,600 | 171,835 |
| Amortization of bond discount and bond premium | (1,382) | 438 | - | (944) |
| Mortgage servicing fees | 9,935 | 5 | 2 | 9,942 |
| Provision (reversal) for estimated loan losses | 36,248 | (15,813) | 48,178 | 68,613 |
| Salaries and general expenses | - | - | 40,199 | 40,199 |
| Other expenses | 18,560 | 8,774 | 85,547 | 112,881 |
| Total salaries and general expenses | 163,707 | 27,293 | 211,526 | 402,526 |
| Operating (loss) income before transfers | 21,192 | 52,644 | (143,627) | (69,791) |
| Transfers in | - | - | 38,624 | 38,624 |
| Transfers intrafund | (55,521) | 5,732 | 49,789 | - |
| (Decrease) Increase in net position | (34,329) | 58,376 | (55,214) | (31,167) |
| Net postion at beginning of year | 222,422 | 100,849 | 1,126,541 | 1,449,812 |
| Net position at end of year | $ 188,093 | $ 159,225 | $ 1,071,327 | $ 1,418,645 |

**CALIFORNIA HOUSING FINANCE FUND**
**STATEMENTS OF CASH FLOWS**
**WITH ADDITIONAL COMBINING INFORMATION**
**Year Ended June 30, 2013**
(Dollars in Thousands)

| | HOMEOWNERSHIP PROGRAMS | MULTIFAMILY RENTAL HOUSING PROGRAMS | OTHER PROGRAMS AND ACCOUNTS | COMBINED TOTALS |
|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | $ 183,599 | $ 58,576 | $ 12,136 | $ 254,311 |
| Payments to suppliers | (10,579) | (182) | (10,830) | (21,591) |
| Payments to employees | - | - | (29,758) | (29,758) |
| Other receipts (payments) | 631,655 | 80,984 | 23,504 | 736,143 |
| Net cash provided by (used for) operating activities | 804,675 | 139,378 | (4,948) | 939,105 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Intrafund transfers | (55,521) | 5,732 | 49,789 | - |
| Changes in due from other government entities | (19) | - | 4,864 | 4,845 |
| Net cash (used for) provided by noncapital financing activities | (55,540) | 5,732 | 54,653 | 4,845 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Proceeds from sales of bonds | 133,760 | 2,813 | - | 136,573 |
| Payment of bond principal | (66,965) | (32,973) | (6,870) | (106,808) |
| Early bond redemptions | (1,478,741) | (245,035) | - | (1,723,776) |
| Interbond transfers | (69,950) | 69,950 | - | - |
| Interest paid on debt | (108,427) | (35,008) | (42,663) | (186,098) |
| Interfund transfers | - | - | 38,624 | 38,624 |
| Decrease (Increase) in deferred financing costs | 1,493 | (185) | (325) | 983 |
| Net cash used for capital and related financing activities | (1,588,830) | (240,438) | (11,234) | (1,840,502) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Proceeds from maturity and sale of investments | 2,232,263 | 508,327 | 627,862 | 3,368,452 |
| Purchase of investments | (1,933,422) | (419,009) | (677,655) | (3,030,086) |
| Interest on investments | 22,316 | 5,738 | 5,292 | 33,346 |
| Net cash provided by investing activities | 321,157 | 95,056 | (44,501) | 371,712 |
| Net decrease in cash and cash equivalents | (518,538) | (272) | (6,030) | (524,840) |
| Cash and cash equivalents at beginning of year | 528,299 | 1,038 | 30,528 | 559,865 |
| Cash and cash equivalents at end of year | $ 9,761 | $ 766 | $ 24,498 | $ 35,025 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES: | | | | |
| Operating income (loss) | $ 21,192 | $ 52,644 | $ (143,627) | $ (69,791) |
| Adjustments to reconcile operating (loss) income to net cash provided by (used for) operating activities: | | | | |
| Interest expense on debt | 100,346 | 33,889 | 37,600 | 171,835 |
| Interest on investments | (20,808) | (5,221) | (5,273) | (31,302) |
| Changes in fair value of investments | 17,647 | 4,223 | 3,621 | 25,491 |
| Accretion of capital appreciation bonds | - | - | - | - |
| Amortization of bond discount | 32 | 141 | - | 173 |
| Amortization of deferred losses | (1,828) | 297 | - | (1,531) |
| Amortization of bond issuance costs | 3,902 | 919 | 328 | 5,149 |
| Amortization of bond premium | (2,105) | - | - | (2,105) |
| Amortization of deferred revenue | (161) | - | (1,929) | (2,090) |
| Depreciation | - | - | 284 | 284 |
| Provision (reversal) for estimated loan losses | 36,248 | (15,813) | 48,178 | 68,613 |
| Provision for yield reduction payments | 338 | (8,376) | - | (8,038) |
| Provision for nonmortgage investment excess | 303 | (699) | - | (396) |
| Effect of changes in operating assets and liabilities: | | | | |
| Purchase of program loans-net | (71,444) | (32,450) | (126,870) | (230,764) |
| Collection of principal from program loans - net | 729,410 | 113,281 | 57,830 | 900,521 |
| Interest receivable | 2,234 | 150 | (4,341) | (1,957) |
| Accounts receivable | 7,567 | - | 1,457 | 9,024 |
| Due (from) to other funds | (19,280) | 959 | 18,321 | - |
| Other assets | 9 | 39,180 | 155,036 | 194,225 |
| Compensated absences | - | - | 9 | 9 |
| Deposits and other liab | 1,073 | 400 | 16,352 | 17,825 |
| Other liabilities | - | (44,146) | (61,924) | (106,070) |
| Net cash provided by (used for) operating activities | $ 804,675 | $ 139,378 | $ ( 4,948 ) | $ 939,105 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | | | |
| Noncash transfer of program loan to REO | $ 86,662 | $ - | $ - | $ 86,662 |

**CALIFORNIA HOUSING FINANCE FUND**
**STATEMENTS OF NET POSITION**
**HOMEOWNERSHIP PROGRAMS**
**June 30, 2013**
(Dollars in Thousands)

| | HOME MORTGAGE REVENUE BONDS | SINGLE FAMILY HOUSING PROGRAM BONDS | RESIDENTIAL MORTGAGE REVENUE BONDS |
|---|---|---|---|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ 9,026 | $ 43 | $ 594 |
| Investments | 447,942 | 3,311 | 46,934 |
| Current portion - program loans receivable | 73,744 | - | 3,753 |
| Interest receivable - Program loans | 12,265 | 259 | 1,331 |
| Interest receivable - Investments | 2,282 | 2 | 723 |
| Accounts receivable | 14,037 | - | 665 |
| Due (to) from other funds | (9,614) | 383 | (599) |
| Other assets | 41 | - | 20 |
| Total current assets | 549,723 | 3,998 | 53,421 |
| Noncurrent assets: | | | |
| Investments | 99,767 | - | 229,864 |
| Program loans receivable | 2,534,670 | 38,284 | 347,943 |
| Deferred financing costs | 13,369 | 415 | 1,119 |
| Other assets | 18,977 | - | 1,469 |
| Total Noncurrent assets | 2,666,783 | 38,699 | 580,395 |
| Total Assets | 3,216,506 | 42,697 | 633,816 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Accumulated increase in fair value of hedging derivatives | - | - | - |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Bonds payable | 50,596 | - | 14,129 |
| Notess payable | - | - | - |
| Interest payable | 29,141 | 879 | 3,827 |
| Due from other government entities | (86) | - | - |
| Deposits and other liabilities | 4,540 | 34 | 137 |
| Total current liabilities | 84,191 | 913 | 18,093 |
| Noncurrent liabilities: | | | |
| Bonds payable | 2,973,077 | 69,725 | 607,447 |
| Notess payable | - | - | - |
| Due to other government entities | 2,146 | - | - |
| Other liablities | - | - | - |
| Unearned revenues | 1,418 | - | - |
| Total noncurrent liabilities | 2,976,641 | 69,725 | 607,447 |
| Total Liabilities | 3,060,832 | 70,638 | 625,540 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Accumulated increase in fair value of hedging derivatives | - | - | - |
| NET POSITION | | | |
| Net investment in capital assets | - | - | - |
| Restricted by indenture | 155,674 | (27,941) | 8,276 |
| Restricted by statute | - | - | - |
| Total Net position | $ 155,674 | $ (27,941) | $ 8,276 |

| RESIDENTIAL MORTGAGE REVENUE BONDS OVERCOLLATERALIZATION | TOTAL HOMEOWNERSHIP PROGRAMS |
|---|---|
| $ 98 | $ 9,761 |
| 6,980 | 505,167 |
| 2,347 | 79,844 |
| 248 | 14,103 |
| 25 | 3,032 |
| 124 | 14,826 |
| 885 | (8,945) |
| - | 61 |
| 10,707 | 617,849 |
| 7,215 | 336,846 |
| 34,202 | 2,955,099 |
| - | 14,903 |
| 47 | 20,493 |
| 41,464 | 3,327,341 |
| 52,171 | 3,945,190 |
| - | - |
| - | 64,725 |
| - | - |
| - | 33,847 |
| - | (86) |
| 8 | 4,719 |
| 8 | 103,205 |
| - | 3,650,249 |
| - | - |
| - | 2,146 |
| - | - |
| 79 | 1,497 |
| 79 | 3,653,892 |
| 87 | 3,757,097 |
| - | - |
| - | - |
| 52,084 | 188,093 |
| - | - |
| $ 52,084 | $ 188,093 |

**CALIFORNIA HOUSING FINANCE FUND**
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**
**HOMEOWNERSHIP PROGRAM**
**Year Ended June 30, 2013**
(Dollars in Thousands)

| | HOME MORTGAGE REVENUE BONDS | SINGLE FAMILY HOUSING PROGRAM BONDS | RESIDENTIAL MORTGAGE REVENUE BONDS |
|---|---|---|---|
| OPERATING REVENUES | | | |
| Interest income: | | | |
| Program loans and loan agreements -- net | $ 160,211 | $ 1,534 | $ 16,844 |
| Interest income - Investments -- net | 10,552 | 6 | 9,973 |
| (Decrease) Increase in fair value of investments | (5,368) | - | (12,005) |
| Loan commitment fees | 149 | - | - |
| Other loan fees | - | - | - |
| Other revenues | 196 | - | 16 |
| Total Operating revenues | 165,740 | 1,540 | 14,828 |
| SALARIES AND GENERAL EXPENSES | | | |
| Interest | 77,054 | 2,134 | 21,158 |
| Amortization of bond discount and bond premium | (1,698) | - | 316 |
| Mortgage servicing fees | 8,785 | - | 1,067 |
| Provision (reversal) for estimated loan losses | 28,066 | 1,133 | 7,311 |
| Salaries and general expenses | - | - | - |
| Other expenses | 16,854 | 426 | 1,280 |
| Total salaries and general expenses | 129,061 | 3,693 | 31,132 |
| Operating income (loss) before transfers | 36,679 | (2,153) | (16,304) |
| Transfers in | - | - | - |
| Transfers intrafund | (65,046) | 7,826 | 3,320 |
| (Decrease) Increase in net position | (28,367) | 5,673 | (12,984) |
| Net position at beginning of year | 184,041 | (33,614) | 21,260 |
| Net position at end of year | $ 155,674 | $ ( 27,941 ) | $ 8,276 |

| RESIDENTIAL MORTGAGE REVENUE BONDS OVERCOLLATERALIZATION | TOTAL HOMEOWNERSHIP PROGRAMS |
|---|---|
| $ 2,776 | $ 181,365 |
| 277 | 20,808 |
| (274) | (17,647) |
| 12 | 161 |
| - | - |
| - | 212 |
| 2,791 | 184,899 |
| | |
| - | 100,346 |
| - | (1,382) |
| 83 | 9,935 |
| (262) | 36,248 |
| - | - |
| - | 18,560 |
| (179) | 163,707 |
| | |
| 2,970 | 21,192 |
| - | - |
| (1,621) | (55,521) |
| 1,349 | (34,329) |
| 50,735 | 222,422 |
| $ 52,084 | $ 188,093 |

**CALIFORNIA HOUSING FINANCE FUND**
**SUPPLEMENTAL STATEMENTS OF CASH FLOWS - HOMEOWNERSHIP PROGRAMS**
**Year Ended June 30, 2013**
(Dollars in Thousands)

| | HOME MORTGAGE REVENUE BONDS | SINGLE FAMILY HOUSING PROGRAM BONDS | RESIDENTIAL MORTGAGE REVENUE BONDS |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | $ 163,833 | $ 1,474 | $ 15,515 |
| Payments to suppliers | (9,449) | (10) | (1,036) |
| Payments to employees | - | - | - |
| Other receipts (payments) | 989,982 | 2,182 | (364,291) |
| Net cash provided by operating activities | 1,144,366 | 3,646 | (349,812) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Intrafund transfers | (65,046) | 7,826 | 3,321 |
| Changes in due from other government entities | (19) | - | - |
| Net cash (used for) provided by noncapital financing activities | (65,065) | 7,826 | 3,321 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Proceeds from sales of bonds | - | - | 133,760 |
| Payment of bond principal | (57,125) | - | (9,840) |
| Early bond redemptions | (1,187,475) | (7,820) | (283,446) |
| Interbond transfers | - | - | (69,950) |
| Interest paid on debt | (84,637) | (2,140) | (21,650) |
| Interfund transfers | - | - | - |
| Increase in deferred financing costs | 1,799 | - | (306) |
| Net cash (used for) capital and related financing activities | (1,327,438) | (9,960) | (251,432) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from maturity and sale of investments | 1,775,293 | 4,041 | 449,618 |
| Purchase of investments | (1,541,814) | (5,518) | (377,747) |
| Interest on investments | 11,952 | 6 | 10,083 |
| Net cash provided by (used for) investing activities | 245,431 | (1,471) | 81,954 |
| Net decrease in cash and cash equivalents | (2,706) | 41 | (515,969) |
| Cash and cash equivalents at beginning of year | 11,732 | 2 | 516,563 |
| Cash and cash equivalents at end of year | $ 9,026 | $ 43 | $ 594 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES: | | | |
| Operating (loss) income | $ 36,679 | $ (2,153) | $ (16,304) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | |
| Interest expense on debt | 77,054 | 2,134 | 21,158 |
| Interest on investments | (10,552) | (6) | (9,972) |
| Changes in fair value of investments | 5,368 | - | 12,005 |
| Accretion of capital appreciation bonds | - | - | - |
| Amortization of bond discount | 32 | - | - |
| Amortization of deferred losses | 375 | - | (2,203) |
| Amortization of bond issuance costs | 3,650 | 60 | 192 |
| Amortization of bond premium | (2,105) | - | - |
| Amortization of deferred revenue | (149) | - | - |
| Provision for estimated loan losses | 28,066 | 1,133 | 7,311 |
| Provision for yield reduction payments | 338 | - | - |
| Provision for nonmortgage investment excess | 303 | - | - |
| Effect of changes in operating assets and liabilities: | | | |
| Purchase of program loans-net | 364,344 | - | (435,835) |
| Collection of principal from program loans - net | 645,760 | 3,610 | 75,359 |
| Interest receivable | 3,623 | (60) | (1,331) |
| Accounts receivable | 8,293 | - | (665) |
| Due from (to) other funds | (17,629) | (1,104) | 360 |
| Other assets | 8 | - | (19) |
| Compensated absences | - | - | - |
| Deposits and other liab | 908 | 32 | 132 |
| Other liabilities | - | - | - |
| Net cash provided (used for) by operating activities | $ 1,144,366 | $ 3,646 | $ (349,812) |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | | |
| Noncash transfer of program loan to REO | $ 88,552 | $ - | $ (1,843) |

| RESIDENTIAL MORTGAGE REVENUE BONDS OVERCOLLATERALIZATION | TOTAL HOMEOWNERSHIP PROGRAMS |
|---|---|
| $ 2,777 | $ 183,599 |
| (84) | (10,579) |
| - | - |
| 3,782 | 631,655 |
| 6,475 | 804,675 |
| | |
| (1,622) | (55,521) |
| - | (19) |
| (1,622) | (55,540) |
| | |
| - | 133,760 |
| - | (66,965) |
| - | (1,478,741) |
| - | (69,950) |
| - | (108,427) |
| - | - |
| - | 1,493 |
| - | (1,588,830) |
| | |
| 3,311 | 2,232,263 |
| (8,343) | (1,933,422) |
| 275 | 22,316 |
| (4,757) | 321,157 |
| | |
| 96 | (518,538) |
| 2 | 528,299 |
| $ 98 | $ 9,761 |
| | |
| $ 2,970 | $ 21,192 |
| | |
| - | 100,346 |
| (278) | (20,808) |
| 274 | 17,647 |
| - | - |
| - | 32 |
| - | (1,828) |
| - | 3,902 |
| - | (2,105) |
| (12) | (161) |
| (262) | 36,248 |
| - | 338 |
| - | 303 |
| | |
| 47 | (71,444) |
| 4,681 | 729,410 |
| 2 | 2,234 |
| (61) | 7,567 |
| (907) | (19,280) |
| 20 | 9 |
| - | - |
| 1 | 1,073 |
| - | - |
| $ 6,475 | $ 804,675 |
| | |
| $ (47) | $ 86,662 |

**CALIFORNIA HOUSING FINANCE FUND**
**STATEMENTS OF NET POSITION**
**MULTIFAMILY RENTAL HOUSING PROGRAMS**
**June 30, 2013**
(Dollars in Thousands)

| | MULTIFAMILY LOAN PURCHASE BONDS | MULTIFAMILY HOUSING REVENUE BONDS II | MULTIFAMILY HOUSING REVENUE BONDS III | MULTIFAMILY HOUSING PROGRAM BONDS |
|---|---|---|---|---|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ - | $ - | $ 463 | $ 9 |
| Investments | 489 | - | 37,876 | 2,107 |
| Current portion - program loans receivable | 6,800 | - | 24,548 | 1,678 |
| Interest receivable - Program loans | - | - | 3,532 | 1,526 |
| Interest receivable - Investments | - | 1 | 426 | 1 |
| Accounts receivable | - | - | - | - |
| Due from other funds | - | - | - | - |
| Other assets | - | - | 278 | - |
| Total current assets | 7,289 | 1 | 67,123 | 5,321 |
| Noncurrent assets: | | | | |
| Investments | - | - | 32,367 | - |
| Program loans receivable | 1,846 | - | 686,532 | 24,815 |
| Deferred financing costs | - | - | 2,502 | - |
| Other assets | - | - | - | - |
| Total Noncurrent assets | 1,846 | - | 721,401 | 24,815 |
| Total Assets | 9,135 | 1 | 788,524 | 30,136 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Accumulated increase in fair value of hedging derivatives | - | - | 59,057 | - |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Bonds payable | - | - | 20,173 | - |
| Notess payable | - | - | - | - |
| Interest payable | 50 | - | 13,657 | - |
| Deposits and other liabilities | 1 | - | 432 | - |
| Total current liabilities | 51 | - | 34,262 | - |
| Noncurrent liabilities: | | | | |
| Bonds payable | 9,087 | - | 594,042 | - |
| Notess payable | - | - | - | - |
| Due to other government entities | - | - | 8,808 | - |
| Other liablities | - | - | 90,522 | - |
| Unearned revenues | - | - | 13 | - |
| Total noncurrent liabilities | 9,087 | - | 693,385 | - |
| Total Liabilities | 9,138 | - | 727,647 | - |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Accumulated increase in fair value of hedging derivatives | - | - | - | - |
| NET POSITION | | | | |
| Net investment in capital assets | - | - | - | - |
| Restricted by indenture | (3) | 1 | 119,934 | 30,136 |
| Restricted by statute | - | - | - | - |
| Total Net position | $ (3) | $ 1 | $ 119,934 | $ 30,136 |

| MULTIFAMILY CONDUITS | AFFORDABLE MULTIFAMILY HOUSING REVENUE BONDS | MULTIFAMILY RESIDENTIAL MORTGAGE REVENUE BONDS | TOTAL MULTIFAMILY RENTAL HOUSING PROGRAMS |
|---|---|---|---|
| $ 293 | $ - | $ 1 | $ 766 |
| - | 5,442 | 3,009 | 48,923 |
| 149 | 956 | (192) | 33,939 |
| 26 | 234 | 311 | 5,629 |
| - | 123 | 1 | 552 |
| - | - | - | - |
| - | - | - | - |
| - | 49 | - | 327 |
| 468 | 6,804 | 3,130 | 90,136 |
| | | | |
| - | 38,485 | - | 70,852 |
| 43,134 | 330,419 | 67,791 | 1,154,537 |
| - | 146 | 175 | 2,823 |
| - | - | - | - |
| 43,134 | 369,050 | 67,966 | 1,228,212 |
| | | | |
| 43,602 | 375,854 | 71,096 | 1,318,348 |
| | | | |
| - | - | - | 59,057 |
| | | | |
| 18,850 | 2,240 | - | 41,263 |
| - | - | - | - |
| 26 | 350 | 381 | 14,464 |
| - | 1 | 1 | 435 |
| 18,876 | 2,591 | 382 | 56,162 |
| | | | |
| 24,726 | 364,870 | 69,950 | 1,062,675 |
| - | - | - | - |
| - | - | - | 8,808 |
| - | - | - | 90,522 |
| - | - | - | 13 |
| 24,726 | 364,870 | 69,950 | 1,162,018 |
| | | | |
| 43,602 | 367,461 | 70,332 | 1,218,180 |
| | | | |
| - | - | - | - |
| | | | |
| - | - | - | - |
| - | 8,393 | 764 | 159,225 |
| - | - | - | - |
| $ - | $ 8,393 | $ 764 | $ 159,225 |

**CALIFORNIA HOUSING FINANCE FUND**
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**
**MULTIFAMILY PROGRAM**
**Year Ended June 30, 2013**
(Dollars in Thousands)

| | MULTIFAMILY LOAN PURCHASE BONDS | MULTIFAMILY HOUSING REVENUE BONDS II | MULTIFAMILY HOUSING REVENUE BONDS III | MULTIFAMILY HOUSING PROGRAM BONDS |
|---|---|---|---|---|
| OPERATING REVENUES | | | | |
| Interest income: | | | | |
| Program loans and loan agreements -- net | $ 775 | $ 1,685 | $ 49,083 | $ 1,876 |
| Interest income - Investments -- net | - | 12 | 3,690 | 26 |
| Increase in fair value of investments | - | - | (1,622) | (2) |
| Loan commitment fees | - | - | - | - |
| Other loan fees | - | 807 | 21,804 | 271 |
| Other revenues | - | - | (2,369) | - |
| Total Operating revenues | 775 | 2,504 | 70,586 | 2,171 |
| SALARIES AND GENERAL EXPENSES | | | | |
| Interest | 772 | 1,496 | 28,397 | 31 |
| Amortization of bond discount and bond premium | - | 141 | 273 | - |
| Mortgage servicing fees | - | - | 5 | - |
| Provision (reversal) for estimated loan losses | - | (93) | (16,763) | (551) |
| Salaries and general expenses | - | - | - | - |
| Other expenses | 3 | 112 | 7,222 | 341 |
| Total salaries and general expenses | 775 | 1,656 | 19,134 | (179) |
| Operating income (loss) before transfers | - | 848 | 51,452 | 2,350 |
| Transfers in | - | - | - | - |
| Transfers intrafund | - | (3,772) | (6,330) | 13,630 |
| (Decrease) Increase in net position | - | (2,924) | 45,122 | 15,980 |
| Net position at beginning of year | (3) | 2,925 | 74,812 | 14,156 |
| Net position at end of year | $ (3) | $ 1 | $ 119,934 | $ 30,136 |

| MULTIFAMILY CONDUITS | AFFORDABLE MULTIFAMILY HOUSING REVENUE BONDS | MULITIFAMILY RESIDENTIAL MORTGAGE REVENUE BONDS | TOTAL MULTIFAMILY RENTAL HOUSING PROGRAMS |
|---|---|---|---|
| $ - | $ 3,020 | $ 1,988 | $ 58,427 |
| - | 1,490 | 3 | 5,221 |
| - | (2,600) | - | (4,224) |
| - | - | - | - |
| - | - | - | 22,882 |
| - | - | - | (2,369) |
| - | 1,910 | 1,991 | 79,937 |
| - | 2,122 | 1,071 | 33,889 |
| - | 24 | - | 438 |
| - | - | - | 5 |
| - | (756) | 2,350 | (15,813) |
| - | - | - | - |
| - | 1,086 | 10 | 8,774 |
| - | 2,476 | 3,431 | 27,293 |
| - | (566) | (1,440) | 52,644 |
| - | - | - | - |
| - | - | 2,204 | 5,732 |
| - | (566) | 764 | 58,376 |
| - | 8,959 | - | 100,849 |
| $ - | $ 8,393 | $ 764 | $ 159,225 |

**CALIFORNIA HOUSING FINANCE FUND**
**SUPPLEMENTAL STATEMENTS OF CASH FLOWS -**
**MULTIFAMILY RENTAL HOUSING PROGRAMS**
**Year Ended June 30, 2013**
(Dollars in Thousands)

| | MULTIFAMILY LOAN PURCHASE BONDS | MULTIFAMILY HOUSING REVENUE BONDS II | MULTIFAMILY HOUSING REVENUE BONDS III | MULTIFAMILY HOUSING PROGRAM BONDS |
|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | $ 775 | $ 1,871 | $ 49,562 | $ 1,668 |
| Payments to suppliers | (2) | (9) | (164) | (3) |
| Other receipts (payments) | 6,824 | 32,312 | 83,310 | 7,244 |
| Net cash provided by (used for) operating activities | 7,597 | 34,174 | 132,708 | 8,909 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Intrafund transfers | - | (3,772) | (6,330) | 13,630 |
| Net cash (used for) provided by noncapital financing activities | - | (3,772) | (6,330) | 13,630 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Proceeds from sales of bonds | - | - | - | - |
| Payment of bond principal | (7,013) | (500) | (23,290) | - |
| Early bond redemptions | - | (31,645) | (163,930) | (25,995) |
| Interbond transfers | - | - | - | - |
| Interest paid on debt | (812) | (2,311) | (29,018) | (48) |
| Increase (decrease) in deferred financing costs | - | - | - | - |
| Net cash (used for) provided by capital and related financing activities | (7,825) | (34,456) | (216,238) | (26,043) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Proceeds from maturity and sale of investments | 7,893 | 42,771 | 397,989 | 40,922 |
| Purchase of investments | (7,665) | (38,731) | (312,723) | (37,466) |
| Interest on investments | - | 14 | 4,192 | 38 |
| Net cash provided by (used for) investing activities | 228 | 4,054 | 89,458 | 3,494 |
| Net (decrease) increase in cash and cash equivalents | - | - | (402) | (10) |
| Cash and cash equivalents at beginning of year | - | - | 865 | 19 |
| Cash and cash equivalents at end of year | $ - | $ - | $ 463 | $ 9 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES: | | | | |
| Operating income (loss) | $ - | $ 848 | $ 51,452 | $ 2,350 |
| Adjustments to reconcile operating (loss) income to net cash provided by (used for) operating activities: | | | | |
| Interest expense on debt | 771 | 1,496 | 28,398 | 31 |
| Interest on investments | - | (12) | (3,690) | (26) |
| Changes in fair value of investments | - | - | 1,622 | 1 |
| Amortization of bond discount | - | 141 | - | - |
| Amortization of deferred losses | - | - | 272 | - |
| Amortization of bond issuance costs | - | 33 | 754 | 116 |
| Provision (reversal) for estimated loan losses | - | (93) | (16,763) | (551) |
| Provision for yield reduction payments | - | - | (8,376) | - |
| Provision for nonmortgage investment excess | - | - | (699) | - |
| Effect of changes in operating assets and liabilities: | | | | |
| Sale (Purchase) of program loans-net | - | 25,723 | (6,000) | - |
| Collection of principal from program loans - net | 6,826 | 5,823 | 89,855 | 6,238 |
| Interest receivable | - | 186 | 480 | (208) |
| Accounts receivable | - | - | - | - |
| Due (from) to other funds | - | - | - | 959 |
| Other assets | - | 31 | 39,148 | - |
| Deposits and other liab | - | (2) | 401 | (1) |
| Other liabilities | - | - | (44,146) | - |
| Net cash provided by (used for) operating activities | $ 7,597 | $ 34,174 | $ 132,708 | $ 8,909 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | | | |
| Noncash transfer of program loan to REO | $ - | $ - | $ - | $ - |

| MULTIFAMILY CONDUITS | AFFORDABLE MULTIFAMILY HOUSING REVENUE BONDS | MULITIFAMILY RESIDENTIAL MORTGAGE REVENUE BONDS | TOTAL MULTIFAMILY RENTAL HOUSING PROGRAMS |
|---|---|---|---|
| $ - | $ 3,023 | $ 1,677 | $ 58,576 |
| - | (3) | (1) | (182) |
| 12,202 | 9,042 | (69,950) | 80,984 |
| 12,202 | 12,062 | (68,274) | 139,378 |
| - | - | 2,204 | 5,732 |
| - | - | 2,204 | 5,732 |
| 2,813 | - | - | 2,813 |
| - | (2,170) | - | (32,973) |
| (14,876) | (8,589) | - | (245,035) |
| - | - | 69,950 | 69,950 |
| - | (2,129) | (690) | (35,008) |
| - | (3) | (182) | (185) |
| (12,063) | (12,891) | 69,078 | (240,438) |
| - | 16,712 | 2,040 | 508,327 |
| - | (17,375) | (5,049) | (419,009) |
| - | 1,492 | 2 | 5,738 |
| - | 829 | (3,007) | 95,056 |
| 139 | - | 1 | (272) |
| 154 | - | - | 1,038 |
| $ 293 | $ - | $ 1 | $ 766 |
| $ - | $ (566) | $ (1,440) | $ 52,644 |
| - | 2,122 | 1,071 | 33,889 |
| - | (1,490) | (3) | (5,221) |
| - | 2,600 | - | 4,223 |
| - | - | - | 141 |
| - | 25 | - | 297 |
| - | 9 | 7 | 919 |
| - | (757) | 2,351 | (15,813) |
| - | - | - | (8,376) |
| - | - | - | (699) |
| 8,577 | 9,200 | (69,950) | (32,450) |
| 3,625 | 914 | - | 113,281 |
| - | 3 | (311) | 150 |
| - | - | - | - |
| - | - | - | 959 |
| - | 1 | - | 39,180 |
| - | 1 | 1 | 400 |
| - | - | - | (44,146) |
| $ 12,202 | $ 12,062 | $ (68,274) | $ 139,378 |
| $ - | $ - | $ - | $ - |

**CALIFORNIA HOUSING FINANCE FUND**
**STATEMENTS OF NET POSITION**
**OTHER PROGRAMS AND ACCOUNTS**
**June 30, 2013**
(Dollars in Thousands)

| | HOUSING ASSISTANCE TRUST | CONTRACT ADMINISTRATION PROGRAMS | SUPPLEMENTAL BOND SECURITY ACCOUNT | EMERGENCY RESERVE ACCOUNT |
|---|---|---|---|---|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ 4 | $ 1,186 | $ 1 | $ 1 |
| Investments | 236,923 | 298,421 | 13,256 | 32,076 |
| Current portion - program loans receivable | 22,910 | 15,601 | - | - |
| Interest receivable - Program loans | 1,213 | 9,643 | - | - |
| Interest receivable - Investments | 513 | 185 | 8 | 19 |
| Accounts receivable | 678 | - | - | 110 |
| Due (to) from other funds | (8,549) | 278 | 12,740 | - |
| Other assets | 3,141 | - | - | - |
| Total current assets | 256,833 | 325,314 | 26,005 | 32,206 |
| Noncurrent assets: | | | | |
| Investments | 82,293 | - | - | - |
| Program loans receivable | 139,354 | 304,359 | - | - |
| Deferred financing costs | - | - | - | - |
| Other assets | 50 | - | - | - |
| Total Noncurrent assets | 221,697 | 304,359 | - | - |
| Total Assets | 478,530 | 629,673 | 26,005 | 32,206 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Accumulated increase in fair value of hedging derivatives | 67,660 | - | - | - |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Bonds payable | - | - | - | - |
| Notess payable | - | - | - | - |
| Interest payable | 21,941 | - | - | - |
| Due to other government entities | - | 684 | - | - |
| Compensated absences | - | - | - | - |
| Deposits and other liabilities | 3 | 2,787 | - | - |
| Total current liabilities | 21,944 | 3,471 | - | - |
| Noncurrent liabilities: | | | | |
| Bonds payable | - | - | - | - |
| Notess payable | - | - | - | - |
| Due to other government entities | - | - | - | - |
| Other liablities | 127,196 | - | - | - |
| Unearned revenues | - | - | - | - |
| Total noncurrent liabilities | 127,196 | - | - | - |
| Total Liabilities | 149,140 | 3,471 | - | - |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Accumulated increase in fair value of hedging derivatives | - | - | - | - |
| NET POSITION | | | | |
| Net investment in capital assets | - | - | - | - |
| Restricted by indenture | - | - | - | - |
| Restricted by statute | 397,050 | 626,202 | 26,005 | 32,206 |
| Total Net position | $ 397,050 | $ 626,202 | $ 26,005 | $ 32,206 |

| LOAN SERVICING | LOAN WAREHOUSING | CITIGROUP GLOBAL MARKETS | OPERATING ACCOUNT | TOTAL OTHER PROGRAMS AND ACCOUNTS |
|---|---|---|---|---|
| $ 22,807 | $ - | $ 98 | $ 401 | $ 24,498 |
| 225,067 | - | - | 15,925 | 821,668 |
| - | - | 2,839 | - | 41,350 |
| - | - | 386 | - | 11,242 |
| 139 | - | - | 13 | 877 |
| 2,723 | - | - | 572 | 4,083 |
| (5,747) | - | - | 10,223 | 8,945 |
| - | - | - | 47 | 3,188 |
| 244,989 | - | 3,323 | 27,181 | 915,851 |
| | | | | |
| - | - | - | - | 82,293 |
| - | - | 78,058 | - | 521,771 |
| - | - | - | 2 | 2 |
| - | - | - | 961 | 1,011 |
| - | - | 78,058 | 963 | 605,077 |
| | | | | |
| 244,989 | - | 81,381 | 28,144 | 1,520,928 |
| | | | | |
| - | - | - | - | 67,660 |
| | | | | |
| - | - | - | - | - |
| - | - | 2,888 | - | 2,888 |
| - | - | 438 | - | 22,379 |
| - | - | - | 300 | 984 |
| - | - | - | 4,263 | 4,263 |
| 238,904 | - | - | 1,348 | 243,042 |
| 238,904 | - | 3,326 | 5,911 | 273,556 |
| | | | | |
| - | - | - | - | - |
| - | - | 78,170 | - | 78,170 |
| - | - | - | 17,934 | 17,934 |
| - | - | - | - | 127,196 |
| - | - | - | 20,405 | 20,405 |
| - | - | 78,170 | 38,339 | 243,705 |
| | | | | |
| 238,904 | - | 81,496 | 44,250 | 517,261 |
| | | | | |
| - | - | - | - | - |
| | | | | |
| - | - | - | 962 | 962 |
| - | - | - | - | - |
| 6,085 | - | (115) | (17,068) | 1,070,365 |
| $ 6,085 | $ - | $ (115) | $ (16,106) | $ 1,071,327 |

**CALIFORNIA HOUSING FINANCE FUND**
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**
**OTHER PROGRAMS AND ACCOUNTS**
**Year Ended June 30, 2013**
(Dollars in Thousands)

| | HOUSING ASSISTANCE TRUST | CONTRACT ADMINISTRATION PROGRAMS | SUPPLEMENTAL BOND SECURITY ACCOUNT | EMERGENCY RESERVE ACCOUNT |
|---|---|---|---|---|
| OPERATING REVENUES | | | | |
| Interest income: | | | | |
| Program loans and loan agreements -- net | $ 10,684 | $ 5,792 | $ - | $ - |
| Interest income - Investments -- net | 4,075 | 956 | 77 | 93 |
| Increase (decrease) in fair value of investments | (3,621) | - | - | - |
| Loan commitment fees | - | - | - | - |
| Other loan fees | 474 | - | - | - |
| Other revenues | (26,740) | 2,502 | - | - |
| Total Operating revenues | (15,128) | 9,250 | 77 | 93 |
| SALARIES AND GENERAL EXPENSES | | | | |
| Interest | 37,600 | - | - | - |
| Mortgage servicing fees | 2 | - | - | - |
| (Reversal) provision for estimated loan losses | (3,125) | 53,471 | - | - |
| Salaries and general expenses | - | - | - | - |
| Other expenses | 180 | 18,543 | - | - |
| Total salaries and general expenses | 34,657 | 72,014 | - | - |
| Operating income (loss) before transfers | (49,785) - | (62,764) | 77 | 93 - |
| Transfers in | - | 38,624 | - | - |
| Transfers intrafund | (6,934) | - | - | - |
| (Decrease) Increase in net assets | (56,719) | (24,140) | 77 | 93 |
| Net position at beginning of year | 453,769 | 650,342 | 25,928 | 32,113 |
| Net position at end of year | $ 397,050 | $ 626,202 | $ 26,005 | $ 32,206 |

| LOAN SERVICING | LOAN WAREHOUSING | CITIGROUP GLOBAL MARKETS | OPERATING ACCOUNT | TOTAL OTHER PROGRAMS AND ACCOUNTS |
|---|---|---|---|---|
| $ - | $ - | $ - | $ - | $ 16,476 |
| 1 | - | - | 71 | 5,273 |
| - | - | - | - | (3,621) |
| - | - | - | 1,929 | 1,929 |
| 4,597 | - | - | 1,339 | 6,410 |
| 64,679 | - | - | 991 | 41,432 |
| 69,277 | - | - | 4,330 | 67,899 |
| - | - | - | - | 37,600 |
| - | - | - | - | 2 |
| - | - | (2,168) | - | 48,178 |
| - | - | - | 40,199 | 40,199 |
| 66,086 | - | - | 738 | 85,547 |
| 66,086 | - | (2,168) | 40,937 | 211,526 |
| 3,191 | - | 2,168 | (36,607) | (143,627) |
| - | - | - | - | 38,624 |
| (6,013) | (3,397) | - | 66,133 | 49,789 |
| (2,822) | (3,397) | 2,168 | 29,526 | (55,214) |
| 8,907 | 3,397 | (2,283) | (45,632) | 1,126,541 |
| $ 6,085 | $ - | $ ( 115 ) | $ ( 16,106 ) | $ 1,071,327 |

**CALIFORNIA HOUSING FINANCE FUND**
**SUPPLEMENTAL STATEMENTS OF CASH FLOWS -**
**OTHER PROGRAMS AND ACCOUNTS**
**Year Ended June 30, 2013**
(Dollars in Thousands)

| | HOUSING ASSISTANCE TRUST | CONTRACT ADMINISTRATION PROGRAMS | SUPPLEMENTAL BOND SECURITY ACCOUNT | EMERGENCY RESERVE ACCOUNT |
|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | $ 10,222 | $ 1,872 | $ - | $ - |
| Payments to suppliers | (3) | - | - | - |
| Payments to employees | - | - | - | - |
| Other receipts (payments) | 106,583 | (110,301) | 4,995 | 30 |
| Net cash provided (used for) by operating activities | 116,802 | (108,429) | 4,995 | 30 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Intrafund transfers | (6,934) | - | - | - |
| Due (from) to other government entities | - | - | - | - |
| Net cash provided by (used for) noncapital financing activities | (6,934) | - | - | - |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Payment of bond principal | - | - | - | - |
| Interest paid on debt | (15,658) | - | - | - |
| Interfund transfers | - | 38,624 | - | - |
| Increase in deferred financing costs | (159) | - | - | - |
| Net cash provided by (used for) capital and related financing activities | (15,817) | 38,624 | - | - |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Proceeds from maturity and sale of investments | 381,650 | 128,821 | - | 3,866 |
| Purchase of investments | (481,771) | (67,461) | (5,071) | (3,997) |
| Interest on investments - net | 3,882 | 1,097 | 77 | 102 |
| Net cash (used for) provided by investing activities | (96,239) | 62,457 | (4,994) | (29) |
| Net increase (decrease) in cash and cash equivalents | (2,188) | (7,348) | 1 | 1 |
| Cash and cash equivalents at beginning of year | 2,192 | 8,534 | - | - |
| Cash and cash equivalents at end of year | $ 4 | $ 1,186 | $ 1 | $ 1 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES: | | | | |
| Operating income (loss) | $ (49,785) | $ (62,764) | $ 77 | $ 93 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | | |
| Interest expense on debt | 37,600 | - | - | - |
| Interest on investments | (4,076) | (956) | (77) | (93) |
| Changes in fair value of investments | 3,621 | - | - | - |
| Amortization of bond issuance costs | 159 | - | - | - |
| Amortization of bond premium | - | - | - | - |
| Amortization of deferred revenue | - | - | - | - |
| Depreciation | - | - | - | - |
| (Reversal) provision for estimated loan losses | (3,125) | 53,471 | - | - |
| Provision for nonmortgage investment excess | - | - | - | - |
| Effect of changes in operating assets and liabilities: | | | | |
| Sale (Purchase) of program loans-net | (95,596) | (101,180) | - | - |
| Collection of principal from program loans - net | 104,622 | 13,032 | - | - |
| Interest receivable | (462) | (3,920) | - | - |
| Accounts receivable | 766 | - | - | 29 |
| Due (from) to ther funds | (18,345) | (574) | 4,995 | 1 |
| Other assets and deferred outflow | 14,229 | - | - | - |
| Compensated absences | - | - | - | - |
| Deposits and other liab | (2) | (5,538) | - | - |
| Other liabilities and deferred inflow | 127,196 | - | - | - |
| Net cash provided by (used for) operating activities | $ 116,802 | $ ( 108,429 ) | $ 4,995 | $ 30 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | | | |
| Noncash transfer of program loan to REO | $ - | $ - | $ - | $ - |

| LOAN SERVICING | LOAN WAREHOUSING | CITIGROUP GLOBAL MARKETS | OPERATING ACCOUNT | TOTAL OTHER PROGRAMS AND ACCOUNTS |
|---|---|---|---|---|
| $ - | $ 32 | $ 10 | $ - | $ 12,136 |
| - | - | - | (10,827) | (10,830) |
| - | - | - | (29,758) | (29,758) |
| 28,104 | 3,265 | 6,833 | (16,005) | 23,504 |
| 28,104 | 3,297 | 6,843 | (56,590) | (4,948) |
| | | | | |
| (6,013) | (3,397) | - | 66,133 | 49,789 |
| - | - | - | 4,864 | 4,864 |
| | | | | |
| (6,013) | (3,397) | - | 70,997 | 54,653 |
| | | | | |
| - | - | (6,870) | - | (6,870) |
| - | - | (38) | (26,967) | (42,663) |
| - | - | - | - | 38,624 |
| - | - | - | (166) | (325) |
| | | | | |
| - | - | (6,908) | (27,133) | (11,234) |
| | | | | |
| 75,642 | 101 | - | 37,782 | 627,862 |
| (94,043) | (3) | - | (25,309) | (677,655) |
| 46 | 1 | - | 87 | 5,292 |
| (18,355) | 99 | - | 12,560 | (44,501) |
| 3,736 | (1) | (65) | (166) | (6,030) |
| 19,071 | 1 | 163 | 567 | 30,528 |
| $ 22,807 | $ - | $ 98 | $ 401 | $ 24,498 |
| | | | | |
| $ 3,191 | $ - | $ 2,168 | $ (36,607) | $ (143,627) |
| | | | | - |
| | | | | - |
| - | - | - | - | 37,600 |
| (1) | - | - | (70) | (5,273) |
| - | - | - | - | 3,621 |
| - | - | - | 169 | 328 |
| - | - | - | - | - |
| - | - | - | (1,929) | (1,929) |
| - | - | - | 284 | 284 |
| - | - | (2,168) | - | 48,178 |
| - | - | - | - | - |
| | | | - | |
| - | 69,906 | - | - | (126,870) |
| - | (66,657) | 6,833 | - | 57,830 |
| - | 31 | 10 | - | (4,341) |
| 521 | - | - | 141 | 1,457 |
| 2,108 | 17 | - | 30,119 | 18,321 |
| - | - | - | 140,807 | 155,036 |
| - | - | - | 9 | 9 |
| 22,285 | - | - | (393) | 16,352 |
| - | - | - | (189,120) | (61,924) |
| $ 28,104 | $ 3,297 | $ 6,843 | $ ( 56,590 ) | $ ( 4,948 ) |
| | | | | |
| $ - | $ - | $ - | $ - | $ - |

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**CALIFORNIA HOUSING FINANCE AGENCY**
**(A Component Unit of the State of California)**

**SINGLE AUDIT REPORT**
**June 30, 2013**

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**INDEPENDENT AUDITORS' 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***

Board of Directors
California Housing Finance Agency
Sacramento, California

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 of the California Housing Finance Agency (the Agency), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated October 11, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Agency'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 entity'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. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency'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 result of that testing, and not to provide an opinion on the effectiveness of the Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**CliftonLarsonAllen LLP**

Baltimore, Maryland
October 11, 2013

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
California Housing Finance Agency
Sacramento, California

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

We have audited California Housing Finance Agency's (the Agency) compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2013. The Agency's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Agency'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Agency'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 Agency's compliance.

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

In our opinion, the Agency 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, 2013.

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-01. Our opinion on each major federal program is not modified with respect to this matter.

The Agency's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

Management of the Agency 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 Agency'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 OMB Circular A-133, 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 Agency'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-01, that we consider to be a significant deficiency.

The Agency's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the business-type activities of the Agency as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements. We issued our report thereon dated October 11, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

**CliftonLarsonAllen LLP**

Baltimore, Maryland
October 11, 2013

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**CALIFORNIA HOUSING FINANCE AGENCY**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**Year Ended June 30, 2013**

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA # | Federal Expenditures |
|---|---|---|
| **U.S. Department of Housing and Urban Development** | | |
| Section 8 Housing Assistance Payment Program | 14.195 | $ 64,147,259 |
| **Department of Agriculture** | | |
| National Foreclosure Mitigation Counseling | 21.000 | 2,501,792 |
| **Total Federal Financial Awards** | | $ 66,649,051 |

See accompanying note to the schedule.

**CALIFORNIA HOUSING FINANCE AGENCY**
**NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**June 30, 2013**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the California Housing Finance Agency (the Agency), and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Therefore, some of the amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies or other entities are included in the schedule.

**CALIFORNIA HOUSING FINANCE AGENCY**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**Year Ended June 30, 2013**

## I. Summary of Independent Auditor's Results

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

| | | | | |
|---|---|---|---|---|
| • Material weakness(es) identified? | | Yes | X | No |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | | Yes | X | None reported |
| • Noncompliance material to financial statements noted? | | Yes | X | No |

**Federal Awards**

Internal control over major programs:

| | | | | |
|---|---|---|---|---|
| • Material weakness(es) identified? | | Yes | X | No |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | X | Yes | | None reported |

Type of auditor's report issued on compliance for major programs: Unqualified

| | | | | |
|---|---|---|---|---|
| Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | X | Yes | | No |

**Identification of Major Programs**

| Name of Federal Program | CFDA Number | Expenditures |
|---|---|---|
| Section 8 Project-Based Cluster | 14.195 | $ 64,147,259 |

Dollar threshold used to distinguish between type A and type B programs $1,999,472

| | | | | |
|---|---|---|---|---|
| Auditee qualified as low-risk auditee? | | Yes | X | No |

**CALIFORNIA HOUSING FINANCE AGENCY**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**Year Ended June 30, 2013**

## II. Financial Statement Findings

None

## III. Federal Award Findings and Questioned Costs

**Finding 2013-01: U.S. Department of Housing and Urban Development, Section 8 Project-Based Cluster, CFDA # 14.195, Cash Management**

***Condition/Context***
13 of the 18 federal draws tested for Housing Assistance Payments paid out to Projects between July 1, 2012 – June 30, 2013 were disbursed more than three business days after the receipt of the funds. The time frame ranged from seven to ten days.

***Criteria***
24 CFR 85.21 describes the methods under which Federal agencies will pay grantees and how the grantees make payments to contractors. Section 85.21(b) states "Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205."

***Cause***
The Agency deposits these federal funds into several different accounts and performs reconciliations before these funds are passed through to the Projects.

***Effect***
The Agency has not complied with cash management procedures established by the U.S. Treasury.

***Questioned Costs***
Not determined.

***Recommendation***
We understand that management revised the process to mitigate this issue. Our testing identified no exceptions after the March 2013 implementation date of their revised procedures.

***Management's Response***
The Agency has taken the corrective action necessary to address the issue and has been in compliance with the cash management procedures established by the U.S. Treasury since March 2013.

**CALIFORNIA HOUSING FINANCE AGENCY**
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**
**Year Ended June 30, 2012**

**Finding 2012-01: U.S. Department of Housing and Urban Development, Section 8 Project-Based Cluster, CFDA # 14.195, Cash Management**

***Condition/Context***
All 15 federal draws tested for Housing Assistance Payments paid out to Projects between July 1, 2011 – June 30, 2012, were disbursed more than three business days after the receipt of the funds. The time frame ranged from seven to eleven days.

***Status***
A similar finding was noted during fiscal year 2013. See Finding 2013-01.

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**Independent Accountant's Report**

To the Board of Directors
California Housing Finance Agency
Sacramento, California

We have examined the assertion of the management of the California Housing Finance Agency (the Agency) that during the year ended June 30, 2013: "(1) the Agency used Prop 1C funds committed/disbursed for the purpose specified in the California Homebuyer's Down Payment Assistance Program, (2) Borrowers qualified based on income level and sales price as determined by the California Homebuyer's Down Payment Assistance Program, and (3) Proper loan agreement/lien was recorded against the property." Management is responsible for the Agency's compliance with those requirements. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Agency's compliance with specified requirements.

In our opinion, except for the material noncompliance described in the results of this report, management's assertion that the Agency complied with the aforementioned requirements during the year ended June 30, 2013, is fairly stated, in all material respects.

CliftonLarsonAllen LLP

Baltimore, Maryland
July 30, 2013

## RESULTS

Results represent events of non-compliance with specific requirements which we deemed material (either qualitatively or quantitatively), and which resulted in a qualification of our opinion.

***Condition***

For six of 25 loan files tested, there was a lack of documentation supporting income calculations. There was no documentation of information regarding the use of underwriter's income versus calculated income by staff, and when calculated by staff, there was no documentation of review.

***Criteria***

Lenders are required to calculate income to qualify borrower(s) for loan approval using investor guidelines; in addition, CalHFA will recalculate the borrower's income pursuant to tax compliance.

***Effect***

Although all borrowers qualified under the income limits, CalHFA is not properly documenting the method used to the re-calculation of borrower eligibility income for compliance with the California Homebuyer's Down Payment Assistance Program (CHDAP) guidelines.

***Recommendation***

We recommend that CalHFA document the source of information used for income verification and review of calculated amounts.

***Response***

Based on the recommendation above, CalHFA will identify the sources of information used to determine the final re-calculated annual income amount in each loan file.

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Management
California Housing and Finance Agency
Sacramento, California

In planning and performing our audit of the financial statements of California Housing Finance Fund (the Fund) as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal control and operating efficiency. Our comments and suggestions regarding those matters are summarized below. This letter does not affect our communication dated October 11, 2013.

**INFORMATION TECHNOLOGY**

As part of the audit, CLA's information technology auditors obtained an understanding of the information technology controls around the core financial accounting system and other systems that have an effect on the financial statements. The following observations were noted during the review:

***Change Management***

- There are 11 user accounts with administrative access to the Multifamily Loan Accounting System development SQL server that also have access to the production SQL server.

This could result in misrepresentation of financial data. Inadequate change management controls to financial applications could lead to unauthorized changes being implemented into financial systems.

We recommend that segregation of duties be in place between development activities and the production environment to prevent unauthorized changes being made to production by personnel. We also recommend that the Fund develop change management procedures including formal approval for change initiation, testing scripts, and results and final approval prior to changes made to production systems.

***Disaster Recovery Plan***

- The current Disaster Recovery testing documentation (2012) does not include any requirements to detail actual steps taken and problems that occurred regarding system restoration post disaster (e.g. where IT operations were restored, how long it took to bring the systems back up, performance issues, connection issues, results, etc.)
- The current Disaster Recovery Plan does not detail specific test requirements for each disaster recovery site or situation (e.g. duration of outage, fail over restore or tape restore, West Sacramento vs. Culver City, etc.).

- Roles and responsibilities within the disaster recovery plan are not assigned to actual people, which could lead to confusion as to who would play what role in the event of a disaster. Additionally, the Fund Disaster Response Organizational Structure does not designate actual individuals.

Inadequate disaster recovery testing documentation can lead to ineffective recovery procedures in the event of an actual disaster. In the event of a disaster, recovery procedures may not be properly executed if clear roles and responsibilities are not assigned.

We recommend that the Fund review the current disaster recovery testing documentation requirements, and evaluate if additional detail, including those noted in our observations, should be included. In addition we recommend that the Fund review the current testing requirements and determine if additional/specific testing scenarios should be carried out on a regular basis for each disaster recovery site. Using a real life situation is not an issue; however, documentation of procedures performed needs to be included, even if it does not follow the plan. Finally, we recommend that the Fund designate specific individuals to each role within their disaster recovery plan, as well as within the Fund Disaster Response Organizational Structure.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Baltimore, Maryland
October 11, 2013

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# California Housing Finance Fund

## Results of June 30, 2013

## Financial Statement Audit
## November 12, 2013

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# Audit Team

| | |
|---|---|
| • J. Michael Stephens | CliftonLarsonAllen Principle |
| • Mandy Heagy | CliftonLarsonAllen Sr. Manager |
| • Laura Golightly | CliftonLarsonAllen Senior |
| • Staff | CliftonlarsonAllen Associates |





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# Agenda

- Audit Approach
  - Including New Requirements
- Audit Results
- Single Audit
- Required Communications
- Future Pronouncements/Issues

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# Audit Approach

- CliftonLarsonAllen Professionals with Reliance on Specialists
- Integrated Teams
  - Auditors
  - IT Specialist
  - Valuation Specialists
- Approach – Risk-Based, Assessment of internal controls and substantive testing
- Communication – Frequent, including formal status meetings, and informal communications







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# Audit Approach – New Requirements

- Implementation of Audit Clarity Standards
- Report Modifications and Terminology
  - Unmodified vs. Unqualified
  - New Language
- Group Audit Requirements
- Additional Documentation Requirements





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# Audit Results

- **Auditors' Opinion on Financial Statements – Unmodified**

  **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**

  – No Findings Reported







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# Audit Results (cont.)

- There were no audit adjustments in the current year
- There was one unrecorded passed adjustment related to the understatement of the fair market value amount of the Swap liability







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# Management Letter (Statement on Auditing Standard 117)

- **Management Letter Comments Related to the Following:**
  - IT
    - ◊ Change Management
    - ◊ Disaster Recovery Plan





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# Single Audit

- **Single Audit Reports Issued**
  - Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with *Government Auditing Standards*
  - Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance and Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133 – Unmodified

**Major Program**

Section 8 Project Based Cluster



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# Single Audit (cont.)

- **Findings and Questioned Costs**
  - One Compliance Finding Related to:
    - ◊ Drawdown of Federal Funds with recognition of correction during year





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# Additional Reports Issued

- Additional Required Reporting for State and Federal Programs
  - Agreed Upon Procedures related to Compliance with Requirements of Proposition 1C (Down Payment Assistance Program)
  - Agreed Upon Procedures related to Compliance with Requirements of FAF Refunding Agreements

Exceptions Identified in Proposition 1C Procedures





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# Required Communications

- Prior AICPA Statement on Auditing Standards No. 114 and the new Clarity Standards require independent public accountants to communicate certain matters to those who have responsibility for oversight of the financial reporting process. We have summarized the results of our audit of the Housing Finance Fund for the year ended June 30, 2013 by addressing each of these required communications.





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# Required Communications

- **Auditor's Responsibility Under Generally Accepted Auditing Standards (GAAS):**
  - The financial statements are the responsibility of management. Our audit was performed for the purpose of forming an opinion as to whether the financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP).







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# Required Communications (cont.)

- **Qualitative Aspects of Accounting Practices:**
  - Management is responsible for the selection and use of appropriate accounting policies. Significant accounting policies are disclosed in the Summary of Significant Accounting Policies in Note 1 of the financial statements.
  - New accounting policies or pronouncements adopted in the current year that had an impact on the financial statements included GASB's 62 (Technical Reference to Guidance) and GASB 63 (Financial Reporting of Deferred Outflows and Inflows).







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# Required Communications (cont.)

- The preparation of the financial statements requires that certain estimates and judgments be made by management. These judgments and estimates include:
  - ◊ Allowance for loan losses
  - ◊ Calculation of bond arbitrage and mortgage yield liability
  - ◊ Fair market value of investments and other assets
  - ◊ Evaluation of Derivative Instrument effectiveness
  - ◊ Fair Value of Derivative Instruments
- We concluded that management has a reasonable basis for significant judgments and estimates that impact the financial statements.





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# Required Communications (cont.)

- **Difficulties Encountered in Performing the Audit:**
  - We encountered no significant difficulties in performing the audit.
- **Uncorrected Misstatements:**
  - There was one uncorrected misstatement and no corrected misstatements (discussed previously).
- **Representations from Management:**
  - The representation letter was signed by management and is attached to the Communication.
- **Management Consultations with Other Accountants:**
  - There were no consultations with other accountants





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# Required Communications (cont.)

- **Disagreements with Management:**
  - There were no disagreements with management on financial accounting and reporting matters, auditing procedures, or other matters.
- **Significant Findings or Issues:**
  - There were no other findings or issues not already discussed (single audit finding)
- **Other Information in Documents Containing Financial Statements:**
  - Required Supplementary Information
  - Single Audit
  - Combining Schedules







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# Future pronouncements/Issues

- Impact of Combining Operations with HCD and Affect of GASB 69
- Impact of GASB's 67 & 68 Related to Pension Liability and Reporting
- GASB 65 Reporting and Bond Issuance Costs



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# Open Discussions / Questions





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