BOARD OF DIRECTORS

California Housing Finance Agency
Board of Directors

Audit Committee

Tuesday, November 10, 2015

Department of Consumer Affairs
1747 North Market Blvd.
Hearing Room (HQ-2-#186)
Sacramento, CA
(916) 574-7307

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, 2015, Single Audit of Federal Funds, Proposition 1C, Financial Adjustment Factor (FAF) Agreed-Upon Procedures and Fannie Mae Agreed-Upon Procedures including a discussion with auditors from CliftonLarsonAllen LLP. (Nancy Jones/Lori Hamahashi)

   A. CliftonLarsonAllen Presentation 1
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   D. Single Audit Report 101
   E. Prop 1C Agreed-Upon Procedures.....113
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   G. Fannie Mae Document Custodian Agreed-Upon Procedures.....121

4. Public testimony.

5. Adjournment.

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California Housing

Finance Fund

Results of June 30, 2015

Financial Statement Audit
November 10, 2015

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Audit Team

• Nancy Jones	Principal
• Mandy Heagy	Sr. Manager
• Scott McFadden	Engagement Director
• Liz Swain	Staff
• Lindsey Laraia	Staff

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Agenda

- Audit Approach
- 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
- Approach – Risk-Based, Assessment of internal controls and substantive testing
- Communication – Frequent, including formal status meetings, and informal communications

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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 - Unmodified

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Audit Results (cont.)

- There were no audit adjustment in the current year.
- There were no passed adjustments

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Single Audit

- **Single Audit Reports Issued**
  - 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 – One Finding

Major Program

Section 8 Project Based Cluster

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Single Audit (cont.)

- **Findings and Questioned Costs**
  - One Compliance Finding Related to:
    - ◊ Other Noncompliance and Significant Deficiency – 2 of 15 project files did not have the Management and Occupancy Review results sent within 30 days of the completed onsite visit

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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.
  - Two new accounting pronouncements adopted in the current year had an impact on the financial statements: GASB's 68 (Accounting and Financial Reporting for Pensions) and GASB's 71 (Pension Transition for Contributions Made Subsequent to the Measurement Date).

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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
  - ◊ Fair market value of investments and other assets
  - ◊ Evaluation of Derivative Instrument effectiveness
  - ◊ Fair Value of Derivative Instruments
  - ◊ Net pension liability and related deferred outflows/inflows
- 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.
- **Corrected Misstatements:**
  - There were no corrected misstatements.
- **Uncorrected Misstatements:**
  - There were no uncorrected misstatements.
- **Representations from Management:**
  - The representation letter was signed by management and is attached to the Communication.

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Required Communications (cont.)

- **Management Consultations with Other Accountants:**
  - There were no consultations with other accountants
- **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

- GASB 72 – Fair Value Measurement and Application – Will be effective for year ended June 30, 2016 – additional disclosures related to investments
- GASB 73 – Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68 – No impact expected
- GASB 74 – Financial Reporting for Postemployment Benefit Plans Other than Pension Plans – Will be effective for CalPERS one year before CalHFA
- GASB 75 – Accounting and Financial Reporting For Post Employment Benefits other than Pensions – Will be similar to Pensions under GASB 68 – Will be effective for the year ended June 30, 2018
- GASB 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments – No impact expected
- GASB 77 – Tax Abatement Disclosures – No impact expected

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Open Discussions / Questions

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Board of Directors
California Housing Finance Fund
Sacramento, California

We have audited the 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 as of and for the year ended June 30, 2015, and have issued our report thereon dated October 12, 2015. 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 the accounting and financial reporting for pensions by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 68 , *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment to GASB Statement No. 68* in the year ended June 30, 2015 by recognizing its net pension liability related to its pension plan.

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 estimates affecting the financial statements were:

- Management's estimate of the allowance for loan losses 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 the accounting 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 instrument and evaluation of derivative instrument 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 instrument and evaluation of derivative instrument 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. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

Management did not identify and we did not notify them of any financial statements detected as a result of audit procedures.

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 October 12, 2015.

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 entity'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. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

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.

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 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 12, 2015.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

* * *

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
October 12, 2015

Cal HFA California Housing Finance Agency

State of California

Save Our Water

October 12, 2015

CliftonLarsonAllen LLP
3000 Northup Way, Suite 200
Bellevue, WA 98004-1446

This representation letter is provided in connection with your audit of the financial statements of 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, 2015, and the related statement of revenues, expenses, and changes in net 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 12, 2015, the following representations made to you during your audit of the financial statements as of and for the year ended June 30, 2015.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 1, 2015, 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 primary government and all component units 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.

- 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 events occurring subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- We have not identified or been notified of any uncorrected financial statement misstatements.
- 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 have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- We believe that all material expenditures that have been deferred to future periods will be recoverable.
- 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 our pension or other postretirement benefit plans.
- We believe that the effects of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* and *71, Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68,* have been properly reflected in the financial statements.

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 any 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 budget ordinances, 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 include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures, jointly governed organizations, and other related organizations.
- The financial statements properly classify all funds and activities.
- All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 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 land and other real estate held by endowments 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 within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

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

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

- Capital assets, including infrastructure and intangible 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.

- We acknowledge our responsibility for presenting the Combining Program Information (the supplementary information) in accordance with U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.

- 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 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.

- Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.

- 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 monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of OMB Circular A-133.

- 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.
- We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

Signature: _____ Title: Executive Director

Signature: _____ Title: Comptroller

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(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 statements of net position as of June 30, 2015 and 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the years 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of June 30, 2015 and 2014, 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, 2015, 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.

Emphasis of a Matter

During fiscal year ended June 30, 2015, the Fund adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions and the related GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. As a result of the implementation of these standards, the Fund reported a restatement for the change in accounting principle (see Note 3). Our auditors' opinion was not modified with respect to the restatement.

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 4-16, Schedule of the Fund's Proportionate Share of the Net Pension Liability on page 47, and the Schedule of Fund Contribution on page 48 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 is 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2014, 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

CliftonLarsonAllen LLP

Bellevue, Washington
October 12, 2015

CALIFORNIA HOUSING FINANCE FUND
Management Discussion and Analysis
of Financial Position and Results of Operations
As of and for the fiscal years ended June 2015 and 2014

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 one state general obligation bond fund. The Agency is governed by a Board of Directors which consists of 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. 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.

Effective July 1, 2013, pursuant to the Governor's Reorganization Plan 2, the Agency was moved from being within the Business, Transportation and Housing Agency to being within the Department of Housing and Community Development. The Department does not have any 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 Agency and are not subject to the supervision or approval of any other officer or division of state government. Further, pursuant to the 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 Agency, except as authorized by the executive director of the Agency or designated trustee pertaining to bonds issued by the Agency.

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 to 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 the 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 ("MD&A") 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 programs and accounts 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 supplemental information and additional 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. However, there has been no new loan activity in Homeownership Programs since FY 2010. 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. Within the Multifamily Rental Housing Programs, the Multifamily Housing Revenue Bonds III indenture continues to participate in the FHA-HFA Multifamily Risk-Sharing Program with the U.S. Department of Housing and Urban Development (HUD). 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 (i.e. Proposition 46 and Proposition 1C Programs and Mental Health Services Act Housing Program), which the Agency has been asked to administer for the State on a contract basis, and certain Federal Programs (i.e. Section 8 Housing Assistance Program and National Foreclosure Mitigation Counseling Program). The Agency also issues Mortgage Credit Certificates for first-time homebuyers. Operating expenses of the Agency's loan and bond programs are paid from an Operating Account. Other accounts maintained by the Agency provide security for the issuance of bonds, emergency contingencies and loan servicing operations.

Summary of Financial Results 2015-2014

- Operating income before transfers was $88.3 million for fiscal year 2015 compared to an operating loss of $33 million for fiscal year 2014. The operating results for fiscal year 2015 improved by $121.3 million, when compared to fiscal year 2014.

- Other revenues were $37.7 million for fiscal year 2015 compared to negative $47.4 million in fiscal year 2014. The increase was primarily due to the increase in the fair value of the investment swaps for fiscal year 2015.

- The Fund's mortgage loan delinquencies declined as the California housing market continued to improve over the last fiscal year. The Fund's single family loan portfolio consists of 47.9% federally guaranteed loans and 52.1% conventional loans. The overall delinquency ratio of the Fund's single family loan portfolio improved to 7.3% or 1,037 delinquent loans as of June 30, 2015. By comparison, the delinquency ratio for the Agency's single family portfolio was 9.7% or 1,564 loans as of June 30, 2014. Overall, the total number of delinquent loans declined by 33.7% or 527 loans.

- Under the HMRB indenture, there was a total of $3.8 million in loans written-off during fiscal year 2015 due to the sale of foreclosed properties (net of insurance payment received) and on short sales (net of insurance payment received), of $1.6 million and $2.2 million, respectively. The remaining HMRB foreclosed properties were written down by $1.1 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 $13.5 million changing from $39.4 million in fiscal year 2014 to $25.9 million in fiscal year 2015.

- In April 2015, the Agency issued bonds totaling $174.2 million under the Multifamily Housing Revenue Bonds III indenture. The Agency continued to actively manage and reduce the Fund's interest expense and exposures within the debt portfolio and redeemed $736.1 million of bonds during fiscal year 2015. There were no economic refundings made during the year.

- The Fund had $84.8 million in new loans receivable during fiscal year 2015. Of the $84.8 million, $57.7 million of new loans receivable were in Contract Administration Programs. Total program loans receivable decreased by $483.2 million. 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.

- During fiscal year 2015, $496 thousand was transferred into the Fund by the Department of Housing and Community Development (HCD) and $928 thousand of unused Mental Health Services Act (MHSA) funds was transferred out to various counties.

- Conduit debt obligations previously reported in the Agency's financial statements were removed since FY 2014 -see Note 7 - Bonds and Notes Payable and Associated Interest Rate Swaps.

- During the year, the Agency implemented Government Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. As a result of the implementation, the Fund's beginning net position for the year was reduced by $48.8 million - see Note 3 and Note 10 - Pension Plan.

Condensed Financial Information:

Condensed Schedule of Assets, Liabilities, and Net Position

The following table presents a condensed Schedule of Assets, Liabilities, and Net Position for the Fund as of June 30, 2015 and 2014 and the change from the prior year (dollars in thousands):

Condensed Statement of Net Position

	2015	2014	Change
Assets			
Cash and investments	$ 1,468,746	$ 1,585,117	$ (116,371)
Program loans receivable-net	3,423,104	3,906,285	(483,181)
Other	96,106	79,108	16,998
Total Assets	4,987,956	5,570,510	(582,554)
Deferred Outflows of Resources	28,302	25,710	2,592
Liabilities			
Bonds payable-net	2,914,626	3,532,752	(618,126)
Notes payable	54,580	63,595	(9,015)
Other	521,195	521,279	(84)
Total Liabilities	3,490,401	4,117,626	(627,225)
Deferred Inflows of Resources	8,230	-	8,230
Net Position			
Net investment in capital assets	754	842	(88)
Restricted net position	1,516,873	1,477,752	39,121
Total Net Position	$ 1,517,627	$ 1,478,594	$ 39,033

Assets

Of the Fund's assets, 98.1% is represented by cash and investments and program loans receivable. The Fund does not have a significant investment in capital assets, holding $0.8 million in furniture and equipment.

Total assets decreased by $582.6 million during fiscal year 2015. The Fund's cash and investments were $1.47 billion as of June 30, 2015, a decrease of $116.4 million from June 30, 2014. The cash and investments balance decrease is primarily due to the bond redemption activity in Homeownership and Multifamily Programs.

Of the Fund's assets, 29.4% is in the form of cash and investments at fiscal year end. Of the Fund's investment balance, 3.1% is in investment agreements. The amount of funds invested in investment agreements during the 2015 fiscal year decreased by $22.6 million. Additionally, $1.08 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 2015 increased by $37.1 million.

The composition of cash and investments as of June 30, 2015 and 2014 and the changes from the prior year are shown in the table below (dollars in thousands):

Cash and Investments

	2015	2014	Change
Investment agreements	$ 43,599	$ 66,225	$ (22,626)
SMIF	1,077,656	1,040,555	37,101
Open Commercial Paper	18,163	34,718	(16,555)
Securities	288,083	403,112	(115,029)
Cash	41,245	40,507	738
Total Cash and Investments	$ 1,468,746	$ 1,585,117	$ (116,371)

Program loans receivable decreased by $483.2 million during fiscal year 2015 compared to fiscal year 2014. This decrease is primarily due to loan prepayments along with loan write-offs of $7.6 million and REO loan write-downs of $1.8 million in fiscal year 2015. Loan prepayments decreased to $390.9 million during fiscal year 2015 compared to 490.9 million received in fiscal year 2014. REO properties decreased by $1.1 million to $12.3 million during fiscal year 2015 compared to $13.4 million in fiscal year 2014.

As of June 30, 2015 and June 30, 2014, the fair values of interest rate swaps were in the negative position of $162.6 million and $186.4 million, respectively.

Other Assets increased by $17 million during fiscal year 2015 when compared to fiscal year 2014. The increase is primarily due to the increase in cash collateral held by counterparties.

Liabilities

The Fund's liabilities were $3.49 billion as of June 30, 2015, a decrease of $627.2 million from June 30, 2014. Of the Fund's liabilities, 83.5% is in the form of bond indebtedness. The Fund's net bonds payable at June 30, 2015 decreased by $618.1 million from the prior year mainly due to the $64.1 million of scheduled principal payments, $736.1 million in bond redemptions, and offset by the $174.2 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, 2015 and 2014.

All of the bonds issued by the Agency are reported within the Fund and the bonds reported no longer include the reporting of conduit bond obligations as liabilities in the accompanying financial statements along with the related assets. The conduit 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 – Bonds and Notes Payable and Associated Interest Rate Swaps).

The Agency issues both tax-exempt and federally taxable bonds. During the 2015 fiscal year, federally taxable bonds outstanding increased by $51.3 million and as of June 30, 2015 represent 32.3% of all bonds outstanding, while tax-exempt bonds outstanding decreased by $668.3 million and as of June 30, 2015 represent 67.7% 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 2015, the Agency issued $174.2 million in taxable fixed rate bonds.

Shown below are the amounts of variable and fixed rate indebtedness, by tax status, as of June 30, 2015 and 2014 and the changes from the prior year (dollars in thousands):

Bonds Payable

	2015	2014	Change
Tax-Exempt Bonds			
*Variable Rate	$ 756,060	$ 1,001,880	$ (245,820)
Fixed Rate	1,214,305	1,636,740	(422,435)
Total Tax-Exempt Bonds	1,970,365	2,638,620	(668,255)
Federally Taxable Bonds			
*Variable Rate	430,926	510,189	(79,263)
Fixed Rate	508,675	378,122	130,553
Total Federally Taxable Bonds	939,601	888,311	51,290
Total Bonds Outstanding	$ 2,909,966	$ 3,526,931	$ (616,965)

* Certain variable rate bonds have been swapped to a fixed rate (see Note 7 – Bonds and Notes Payable and Associated Interest Rate Swaps).

Although all other liabilities decreased by $84 thousand during fiscal year 2015, pension liability increased by $43.7 million due to the adoption of GASB 68, offset by the decrease in interest payable, derivative swap liability, and deposits and other liabilities by $10 million, $23.8 million, and $8 million, respectively.

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 increased by $39.0 million primarily as a result of operating income of $88.3 million for fiscal year 2015 offset by the negative $48.8 million cumulative effect adjustment to the beginning net position from the adoption of GASB 68.

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, 2015 and June 30, 2014 and the changes from the prior year (dollars in thousands):

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

	2015	2014	Change
Operating Revenues:			
Interest income program loans – net	$ 194,987	$ 218,715	$ (23,728)
Interest income investments – net	17,302	22,519	(5,217)
Increase (Decrease) in fair value of investments	4,114	(308)	4,422
Other loan fees	44,552	29,984	14,568
Other revenues	37,699	(47,401)	85,100
Total Operating Revenues	298,654	223,509	75,145
Operating Expenses:			
Interest	89,960	122,277	(32,317)
Mortgage servicing fees	7,312	8,444	(1,132)
Salaries & general expenses	39,546	41,053	(1,507)
Other expenses	73,543	84,742	(11,199)
Total Operating Expenses	210,361	256,516	(46,155)
Operating Loss before transfers	88,293	(33,007)	121,300
Transfers (out) in	(432)	53,462	(53,894)
Increase(decrease) in net position	$ 87,861	$ 20,455	$ 67,406

Operating Revenues

Total operating revenues of the Fund were $298.7 million during fiscal year 2015 compared to $223.5 million during fiscal year 2014, an increase of $75.2 million or 33.6%.

Interest income on program loans was $195.0 million during fiscal year 2015 compared to $218.7 million during fiscal year 2014, a decrease of $23.7 million. The decrease in interest income on program loans - net is primarily the result of a decrease in interest income on program loans and an increase in the yield reduction liability for the Fund's homeownership and multifamily loan portfolios. Overall, program loans receivable decreased $483.2 million or 12.4% at June 30, 2015 compared to June 30, 2014.

Interest income from investments decreased 23.2% to $17.3 million in fiscal year 2015 from $22.5 million in fiscal year 2014. The decrease is primarily due to the decrease in interest income from Investment Agreements. Investment Agreements decreased $22.6 million from $66.2 million at June 30, 2014 to $43.6 million as of June 30, 2015, while SMIF increased $37.1 million from $1.04 billion to $1.08 billion.

The total changes in fair value of investments was $4.1 million in fiscal year 2015, a net increase of $4.4 million from fiscal year 2014, which had a negative fair value of investments of $0.3 million. The slight increase in the Treasury rates during fiscal year 2015 caused the value of the Fund's mortgage-backed securities to decline slightly. The gain or loss on the sale of securities in the fiscal year 2015 was $9.5 million compared to $0.4 million for the fiscal year ended 2014.

Other loan fees increased $14.6 million to $44.6 million in fiscal year 2015 compared to $30.0 million for fiscal year 2014.

Other revenues increased by $85.1 million to $37.7 million during fiscal year 2015 compared to negative $47.4 million in fiscal year 2014. The increase was primarily due to results of the effectiveness testing for derivative instruments for FY 2014. A large amount of ineffective swap fair values were recognized as other revenues which caused a large variance between FY 2015

and FY 2014. The change in fair value of the derivatives for FY 2015 was positive $22.4 million compared to negative $70.3 million for FY 2014.

Operating Expenses

Total operating expenses of the Fund were $210.4 million during fiscal year 2015 compared to $256.5 million during fiscal year 2014, a decrease of $46.1 million or 18.0%. The decrease is a combination of the decrease in bond interest expenses, allowance for loan loss, REO expenses, administrative fees expense, and swap expenses.

Bonds payable at June 30, 2015 decreased by $617.0 million from June 30, 2014 and bond interest and swap expense, which represents 42.8% of the Fund's total operating expenses, decreased by $32.3 million or 26.4% compared to fiscal year 2014. The decrease in bond interest and swap expense is attributed to continued bond redemption activity.

Salaries and general expenses slightly decreased from $41.1 million during fiscal year 2014 to $39.5 million during fiscal year 2015 (as shown in the condensed statements of revenues, expenses and changes in net position).

Operating Loss before Transfers

Operating income before transfers for fiscal year 2015 was $88.3 million compared to an operating loss of $33 million for fiscal year 2014. The $121.3 million increase in operating income before transfers is reflective of the activities mentioned above.

Summary of Financial Results 2014-2013

- During the last quarter of FY 2014, the Agency discovered an error related to the allowance for loan loss. In the process of revising the allowance for loan loss methodology from an allowance by delinquency category to an allowance on a loan-by-loan basis, it was discovered that an overstatement of the allowance had been recorded as of FY 2013 in the amount of $39.5 million under the Home Mortgage Revenue Bonds ("HMRB") indenture. In order to correct this error, the financial results for FY 2013 and FY 2012 have been restated and the changes are reflected in the MD&A.

- Conduit debt obligations previously reported in the Agency's financial statements were removed in FY 2014.

- Operating loss before transfers was $33 million for fiscal year 2014 compared to an operating loss of $53.4 million for fiscal year 2013. The operating results for fiscal year 2014 improved by $20.4 million, or 38.2%, when compared to fiscal year 2013.

- Other revenues were negative $47.4 million for fiscal year 2014 compared to $39.3 million in fiscal year 2013. The decrease was primarily due to the decrease in the fair value of the investment swaps for fiscal year 2014.

- The Fund's mortgage loan delinquencies declined as the California housing market continued to improve over the last fiscal year. The Fund's single family loan portfolio consists of 46.5% federally guaranteed loans and 53.5% conventional loans. The overall delinquency ratio of the Fund's single family loan portfolio improved to 9.7% or 1,564 delinquent loans as of June 30, 2014. By comparison, the delinquency ratio for the Agency's single family portfolio was 13% or 2,411 loans as of June 30, 2013. Overall, the total number of delinquent loans declined by 35.1% or 847 loans.

- Under the HMRB indenture, there was a total of $11.8 million in loans written-off during fiscal year 2014 due to the sale of foreclosed properties (net of insurance payment received) and on short sales (net of insurance payment received), of $0.9 million and $10.9 million, respectively. The remaining HMRB foreclosed properties were written down by $4.2 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 $30.2 million changing from $69.6 million in fiscal year 2013 to $39.4 million in fiscal year 2014.

- In April 2014, the Agency issued bonds totaling $38.9 million under the Multifamily Housing Revenue Bonds III indenture. The Agency continued to actively manage and reduce the Fund's interest expense and exposures within the debt portfolio and redeemed $944 million of bonds during fiscal year 2014. There were no economic refundings made during the year.

- The Fund had $89.2 million in new loans receivable during fiscal year 2014. Of the $89.2 million, $49.4 million of new loans receivable were in Contract Administration Programs. Total program loans receivable decreased by $599.7 million. 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.

- During fiscal year 2014, $53.4 million was transferred into the Fund by the State pursuant to the Housing and Emergency Shelter Trust Fund Acts of 2002 and 2006. 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 a condensed Schedule of Assets, Liabilities, and Net Position for the Fund as of June 30, 2014 and 2013 and the change from the prior year (dollars in thousands):

Condensed Statement of Net Position

	2014	Restated 2013	Change
Assets			
Cash and investments	$ 1,585,117	$ 1,900,480	$ (315,363)
Program loans receivable-net	3,906,285	4,505,952	(599,667)
Other	79,108	97,129	(18,021)
Total Assets	5,570,510	6,503,561	(933,051)
Deferred Outflows of Resources	25,710	126,717	(101,007)
Liabilities			
Bonds payable-net	3,532,752	4,498,536	(965,784)
Notes payable	63,595	81,058	(17,463)
Other	521,279	592,545	(71,266)
Total Liabilities	4,117,626	5,172,139	(1,054,513)
Deferred Inflows of Resources	-	-	-
Net Position			
Invested in capital assets	842	962	-
Restricted net position	1,477,752	1,457,177	20,575
Total Net Position	$ 1,478,594	$ 1,458,139	$ 20,575

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 $0.8 million in furniture and equipment.

Total assets decreased by $933.1 million during fiscal year 2014. The Fund's cash and investments were $1.59 billion as of June 30, 2014, a decrease of $315.4 million from June 30, 2013. 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, 28.5% is in the form of cash and investments at fiscal year end. Of the Fund's investment balance, 4.3% is in investment agreements. The amount of funds invested in investment agreements during the 2014 fiscal year decreased by $39.4 million. Additionally, $1.04 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 2014 decreased by $197.6 million.

The composition of cash and investments as of June 30, 2014 and 2013 and the changes from the prior year are shown in the table below (dollars in thousands):

Cash and Investments

	2014	Restated 2013	Change
Investment agreements	$ 66,225	$ 105,614	$ (39,389)
SMIF	1,040,555	1,238,133	(197,578)
Open Commercial Paper	34,718	32,011	2,707
Securities	403,112	489,991	(86,879)
Cash	40,507	34,731	5,776
Total Cash and Investments	$ 1,585,117	$ 1,900,480	$ (315,363)

Program loans receivable decreased by $599.7 million during fiscal year 2014 compared to fiscal year 2013. This decrease is primarily due to loan prepayments along with loan write-offs of $18.9 million and REO loan write-downs of negative $4.4 million in fiscal year 2014. Loan prepayments decreased to $490.9 million during fiscal year 2014 compared to $575.5 million received in fiscal year 2013. REO properties decreased by $6.7 million to $13.4 million during fiscal year 2014 compared to $20.1 million in fiscal year 2013.

As of June 30, 2014 and June 30, 2013, the fair values of interest rate swaps were in the negative position of $186.4 million and $217.7 million, respectively.

Other Assets decreased by $18.0 million during fiscal year 2014 when compared to fiscal year 2013. The decrease is primarily due to the decrease in the number of REO properties and decrease in accounts receivables.

Liabilities

The Fund's liabilities were $4.12 billion as of June 30, 2014, a decrease of $1.05 billion from June 30, 2013. Of the Fund's liabilities, 85.8% is in the form of bond indebtedness. The Fund's bonds payable at June 30, 2014 decreased by $969 million from the prior year mainly due to the scheduled principal payments, $944.0 million in bond redemptions offset by the $38.9 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, 2014 and 2013.

All of the bonds issued by the Agency are reported within the Fund and the bonds reported no longer include the reporting of conduit bond obligations as liabilities in the accompanying financial statements along with the related assets. The conduit 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.

The Agency issues both tax-exempt and federally taxable bonds. During the 2014 fiscal year, federally taxable bonds outstanding decreased by $187.7 million and as of June 30, 2014 represent 25.2% of all bonds outstanding, while tax-exempt bonds outstanding decreased by $781.2 million and as of June 30, 2014 represent 74.8% 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 2014, the Agency issued $38.9 million in tax-exempt bonds.

Shown below are the amounts of variable and fixed rate indebtedness, by tax status, as of June 30, 2014 and 2013 and the changes from the prior year (dollars in thousands):

Bonds Payable

	2014	Restated 2013	Change
Tax-Exempt Bonds			
*Variable Rate	$ 1,001,880	$ 1,512,605	$ (510,725)
Fixed Rate	1,636,740	1,907,225	(270,485)
Total Tax-Exempt Bonds	2,638,620	3,419,830	(781,210)
Federally Taxable Bonds			
*Variable Rate	510,189	659,702	(149,513)
Fixed Rate	378,122	416,349	(38,227)
Total Federally Taxable Bonds	888,311	1,076,051	(187,740)
Total Bonds Outstanding	$ 3,526,931	$ 4,495,881	$ (968,950)

* Certain variable rate bonds have been swapped to a fixed.

All other liabilities decreased by $71.3 million during fiscal year 2014. The decrease was mainly due to the decrease in Derivative SWAP liability and decrease in deposits and other liabilities.

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 increased by $20.4 million primarily as a result of transfers to the Fund in the amount of $53.4 million offset by the $33 million of operating losses for fiscal year 2014.

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, 2014 and June 30, 2013 and the changes from the prior year (dollars in thousands):

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

	2014	Restated 2013	Change
Operating Revenues:			
Interest income program loans – net	$ 218,715	$ 256,268	$ (37,553)
Interest income investments – net	22,519	31,302	(8,783)
Increase (Decrease) in fair value of investments	(308)	(25,492)	25,184
Other loan fees	29,984	31,382	(1,398)
Other revenues	(47,401)	39,275	(86,676)
Total Operating Revenues	223,509	332,735	(109,226)
Operating Expenses:			
Interest	122,277	171,835	(49,558)
Mortgage servicing fees	8,444	9,942	(1,498)
Salaries & general expenses	41,053	40,199	854
Other expenses	84,742	164,132	(79,390)
Total Operating Expenses	256,516	386,108	(129,592)
Operating Loss before transfers	(33,007)	(53,373)	20,366
Transfers in	53,462	38,624	14,838
Increase(decrease) in net position	$ 20,455	$ (14,749)	$ 35,204

Operating Revenues

Total operating revenues of the Fund were $223.5 million during fiscal year 2014 compared to $332.7 million during fiscal year 2013, a decrease of $109.2 million or 32.8%.

Interest income on program loans was $218.7 million during fiscal year 2014 compared to $256.3 million during fiscal year 2013, a decrease of $37.6 million. The decrease in interest income on program loans is primarily the result of a decrease in interest income on program loans and an increase in the yield reduction liability for the Fund's homeownership and multifamily loan portfolios. Overall, program loans receivable decreased $599.7 million or 13.3% at June 30, 2014 compared to June 30, 2013.

Interest income from investments decreased 28.1% to $22.5 million in fiscal year 2014 from $31.3 million in fiscal year 2013. The decrease is primarily due to the decrease in interest income from Investment Agreements. Investment Agreements decreased $39.4 million from $105.6 million at June 30, 2013 to $66.2 million as of June 30, 2014, while SMIF decreased $197.5 million from $1.24 billion to $1.04 billion.

The total changes in fair value of investments was negative $0.3 million in fiscal year 2014, a net increase of $25.2 million from fiscal year 2013, which had a negative fair value of investments of $25.5 million. The slight increase in the Treasury rates during fiscal year 2014 caused the value of the Fund's mortgage-backed securities to decline slightly. The gain or loss on the sale of securities in the fiscal year 2014 was $0.4 million compared to no activity for the fiscal year ended 2013.

Other loan fees decreased $1.4 million to $30.0 million in fiscal year 2014 compared to $31.4 million for fiscal year 2013.

Other revenues decreased by $86.7 million to negative $47.4 million during fiscal year 2014 compared to positive $39.3 million in fiscal year 2013. The decrease was primarily due to negative results of the effectiveness testing for derivative instruments. The change in fair value of the derivatives for FY 2014 was negative $70.3 million compared to negative $6.1 million for FY 2013.

Operating Expenses

Total operating expenses of the Fund were $256.5 million during fiscal year 2014 compared to $386.1 million during fiscal year 2013, a decrease of $129.6 million or 33.6%. The decrease is a combination of the decrease in bond interest expenses, allowance for loan loss, REO expenses, administrative fees expense, and swap expenses.

Bonds payable at June 30, 2014 decreased by $969 million from June 30, 2013 and bond interest and swap expense, which represents 47.7% of the Fund's total operating expenses, decreased by $49.6 million or 28.8% compared to fiscal year 2013. 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 increased from $40.2 million during fiscal year 2013 to $41.1 million during fiscal year 2014 (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 2014 was $33 million compared to an operating loss of $53.4 million for fiscal year 2013. The $20.4 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 three years, however, the losses were significantly lower due to a more stable and improving years for California home sale prices and an upward trend in single family home prices that have had a positive impact on the Agency's profitability.

- Success of the lending programs - The Agency's Single Family Lending program gained momentum in late 2014 with the introduction of its CalPLUS 97% Conventional loan product with an additional $6,500 in down payment assistance. The Agency exceeded its FY 2015 business plan goals by approximately 12.5%. 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 three 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 A-/Moody's A3): and iii) Multifamily Housing Revenue Bonds III (S&P AA+/Moody's A1) . FY 2014 was the first time since 2009 in which the rating agency's annual credit reviews resulted in a rating upgrade. During FY 2015, the Home Mortgage Revenue Bonds improved Moody's and CalHFA's issuer credit rating remained the same. The Multifamily Housing Revenue Bonds III rating improved with S&P. A continued positive trend in these three 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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CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF NET POSITION
June 30, 2015 and June 30, 2014
(Dollars in Thousands)

	2015 Totals	2014 Totals
ASSETS		
Current assets:		
Cash and cash equivalents	$ 41,245	$ 40,507
Investments	1,139,418	1,141,498
Current portion - program loans receivable, net of allowance	131,059	124,730
Interest receivable:		
Program loans, net	34,005	32,228
Investments	2,446	3,059
Accounts receivable	9,641	12,443
Other assets	34,316	13,869
Total current assets	1,392,130	1,368,334
Noncurrent assets:		
Investments	288,083	403,112
Program loans receivable, net of allowance	3,292,045	3,781,555
Other assets	15,698	17,509
Total noncurrent assets	3,595,826	4,202,176
Total assets	4,987,956	5,570,510
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated decrease in fair value of hedging derivatives	23,544	25,042
Deferred loss on refunding	447	668
Employer contribution	4,311	-
Total Deferred outflows of resources	28,302	25,710
LIABILITIES		
Current liabilities:		
Bonds payable	53,733	67,904
Notes payable	2,048	2,253
Interest payable	48,180	58,170
Due to other government entities, net	510	908
Compensated absences	3,811	4,034
Deposits and other liabilities	227,251	235,253
Total current liabilities	335,533	368,522
Noncurrent liabilities:		
Bonds payable	2,860,893	3,464,848
Notes payable	52,532	61,342
Due to other government entities, net	77,947	35,621
Other liabilities	162,591	186,402
Unearned revenues	905	891
Total noncurrent liabilities	3,154,868	3,749,104
Total liabilities	3,490,401	4,117,626
Commitments and contingencies (see notes 11 and 13)		
DEFERRED INFLOWS OF RESOURCES		
Unamortized pension net difference	8,230	-
Total deferred inflows of resources	8,230	-
NET POSITION		
Net investment in capital assets	754	842
Restricted by indenture	531,976	491,187
Restricted by statute	984,897	986,565
Total net position	$ 1,517,627	$ 1,478,594

See notes to financial statements.

CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2015 and June 30, 2014
(Dollars in Thousands)

	2015 Totals	2014 Totals
OPERATING REVENUES		
Interest income:		
Program loans, net	$ 194,987	$ 218,715
Investments, net	17,302	22,519
Increase (decrease) in fair value of investments	4,114	(308)
Loan commitment fees	459	668
Other loan fees	44,093	29,316
Other revenues	37,699	(47,401)
Total operating revenues	298,654	223,509
SALARIES AND GENERAL EXPENSES		
Interest	89,960	122,277
Amortization of bond discount and bond premium	(941)	(1,369)
Mortgage servicing expenses	7,312	8,444
(Reversal) provision for program loan losses	(22,113)	(13,022)
Salaries and general expenses	39,546	41,053
Other expenses	96,597	99,133
Total salaries and general expenses	210,361	256,516
Operating income (loss) before transfers	88,293	(33,007)
Transfers (out) in	(432)	53,462
Increase in net position	87,861	20,455
Net position at beginning of year	1,478,594	1,458,139
Cumulative effect of adoption of GASB 68 & 71	(48,828)	-
Net position at beginning of year, as restated	1,429,766	1,458,139
Net position at end of year	$ 1,517,627	$ 1,478,594

See Note 3 at notes to financial statements.

CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2015 and June 30, 2014
(Dollars in Thousands)

	2015 Totals	2014 Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 193,211	$ 217,437
Payments to suppliers	(18,581)	(20,290)
Payments to employees	(21,247)	(29,935)
Other receipts	440,394	540,347
Net cash provided by operating activities	593,777	707,559
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Due from other government entities	(5,812)	3,560
Net cash (used for) provided by noncapital financing activities	(5,812)	3,560
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sales of bonds	174,180	38,814
Payment of bond & note principal	(64,077)	(81,358)
Early bond redemptions	(736,083)	(943,972)
Interest paid on debt	(99,950)	(134,771)
Interfund transfers	(432)	53,462
Increase in deferred financing costs	-	17,728
Net cash used for capital and related financing activities	(726,362)	(1,050,097)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturity and sale of investments	2,213,254	2,809,526
Purchase of investments	(2,092,033)	(2,488,694)
Interest on investments, net	17,914	23,921
Net cash provided by investing activities	139,135	344,753
Net increase (decrease) in cash and cash equivalents	738	5,775
Cash and cash equivalents at beginning of year	40,507	34,732
Cash and cash equivalents at end of year	$ 41,245	$ 40,507
Reconciliation of operating loss to net cash provided by operating activities:		
Operating income (loss)	$ 88,293	$ (33,007)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Interest expense on debt	89,960	122,277
Interest on investments	(17,302)	(22,519)
Changes in fair value of investments	(4,114)	308
Amortization of bond discount	27	27
Amortization of deferred losses on refundings of debt	221	4,229
Amortization of bond premium	(1,189)	(1,658)
Loan commitment fees	(459)	(668)
Depreciation	243	264
(Reversal) provision for program loan losses	(22,113)	(13,022)
(Reversal) provision for yield reduction payments	(4,024)	3,240
(Reversal) provision for nonmortgage investment excess	(782)	(58)
Effects of changes in operating assets and liabilities:		
Purchase of program loans, net	(79,258)	(77,584)
Collection of principal from program loans, net	585,701	696,966
Interest receivable	(1,777)	(1,278)
Accounts receivable	3,376	3,651
Other assets	(19,635)	91,234
Compensated absences	(223)	(229)
Increase (decrease) in pension liablity	8,172	-
Deposits and other liabilities	(8,002)	(12,942)
Unearned revenue	(23,338)	(51,672)
Net cash provided by operating activities	$ 593,777	$ 707,559
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Noncash transfer of program loan to REO	$ 2,237	$ 11,073

See notes to financial statements.

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CALIFORNIA HOUSING FINANCE FUND
NOTES TO FINANCIAL STATEMENTS
Fiscal Years Ended June 30, 2015 and 2014

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 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. 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.

Effective July 1, 2013, pursuant to the Governor's Reorganization Plan 2, the Agency was moved from being within the Business, Transportation and Housing Agency to being within the Department of Housing and Community Development for State budgetary purposes only. The Department does not have any 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 Agency and are not subject to the supervision or approval of any other officer or division of state government. Further, pursuant to the 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 Agency, except as authorized by the executive director of the Agency or designated trustee pertaining to bonds issued by the Agency.

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 Housing Loan 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, 2014, the Housing Loan Insurance Fund had total assets of $742 thousand and deficit of $68.2 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, 2014, CalHFA MAC had total assets of $88.1 million and zero balance of net position (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 the general obligation of the Agency. As of June 30, 2015, the Agency has one series of bonds remaining 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 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.

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 net cash transfers out of $432 thousand for fiscal year 2015 and net transfers in of $53.5 million for fiscal year 2014.

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 47.2% of the Agency's homeownership program loans in first lien position (as of June 30, 2015), 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."

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 economic resources measurement focus and accrual basis of accounting as required by accounting principles generally accepted in the United States of America (hereinafter referred to as "Generally Accepted Accounting Principles", GAAP).

Recently Adopted Accounting Pronouncements: In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, effective for fiscal years beginning after June 15, 2014. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions, and to improve information provided by state and local governmental employers about financial support for pensions that is provided by other entities. In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The Agency adopted GASB 68 and 71 for the fiscal year ended June 30, 2015.

New Accounting Pronouncements: In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*, effective for financial statements for periods beginning after June 15, 2015. The requirements of GASB 72 will enhance comparability of financials statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*, was issued in June 2015 with effective date for financial statements for fiscal years beginning after June 15, 2015. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local government for making decisions and assessing accountability. In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for financial statements for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pension (other postemployment benefits or OPEB). This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). In June 2015, GASB also issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the financial statements for periods beginning after June 15, 2015, and should be applied retroactively. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of GAAP. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified wihthin a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

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 receivable 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 and less unamortized bond discounts and deferred losses on refundings.

Bond Premium and Discount: Premium and discount on bonds are deferred and amortized over the life of the related bond issue using the straight line method of amortization.

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 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.

Deferred Outflow and Deferred Inflow of Resources: Deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period, and deferred inflow of resources is an acquisition of net assets by the government that is applicable to future reporting period. The Fund's deferred outflow of resources include accumulated decrease in fair value of hedging derivatives, deferred loss on refunding, and employer contribution for pensions. Accumulated increase in fair value of hedging derivatives and unamortized net difference between projected and actual earnings on investments for pensions are reported under the Fund's deferred inflow of resources.

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 represents 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 $1.3 million and $1.4 million for years ended June 30, 2015 and 2014, respectively. The Agency also administers National Foreclosure Mitigation Counseling Program ("FMC"). The HUD and FMC pass-through payments aggregated $59.6 million and $61.1 million for the years ended June 30, 2015 and 2014, respectively, and are reported as other operating revenues and expenses within Other Programs and Accounts.

Pensions: As part of the State, the primary government, the Fund contributes to the Miscellaneous Plan (the "Plan") and it is administered by the California Public Employees' Retirement System ("CalPERS"). The Plan is included in the Public Employees' Retirement Fund A ("PERF A"). PERF is comprised of and reported as PERF A, PERF B, and PERF C for accounting purposes. PERF A is comprised of agent multiple-employer plans, which include State and most public agencies rate plans. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 3 – CHANGE IN ACCOUNTING PRINCIPLES

The Agency adopted GASB 68 and 71 for the year ended June 30, 2015. The cumulative effect of adoption of GASB 68 and 71 decreases the Fund's net position by $48.8 million. The Agency has restated net position as of July 1, 2014 by $48.8 million.

Net position, July 1, 2014 as previously stated	$	1,478,594
Cumulative effect of adoption of GASB 68		(48,717)
Cumulative effect of adoption of GASB 71		(111)
Net position, July 1, 2014, as restated	$	1,429,766

Note 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS

a. Cash and Cash Equivalents

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, 2015 and 2014, all cash and cash equivalents, totaling $41.2 million and $40.5 million, 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. Investments of funds are also made in accordance with the Agency's Investment Policy.

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. 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, 2015 and 2014 the par value and market value of Open CP agreements were $18.2 million and $34.7 million, respectively.

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 8 - Bonds and Notes Payable and Associated Interest Rate Swaps). The total cash and fair market value of investment securities posted as collateral at June 30, 2015 and 2014 was $51.1 million and $56 million, respectively.

b. Investments

Investments at June 30, 2015 and 2014 are as follows (dollars in thousands):

	Fair Value June, 30 2015	Fair Value June, 30 2014
U.S. Agency Securities --- GNMA's	$ 153,382	$ 206,050
Federal Agency Securities	134,701	197,062
Investment Agreements --- Financial Institutions (at cost)	27,192	41,936
Other Investments:		
Surplus Money Investment Fund --- State of California	1,077,656	1,040,555
US Bank NA Open CP	18,163	34,718
Other Investment Agreements (at cost)	16,407	24,289
Total Investments	$ 1,427,501	$ 1,544,610
Current portion	1,139,418	1,141,498
Noncurrent portion	288,083	403,112
Total	$ 1,427,501	$ 1,544,610

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, 2015 and 2014 are as follows (dollars in thousands):

	2015 Totals	2014 Totals
Fixed income securities:		
U.S. government guaranteed	$ 288,083	$ 403,112
Guaranteed interest contracts:		
Rated Aaa/NR	-	-
Rated Aa1/AA+	-	-
Rated Aa2/A+	2,996	5,051
Rated A1+/P1	18,163	34,718
Rated A1/AA+	2,461	3,324
Rated A1/AA-	13,946	18,495
Rated A2/A	22,168	33,305
Rated A3/NR	2,028	6,050
Total fixed income securities	$ 349,845	$ 504,055

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, 2015, 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, 2015, 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, 2015, 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, 2015 and 2014 are as follows:

	2015	2014
Fixed income securities:		
U.S. government guaranteed	15.82	15.70

Note 5 – PROGRAM LOANS RECEIVABLE

Changes in program loans receivable for the years ended June 30, 2015 and 2014 are as follows (dollars in thousands):

	2015 Totals	2014 Totals
Beginning of year balance	$ 3,906,285	$ 4,505,952
Loans purchased/funded	84,796	89,158
Noncash transfers - REO	(2,237)	(11,073)
Amortized principal repayments	(192,526)	(195,023)
Prepayments	(390,939)	(490,870)
Principal Reduction Program	(5,670)	(11,719)
Chargeoffs	(6,603)	(14,568)
Unamortized Mortgage Discount	132	146
Transfer to REO- net of write-down	1,150	6,691
Allowance for loan loss	28,716	27,591
	$ 3,423,104	$ 3,906,285
Current portion	$ 131,059	$ 124,730
Noncurrent portion	3,292,045	3,781,555
Total	$ 3,423,104	$ 3,906,285

Note 6 – ALLOWANCE FOR PROGRAM LOAN LOSSES

Changes in the allowance for program loan losses for the year ended June 30, 2015 and 2014 are as follows (dollars in thousands):

	2015 Totals	2014 Totals
Beginning of year balance	$ 145,938	$ 173,528
Provisions for program loan losses	(22,113)	(13,022)
Chargeoffs	(6,603)	(14,568)
End of year balance	$ 117,222	$ 145,938

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, outstanding notional amounts and fair value of associated interest rate swaps as of June 30, 2015 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 J	Tax-Exempt		N/A		$ -	$ -
2000 Series N	Tax-Exempt	0.060%	2031		10,400	10,400
2000 Series V	Taxable	0.560%	2032		10,120	10,120
2000 Series V	Taxable	0.560%	2032		20	20
2000 Series X-2	Tax-Exempt		N/A		-	-
2000 Series Z	Taxable	0.450%	2031		29,715	29,715
2001 Series D	Taxable	0.530%	2022		35,505	35,505
2001 Series G	Taxable	0.470%	2029		28,290	28,290
2001 Series J	Tax-Exempt		N/A		-	-
2001 Series K	Taxable	0.510%	2032		37,610	37,610
2001 Series N	Tax-Exempt		N/A		-	-
2001 Series O	Taxable	0.540%	2032		35,420	35,420
2001 Series S	Taxable	0.560%	2023		25,070	25,070
2001 Series U	Tax-Exempt		N/A		-	-
2001 Series V	Taxable	0.400%	2031		13,210	13,210
2002 Series B	Tax-Exempt		N/A		-	-
2002 Series F	Tax-Exempt		N/A		-	-
2002 Series H	Taxable	0.520%	2022		13,195	13,195
2002 Series J	Tax-Exempt	0.060%	2033		25,605	25,605
2002 Series M	Tax-Exempt		N/A		-	-
2002 Series P	Tax-Exempt		N/A		-	-
2003 Series H	Tax-Exempt	0.060%	2032		8,730	8,730
2003 Series I	Taxable	0.450%	2033		27,415	27,415
2003 Series M	Tax-Exempt	0.060%	2034		38,580	38,580
2003 Series N	Taxable	0.480%	2034		20,660	20,660
2004 Series A	Tax-Exempt		N/A		-	-
2004 Series E	Tax-Exempt	0.050%	2035		40,690	40,690
2004 Series F	Taxable	0.460%	2035		33,675	33,675
2004 Series G	Tax-Exempt		N/A		-	-
2004 Series I	Tax-Exempt		N/A		-	-
2005 Series A	Tax-Exempt	0.050%	2035		61,380	61,380
2005 Series B	Tax-Exempt		N/A		-	-
2005 Series B	Tax-Exempt	0.060%	2035		59,490	59,490

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	$ 17,765	$ (3,414)
Fixed payer	4.5275%	LIBOR @ 65%	10/5/00	8/1/15	2,320	(9)
Fixed payer	4.5100%	LIBOR @ 65%	12/13/00	8/1/31	20,025	(3,555)
Fixed payer	6.8430%	3 mo LIBOR	12/13/00	8/1/16	4,385	(123)
Fixed payer	6.2150%	3 mo LIBOR+.26%	1/25/01	8/1/19	17,145	(1,599)
Fixed payer	6.0100%	3 mo LIBOR+.20%	4/5/01	2/1/16	5,155	(148)
Fixed payer	4.1430%	LIBOR @ 65%	5/31/01	8/1/24	20,320	(1,316)
Fixed payer	3.9910%	LIBOR @ 65%	7/26/01	8/1/18	2,895	(194)
Fixed payer	6.3600%	3 mo LIBOR+.27%	7/26/01	8/1/20	20,990	(2,269)
Fixed payer	5.5300%	3 mo LIBOR+.31%	10/10/01	8/1/18	10,115	(513)
Fixed payer	4.1300%	SIFMA less .15%	12/6/01	8/1/32	27,025	(3,586)
Fixed payer	3.8880%	LIBOR @ 65%	4/18/02	8/1/27	30,100	(4,627)
Fixed payer	3.9940%	LIBOR @ 65%	6/6/02	2/1/24	23,590	(2,589)
Fixed payer	3.8630%	LIBOR @ 65%	8/8/02	8/1/32	34,425	(3,258)
Fixed payer	3.7280%	LIBOR @ 65%	10/17/02	8/1/22	30,120	(2,326)
Fixed payer	3.1480%	LIBOR @ 65%	12/12/02	8/1/22	40,955	(2,829)
Fixed payer	3.0875%	LIBOR @ 60%+.26%	8/1/04	8/1/30	15,865	(1,050)
Fixed payer	3.6100%	LIBOR @ 60%+.26%	2/1/05	2/1/34	33,475	(3,505)
Fixed payer	3.5600%	LIBOR @ 60%+.26%	8/4/04	2/1/33	10,400	(1,053)
Fixed payer	3.8040%	LIBOR @ 60%+.26%	4/5/05	8/1/35	61,380	(9,868)
Fixed payer	3.0490%	LIBOR @ 60%+.26%	7/1/05	2/1/16	5,945	(52)
Fixed payer	3.7260%	LIBOR @ 60%+.26%	7/1/05	2/1/35	2,430	(47)

Bond Issue	Type of Bond	Interest Rate Range	Final Maturity Date	Outstanding Fixed	Outstanding Variable	Total
			Bonds			
2005 Series F	Tax-Exempt	0.050%	2038		73,980	73,980
2005 Series H	Tax-Exempt		N/A		-	-
2006 Series C	Tax-Exempt	0.050%	2037		68,100	68,100
2006 Series D	Tax-Exempt	4.350% - 4.400%	2017	10,920		10,920
2006 Series E	Tax-Exempt	4.875% - 5.050%	2026	34,600		34,600
2006 Series F	Tax-Exempt		N/A		-	-
2006 Series F	Tax-Exempt	0.060%	2041		26,090	26,090
2006 Series H	Tax-Exempt	5.750%	2030	6,030		6,030
2006 Series I	Tax-Exempt	4.700% - 4.875%	2041	53,105		53,105
2006 Series K	Tax-Exempt	4.625% - 5.500%	2042	97,070		97,070
2006 Series L	Tax-Exempt	4.150%	2016	1,450		1,450
2006 Series M	Tax-Exempt	4.625% - 4.750%	2042	80,570		80,570
2007 Series A	Taxable	5.720%	2032	79,840		79,840
2007 Series B	Taxable	0.450%	2042		40,000	40,000
2007 Series C	Taxable	0.450%	2042		20,000	20,000
2007 Series D	Tax-Exempt	4.300% - 4.400%	2018	16,050		16,050
2007 Series E	Tax-Exempt	4.700% - 5.000%	2042	84,645		84,645
2007 Series F	Tax-Exempt	4.630% - 4.700%	2017	13,420		13,420
2007 Series G	Tax-Exempt	4.950% - 5.500%	2042	80,670		80,670
2007 Series H	Tax-Exempt		N/A		-	-
2007 Series H	Tax-Exempt	0.060%	2042		34,975	34,975
2007 Series I	Tax-Exempt	4.250% - 4.350%	2017	5,205		5,205
2007 Series J	Tax-Exempt	5.750%	2047	4,580		4,580
2007 Series K	Tax-Exempt	0.060%	2037		2,555	2,555
2007 Series K	Tax-Exempt	0.060%	2038		25,000	25,000
2007 Series M	Taxable	5.835%	2032	71,560		71,560
2007 Series N	Taxable	0.450%	2043		60,000	60,000
2008 Series A	Tax-Exempt	4.000% - 4.500%	2020	20,450		20,450
2008 Series B	Tax-Exempt	4.800% - 5.000%	2028	11,710		11,710
2008 Series C	Tax-Exempt		N/A		-	-
2008 Series C	Tax-Exempt		N/A		-	-
2008 Series C	Tax-Exempt		N/A		-	-
2008 Series C	Tax-Exempt		N/A		-	-
2008 Series D	Tax-Exempt	0.060%	2043		1,680	1,680
2008 Series D	Tax-Exempt	0.060%	2043		2,595	2,595
2008 Series D	Tax-Exempt	0.060%	2043		1,355	1,355
2008 Series D	Tax-Exempt	0.060%	2043		3,865	3,865
2008 Series D	Tax-Exempt	0.060%	2031		3,645	3,645
2008 Series D	Tax-Exempt	0.060%	2031		5,850	5,850
2008 Series D	Tax-Exempt	0.060%	2043		4,210	4,210
2008 Series E	Tax-Exempt		N/A		-	-
2008 Series F	Tax-Exempt	0.060%	2032		11,925	11,925
2008 Series G	Taxable	6.000%	2025	50,000		50,000
2008 Series H	Taxable	4.950%	2020	50,695		50,695
2008 Series I	Taxable		N/A		-	-
2008 Series K	Tax-Exempt	5.300% - 5.550%	2033	79,700		79,700
2008 Series L	Tax-Exempt	5.200% - 5.550%	2038	74,040		74,040
Housing Program Bonds:						
2006 Series A	Tax-Exempt	4.850% - 4.950%	2036	34,900		34,900
Residential Mortgage Revenue Bonds:						
2009 Series A-5	Tax-Exempt	3.160%	2041	260,535		260,535
2009 Series A-6 (MF)	Tax-Exempt	3.270%	2030	49,410		49,410

Swaps

Type	Fixed Rate Paid By Agency	Floating Rate Received By Agency	Effective Date	Termination Date	Outstanding Notional/Applicable Amount	Fair Value
Fixed payer	3.8570%	LIBOR @ 62%+.25%	12/15/05	2/1/36	12,430	(250)
Fixed payer	4.0590%	LIBOR @ 62%+.25%	4/19/06	2/1/37	51,970	(1,135)
Fixed payer	4.2550%	LIBOR @ 62%+.25%	7/27/06	8/1/40	24,000	(675)
Fixed payer	4.1360%	LIBOR @ 62%+.25%	7/27/06	2/1/41	60,000	(2,342)
Fixed payer	4.0480%	LIBOR @ 62%+.25%	8/8/07	2/1/31	50,000	(2,323)
Fixed payer	4.2360%	LIBOR @ 62%+.25%	8/8/07	2/1/38	50,000	(3,557)
Fixed payer	3.9870%	LIBOR @ 63%+.24%	11/7/07	8/1/32	25,000	(1,277)
Fixed payer	4.0400%	LIBOR @ 63%+.24%	11/7/07	2/1/38	25,000	(530)
Fixed payer	4.8000%	LIBOR @ 65%	4/6/00	2/1/23	2,225	(508)
Fixed payer	4.1430%	LIBOR @ 65%	5/31/01	8/1/24	9,710	(1,775)
Fixed payer	3.9940%	LIBOR @ 65%	6/6/02	2/1/24	7,005	(1,293)
Fixed payer	3.8630%	LIBOR @ 65%	8/8/02	8/1/32	7,760	(1,877)
Fixed payer	4.9000%	LIBOR @ 65%	5/25/00	8/1/30	1,680	(628)
Fixed payer	4.1430%	LIBOR @ 65%	5/31/01	8/1/24	2,595	(375)
Fixed payer	3.9910%	LIBOR @ 65%	7/26/01	8/1/18	1,355	(129)
Fixed payer	4.1300%	SIFMA less .15%	12/6/01	8/1/32	3,865	(1,016)
Fixed payer	4.8500%	LIBOR @ 65%	11/18/08	2/1/17	5,660	(97)
Fixed payer	4.8000%	LIBOR @ 65%	4/6/00	2/1/23	6,560	(647)
Fixed payer	4.8500%	LIBOR @ 65%	11/18/00	2/1/17	4,210	(289)
Fixed payer	4.6600%	LIBOR @ 65%	11/18/08	2/1/16	2,030	(30)
Fixed payer	3.8700%	LIBOR @ 65%	11/18/08	8/1/17	8,150	(253)
Fixed payer	7.1100%	LIBOR	11/18/08	8/1/22	23,815	(4,677)

Bond Issue	Type of Bond	Interest Rate Range	Final Maturity Date	Bonds Outstanding Fixed	Bonds Outstanding Variable	Bonds Total
2010 Series A	Tax-Exempt	2.350% - 4.625%	2027	13,645		13,645
2011 Series A	Tax-Exempt	2.050% - 4.750%	2028	33,370		33,370
2013 Series A	Taxable	2.900%	2042	57,593		57,593
2013 Series B	Taxable	2.900%	2042	24,807		24,807
Multifamily Loan Purchase Bonds:						
2000 Series A	Taxable	Variable	2017		1,021	1,021
Multifamily Housing Revenue Bonds III:						
2000 Series B	Tax-Exempt		N/A		-	-
2000 Series D	Tax-Exempt		N/A		-	-
2001 Series D	Tax-Exempt	0.124%	2021		465	465
2001 Series E	Tax-Exempt	0.052%	2036		29,265	29,265
2001 Series F	Tax-Exempt	0.054%	2032		10,025	10,025
2001 Series G	Tax-Exempt	0.061%	2025		2,695	2,695
2001 Series G	Tax-Exempt	0.061%	2036		9,500	9,500
2001 Series G	Tax-Exempt	0.061%	2036		7,480	7,480
2002 Series A	Tax-Exempt		N/A		-	-
2002 Series A	Tax-Exempt		N/A		-	-
2002 Series B	Tax-Exempt		N/A		-	-
2002 Series C	Tax-Exempt		N/A		-	-
2002 Series C	Tax-Exempt		N/A		-	-
2002 Series D	Tax-Exempt	0.054%	2033		3,655	3,655
2002 Series E	Tax-Exempt	0.057%	2037		2,885	2,885
2002 Series E	Tax-Exempt	0.057%	2037		11,580	11,580
2003 Series C	Tax-Exempt	0.442%	2038		24,765	24,765
2004 Series A	Tax-Exempt		N/A		-	-
2004 Series B	Tax-Exempt	0.850%	2036		1,570	1,570
2004 Series B	Tax-Exempt	0.850%	2036		3,375	3,375
2004 Series B	Tax-Exempt	0.850%	2036		4,760	4,760
2004 Series B	Tax-Exempt	0.850%	2036		10,805	10,805
2004 Series B	Tax-Exempt	0.850%	2036		1,505	1,505
2004 Series C	Tax-Exempt	0.356%	2025		6,190	6,190
2004 Series D	Tax-Exempt	0.356%	2039		40,240	40,240
2005 Series A	Tax-Exempt		N/A		-	-
2005 Series B	Tax-Exempt		N/A		-	-
2005 Series B	Tax-Exempt		N/A		-	-
2005 Series B	Tax-Exempt		N/A		-	-
2005 Series C	Tax-Exempt	4.100% - 4.900%	2036	7,640		7,640
2005 Series D	Tax-Exempt	0.054%	2038		15,355	15,355
2005 Series E	Tax-Exempt	4.550% - 5.125%	2038	17,985		17,985
2006 Series A	Tax-Exempt		N/A		-	-
2006 Series A	Tax-Exempt		N/A		-	-
2006 Series A	Tax-Exempt		N/A		-	-
2007 Series B	Tax-Exempt		N/A		-	-
2007 Series B	Tax-Exempt		N/A		-	-
2007 Series C	Tax-Exempt	0.089%	2042		4,840	4,840
2007 Series C	Tax-Exempt	0.089%	2040		4,435	4,435
2008 Series A	Tax-Exempt	0.048%	2040		7,265	7,265
2008 Series B	Tax-Exempt	0.052%	2036		15,735	15,735
2008 Series B	Tax-Exempt	0.052%	2038		8,870	8,870
2008 Series C	Tax-Exempt	0.052%	2038		5,210	5,210
2008 Series C	Tax-Exempt	0.052%	2036		12,150	12,150
2008 Series C	Tax-Exempt	0.708%	2038		740	740
2014 Series A	Tax-Exempt	0.850% - 4.800%	2049	38,915		38,915
2015 Series A	Taxable	2.379% - 4.050%	2030	174,180		174,180

Swaps

Type	Fixed Rate Paid By Agency	Floating Rate Received By Agency	Effective Date	Termination Date	Outstanding Notional/Applicable Amount	Fair Value
Fixed payer	4.5850%	LIBOR @ 64%	7/12/00	2/1/31	895	(133)
Fixed payer	4.3950%	LIBOR @ 64%	11/16/00	2/1/31	11,205	(2,488)
Fixed payer	4.4520%	SIFMA less .20%	6/28/01	8/1/22	1,720	(225)
Fixed payer	4.7120%	SIFMA less .15%	6/28/01	2/1/36	41,420	(10,692)
Fixed payer	4.0290%	SIFMA less .20%	2/1/02	2/1/32	11,370	(1,731)
Fixed payer	4.2050%	SIFMA less .15%	2/1/02	8/1/36	2,710	(421)
Fixed payer	4.2050%	SIFMA less .15%	2/1/02	8/1/36	33,875	(7,092)
Fixed payer	4.5950%	SIFMA less .15%	2/1/04	2/1/34	8,150	(2,030)
Fixed payer	4.5000%	SIFMA less .15%	8/1/02	8/1/32	14,095	(2,936)
Fixed payer	4.8900%	SIFMA less .15%	2/2/04	2/1/37	10,105	(3,077)
Fixed payer	4.0370%	SIFMA less .20%	2/1/03	2/1/35	20,080	(3,736)
Fixed payer	4.4050%	SIFMA less .15%	2/1/04	2/1/37	12,150	(3,154)
Fixed payer	4.6380%	SIFMA less .15%	8/1/05	8/1/37	14,210	(3,901)
Fixed payer	4.0850%	SIFMA less .20%	2/3/03	2/1/35	10,155	(2,183)
Fixed payer	4.1510%	SIFMA less .15%	2/3/03	2/1/35	13,495	(2,982)
Fixed payer	4.5710%	SIFMA less .15%	11/1/04	8/1/37	36,415	(10,780)
Fixed payer	3.0590%	LIBOR @ 60%+.21%	8/1/04	8/1/34	16,270	(1,638)
Fixed payer	3.6920%	LIBOR @ 60%+.26%	8/1/06	8/1/36	11,070	(1,257)
Fixed payer	3.3300%	LIBOR @ 60%+.26%	8/1/04	8/1/34	4,610	(333)
Fixed payer	4.9783%	SIFMA less .15%	8/1/06	2/1/39	11,095	(1,614)
Fixed payer	4.5390%	SIFMA less .15%	8/1/04	8/1/34	2,195	(226)
Fixed payer	3.4350%	LIBOR @ 60%+.21%	2/1/05	8/1/25	6,310	(666)
Fixed payer	3.5640%	SIFMA less .20%	7/1/05	8/1/35	2,050	(352)
Fixed payer	3.9540%	SIFMA less .15%	6/15/05	8/1/35	2,350	(214)
Fixed payer	4.0790%	SIFMA less .15%	2/1/07	2/1/37	21,425	(2,319)
Fixed payer	3.9570%	SIFMA less .15%	8/1/07	2/1/38	3,540	(360)
Fixed payer	3.7010%	LIBOR @ 60%+.26%	2/1/06	2/1/38	26,360	(4,417)
Fixed payer	4.042% * HR	97% SIFMA & HR	6/15/06	8/1/27	5,205	(639)
Fixed payer	4.381% * HR	97% SIFMA & HR	6/15/06	8/1/39	8,405	(908)
Fixed payer	4.492% * HR	97% SIFMA & HR	6/15/06	2/1/41	3,845	(469)
Fixed payer	3.9370%	LIBOR @ 64%+.25%	7/12/07	2/1/22	1,700	(146)
Fixed payer	4.2220%	LIBOR @ 64%+.25%	8/1/09	2/1/40	5,410	(982)
Fixed payer	3.7280%	LIBOR @ 63%+.30%	2/1/08	8/1/42	5,210	(596)
Fixed payer	3.9190%	LIBOR @ 63%+.30%	11/1/09	8/1/40	13,020	(2,131)
Fixed payer	3.2950%	LIBOR @ 61%+.24%	11/1/09	8/1/40	9,570	(1,756)
Fixed payer	3.3850%	SIFMA less .15%	8/1/03	8/1/36	19,045	(2,311)
Fixed payer	4.2950%	SIFMA less .15%	8/1/05	2/1/38	25,195	(1,783)
Fixed payer	3.8830%	LIBOR @ 60%+.26%	12/1/04	8/1/38	7,895	(1,758)
Fixed payer	3.9680%	LIBOR @ 60%+.26%	7/1/05	2/1/36	12,150	(2,578)
Fixed payer	4.0600%	LIBOR @ 60%+.26%	2/1/06	8/1/38	8,200	(1,964)

Bond Issue	Type of Bond	Interest Rate Range	Final Maturity Date	Bonds Outstanding Fixed	Bonds Outstanding Variable	Bonds Total
Affordable Multifamily Housing Revenue Bonds:						
2009 Series A-21	Tax-Exempt	2.320%	2046	49,250		49,250
2009 Series A-22	Tax-Exempt	2.320%	2039	34,440		34,440
				1,722,980	1,186,986	2,909,966
Unamortized discount						(187)
Unamortized premium						4,847
						$ 2,914,626

Swaps

Type	Fixed Rate Paid By Agency	Floating Rate Received By Agency	Effective Date	Termination Date	Outstanding Notional/Applicable Amount	Fair Value
					$ 1,296,020	$ (162,591)

Notes Payable: The Agency entered into loan agreements with Citibank N.A. on March 1, 2010. The Agency received funds for special bond redemptions in exchange for a total notes payable of $95.1 million. The notes are collateralized by multifamily loan receivables. The outstanding maturity dates for the loan receivables range from September 1, 2015 to January 1, 2046 and the interest rates range from 5.25% to 9.00%. The Agency collects and remits the mortgage payments less servicing fees to Citibank on 24 multifamily loans. Changes in notes payable for the years ended June 30, 2015 and 2014 are as follows (dollars in thousands):

	2015 Totals	2014 Totals
Beginning of year balance	$ 63,595	$ 81,058
Principal payments	(9,015)	(17,463)
End of year balance	$ 54,580	$ 63,595
Current portion	$ 2,048	$ 2,253
Noncurrent portion	52,532	61,342
Total	$ 54,580	$ 63,595

The table below provides a summary of 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
2016	$ 2,048	$ 2,804	$ 4,852
2017	2,077	2,704	4,781
2018	2,197	2,592	4,789
2019	2,331	2,474	4,805
2020	2,475	2,355	4,830
2021-2025	13,489	9,702	23,191
2026-2030	13,657	6,180	19,837
2031-2035	11,049	2,692	13,741
2036-2040	2,843	912	3,755
2041-2045	2,127	362	2,489
2046	287	5	292
Total	$ 54,580	$ 32,782	$ 87,362

Conduit Debt Obligations: Beginning in 2009, the Agency issued conduit housing revenue debt obligations to provide financial assistance for the acquisition, construction and development of multifamily rental housing. They 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, master pledge and assignment, or funding loan agreement.

The Agency had 35 series of conduit debt obligations aggregating $372.4 million as of June 30, 2015 and 31 series of conduit debt obligations aggregating $341.0 million as of June 30, 2014. For the years ended June 30, 2015 and 2014, all the authorized conduit debt obligations were issued. For the years ended June 30, 2015 and 2014, the Agency issued $30.1 million and $39.2 million in conduit debt obligations, respectively.

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 debt obligations are issued, the CDLAC performance fees are returned. For the year ended June 30, 2015, the Agency collected $2.3 million in administration fees, $220 thousand in special issuer fees and $406 thousand in unearned revenue-prepaid administration fees. For the year ended June 30, 2014, the Agency collected $13 thousand in issuance fees, $2.6 million in administration fees, $207 thousand in special issuer fees and $424 thousand 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 years ended June 30, 2015 and 2014 are as follows (dollars in thousands):

	2015 Totals	2014 Totals
Beginning of year balance	$ 3,532,752	$ 4,498,536
New bonds issued	174,180	38,915
Scheduled maturities	(55,061)	(63,893)
Redemptions	(736,083)	(943,972)
Amortized discount	27	27
Amortized premium	(1,189)	(1,657)
Reclassified deferred loss to deferred outflow		4,898
Additions to discount		(102)
End of year balance	$ 2,914,626	$ 3,532,752
Current portion	$ 53,733	$ 67,904
Noncurrent portion	2,860,893	3,464,848
Total	$ 2,914,626	$ 3,532,752

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, 2015, 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
2016	$ 53,730	$76,788		$ 826	$ 50,890	$ 182,234
2017	75,710	73,590	$ 7,800	855	46,576	204,531
2018	65,357	70,907	11,495	836	42,874	191,469
2019	61,215	68,532	12,985	799	39,366	182,897
2020	61,000	66,369	13,700	758	36,133	177,960
2021-2025	477,310	284,887	64,180	3,141	143,484	973,002
2026-2030	586,010	182,969	95,370	2,266	101,578	968,193
2031-2035	572,765	95,231	158,830	1,107	52,478	880,411
2036-2040	266,020	48,961	105,335	321	11,362	431,999
2041-2045	185,329	12,575	24,675	59	483	223,121
2046-2050	11,150	1,079				12,229
Total	$ 2,415,596	$ 981,888	$ 494,370	$ 10,968	$ 525,224	$ 4,428,046

As of June 30, 2015, the difference between the gross bonds payable and the net bonds payable was $4.7 million. This represented the aggregate of the unamortized 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, 2015 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.

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 revenue" within "Other revenues" in the statements of revenues, expenses and changes in net position.

The Agency did not pay or receive any cash when swap transactions were initiated except for in-substance assignments. For the year ended June 30, 2015, no additional swaps were considered investment derivatives because they no longer met the criteria for effectiveness. For the year ended June 30, 2014, 29 swaps with associated outstanding bonds were considered investment derivatives because they no longer met the criteria for effectiveness. Accordingly, the accumulated changes in fair value that were reported as deferred outflow of resources of $52.5 million as of June 30, 2013, along with the decrease in the fair value of the swaps for the year ended June 30, 2014 of $2.9 million are reported as "Investment swap revenue" within "Other revenues" for the year ended June 30, 2014. The following table summarizes the swap fair value activity in the statements of net position as of June 30, 2015 and 2014 and the statements of revenues, expenses and changes in net position for the years ended June 30, 2015 and 2014 (dollars in thousands):

	2015	2014
Statements of Net Position:		
Derivative swap asset	$ 299	$ 215
Accumulated decrease in fair value of hedging derivatives	23,544	25,042
Derivative swap liability	162,591	186,402
Statements of Revenues, Expenses and Changes in Net Position:		
Investment swap revenue	$ 22,397	$ (70,280)

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, 2015, the Agency executed 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 and if the fair value of the swaps breach a certain threshold. The collateral can be posted in several forms: cash, mortgage-backed securities, or treasury securities. If the Agency does not post collateral, the interest rate swap can be terminated by the counterparty. The cash collateral and securities collateral are reported as "Current assets: Other Assets" and "Noncurrent assets: Investments," respectively, in the statements of net position. As of June 30, 2015, the Agency posted cash and fair value of mortgage-backed securities as collateral with swap counterparties in the amounts of $33.9 million and $17.2 million, respectively. As of June 30, 2014, the Agency posted cash and fair value of mortgage-backed securities as collateral in the amounts of $13.3 million and $42.7 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 $162.6 million as of June 30, 2015 and $186.4 million as of June 30, 2014. 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, 2015, the Agency's swap portfolio had an aggregate asset position of $299 thousand. 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 $162.6 million total. Therefore, the Agency has no net exposure to credit risk.

The following table shows the number of fixed payer swaps and outstanding notional amounts by the counterparties' respective credit ratings as of June 30, 2015 (dollars in thousands).

Moody's	Standard & Poors	Outstanding Notional Amount	Number of Swap Transactions
Aa2	AA-	$ 25,000	1
Aa2	AAA	179,090	7
Aa3	A+	711,000	45
A1	A+	33,475	1
A2	A	11,370	1
A3	A-	50,000	1
A3	BBB+	125,710	10
Baa1	A-	150,805	7
Baa3	BBB	9,570	1
		$ 1,296,020	74

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, 2015, the formulas for the swap portfolio utilized the SIFMA, the 1 month LIBOR and the 3 month LIBOR rates. As of June 30, 2015, rates for the SIFMA, the 1 month LIBOR and the 3 month LIBOR were 0.07%, 0.19% and 0.28%, 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 $146.7 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, 2015 (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	$ 9,870	$ 4
2000 Series J	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	8/1/30	19,445	45
2000 Series U	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	8/1/15	2,320	1
2000 Series X-2	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	8/1/31	20,025	42
2001 Series N	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	8/1/18	4,250	8
2002 Series B	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	8/1/27	30,100	64
2002 Series F	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	2/1/24	30,595	78
2002 Series M	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	8/1/22	30,120	57
					$ 146,725	$ 299

* 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, 2015.

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, 2015 (dollars in thousands):

Bond Issue	Bonds Outstanding	Swap Notional Amount	Unmatched Swap	Fair Value
Home Mortgage Revenue Bonds				
2000 Series J *		$ 17,765	$ 17,765	$ (3,369)
2000 Series X2 *		20,025	20,025	(3,513)
2001 Series J		20,320	20,320	(1,316)
2001 Series N *		2,895	2,895	(186)
2001 Series U		27,025	27,025	(3,586)
2002 Series B *		30,100	30,100	(4,563)
2002 Series F *		23,590	23,590	(2,512)
2002 Series J	$ 25,605	34,425	8,820	(835)
2002 Series M *		30,120	30,120	(2,269)
2002 Series P		40,955	40,955	(2,829)
2004 Series A		15,865	15,865	(1,050)
2004 Series G		33,475	33,475	(3,504)
2004 Series I		10,400	10,400	(1,053)
2005 Series B		5,945	5,945	(52)
2005 Series H		12,430	12,430	(250)
2006 Series F		24,000	24,000	(675)
2006 Series F	26,090	60,000	33,910	(1,324)
2007 Series H	34,975	50,000	15,025	(1,069)
2007 Series H		50,000	50,000	(2,323)
2007 Series K	2,555	25,000	22,445	(1,147)
2008 Series C		2,225	2,225	(508)
2008 Series C		9,710	9,710	(1,774)
2008 Series C		7,005	7,005	(1,293)
2008 Series C		7,760	7,760	(1,877)
2008 Series D	5,850	6,560	710	(70)
2008 Series D	3,645	5,660	2,015	(34)
2008 Series E		2,030	2,030	(30)
2008 Series I		23,815	23,815	(4,677)
Multifamily Housing Revenue Bonds III				
2000 Series B		895	895	(133)
2000 Series D		11,205	11,205	(2,488)
2001 Series D		1,255	1,255	(164)
2001 Series E		12,135	12,135	(3,132)
2001 Series E	29,265	29,285	20	(5)
2001 Series F	10,025	11,370	1,345	(205)
2001 Series G	2,695	2,710	15	(2)
2001 Series G	9,500	33,875	24,375	(5,103)
2001 Series G	7,480	8,150	670	(167)
2002 Series A		14,095	14,095	(2,936)
2002 Series A		10,105	10,105	(3,078)
2002 Series B		20,080	20,080	(3,736)
2002 Series C		12,150	12,150	(3,154)
2002 Series C		14,210	14,210	(3,901)
2002 Series D	3,655	10,155	6,500	(1,397)
2002 Series E	2,885	13,495	10,610	(2,345)
2002 Series E	11,580	36,415	24,835	(7,352)
2004 Series A		16,270	16,270	(1,638)
2004 Series B	1,570	11,070	9,500	(1,078)
2004 Series B	1,505	2,195	690	(71)
2004 Series B	10,805	11,095	290	(42)
2004 Series C	6,190	6,310	120	(13)
2005 Series A		2,050	2,050	(352)
2005 Series B		2,350	2,350	(214)
2005 Series B		21,425	21,425	(2,319)
2005 Series B		3,540	3,540	(360)
2005 Series D	15,355	26,360	11,005	(1,844)
2006 Series A		5,205	5,205	(639)
2006 Series A		8,405	8,405	(908)
2006 Series A		3,845	3,845	(469)
2007 Series B		5,410	5,410	(982)
2007 Series B		1,700	1,700	(146)

Bond Issue	Bonds Outstanding	Swap Notional Amount	Unmatched Swap	Fair Value
Multifamily Housing Revenue Bonds III (continued)				
2007 Series C	4,435	13,020	8,585	(1,405)
2007 Series C	4,840	5,210	370	(42)
2008 Series A		2,300	2,300	(422)
2008 Series A	7,265	7,270	5	(1)
2008 Series B		3,250	3,250	(394)
2008 Series B		16,255	16,255	(1,150)
2008 Series B	15,735	15,795	60	(7)
2008 Series B	8,870	8,940	70	(5)
2008 Series C		2,715	2,715	(605)
2008 Series C		7,470	7,470	(1,789)
Total	$ 252,375	$ 1,050,140	$ 797,765	$ (103,881)

*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, 2015 and 2014, the Fund had liabilities to the IRS totaling $353 thousand and $1.1 million, respectively and reported in the statements of net position as "Due to IRS" within "Due to other government entities." For the years ended June 30, 2015 and 2014, the net effects of changes in the liability have been recorded as decreases 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, 2015 and 2014, the Fund had liabilities to the IRS totaling $9.0 million and $13.0 million, respectively and reported in the statements of net position as "Due to IRS" within "Due to other government entities." For the years ended June 30, 2015 and 2014, the net effects of changes in the liability have been recorded as a decreases 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 April 14, 2015, the Agency issued Multifamily Housing Revenue Bonds 2015 Series A and the proceeds were used to refund prior Multifamily Housing Revenue Bonds III series on April 24, 2015 and in a subsequent period as described in Note 17. No losses were incurred from the debt refundings.

The refundings will decrease the debt service cash flow for Multifamily Rental Housing Programs by $38.3 million. The refundings will also provide an estimated economic gain of $25.5 million.

Note 10 – PENSION PLAN

Plan Description, Benefits Provided and Employees Covered: As part of the State, the primary government, the Fund contributes to the Miscellaneous Plan (the "Plan") and it is administered by the California Public Employees' Retirement System ("CalPERS"). The Plan is included in the Public Employees' Retirement Fund A ("PERF A"). PERF is comprised of and reported as PERF A, PERF B and PERF C for accounting purposes. PERF A is comprised of agent multiple-employer plans, which include State and most public agencies rate plans. The Plan is a defined benefit pension plan. A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions and membership information are listed in the June 30, 2013 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained via the internet at www.calpers.ca.gov under Forms and Publications.

Prior to GASB 68 Implementation: GASB 68 is effective for reporting periods beginning after June 15, 2014. Prior to the implementation of GASB 68 in the year ended June 30, 2015, the net pension liability was not reported. For the prior period ended June 30, 2014, the employer contribution rates were 21.20% - 21.36% for the period from July 2013 to June 2014. Additionally for the period ended June 30, 2014, the Fund contributed $3.6 million for pensions.

GASB 68 Accounting Valuation Report: The State requested a CalPERS GASB 68 Accounting Valuation Report for the Plan. A copy of this report may be obtained from the State Controller's Office, Division of Accounting and Reporting.

Contributions: Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (the measurement date), the average active employee contribution rate was 6.53% of annual payroll and the employer's contribution rate was 21.14% of annual payroll. These rates reflect Section 20683.2, which mandates that certain employees must contribute more as of July 1, 2013. Furthermore, any reduction in employer contributions due to the increase in the employee contributions must be paid by the employer towards the unfunded liability. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution. Contributions to the Plan were $4.3 million for the year ended June 30, 2015.

Pension Liabilities, Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions: As of June 30, 2015, the Fund reported a liability of $43.7 million for its proportionate share of the State's net pension liability. The net pension liability was measured as of June 30, 2014 and was based on the Fund's pensionable compensation as a percentage of the State's total pensionable compensation. As of June 30, 2014, the Fund's proportionate share was 0.17%.

For the year ended June 30, 2015, the Fund recognized pension expense of $3.1 million. As of June 30, 2015, the Fund reported deferred outflows of resources and deferred inflows of resources related to pensions for the following sources (dollars in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments		$ 8,148
Fund contributions and proportionate share of contributions		82
Fund contributions subject to the measurement date	$ 4,311	
	$ 4,311	$ 8,230

The $4.3 million reported as deferred outflows of resources related to pensions resulting from Fund contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows (dollars in thousands):

Fiscal year ending June 30:	
2016	$ (2,066)
2017	(2,066)
2018	(2,061)
2019	(2,037)

Actuarial Assumptions: For the measurement period ended June 30, 2014, the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and the June 30, 2014 total pension liabilities were based on the following actuarial assumptions:

Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.50%, net of pension plan investment and administrative expenses; includes inflation
Post retirement benefit increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies

Post-retirement mortality tables were based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study that can be obtained via the internet at www.calpers.ca.gov under Forms and Publications.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increases, mortality and retirement rates. The Experience Study report can be obtained via the internet at www.calpers.ca.gov under Forms and Publications.

The long term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Target Allocation	Real Return Years 1-10[1]	Real Return Years 11+[2]
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19	0.99	2.43
Private Equity	12	6.83	6.95
Real Estate	11	4.50	5.13
Inflation Sensitive	6	0.45	3.36
Infrastructure and Forestland	3	4.50	5.09
Liquidity	2	(0.55)	(1.05)
	100%		

[1]An expected inflation of 2.5% used for this period
[2]An expected inflation of 3.0% used for this period

Discount Rate: The discount rate used to measure the total pension liability was 7.50%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.5% is applied to all plans in the Public Employees' Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at via the internet at www.calpers.ca.gov under the GASB 68 section.

According to paragraph 68 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability.

CalPERS is scheduled to review all actuarial assumptions as part of the regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least fiscal year 2017-18. CalPERS will continue to check the materiality of the difference in calculation until such time that the methodology changes.

Sensitivity of the Fund's Proportionate Share of the Net Pension Liability to Changes in Discount Rate: The following presents the Fund's proportionate share of the net pension liability as of the measurement date, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1 percentage-point higher (8.50%) than the current rate (dollars in thousands):

	Discount Rate – 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
Fund's net pension liability	$ 63,546	$ 43,722	$ 27,043

Pension Plan Fiduciary Net Position: As of June 30, 2014, the Plan's fiduciary net position was $68.4 billion. Detailed information about PERF A's fiduciary net position is available via the internet at www.calpers.ca.gov under Forms and Publications.

Payable to the Pension Plan: As of June 30, 2015, the Fund did not report a payable related to pension contributions.

Note 11 – OTHER POSTEMPLOYEMENT BENEFITS

The Other Postemployment Benefits ("OPEB") is a single-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 liabilities were $24.9 million and $21.5 million for the year ended June 30, 2015 and June 30, 2014, respectively. As of June 30, 2015, the allocated contribution of OPEB from the Fund was $2.1 million, compared to $1.9 million for the year ended June 30, 2014. CalPERS issues a publicly available Comprehensive Annual Financial Report ("CAFR") that includes financial statements and required supplementary information for the OPEB.

Note 12 – COMMITMENTS

As of June 30, 2015, the Agency had no outstanding commitments and conditionally approved loan reservation to fund Homeownership Program loans and had outstanding commitments to fund Multifamily Program loans totaling $14 million. As of June 30, 2015, the Agency had proceeds available from bonds issued to fund $877 thousand of Homeownership Program loans and $25 million of Multifamily Program loans.

Note 13 – 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) Lease ends 7/31/23	Harsch Investment Properties, LLC (West Sacramento Office) Lease ends 5/31/16	Slauson Investors, LLC (Culver City Office Lease ends 2/28/19	Total
2015	2,325	302	235	2,862
2016	2,372	268	242	2,882
2017	2,419		249	2,668
2018	2,468		257	2,725
2019	2,517		154	2,671
2020-24	10,810			10,810
Total	$ 22,911	$ 570	$ 1,137	$ 24,618

Note 14 – 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 and is reimbursed from the share of premiums from policies still in force and the remaining amount is used to pay outstanding claims of the Mortgage Insurance Fund.

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, 2015, there was no cash or investments remaining in the Mortgage Insurance Fund to pay outstanding claims. The California Housing Finance Fund has written off foreclosed loans insured by the Housing Loan Insurance Fund. As of June 30, 2015, the reserve amount established under the HMRB indenture was $25.9 million.

Note 15 – 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 16 – 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 $112 thousand and $177 thousand for the fiscal year ended June 30, 2015 and June 30, 2014, 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 were $580 thousand and $604 thousand for fiscal years ended June 30, 2015 and June 30, 2014, 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 December 31, 2017.

Note 17 – SUBSEQUENT EVENTS

On July 2, 2015, S&P raised the Agency's HMRB rating from "A-" to "A".

On July 22, 2015, the Agency exited the Temporary Credit and Liquidity Program ("TCLP") under the HFA initiative program which was providing replacement credit and facilities for existing variable rate demand bond debt for the Agency. The standby credit and liquidity facilities were replaced with letters of credit from four banks. This action will save money as lower costs are associated with the letters of credit.

On August 1, 2015, the Agency used $24.9 million of the Multifamily Housing Revenue Bonds III 2015 Series A ("MHRB III 2015A") bond proceeds to refund $24.9 million in prior MHRB III series. For the MHRB III 2015A April 24, 2015 and August 1, 2015 refundings, the combined decrease in debt service cash flow and estimated economic gain may be found in Note 9 – Extinguishment of Debt.

On August 1, 2015, the Agency redeemed $34.9 million of the Housing Program Bonds 2006 Series A. As of this date, there are no longer any bonds outstanding under the Housing Program Bonds indenture.

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CALIFORNIA HOUSING FINANCE AGENCY
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE FUND'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Miscellaneous Plan
Last Fiscal Year
(Dollar amounts in thousands)

	2014
Fund's proportion of the net pension liability	0.17%
Fund's proportionate share of the net pension liability	$ 43,722
Fund's covered-employee payroll	$ 17,256
Fund's proportionate share of the net pension liability as a percentage of its covered-employee payroll	253.38%
Plan fiduciary net position as a percentage of the total pension liability	73.05%

SCHEDULE OF FUND CONTRIBUTIONS
Miscellaneous Plan
Last Fiscal Year
(Dollar amounts in thousands)

	2014
Contractually required contribution	$ 3,627
Contribution in relation to the contractually required contribution	(3,627)
Contribution deficiency (excess)	-
Fund's covered-employee payroll	$ 17,256
Contributions as a percentage of covered-employee payroll	21.02%

CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF NET POSITION
WITH ADDITIONAL COMBINING INFORMATION
June 30, 2015
(Dollars in Thousands)

	HOMEOWNERSHIP PROGRAMS	MULTIFAMILY RENTAL HOUSING PROGRAMS	OTHER PROGRAMS AND ACCOUNTS	COMBINED TOTALS
ASSETS				
Current assets:				
Cash and cash equivalents	$ 8,224	$ 8	$ 33,013	$ 41,245
Investments	287,913	85,623	765,882	1,139,418
Current portion - program loans receivable, net allowance	63,210	49,500	18,349	131,059
Interest receivable - program loans, net	9,982	5,226	18,797	34,005
Interest receivable - investments	1,556	289	601	2,446
Accounts receivable	5,609	-	4,032	9,641
Due (to) from other funds	(7,752)	-	7,752	-
Other assets	43	366	33,907	34,316
Total current assets	368,785	141,012	882,333	1,392,130
Noncurrent assets:				
Investments	210,472	58,822	18,789	288,083
Program loans receivable, net of allowance	2,054,784	709,490	527,771	3,292,045
Other assets	14,879	-	819	15,698
Total noncurrent assets	2,280,135	768,312	547,379	3,595,826
Total assets	2,648,920	909,324	1,429,712	4,987,956
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives	-	22,528	1,016	23,544
Deferred loss on refunding	-	447	-	447
Employer contribution	-	-	4,311	4,311
Total deferred outflows of resources	-	22,975	5,327	28,302
LIABILITIES				
Current liabilities:				
Bonds payable	42,168	11,565	-	53,733
Notes payable	-	-	2,048	2,048
Interest payable	23,876	10,465	13,839	48,180
Due (from) to other government entities	(121)	-	631	510
Compensated absences	-	-	3,811	3,811
Deposits and other liabilities	1,703	386	225,162	227,251
Total current liabilities	67,626	22,416	245,491	335,533
Noncurrent liabilities:				
Bonds payable	2,254,351	606,542	-	2,860,893
Notes payable	-	-	52,532	52,532
Due to other government entities, net	1,906	7,424	68,617	77,947
Other liablities	-	88,978	73,613	162,591
Unearned revenues	-	-	905	905
Total noncurrent liabilities	2,256,257	702,944	195,667	3,154,868
Total liabilities	2,323,883	725,360	441,158	3,490,401
DEFERRED INFLOWS OF RESOURCES				
Unamortized pension net difference	-	-	8,230	8,230
Total deferred inflows of Resources	-	-	8,230	8,230
NET POSITION				
Net investment in capital assets	-	-	754	754
Restricted by indenture	325,037	206,939	-	531,976
Restricted by statute	-	-	984,897	984,897
Total net position	$ 325,037	$ 206,939	$ 985,651	$ 1,517,627

CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
WITH ADDITIONAL COMBINING INFORMATION
Year Ended June 30, 2015
(Dollars in Thousands)

	HOMEOWNERSHIP PROGRAMS	MULTIFAMILY RENTAL HOUSING PROGRAMS	OTHER PROGRAMS AND ACCOUNTS	COMBINED TOTALS
OPERATING REVENUES				
Interest income:				
Program loans, net	$ 134,380	$ 40,388	$ 20,219	$ 194,987
Interest income, net	11,042	2,823	3,437	17,302
(Decrease) increase in fair value of investments	(2,227)	701	5,640	4,114
Loan commitment fees	-	-	459	459
Other loan fees	15	6,662	37,416	44,093
Other revenues	315	(16,120)	53,504	37,699
Total operating revenues	143,525	34,454	120,675	298,654
SALARIES AND GENERAL EXPENSES				
Interest	69,090	20,405	465	89,960
Amortization of bond discount and bond premium	(1,168)	227	-	(941)
Mortgage servicing fees	7,311	-	1	7,312
(Reversal) provision for program loan losses	(13,238)	(3,593)	(5,282)	(22,113)
Salaries and general expenses	-	-	39,546	39,546
Other expenses	15,224	5,821	75,552	96,597
Total salaries and general expenses	77,219	22,860	110,282	210,361
Operating income (loss) income before transfers	66,306	11,594	10,393	88,293
Transfers out	-	-	(432)	(432)
Transfers intrafund	(35,706)	(1,405)	37,111	-
Increase (decrease) in net position	30,600	10,189	47,072	87,861
Net position at beginning of year	294,437	196,750	987,407	1,478,594
Cumulative effect of adoption of GASB 68 & 71	-	-	(48,828)	(48,828)
Net position at beginning of year, as restated	294,437	196,750	938,579	1,429,766
Net position at end of year	$ 325,037	$ 206,939	$ 985,651	$ 1,517,627

CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF CASH FLOWS
WITH ADDITIONAL COMBINING INFORMATION
Year Ended June 30, 2015
(Dollars in Thousands)

	HOMEOWNERSHIP PROGRAMS	MULTIFAMILY RENTAL HOUSING PROGRAMS	OTHER PROGRAMS AND ACCOUNTS	COMBINED TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 135,749	$ 40,571	$ 16,891	$ 193,211
Payments to suppliers	(7,760)	(117)	(10,704)	(18,581)
Payments to employees	-	-	(21,247)	(21,247)
Other receipts (payments)	425,060	24,379	(9,045)	440,394
Net cash provided by (used for) operating activities	553,049	64,833	(24,105)	593,777
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intrafund transfers	(35,706)	(1,405)	37,111	-
Changes in due (to) from other government entities	(9)	-	(5,803)	(5,812)
Net cash (used for) provided by noncapital financing activities	(35,715)	(1,405)	31,308	(5,812)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sales of bonds	-	174,180	-	174,180
Payment of bond & note principal	(35,370)	(19,692)	(9,015)	(64,077)
Early bond redemptions	(550,228)	(185,855)	-	(736,083)
Interest paid on debt	(73,225)	(23,074)	(3,651)	(99,950)
Interfund transfers	-	-	(432)	(432)
Net cash (used for) provided by capital and related financing activities	(658,823)	(54,441)	(13,098)	(726,362)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from maturity and sale of investments	1,311,211	241,331	660,712	2,213,254
Purchase of investments	(1,179,281)	(253,315)	(659,437)	(2,092,033)
Interest on investments, net	11,467	2,983	3,464	17,914
Net cash provided by (used for) investing activities	143,397	(9,001)	4,739	139,135
Net increase (decrease)in cash and cash equivalents	1,908	(14)	(1,156)	738
Cash and cash equivalents at beginning of year	6,316	22	34,169	40,507
Cash and cash equivalents at end of year	$ 8,224	$ 8	$ 33,013	$ 41,245
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	$ 66,306	$ 11,594	$ 10,393	$ 88,293
Adjustments to reconcile operating (loss) income to net cash provided by (used for) operating activities:				
Interest expense on debt	69,090	20,405	465	89,960
Interest on investments	(11,042)	(2,823)	(3,437)	(17,302)
Changes in fair value of investments	2,227	(701)	(5,640)	(4,114)
Amortization of bond discount	21	6	-	27
Amortization of deferred losses on refundings of debt	-	221	-	221
Amortization of bond premium	(1,189)	-	-	(1,189)
Loan commitment fees	-	-	(459)	(459)
Depreciation	-	-	243	243
(Reversal) provision for estimated loan losses	(13,238)	(3,593)	(5,282)	(22,113)
(Reversal) provision for yield reduction payments	(324)	(3,700)	-	(4,024)
(Reversal) provision for nonmortgage investment excess	(783)	1	-	(782)
Effect of changes in operating assets and liabilities:				
Sale (purchase) of program loans, net	961	(14,138)	(66,081)	(79,258)
Collection of principal from program loans, net	437,726	55,693	92,282	585,701
Interest receivable	1,368	182	(3,327)	(1,777)
Accounts receivable	2,912	-	464	3,376
Due to (from) other funds	753	-	(753)	-
Other assets	8	(467)	(19,176)	(19,635)
Compensated absences	-	-	(223)	(223)
Increase (decrease) in pension liability	-	-	8,172	8,172
Deposits and other liabilities	(1,747)	98	(6,353)	(8,002)
Unearned revenue	-	2,055	(25,393)	(23,338)
Net cash provided by (used for) operating activities	$ 553,049	$ 64,833	$ (24,105)	$ 593,777
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Noncash transfer of program loan to REO	$ 2,237	$ -	$ -	$ 2,237

CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF NET POSITION
HOMEOWNERSHIP PROGRAMS
June 30, 2015
(Dollars in Thousands)

	HOME MORTGAGE REVENUE BONDS	SINGLE FAMILY HOUSING PROGRAM BONDS	RESIDENTIAL MORTGAGE REVENUE BONDS
ASSETS			
Current assets:			
Cash and cash equivalents	$ 7,182	$ 9	$ 1,033
Investments	253,408	3,521	28,069
Current portion - program loans receivable, net of allowance	53,388	-	7,745
Interest receivable - program loans, net	8,602	261	948
Interest receivable - investments	1,104	2	430
Accounts receivable	4,959	-	617
Due (to) from other funds	(8,544)	575	216
Other assets	26	-	17
Total current assets	320,125	4,368	39,075
Noncurrent assets:			
Investments	63,666	-	140,417
Program loans receivable, net of allowance	1,760,379	31,341	237,061
Other assets	13,405	-	1,474
Total noncurrent assets	1,837,450	31,341	378,952
Total assets	2,157,575	35,709	418,027
DEFERRED OUTFLOWS OF RESOURCES			
Accumulated decrease in fair value of hedging derivatives	-	-	-
Deferred loss on refunding	-	-	-
Total deferred outflows of resources	-	-	-
LIABILITIES			
Current liabilities:			
Bonds payable	31,963	-	10,205
Notess payable	-	-	-
Interest payable	20,785	716	2,375
Due from other government entities	(121)	-	-
Compensated absences	-	-	-
Deposits and other liabilities	1,604	-	93
Total current liabilities	54,231	716	12,673
Noncurrent liabilities:			
Bonds payable	1,839,707	34,900	379,744
Notes payable	-	-	-
Due to other government entities, net	1,906	-	-
Other liablities	-	-	-
Unearned revenues	-	-	-
Total noncurrent liabilities	1,841,613	34,900	379,744
Total liabilities	1,895,844	35,616	392,417
DEFERRED INFLOWS OF RESOURCES			
Unamortized pension net difference	-	-	-
Total deferred inflows of Resources	-	-	-
NET POSITION			
Net investment in capital assets	-	-	-
Restricted by indenture	261,731	93	25,610
Restricted by statute	-	-	-
Total net position	$ 261,731	$ 93	$ 25,610

RESIDENTIAL MORTGAGE REVENUE BONDS OVERCOLLATERALIZATION	TOTAL HOMEOWNERSHIP PROGRAMS
$ -	$ 8,224
2,915	287,913
2,077	63,210
171	9,982
20	1,556
33	5,609
1	(7,752)
-	43
5,217	368,785
6,389	210,472
26,003	2,054,784
-	14,879
32,392	2,280,135
37,609	2,648,920
-	-
-	-
-	-
-	42,168
-	-
-	23,876
-	(121)
-	-
6	1,703
6	67,626
-	2,254,351
-	-
-	1,906
-	-
-	-
-	2,256,257
6	2,323,883
-	-
-	-
-	-
37,603	325,037
-	-
$ 37,603	$ 325,037

CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
HOMEOWNERSHIP PROGRAM
Year Ended June 30, 2015
(Dollars in Thousands)

	HOME MORTGAGE REVENUE BONDS	SINGLE FAMILY HOUSING PROGRAM BONDS	RESIDENTIAL MORTGAGE REVENUE BONDS
OPERATING REVENUES			
Interest income:			
Program loans, net	$ 117,422	$ 2,082	$ 12,743
Interest income, net	4,443	7	6,355
(Decrease) increase in fair value of investments	(964)	-	(1,332)
Loan commitment fees	-	-	-
Other loan fees	13	-	2
Other revenues	280	-	35
Total operating revenues	121,194	2,089	17,803
SALARIES AND GENERAL EXPENSES			
Interest	53,129	1,891	14,070
Amortization of bond discount and bond premium	(1,168)	-	-
Mortgage servicing fees	6,438	-	811
(Reversal) provision for program loan losses	(10,540)	(1,570)	(1,122)
Salaries and general expenses	-	-	-
Other expenses	12,780	5	2,440
Total salaries and general expenses	60,639	326	16,199
Operating income (loss) before transfers	60,555	1,763	1,604
Transfers intrafund	(38,979)	3,020	7,247
Increase (decrease) in net position	21,576	4,783	8,851
Net position at beginning of year	240,155	(4,690)	16,759
Net position at end of year	$ 261,731	$ 93	$ 25,610

RESIDENTIAL MORTGAGE REVENUE BONDS OVERCOLLATERALIZATION	TOTAL HOMEOWNERSHIP PROGRAMS
$ 2,133	$ 134,380
237	11,042
69	(2,227)
-	-
-	15
-	315
2,439	143,525
-	69,090
-	(1,168)
62	7,311
(6)	(13,238)
-	-
(1)	15,224
55	77,219
2,384	66,306
(6,994)	(35,706)
(4,610)	30,600
42,213	294,437
$ 37,603	$ 325,037

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL STATEMENTS OF CASH FLOWS -
HOMEOWNERSHIP PROGRAMS
Year Ended June 30, 2015
(Dollars in Thousands)

	HOME MORTGAGE REVENUE BONDS	SINGLE FAMILY HOUSING PROGRAM BONDS	RESIDENTIAL MORTGAGE REVENUE BONDS
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 118,763	$ 1,937	$ 12,906
Payments to suppliers	(6,859)	(6)	(832)
Payments to employees	-	-	-
Other receipts (payments)	372,444	4,106	44,650
Net cash provided by operating activities	484,348	6,037	56,724
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intrafund transfers	(38,979)	3,020	7,247
Changes in due from other government entities	(9)	-	-
Net cash (used for) provided by provided by noncapital financing activities	(38,988)	3,020	7,247
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from sales of bonds	-	-	-
Payment of bond & note principal	(24,190)	-	(11,180)
Early bond redemptions	(444,265)	(5,490)	(100,473)
Interest paid on debt	(56,459)	(2,000)	(14,766)
Interfund transfers	-	-	-
Net cash (used for) provided by capital and related financing activities	(524,914)	(7,490)	(126,419)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturity and sale of investments	1,010,254	9,559	284,047
Purchase of investments	(934,260)	(11,133)	(227,350)
Interest on investments, net	4,715	6	6,507
Net cash provided by (used for) investing activities	80,709	(1,568)	63,204
Net increase (decrease) in cash and cash equivalents	1,155	(1)	756
Cash and cash equivalents at beginning of year	6,027	10	277
Cash and cash equivalents at end of year	$ 7,182	$ 9	$ 1,033
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	$ 60,555	$ 1,763	$ 1,604
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Interest expense on debt	53,129	1,891	14,070
Interest on investments	(4,443)	(7)	(6,355)
Changes in fair value of investments	964	-	1,332
Amortization of bond discount	21	-	-
Amortization of deferred losses on refundings of debt	-	-	-
Amortization of bond premium	(1,189)	-	-
Loan commitment fees	-	-	-
(Reversal) provision for estimated loan losses	(10,540)	(1,570)	(1,122)
(Reversal) provision for yield reduction payments	(324)	-	-
(Reversal) provision for nonmortgage investment excess	(783)	-	-
Effect of changes in operating assets and liabilities:			
Sale (purchase) of program loans, net	889	(2)	74
Collection of principal from program loans, net	382,982	4,020	47,817
Interest receivable	1,341	(145)	162
Accounts receivable	2,599	-	248
Due to (from) other funds	878	88	(1,099)
Other assets	7	-	1
Compensated absences	-	-	-
Deposits and other liabilities	(1,738)	(1)	(8)
Unearned revenue	-	-	-
Net cash provided by (used for) operating activities	$ 484,348	$ 6,037	$ 56,724
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Noncash transfer of program loan to REO	$ 1,985	$ -	$ 252

RESIDENTIAL MORTGAGE REVENUE BONDS OVERCOLLATERALIZATION	TOTAL HOMEOWNERSHIP PROGRAMS
$ 2,143	$ 135,749
(63)	(7,760)
-	-
3,860	425,060
5,940	553,049
(6,994)	(35,706)
-	(9)
(6,994)	(35,715)
-	-
-	(35,370)
-	(550,228)
-	(73,225)
-	-
-	(658,823)
7,351	1,311,211
(6,538)	(1,179,281)
239	11,467
1,052	143,397
(2)	1,908
2	6,316
$ -	$ 8,224
$ 2,384	$ 66,306
-	69,090
(237)	(11,042)
(69)	2,227
-	21
-	-
-	(1,189)
-	-
(6)	(13,238)
-	(324)
-	(783)
-	961
2,907	437,726
10	1,368
65	2,912
886	753
-	8
-	-
-	(1,747)
-	-
$ 5,940	$ 553,049
$ -	$ 2,237

CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF NET POSITION
MULTIFAMILY RENTAL HOUSING PROGRAMS
June 30, 2015
(Dollars in Thousands)

	MULTIFAMILY LOAN PURCHASE BONDS	MULTIFAMILY HOUSING REVENUE BONDS III	MULTIFAMILY HOUSING PROGRAM BONDS	AFFORDABLE MULTIFAMILY HOUSING REVENUE BONDS
ASSETS				
Current assets:				
Cash and cash equivalents	$ -	$ 8	$ -	$ -
Investments	108	76,627	2,053	4,398
Current portion - program loans receivable, net of allowance	722	45,922	1,213	1,069
Interest receivable - program loans, net	-	3,135	1,654	226
Interest receivable - investments	-	168	1	119
Accounts receivable	-	-	-	-
Due from other funds	-	-	-	-
Other assets	-	308	-	47
Total current assets	830	126,168	4,921	5,859
Noncurrent assets:				
Investments	-	21,846	-	36,976
Program loans receivable, net of allowance	197	589,283	18,527	51,599
Other assets	-	-	-	-
Total noncurrent assets	197	611,129	18,527	88,575
Total assets	1,027	737,297	23,448	94,434
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives	-	22,528	-	-
Deferred loss on refunding	-	447	-	-
Total deferred outflows of resources	-	22,975	-	-
LIABILITIES				
Current liabilities:				
Bonds payable	-	10,795	-	770
Notes payable	-	-	-	-
Interest payable	9	9,863	-	324
Due to (from) other government entities, net	-	-	-	-
Compensated absences	-	-	-	-
Deposits and other liabilities	-	386	-	-
Total current liabilities	9	21,044	-	1,094
Noncurrent liabilities:				
Bonds payable	1,021	473,191	-	82,920
Notes payable	-	-	-	-
Due to other government entities, net	-	7,424	-	-
Other liablities	-	88,978	-	-
Unearned revenues	-	-	-	-
Total noncurrent liabilities	1,021	569,593	-	82,920
Total liabilities	1,030	590,637	-	84,014
DEFERRED INFLOWS OF RESOURCES				
Unamortized pension net difference	-	-	-	-
Total deferred inflows of resources	-	-	-	-
NET POSITION				
Net investment in capital assets	-	-	-	-
Restricted by indenture	(3)	169,635	23,448	10,420
Restricted by statute	-	-	-	-
Total net position	$ (3)	$ 169,635	$ 23,448	$ 10,420

MULTIFAMILY RESIDENTIAL MORTGAGE REVENUE BONDS	TOTAL MULTIFAMILY RENTAL HOUSING PROGRAMS
$ -	$ 8
2,437	85,623
574	49,500
211	5,226
1	289
-	-
-	-
11	366
3,234	141,012
-	58,822
49,884	709,490
-	-
49,884	768,312
53,118	909,324
-	22,528
-	447
-	22,975
-	11,565
-	-
269	10,465
-	-
-	-
-	386
269	22,416
49,410	606,542
-	-
-	7,424
-	88,978
-	-
49,410	702,944
49,679	725,360
-	-
-	-
-	-
3,439	206,939
-	-
$ 3,439	$ 206,939

CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
MULTIFAMILY PROGRAM
Year Ended June 30, 2015
(Dollars in Thousands)

	MULTIFAMILY LOAN PURCHASE BONDS	MULTIFAMILY HOUSING REVENUE BONDS III	MULTIFAMILY HOUSING PROGRAM BONDS	AFFORDABLE MULTIFAMILY HOUSING REVENUE BONDS
OPERATING REVENUES				
Interest income:				
Program loans, net	$ 121	$ 33,346	$ 1,358	$ 2,914
Interest income, net	-	1,375	4	1,437
Increase in fair value of investments	-	690	-	11
Loan commitment fees	-	-	-	-
Other loan fees	-	6,531	131	-
Other revenues	-	(16,120)	-	-
Total operating revenues	121	25,822	1,493	4,362
SALARIES AND GENERAL EXPENSES				
Interest	120	16,498	-	2,001
Amortization of bond discount and bond premium	-	227	-	-
Mortgage servicing fees	-	-	-	-
(Reversal) provision for program loan losses	-	(536)	112	(59)
Salaries and general expenses	-	-	-	-
Other expenses	1	4,048	-	1,039
Total salaries and general expenses	121	20,237	112	2,981
Operating income (loss) before transfers	-	5,585	1,381	1,381
Transfers intrafund	-	1,615	(3,020)	-
Increase (decrease) in net position	-	7,200	(1,639)	1,381
Net position at beginning of year	(3)	162,435	25,087	9,039
Net position at end of year	$ (3)	$ 169,635	$ 23,448	$ 10,420

MULITIFAMILY RESIDENTIAL MORTGAGE REVENUE BONDS	TOTAL MULTIFAMILY RENTAL HOUSING PROGRAMS
$ 2,649	$ 40,388
7	2,823
-	701
-	-
-	6,662
-	(16,120)
2,656	34,454
1,786	20,405
-	227
-	-
(3,110)	(3,593)
-	-
733	5,821
(591)	22,860
3,247	11,594
-	(1,405)
3,247	10,189
192	196,750
$ 3,439	$ 206,939

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL STATEMENTS OF CASH FLOWS -
MULTIFAMILY RENTAL HOUSING PROGRAMS
Year Ended June 30, 2015
(Dollars in Thousands)

	MULTIFAMILY LOAN PURCHASE BONDS	MULTIFAMILY HOUSING REVENUE BONDS III	MULTIFAMILY HOUSING PROGRAM BONDS	AFFORDABLE MULTIFAMILY HOUSING REVENUE BONDS
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 121	$ 33,488	$ 1,372	$ 2,918
Payments to suppliers	-	(107)	-	(5)
Other receipts (payments)	2,514	13,176	2,341	(15)
Net cash provided by (used for) operating activities	2,635	46,557	3,713	2,898
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intrafund transfers	-	1,615	(3,020)	-
Net cash provided by (used for) provided by noncapital financing activities	-	1,615	(3,020)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sales of bonds	-	174,180	-	-
Payment of bond & note principal	(2,737)	(15,725)	-	(1,230)
Early bond redemptions	-	(161,135)	-	(4,180)
Interbond transfers	-	-	-	-
Interest paid on debt	(133)	(19,022)	-	(2,021)
Interfund transfers	-	-	-	-
Net cash (used for) provided by capital and related financing activities	(2,870)	(21,702)	-	(7,431)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from maturity and sale of investments	3,396	171,335	3,019	18,151
Purchase of investments	(3,161)	(199,352)	(3,716)	(15,057)
Interest on investments, net	-	1,533	4	1,439
Net cash provided by (used for) investing activities	235	(26,484)	(693)	4,533
Net (decrease) increase in cash and cash equivalents	-	(14)	-	-
Cash and cash equivalents at beginning of year	-	22	-	-
Cash and cash equivalents at end of year	$ -	$ 8	$ -	$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	$ -	$ 5,585	$ 1,381	$ 1,381
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Interest expense on debt	121	16,498	-	2,000
Interest on investments	-	(1,375)	(4)	(1,437)
Changes in fair value of investments	-	(690)	-	(11)
Amortization of bond discount	-	6	-	-
Amortization of deferred losses on refundings of debt	-	221	-	-
Amortization of bond premium	-	-	-	-
Loan commitment fees	-	-	-	-
Depreciation	-	-	-	-
(Reversal) provision for estimated loan losses	-	(536)	112	(59)
(Reversal) provision for yield reduction payments	-	(3,700)	-	-
Provision for nonmortgage investment excess	-	1	-	-
Effect of changes in operating assets and liabilities:				
(Purchase) sale of program loans, net	-	(14,138)	-	-
Collection of principal from program loans, net	2,514	42,968	2,211	1,019
Interest receivable	-	142	13	4
Other assets	-	(578)	-	1
Deposits and other liabilities	-	98	-	-
Unearned revenue	-	2,055	-	-
Net cash provided by (used for) operating activities	$ 2,635	$ 46,557	$ 3,713	$ 2,898
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Noncash transfer of program loan to REO	$ -	$ -	$ -	$ -

MULITIFAMILY RESIDENTIAL MORTGAGE REVENUE BONDS	TOTAL MULTIFAMILY RENTAL HOUSING PROGRAMS
$ 2,672	$ 40,571
(5)	(117)
6,363	24,379
9,030	64,833
-	(1,405)
-	(1,405)
-	174,180
-	(19,692)
(20,540)	(185,855)
-	-
(1,898)	(23,074)
-	-
(22,438)	(54,441)
45,430	241,331
(32,029)	(253,315)
7	2,983
13,408	(9,001)
-	(14)
-	22
$ -	$ 8
$ 3,247	$ 11,594
1,786	20,405
(7)	(2,823)
-	(701)
-	6
-	221
-	-
-	-
-	-
(3,110)	(3,593)
-	(3,700)
-	1
-	(14,138)
6,981	55,693
23	182
110	(467)
-	98
-	2,055
$ 9,030	$ 64,833
$ -	$ -

CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF NET POSITION
OTHER PROGRAMS AND ACCOUNTS
June 30, 2015
(Dollars in Thousands)

	HOUSING ASSISTANCE TRUST	CONTRACT ADMINISTRATION PROGRAMS	SUPPLEMENTAL BOND SECURITY ACCOUNT	EMERGENCY RESERVE ACCOUNT
ASSETS				
Current assets:				
Cash and cash equivalents	$ 7,597	$ 2,109	$ 1	$ 1
Investments	203,906	291,668	17,473	32,242
Current portion - program loans receivable, net of allowance	14,317	2,043	-	-
Interest receivable - program loans, net	1,427	17,118	-	-
Interest receivable - investments	202	206	12	23
Accounts receivable	252	190	-	97
Due from (to) other funds	304	2,337	8,647	-
Other assets	33,878	-	-	-
Total current assets	261,883	315,671	26,133	32,363
Noncurrent assets:				
Investments	18,789	-	-	-
Program loans receivable, net of allowance	108,913	366,590	-	-
Other assets	65	-	-	-
Total noncurrent assets	127,767	366,590	-	-
Total assets	389,650	682,261	26,133	32,363
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives	1,016	-	-	-
Deferred loss on refunding	-	-	-	-
Employer contribution	-	-	-	-
Total Deferred outflows of resources	1,016	-	-	-
LIABILITIES				
Current liabilities:				
Bonds payable	-	-	-	-
Notes payable	-	-	-	-
Interest payable	13,541	-	-	-
Due to other government entities, net	-	330	-	-
Compensated absences	-	-	-	-
Deposits and other liabilities	3,195	2,074	-	-
Total current liabilities	16,736	2,404	-	-
Noncurrent liabilities:				
Bonds payable	-	-	-	-
Notes payable	-	-	-	-
Due to other government entities, net	-	-	-	-
Other liablities	73,613	-	-	-
Unearned revenues	-	-	-	-
Total noncurrent liabilities	73,613	-	-	-
Total liabilities	90,349	2,404	-	-
DEFERRED INFLOWS OF RESOURCES				
Unamortized pension net difference	-	-	-	-
Total deferred inflows of resources	-	-	-	-
NET POSITION				
Net investment in capital assets	-	-	-	-
Restricted by indenture	-	-	-	-
Restricted by statute	300,317	679,857	26,133	32,363
Total net position	$ 300,317	$ 679,857	$ 26,133	$ 32,363

LOAN SERVICING	CITIGROUP GLOBAL MARKETS	OPERATING ACCOUNT	TOTAL OTHER PROGRAMS AND ACCOUNTS
$ 22,935	$ 98	$ 272	$ 33,013
206,075	-	14,518	765,882
-	1,989	-	18,349
-	252	-	18,797
146	-	12	601
3,088	-	405	4,032
(6,994)	-	3,458	7,752
-	-	29	33,907
225,250	2,339	18,694	882,333
-	-	-	18,789
-	52,268	-	527,771
-	-	754	819
-	52,268	754	547,379
225,250	54,607	19,448	1,429,712
-	-	-	1,016
-	-	-	-
-	-	4,311	4,311
-	-	4,311	5,327
-	-	-	-
-	2,048	-	2,048
-	298	-	13,839
-	-	301	631
-	-	3,811	3,811
218,717	-	1,176	225,162
218,717	2,346	5,288	245,491
-	-	-	-
-	52,532	-	52,532
-	-	68,617	68,617
-	-	-	73,613
-	-	905	905
-	52,532	69,522	195,667
218,717	54,878	74,810	441,158
-	-	8,230	8,230
-	-	8,230	8,230
-	-	754	754
-	-	-	-
6,533	(271)	(60,035)	984,897
$ 6,533	$ (271)	$ (59,281)	$ 985,651

CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
OTHER PROGRAMS AND ACCOUNTS
Year Ended June 30, 2015
(Dollars in Thousands)

	HOUSING ASSISTANCE TRUST	CONTRACT ADMINISTRATION PROGRAMS	SUPPLEMENTAL BOND SECURITY ACCOUNT	EMERGENCY RESERVE ACCOUNT
OPERATING REVENUES				
Interest income:				
Program loans, net	$ 11,184	$ 9,035	$ -	$ -
Interest income, net	2,472	773	67	82
Increase in fair value of investments	5,640	-	-	-
Loan commitment fees	-	-	-	-
Other loan fees	20,624	12	-	-
Other revenues	(7,341)	744	-	-
Total operating revenues	32,579	10,564	67	82
SALARIES AND GENERAL EXPENSES				
Interest	465	-	-	-
Mortgage servicing fees	1	-	-	-
(Reversal) provision for program loan losses	(205)	(5,288)	-	-
Salaries and general expenses	-	-	-	-
Other expenses	5,591	7,345	-	-
Total salaries and general expenses	5,852	2,057	-	-
Operating income (loss) before transfers	26,727 -	8,507	67	82 -
Transfers in (out)	496	(928)	-	-
Transfers intrafund	13,932	-	-	-
Increase (decrease) in net assets	41,155	7,579	67	82
Net position at beginning of year	259,162	672,278	26,066	32,281
Cumulative effect of adoption of GASB 68 & 71	-	-	-	-
Net position at beginning of year, as restated	259,162	672,278	26,066	32,281
Net position at end of year	$ 300,317	$ 679,857	$ 26,133	$ 32,363

LOAN SERVICING	CITIGROUP GLOBAL MARKETS	OPERATING ACCOUNT	TOTAL OTHER PROGRAMS AND ACCOUNTS
$ -	$ -	$ -	$ 20,219
1	-	42	3,437
-	-	-	5,640
-	-	459	459
4,193	-	12,587	37,416
59,414	-	687	53,504
63,608	-	13,775	120,675
-	-	-	465
-	-	-	1
-	211	-	(5,282)
-	-	39,546	39,546
61,010	-	1,606	75,552
61,010	211	41,152	110,282
2,598	(211)	(27,377)	10,393
-	-	-	(432)
(2,000)	-	25,179	37,111
598	(211)	(2,198)	47,072
5,935	(60)	(8,255)	987,407
-	-	(48,828)	(48,828)
5,935	(60)	(57,083)	938,579
$ 6,533	$ (271)	$ (59,281)	$ 985,651

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL STATEMENTS OF CASH FLOWS -
OTHER PROGRAMS AND ACCOUNTS
Year Ended June 30, 2015
(Dollars in Thousands)

	HOUSING ASSISTANCE TRUST	CONTRACT ADMINISTRATION PROGRAMS	SUPPLEMENTAL BOND SECURITY ACCOUNT	EMERGENCY RESERVE ACCOUNT
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 11,328	$ 5,481	$ -	$ -
Payments to suppliers	74	-	-	-
Payments to employees	-	-	-	-
Other receipts (payments)	13,975	(37,347)	1,729	1
Net cash provided by (used for) operating activities	25,377	(31,866)	1,729	1
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intrafund transfers	13,932	-	-	-
Due (to) from other government entities	-	(355)	-	-
Net cash (used for) provided by noncapital financing activities	13,932	(355)	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payment of bond & note principal	-	-	-	-
Early bond redemptions	-	-	-	-
Interest paid on debt	(3,604)	-	-	-
Interfund transfers	496	(928)	-	-
Net cash (used for) provided bycapital and related financing activities	(3,108)	(928)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from maturity and sale of investments	459,772	71,988	-	3,490
Purchase of investments	(496,312)	(38,597)	(1,792)	(3,567)
Interest on investments, net	2,565	741	64	77
Net cash (used for) provided by investing activities	(33,975)	34,132	(1,728)	-
Net increase (decrease) in cash and cash equivalents	2,226	983	1	1
Cash and cash equivalents at beginning of year	5,371	1,126	-	-
Cash and cash equivalents at end of year	$ 7,597	$ 2,109	$ 1	$ 1
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	$ 26,727	$ 8,507	$ 67	$ 82
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Interest expense on debt	465	-	-	-
Interest on investments	(2,472)	(774)	(67)	(82)
Changes in fair value of investments	(5,640)	-	-	-
Amortization of bond discount	-	-	-	-
Amortization of deferred losses on refunding of debt	-	-	-	-
Amortization of bond premium	-	-	-	-
Loan commitment fees	-	-	-	-
Depreciation	-	-	-	-
(Reversal) provision for estimated loan losses	(205)	(5,288)	-	-
Provision for yield reduction payments	-	-	-	-
Provision for nonmortgage investment excess	-	-	-	-
Effect of changes in operating assets and liabilities:				
(Purchase) sale of program loans, net	(12,004)	(57,727)	-	-
Collection of principal from program loans, net	58,971	27,909	-	-
Interest receivable	143	(3,552)	-	-
Accounts receivable	540	(190)	-	1
Due to (from) ther funds	12	(462)	1,729	-
Other assets	(18,487)	-	-	-
Compensated absences	-	-	-	-
Increase (decrease) in pension liability	-	-	-	-
Deposits and other liabilities	3,192	(289)	-	-
Unearned revenue	(25,865)	-	-	-
Net cash provided by (used for) operating activities	$ 25,377	$ (31,866)	$ 1,729	$ 1
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Noncash transfer of program loan to REO	$ -	$ -	$ -	$ -

LOAN SERVICING	CITIGROUP GLOBAL MARKETS	OPERATING ACCOUNT	TOTAL OTHER PROGRAMS AND ACCOUNTS
$ -	$ 82	$ -	$ 16,891
-	-	(10,778)	(10,704)
-	-	(21,247)	(21,247)
(917)	9,052	4,462	(9,045)
(917)	9,134	(27,563)	(24,105)
(2,000)	-	25,179	37,111
-	-	(5,448)	(5,803)
(2,000)	-	19,731	31,308
-	(9,015)	-	(9,015)
-	-	-	-
-	(47)	-	(3,651)
-	-	-	(432)
-	(9,062)	-	(13,098)
85,703	-	39,759	660,712
(82,972)	-	(36,197)	(659,437)
(25)	-	42	3,464
2,706	-	3,604	4,739
(211)	72	(4,228)	(1,156)
23,146	26	4,500	34,169
$ 22,935	$ 98	$ 272	$ 33,013
$ 2,598	$ (211)	$ (27,377)	$ 10,393
-	-	-	465
(1)	-	(41)	(3,437)
-	-	-	(5,640)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	(459)	(459)
-	-	243	243
-	211	-	(5,282)
-	-	-	-
-	-	-	-
-	3,650	-	(66,081)
-	5,402	-	92,282
-	82	-	(3,327)
45	-	68	464
487	-	(2,519)	(753)
-	-	(689)	(19,176)
-	-	(223)	(223)
-	-	8,172	8,172
(4,046)	-	(5,210)	(6,353)
-	-	472	(25,393)
$ (917)	$ 9,134	$ (27,563)	$ (24,105)
$ -	$ -	$ -	$ -

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

SINGLE AUDIT REPORT
June 30, 2015

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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 Fund
Sacramento, California

We have audited, 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, the 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, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated October 12, 2015.

Internal Control Over Financial Reporting

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

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 Fund'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 Fund'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 Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
October 12, 2015

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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 Fund
Sacramento, California

Report on Compliance for Major Federal Program

We have audited California Housing Finance Fund's (the Fund) 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 Fund's major federal programs for the year ended June 30, 2015. The Fund'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 Fund'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 Fund'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 Fund's compliance.

Opinion on Major Federal Program

In our opinion, the Fund complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

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 2015-001. Our opinion on each major federal program is not modified with respect to this matter.

The Fund's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Fund'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 Fund 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 Fund'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 Fund'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 2015-001, that we consider to be a significant deficiency.

The Fund'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 Fund'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 Fund as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements. We issued our report thereon dated October 12, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
October 12, 2015

CALIFORNIA HOUSING FINANCE FUND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

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	$ 59,009,277
U.S. Department of Treasury		
National Foreclosure Mitigation Counseling	21.000	565,673
Total Federal Expenditures		$ 59,574,950

See accompanying note to the schedule.

CALIFORNIA HOUSING FINANCE FUND
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2015

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the California Housing Finance Fund (the Fund), 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, if any, are included in the schedule.

CALIFORNIA HOUSING FINANCE FUND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

I. Summary of Independent Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

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 auditors' report issued on compliance for major programs: Unmodified

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	$ 59,009,277

Dollar threshold used to distinguish type A programs $ $1,787,249

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

CALIFORNIA HOUSING FINANCE FUND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

II. Financial Statement Findings

None

III. Federal Award Findings and Questioned Costs

Finding 2015-001: U.S. Department of Housing and Urban Development, Section 8 Project-Based Cluster, CFDA # 14.195, Subrecipient Monitoring, Other Noncompliance, Significant Deficiency

Condition/Context
2 out of 15 project files tested did not have the Management and Occupancy Review (MOR) results sent within 30 days of the completed onsite visit.

Criteria
U.S. Department of Housing and Urban Development's (HUD) Management and Occupancy Review Handbook, 4350.1 REV-1, Section 6-9 states that findings noted in the Management and Occupancy Review Report must be followed up by the officer assigned to the Project within 30 calendar days.

Cause
The individuals responsible for sending MOR results encountered unforeseen circumstances during the 30 day timeframe, such as being sick and travel issues, which contributed to the delay of MOR results.

Effect
The Fund has not complied with subrecipient monitoring procedures established by the U.S. Department of Housing and Urban Development.

Questioned Costs
None

Recommendation
We recommend that Management ensure MOR results are communicated in a timely fashion to the projects, as required by their internal controls and HUD requirements.

Management's Response
Although modifications to the MOR processing were implemented in 2014 to help meet HUD's 30 calendar day reporting requirement, the staffing level in the Compliance Unit must be increased to ensure compliance going forward. The Agency plans to fill the MOR specialist position for the Compliance Unit as soon as possible.

CALIFORNIA HOUSING FINANCE FUND
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

Finding 2014-001 – Material Adjustments

Condition/Context
During FY 2014, management revised their methodology for allowance for loan loss of the single family mortgage receivables and determined that the allowance account was overstated by $39,494,450 which is the estimated amount of claims payable owed to the Housing Finance Fund from the Housing Loan Insurance Fund. The Agency's staff discovered the error during the process of switching the allowance for loan loss methodology to a loan-by-loan analysis of the single family mortgage receivables and identifying the variance between the old and new allowance calculation.

Status
This finding was corrected in FY 2014.

Finding 2014-002: U.S. Department of Housing and Urban Development, Section 8 Project-Based Cluster, CFDA # 14.195, Subrecipient Monitoring, Other Noncompliance, Significant Deficiency

Condition/Context
6 out of 18 project files tested did not have the Management and Occupancy Review (MOR) results sent within 30 days of the completed onsite visit.

Status
This finding was corrected in October 2014, however, our current year testing noted exceptions that occurred prior to the correction. A similar finding was noted in the current year.

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INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by the California Housing Finance Agency (the Agency) solely to assist you with respect to the administration of Proposition 1C Funds by the Agency in accordance with the requirements of the California Homebuyer's Down Payment Assistance Program for the year ended June 30, 2015. The Agency's management is responsible for the administration of the Proposition 1C Funds. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures
Our procedures were as follows:

1. Obtain and read the California Homebuyer's Down Payment Assistance Program (CHDAP) guidelines.
2. Obtain the CHDAP Commitment/Disbursement schedules for the fiscal year ending June 30, 2015. Haphazardly select a sample of 25 loans for testing.
3. Read the eligibility requirements for CHDAP loans, program announcements and commitments.
4. For each selected CHDAP loan, determine if the amount of funds committed/disbursed was used for the specified purpose, as specified in the approved loan application. Determine if the borrower qualifies based on income level and sales price, or other criteria that may be established by CHDAP as provided in the eligibility requirements obtained in Step 3.
5. For each selected CHDAP loan, determine that the proper loan agreement/lien was recorded against the property by agreeing the recorded loan/lien with the amount listed in the disbursement schedule.

Results
We did not identify any exceptions with respect to the administration of Proposition 1C Funds in accordance with the California Homebuyer's Down Payment Assistance Program.

***

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the administration of the Proposition 1C Funds in accordance with the California Homebuyer's Down Payment Assistance Program. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the California Housing Finance Agency and is not intended to be and should not be used by anyone other than these specified party.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
August 13, 2015

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Independent Accountant's Report on
Applying Agreed-Upon Procedures

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

We have performed the procedures enumerated below, which were agreed to by California Housing Finance Agency (the Agency), solely to assist you in evaluating the Agency's compliance with requirements of the Financing Adjustment Factor (FAF) Refunding Agreements provided by the United States Department of Treasury as it relates to the real estate developments as set forth in the Financing Adjustment Factor Savings Disbursements Schedule for the period from July 1, 2012 to June 30, 2015 attached hereto. Agency management is responsible for maintaining internal controls to provide reasonable assurance that the Agency complies with specified requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The sufficiency of these procedures is solely the responsibility of the Agency. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Obtain the general ledger for the FAF program and report whether it contains only accounts related to the FAF program.

   Results
   We obtained the general ledger for the FAF program and determined through observation that the accounts are specifically related to the FAF program.

2. Obtain the FAF Savings Disbursement Schedule (the Schedule) for the period of July 1, 2012 through June 30, 2015 and the FAF Refunding Agreements and Regulatory Agreements for all projects with disbursements included on the Schedule and perform the following procedures:

   a. Compare the amount of each disbursement on the Schedule to the amount recorded in the FAF General Ledger and report any discrepancies.

      Results
      We compared the amount of each disbursement on the Schedule to the amount recorded in the FAF General Ledger. There were no discrepancies noted.

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b. Obtain the Sources and Uses Report for each project with a disbursement on the Schedule and report whether the disbursement was approved by the Board of Directors as noted in the board minutes or documented by other specific written board approval.

Results
We obtained documentation for the Source and Use Report, and the related Board of Directors approval for each project with disbursements listed on the Schedule and did not note any discrepancies or missing documentation.

c. Obtain support (e.g. invoices) for each disbursement on the Schedule and determine through observation whether it was for an activity covered by the Refunding Agreement.

Results
We obtained supporting documentation (e.g. approved Memorandums for Transfer, Transaction Requests, claim schedules, and journal entries) for all disbursements on the Schedule and determined through observation that all the disbursements were for expenditures covered by the Refunding Agreement.

d. Obtain a listing of the very low income (as defined by the U.S. Housing Act of 1937) units and a listing of all other units for each project with a disbursement on the Schedule and perform the following procedures:

i. Recompute the ratio of very low income units to total units.

Results
We obtained the listing of all units for each project showing the family income and recomputed the ratio of very low income units to total units without exception.

ii. Compare the ratios computed above and report whether they are equal to or greater than the ratios required by each project's respective Regulatory Agreement.

Results
The Regulatory Agreements were obtained and read for the ratios required for each project and compared it to the recomputed ratio noted above. Each project's recomputed ratio met the required ratio per regulatory agreement.

e. Select ten percent of the very low income units from the listings for each project as obtained in Step 2(d) and perform the following procedures:

i. Obtain the tenant file for each unit selected and determine through observation that the file contains an annual review of tenant income for each year between July 1, 2012 and June 30, 2015 for which the tenant lived in the unit.

Results
We obtained and tested ten percent of the tenant files of occupied units. For all tenant files selected we observed annual reviews documenting the verification of tenant income were performed for all years the tenant occupied the unit without exception.

ii. Determine through observation whether the income listed in the annual review is equal to or less than the very low income (as defined by the U.S. Housing Act of 1937).

Results
Through observation we noted that the income for each tenant tested in Step 2(e)(i) was equal to or less than the very low income amount based on the family size.

f. Obtain the most recent physical inspection report for each project with a disbursement on the Schedule and report whether the assessment of the physical condition listed in the inspection report is at least satisfactory.

Results
We obtained the most recent physical inspection report for each project with a disbursement on the Schedule and noted the inspection reports indicated either the physical condition was satisfactory or those noted as "Action Required" documented the resolution of the deficiency within the required 15 days.

g. Read the Regulatory Agreement for each project with a disbursement on the Schedule and perform the following procedures:

i. Report the number of years the owner is required to maintain housing units assisted with FAF payments according to the Regulatory Agreement.

Results
We obtained and read the Regulatory Agreement for each project with a disbursement on the Schedule and documented the number of years required to maintain housing units assisted with FAF Payments by the owner.

ii. Report whether the number of years identified in step 2(g)(i) is equal to or greater than the minimum number of years indicated in the project's respective FAF Refunding Agreement.

Results
The Refunding Agreement states, "The State Agency shall require owners of housing units assisted with FAF Payments provided hereunder to limit the occupancy of such units to families and persons of very low income within the meaning of the United States Housing Act of 1937, as amended, and regulations thereunder relating thereto, for a period of at least 10 years." We compared the various number of years required by each project's respective Regulatory Agreement in Step2(g)(i) to the ten year requirement by the FAF Refunding Agreement. Each project met the minimum 10 year requirement without exception.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the controls over compliance for the Financing Adjustment Factor Funds. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors and management of the Agency, U.S. Department of Treasury and the U.S. Department of Housing and Urban Development, and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
October 14, 2015

CALIFORNIA HOUSING FINANCE AGENCY
FINANCING ADJUSTMENT FACTOR SAVINGS DISBURSEMENT SCHEDULE
For the Period July 1, 2012 to June 30, 2015

Name	Commitment Date	Commitment Amount	Disbursements To-Date	Remaining Commitments	Disbursements from July 1, 2012 to June 30, 2015
Special Needs Program Loans					
San Pascual	02/01/95	$ 75,646	$ 75,646	$ -	$ -
Parke Los Robles	03/01/95	$ 135,417	$ 135,417	$ -	$ -
Walter House	03/29/99	$ 350,000	$ 350,000	$ -	$ -
Michele Circle	03/05/02	$ 425,000	$ 425,000	$ -	$ -
Life Services Alternatives	09/19/01	$ 2,500,000	$ 2,456,632	$ -	$ -
Life Services Alternatives	01/29/04	$ 900,000	$ 900,000	$ -	$ -
Mandela Gateway	10/01/05	$ 900,000	$ 900,000	$ -	$ -
Dana Strand	03/01/06	$ 580,000	$ 580,000	$ -	$ -
Lion Creek Crossing I	02/01/07	$ 575,000	$ 575,000	$ -	$ -
Lion Creek Crossing II	09/21/07	$ 730,000	$ 730,000	$ -	$ -
Nuevo Sol	04/01/08	$ 405,464	$ 405,464	$ -	$ -
Le Beaulieu	09/01/08	$ 2,310,000	$ 2,310,000	$ -	$ -
Lion Creek Crossing III	02/01/09	$ 530,000	$ 530,000	$ -	$ -
Fireside Apts	02/01/11	$ 900,000	$ 900,000	$ -	$ -
		$ 11,316,527	$ 11,273,159	$ -	$ -
Subsidy Interest Rate					
Village Place	09/01/97	$ 162,172	$ 122,001	$ 40,171	$ 17,544
Duchow Way/Mercy Village	01/08/98	$ 1,129,349	$ 802,728	$ 326,621	$ 130,023
The ARC Apartments	11/19/98	$ 980,541	$ 674,762	$ 305,780	$ 113,056
Longfellow Apts	1/3/2000	$ 360,449	$ 230,278	$ 130,170	$ 45,017
Stanley Ave	3/28/2001	$ 170,257	$ 124,565	$ 45,691	$ 19,770
Far East	7/26/2004	$ 19,047	$ 19,047	$ -	$ 1,870
Fremont Oaks	12/20/2005	$ 1,281,494	$ 586,404	$ 695,090	$ 183,826
Lorenzo Creek	6/28/2006	$ 666,748	$ 492,521	$ 174,227	$ 123,623
Gish Apts.	9/10/2007	$ 1,112,184	$ 416,646	$ 695,538	$ 169,690
Encore Hall	5/8/2008	$ 973,748	$ 398,576	$ 575,172	$ 178,576
Vista Sunrise	4/8/2008	$ 113,007	$ 97,967	$ 15,040	$ 34,703
Cesar Chavez	4/11/2008	$ 341,723	$ 196,499	$ 145,224	$ 45,322
Woodland Terrace	3/31/2008	$ 255,890	$ 255,890	$ -	$ 7,301
Camino de las Flores	12/11/2007	$ 133,255	$ 122,277	$ 10,978	$ 10,987
Diamond Aisle	12/23/2009	$ 165,741	$ 120,440	$ 45,301	$ 66,112
		$ 7,865,605	$ 4,660,602	$ 3,205,003	$ 1,147,420
		$ 19,182,132	$ 15,933,761	$ 3,205,003	$ 1,147,420

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FANNIE MAE
Herndon, Virginia

REPORT OF AGREED-UPON PROCEDURES

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Independent Accountants' Report on
Applying Agreed Upon Procedures

Fannie Mae
Herndon, Virginia

We have performed the procedures enumerated below, which were agreed to by Fannie Mae and the California Housing Finance Agency (CalHFA), solely to assist Fannie Mae in determining compliance and the propriety of financial reporting of CalHFA. CalHFA management is responsible for the propriety of accounting and compliance with Fannie Mae requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Quality of Certification Practices and Procedures

Procedures

1. Obtain a list of loans on hand and haphazardly select a loan sample that:
   a. Contains 150 loans certified since the previous review.
      i. If less than 150 loans were delivered to Fannie Mae since the previous review, sample all of the loans delivered.
   b. Represents all loan products certified since the last review (performed by Fannie Mae or the independent auditor), with an emphasis on ARMs, or loan types that the Document Custodian has previously demonstrated difficulty in certifying.
2. Complete a re-certification of all loans in the sample following the certification guidelines established in Fannie Mae's Requirements for Document Custodians, while taking into account previously granted waivers that are documented in existing Letters of Instruction or Exhibit A to the Custodial Agreement.
   a. Document any issues discovered for inclusion in the Findings Report.
   b. Obtain copies of all loan documents containing issues for submission with the Findings Report.
   c. Communicate issues to the document custodian for remediation upon discovery. Do not withhold the issues identified until the findings report is published.
3. Based on the procedures performed above, document the identified errors in the final report. The report should:
   a) Identify each error discovered
   b) Establish error rates for:
      i. Data errors;
      ii. Document errors; and,
      iii. Combined errors

c) Include copies of documents as attachments containing evidence of all issues discovered during testing of the loan sample.

Results
We did not identify any errors in our review of the Document Custodian's activities. CalHFA did not have any new loans delivered to Fannie Mae during the period and was previously granted a waiver since no more loans have been issued.

The summary of procedures and associated findings are as set forth below:

	Total	Adjustable	Fixed	MBS	Cash
Loans Requested	150	0	150	0	0
Loans Released/Transferred Out	0	0	0	0	0
Loans Reviewed	150	0	150	0	0
Standard Document Errors	0	0	0	0	0
Standard Document Error Rate	*0%*	*0%*	*0%*	*0%*	*0%*
Standard Data Errors	0	0	0	0	0
Standard Data Error Rates	*0%*	*0%*	*0%*	*0%*	*0%*
*Combined **Document + Data Errors***	**0**	**0**	**0**	**0**	**0**
*Combined **Error Rate***	***0%***	***0%***	***0%***	***0%***	***0%***

General Custodian Data

Procedures
1. Obtain a list of Fannie Mae loans on hand as of December 31, 2014 and document the number of Fannie Mae loans on-hand.
2. Request and review executed Form 2001 (Annual Statement of Eligibility for Document Custodians) for any existing waivers granted to the:
   a. Document Custodian
   b. Lender (related to certification)
3. Review data regarding previous audits and verify if there are any:
   a. Previous findings
      i. If previous findings exist, validate that they have been resolved and include a status update in the report to Fannie Mae.
   b. Outstanding issues
      i. If outstanding issues exist, validate that they have been resolved and include a status update in the report to Fannie Mae.

Results
CalHFA currently has 2,803 loans on hand. We obtained 150 loan files and reviewed the executed Form 2001 for any existing waivers granted to the document custodian without exception. There were no previous findings or outstanding issues noted.

General Compliance

Procedures

1. Request copies of executed Custodial Agreement (Form 2003) between the custodian and each of its Fannie Mae Lender customers as listed in the executed Form 2001.
2. If variances are noted, determine that all variances are documented in the form of a Letter of Instruction (which represents a variance granted to lender) or Exhibit A (which represents a variance granted to the Custodian) to the Custodial Agreement.
3. Determine through staff interviews and observations that the document custodian employs well-trained and knowledgeable staff that is familiar with pool certification procedures and Fannie Mae document control methods.

Results

We obtained and reviewed the executed Custodial Agreement (Form 2003) between CalHFA and Fannie Mae without exception. There were no variances noted. Based on staff interviews and observations, staff appears trained and knowledgeable and is familiar with pool certification procedures and Fannie Mae document control methods.

Regulation

Procedures

If the custodian is a regulated entity, perform the following:

1. Ask the Custodian to provide evidence of their regulator(s); a custodian must be regulated by:
   a. Federal Deposit Insurance Corp. (FDIC)
   b. Board of Governors of the Federal Reserve System
   c. Office of the Comptroller of the Currency (OCC)
   d. Office of Thrift Supervision (OTS)
   e. National Credit Union Administration (NCUA)
2. Identify/name the regulated institution (i.e. name of parent, subsidiary, etc.).
3. Identify the regulated institution's relationship to the Custodian.
4. Determine and document if the custodian is subject to periodic review by the primary regulator.
   a. If yes, request the frequency and date of the last review.

Results

CalHFA is not a regulated custodian, under the terms of the waiver, granted by Fannie Mae.

Reporting and Organizational Structure

Procedures

1. Obtain an organization chart. Based on the organizational chart and interviews with management:
   a. Determine that the document custodian operates as a physically separate department from departments that perform mortgage origination, selling and servicing functions.
   b. Determine that duties are completely segregated between lending and custodian activities.
   c. Determine that the document custodian maintains separate personnel, files and operations.
2. Determine if this is a lender, or an affiliate of a lender, acting as custodian for Fannie Mae documents.

Results
We obtained the most recent organizational chart from CalHFA. Employees responsible for Fannie Mae documents are part of the MRS department, which does not perform mortgage origination, selling, or servicing. The lending activities and custodian activities are completely segregated. CalHFA maintains separate personnel, files, and operations relating to Fannie Mae documents. CalHFA is a lender acting as a document custodian for Fannie Mae documents.

Financial Ratings

Procedures
If the custodian is a regulated entity, perform the following:
1. Request evidence of the regulated institution's most recent:
   a. IDC Ranking and date;
   b. KROLL Rating and date; and/or,
   c. Alternate financial rating and date
2. Determine through observation that the document custodian was able to produce rating evidence upon request.
3. Determine that the rating provided by the Custodian meets Fannie Mae's requirements as specified in the Requirements for Document Custodians.
4. Determine that the Custodian has a procedure in place to monitor their financial ratings for compliance.

Results
CalHFA is not a regulated custodian and does not have a ranking or rating under the terms of the waiver granted by Fannie Mae.

Trust Powers

Procedures
If the custodian is a regulated entity, perform the following:
1. If the Custodian is self-affiliated, obtain evidence of their Trust Powers.
2. Determine if there are custodial officers who are authorized to act for the institution in a trust capacity.

Results
CalHFA has obtained a waiver for the requirements related to Trust powers and has adhered to the terms and conditions of the Trust Power waiver imposed by Fannie Mae.

Insurance Coverage

Procedures
1. Read the Custodian's E&O policy to assure that it meets Fannie Mae's requirements, as specified in the Requirements for Document Custodians, and notate:
   a. Amount of Policy
   b. Amount of Deductible
   c. Deductible as percentage of face
   d. Policy expiration date

2. Read the Custodian's Financial Institution Bond coverage to assure that it meets Fannie Mae's requirements, as specified in the Requirements for Document Custodians, and notate:
   a. Amount of Bond Coverage
   b. Amount of Deductible
   c. Deductible as percentage of face
   d. Policy expiration date
3. Read the Custodian's documentation that demonstrates that the Custodian verified that the insurance carrier is rated by one of the following:
   a. A.M. Best Company, with a rating of 'B' or better
   b. Standard and Poor's Inc., with a rating of 'BBB' or better

Results
CalHFA obtained a waiver for the requirements related to insurance coverage.

Physical Facilities

Procedures
1. Obtain, observe and review the documentation that indicates that the facilities for storage of the custodial documents and files are fire-resistant storage facilities that provide at least two hours of fire protection.
2. Observe that the location and layout of the vault facility effectively limits access to the area.
3. Determine through observation that the custodian is able to account for the control of the keys, or have access to, all external vault exits.
4. Read the procedures for granting access to vault facilities to assure that access is granted to personnel on an as-needed basis to determine that personnel not working directly in custodian functions should not have access to the vault.
5. Observe the location in which documents are stored, while awaiting filing, to assure that it is secure.
6. Read and observe the vault's primary access control.
7. Read and observe that the vault has secondary access control.
8. Read and observe that there are controls in place to prevent unauthorized access by non-custodial employees to custodial facilities and systems.

Results
We observed the storage facilities for the custodial documents and noted that they are fire-resistant. The cabinets are FireKing, equipped with two hour fire protection.

We observed the location and layout of the vault facility. The facility is located on the 4th floor, which requires an access badge to enter. Within the 4th floor, the file room requires a special access badge maintained by only two authorized employees.

The document custodian is able to account for the control of keys. The primary key is kept by the Accounting Manager in a locked desk drawer on the 9th floor. The secondary key is kept with Business Services on the 4th floor. There are only two employees who have access to the vault facilities. The primary access person is an accountant. If he is unavailable, the backup person, a seasonal clerk, is responsible.

In order to obtain the vault key, they must sign the log-out sheet kept by the primary key holder. Once they are finished with the key, they return it and report the time returned key holder in the log.

We observed the location in which the documents are stored and determined it is secure.

The vault's primary access controls include the primary key holder keeping a locked key in her office, with only two staff having access to the Fannie Mae cabinets.

The secondary access controls include a second key held by the Business Services Manager. This key is also only available to two staff members. Based on our observations, controls appear to be in place to prevent unauthorized access by non-custodial employees to custodial facilities and systems.

We watched as an unauthorized staff person attempted to access the custodial facilities. The unauthorized key card was unable to open the storage facility area. There are only two individuals with access to the Custodial facilities and systems.

Written Procedures for Certification and Custody

Procedures

1. Read the following written procedures to assure that they meet Fannie Mae's requirements, as specified in the Requirements for Document Custodians:
   a. Receipt of documents
   b. Registration into the document tracking system
   c. Certification of all required data elements
   d. Verification of all required documents
   e. Process for certification and custody of Fannie Mae cash loans, if applicable
   f. Process for certification and custody of Fannie Mae LTSC Class I and/or Class IV loans, if applicable
   g. Bailee letter processing, if applicable
   h. Satisfaction of prior creditor interests in Fannie Mae loans, if applicable
   i. Process for handling missing/incorrect documents and/or data errors found during the document-to-data review (including communication, tracking, and follow-up until certification or removal)
   j. Document release practices (including execution of Form 2009)
   k. Document reinstatement
   l. Servicing transfers (in and out)
   m. Details regarding how vault access is controlled and secured
   n. Process for moving documents within vault/file room as loans are sold to investors
   o. Process for granting/removing/periodic review (at least annually) of unauthorized access to the document tracking system
   p. Notification to Fannie Mae when users of the Doc Cert application cease to be authorized users.
   q. Certification that Fannie Mae is the controller (eNote custodians only)
   r. Follow-up and receipt of original Form 3269 Balloon Loan Modifications and verification that the document is endorsed in blank (RDC Section 8.5)
   s. Process for monthly quality controls
2. Interview and observe, through staff, to verify that employees have access to and follow written procedures

Results

We obtained the Fannie Mae manual and reviewed written procedures for the items identified in the procedures and determined that they meet Fannie Mae requirements. Based on staff interviews and observations, employees are knowledgeable of the written procedures and follow them accordingly.

Practices – Certification

Procedures

Determine if there are any new loans during the year. If so, perform the following:

1. Sit with certification staff to review certification practices. Assure that these practices meet Fannie Mae's requirements and the custodian's documented procedures.
2. Verify and document the certification method used by the document custodian.
   a. If certification is performed on an "As Submitted" basis:
      i. Request evidence to show that certification is performed against Form 2005 data obtained from the DocCert application.
      ii. Request evidence to show that all Fannie Mae-required fixed and adjustable rate certification fields are included in the data comparison.
   b. If pre-submission certification (meaning that certification is performed prior to submission of loan data to Fannie Mae) is performed using lender data:
      i. Request evidence to show that data used in pre-submission certification is compared to Form 2005 data obtained from the DocCert application prior to pool certification. This comparison may be an automated comparison (for cash loans, pre-submission data from Loan Delivery should be used). Any exceptions should have been noted and communicated to the lender for resolution prior to transmission of a certification status to Fannie Mae.
      ii. Request evidence to show that all the Fannie Mae-required data fields are included in the data certification process and in the data comparison, if applicable.
      iii. Request evidence that demonstrates how the document custodian ensures that all pre-certified loans are in their possession at the time of pool certification.
      iv. Request evidence that demonstrates how the document custodian ensures that all loans identified as Fannie Mae deliveries are not allocated to any other investor.
3. Request evidence to show that the document custodian validates MBS Corrections in the DocCert application.
4. Request evidence to show that the document custodian has ongoing feedback and communication regarding outstanding items with its lender customers.
5. Verify that all notes are endorsed in blank from the lender. If the document custodian executes, verify presence of a power of attorney allowing them to perform this function.
6. If facsimile signatures are used on blank endorsements:
   a. Obtain and review the Corporate Resolution recognizing the use of such signatures.
7. If the document custodian certifies and holds Fannie Mae cash loans, review the documentation that supports that:
   a. The Custodian sends a cash certification status to the lender; and,
   b. The Custodian maintains records of these notifications.
8. If the Custodian certifies and holds loans delivered as Long Term Standby Commitment (LTSC) Class I and/or Class IV, review the documentation that supports that:
   a. Communicates certification status to the lender; and,
   b. Identifies LTSC Class I and/or Class IV loans in their tracking system with Fannie Mae as the investor after loans are funded.
9. Read the Custodian's practices and policies to assure that all practices and procedures comply with Fannie Mae requirements and any updates are promptly incorporated.
10. If the document custodian certified eNotes, verify that the document custodian's certification practice includes validation that Fannie Mae is the controller for all eNotes.

11. Read the Custodian's procedure and tracking process to assure that the document custodian has a process in place to ensure receipt of the original Form 3269 (Balloon Loan Modification Agreement, endorsed to blank) when certification was based on a certified true copy of this document.

Results
These procedures were not applicable as there were no new loans certified.

Practices – Custody

Procedures
1. Ask the custodian to provide an overview and walk-through of the system they use to track the physical location of all Fannie Mae documents and files. Determine if the system has sufficient controls in place or document any gaps.
2. Determine if the document custodian is able to indentify Fannie Mae loans by a physical location and/or through use of a document tracking system.
3. Determine that appropriate access controls are in place to protect the document tracking system from unauthorized viewing and updating.
4. Haphazardly select 10 loans and request that the document custodian locate and retrieve the loans successfully and timely. This is in addition to the loan sample.

Results
CalHFA maintains physical copies of all Fannie Mae documents and files in file cabinets on the 4th floor. This location does not change and files are not moved. The system has sufficient controls in place in accordance with the guidelines.

CalHFA is able to identify Fannie Mae loans by a specific physical location on the 4th floor, as well as through the use of their document tracking system. There are appropriate access controls in place to prevent unauthorized personnel from accessing the document tracking system.

There are only 2 employees who have access to the document tracking system, and the same two employees are the only ones who have access to the room the Fannie Mae loans are physically held.

We selected 10 loans from the Active Loan listing and observed as the Accountant located each note from the file cabinets successfully and timely. No exceptions noted.

Practices – Funding

Procedures
1. If indicated in the executed Form 2001 that bailee letters are delivered to the document custodian, request evidence that shows that the custodian has a process in place to withhold certification until Fannie Mae has validated and approved the wiring instructions.
2. Inquire if the document custodian issues trust receipts. If yes, obtain evidence that loans are removed from the trust receipts prior to certification.
3. Inquire if loans are self-funded prior to sale to Fannie Mae. If yes, obtain evidence that shows release of interest prior to certification.
4. Inquire if loans are funded through a warehouse line prior to sale to Fannie Mae. If yes, obtain evidence that either bailee letters are submitted to Fannie Mae or release of interest prior to certification.

5. Inquire if loans are funded through a FHLB prior to sale to Fannie Mae. If yes, obtain evidence of release of interest prior to certification.
6. Inquire if loans are funded through a funding facility prior to sale to Fannie Mae.
   a. If yes, determine the name of the facility and verify that funding agreements between the facility and document custodian are on file.
7. Determine if the lender has entered into any inter-creditor (tri-party) agreements.
   a. If yes, determine with whom and verify that copies of the agreements are on file.
8. Inquire if the document custodian has knowledge of, or operational involvement in, satisfying prior creditor interest of Fannie Mae loans. If yes, verify that:
   a. The document custodian has a process in place to ensure that the loans are released prior to funding.
   b. The process is documented in a procedure.
   c. The procedure is testable.

Results
These procedures were not applicable as there were no new loans funded.

Practices – Releases

Procedures
1. Observe the custody staff to conduct a review of document release practices.
2. Determine that the document custodian receives a Form 2009 (Request for Release of Documents) or equivalent prior to document release. Further verify that the form:
   a. Contains all the required data elements.
   b. Is maintained in either hard copy or electronic format.
      i. If electronic, verify that the Form can be printed in a suitable format upon request.
3. Haphazardly select one loan and request evidence to show that releases are processed only when the Form is signed and dated by authorized personnel.
4. Haphazardly select one loan and request evidence to show that the document custodian includes either Form 2009 or a loan manifest with the release package.

Results
We observed the document custodian staff review of the document release practices and noted that they follow the written procedures provided by Fannie Mae.

The document custodian receives a Request for Release of Documents from the Loan Servicing department prior to the release of documents. The electronic listing contains all necessary elements to accurately release the requested notes. The electronic form is available to be printed in a suitable format upon request.

We observed the FNMA Release Forms folder, which includes all necessary information that is completed and approved before the requested notes are released.

The document custodian maintains a loan manifest that is completed, reviewed, and approved each time documents are released.

Practices – Transfers

Procedures

Determine if there were any loan transfers during the year. If so, perform the following:

1. Inquire if the document custodian processes incoming servicing transfers. If yes, document the following:
   a. Evidence of the recertification completion date(s).
   b. Evidence of a reconciliation of documents to a loan trial balance.
   c. Evidence that the custodian completes the recertification of loans within the 6-month period required by Fannie Mae.
   d. Evidence of tracking system's ability to indicate whether pools have been recertified following an incoming transfer.

Results

These procedures were not applicable as there were no incoming loan servicing transfers during the period.

Practices – Monthly Quality Control

Procedures

1. Verify through observation that the document custodian has a monthly quality control (QC) process in place.
2. Request evidence that for each monthly QC over the past 12 months, the following documents have been retained:
   a. Loan sample list (including product type and certifier)
   b. Findings Report
   c. Evidence that the Findings Report was reviewed by document custody management staff
   d. Remediation evidence for all issues identified
3. Verify that the document custodian's documented procedures for the monthly QC include details on how to determine the loan sample size. Verification should include the method used for the regular monthly QC sample and the method(s) used when additional sampling is required (added) if:
   a. The previous three months QC identified systemic errors or errors related to an individual certifier.
   b. The overall error rate exceeds 3% for three consecutive months.
4. Provide a summary of the method(s) used to determine sample size.
5. Verify that the monthly QCs for the previous 12 months meet the sample size requirements outlined in the document custodian's documented procedures.

Results

We obtained and reviewed the monthly QC procedures put in place by the Document Custodian. Since CalHFA has not had any new loans since 2007, they are exempt from performing the monthly loan testing. We obtained and reviewed documentation of this exemption.

Disaster Recovery

Procedures

1. Request evidence of the existence of the custodian's (or affiliated entity's) written business continuity/disaster recovery plan.
2. Ensure through review that the plan:

a. Identifies critical functions and resources.
b. Covers procedures and responsibility assignments, including a "Call Tree" to identify whom to call during an emergency and in what order.
c. Includes provisions for off-site retention of critical systems and data file resources.
d. Outlines a plan for the existing documents in the vault in the event of fire, water damage or any other disaster such that there is a need to move documents to a back-up facility or restore the documents.
e. Includes alternate processing facilities, and network and telecommunication capabilities.
f. Covers restoration of facilities and backup and recovery of data processing systems.

3. Request evidence to show that the business continuity/disaster recovery plan is tested at least annually and note the date of the last test.

Results

We obtained and reviewed CalHFA's written Business Continuity Plan and Technology Recovery plan.

We ensured the plan included all required information identified in the procedure above. We obtained confirmation that CalHFA is in compliance with all FNMA Security Reporting requirements and noted their most recent plan was submitted in October 2014. We verified that the disaster recovery plan is tested annually, noting the date of the last test was September, 30, 2014.

* * *

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on compliance and financial reporting of the California Housing Finance Agency. Accordingly, we did not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of California Housing Finance Agency and Fannie Mae and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Bellevue, Washington
July 9, 2015

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