



California Housing Finance Fund

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

*Lending
with a
Purpose*

CALIFORNIA HOUSING FINANCE AGENCY

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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, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-15, Schedule of the Fund's Proportionate Share of the Net Pension Liability on page 54, and the Schedule of Fund Contribution on page 55 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.

Board of Directors
California Housing Finance Fund

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2016, 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Bellevue, Washington
October 26, 2016

CALIFORNIA HOUSING FINANCE FUND
Management Discussion and Analysis
of Financial Position and Results of Operations
As of and for the fiscal years ended June 2016 and 2015

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, for budgetary reporting purposes only, the Agency was moved from being within the Business, Transportation and Housing Agency to being within the Department of Housing and Community Development (HCD). HCD 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.

Historically, the Homeownership Programs provided 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. More recently, however, Homeownership Programs has achieved success by participating in the To Be Announced (“TBA”) Market Rate Program. 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"). The HAT provides a source of funding for low or very low income multifamily developments and other special purpose loans. 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, certain Federal Programs (i.e. Section 8 Housing Assistance Program, Section 811 Supportive Housing for Person with Disabilities and National Foreclosure Mitigation Counseling Program) and HOME Tenant-Based Rental Assistance Program, a program administered in collaboration with the Department of Housing and Community Development. 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 2016-2015

- Operating income before transfers was \$77.3 million for FY 2016 compared to \$88.3 million for FY 2015. The operating income for FY 2016 decreased by \$11 million when compared to FY 2015. See Condensed Schedule of Revenues, Expenses and Changes in Net Position on page 8.
- 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 49.4% federally guaranteed loans and 50.6% conventional loans. The overall delinquency ratio of the Fund's single family loan portfolio continues to improve. It was 6.6% or 814 delinquent loans as of June 30, 2016. By comparison, the delinquency ratio for the Agency's single family portfolio was 7.3% or 1,037 loans as of June 30, 2015. Overall, the total number of delinquent loans declined by 21.5% or 223 loans.
- Overall, net total allowance for loan loss reserve decrease by \$11.8 million in FY 2016. The decrease is primarily due to the \$12.7 million decrease in Homeownership Programs in FY 2016. The decrease was primarily due to a fewer number of delinquencies and foreclosures being estimated for the active loan portfolio.
- Overall, total program loans receivable decreased by \$315.3 million. Decreases in program loans receivable for the homeownership loan portfolio were primarily due to loan prepayments. Loan prepayments include all unscheduled principal payments applied to the unpaid principal balance of a loan such as principal received in loan payoff transactions, short sale and foreclosure transactions, and mortgage insurance claims, etc.
- Under Homeownership Programs, the loans written-off during FY 2016 was \$5 million for foreclosed properties and short sales, \$1.7 million and \$3.3 million, respectively. The remaining foreclosed properties were written down by \$792 thousand to reflect anticipated losses, net of anticipated insurance payment, upon sale of the foreclosed properties.
- In July 2015, the Agency exited the Temporary Credit and Liquidity Program 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 has saved money for the Fund as lower costs are associated with letters of credit.
- In FY 2016, the Agency issued bonds totaling \$299.3 million under the Home Mortgage Revenue Bonds and Multifamily Special/Limited Obligation Bonds indentures. The Agency continues to actively manage and reduce the Fund's interest expense and exposures within its debt portfolio redeeming \$580.4 million of bonds during FY 2016.
- During FY 2016, a total of \$3.7 million was transferred out of Other Programs and Accounts. The majority of the total, \$3.2 million, was transferred out of the Mental Health Services Act (MHSA) Program and returned to various counties as no further MHSA loans or Capitalized Operating Subsidy Reserves (COSR) will be approved under the program.

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, 2016 and 2015 and the change from the prior year (dollars in thousands):

Condensed Statement of Net Position			
	<u>2016</u>	<u>2015</u>	<u>Change</u>
Assets			
Cash and investments	\$ 1,551,519	\$ 1,468,746	\$ 82,773
Program loans receivable-net	3,107,849	3,423,104	(315,255)
Other	76,826	96,106	(19,280)
Total Assets	<u>4,736,194</u>	<u>4,987,956</u>	<u>(251,762)</u>
Deferred Outflows of Resources	37,995	28,302	9,693
Liabilities			
Bonds payable-net	2,583,952	2,914,626	(330,674)
Notes payable	34,987	54,580	(19,593)
Other	554,786	521,195	33,591
Total Liabilities	<u>3,173,725</u>	<u>3,490,401</u>	<u>(316,676)</u>
Deferred Inflows of Resources	9,164	8,230	934
Net Position			
Net investment in capital assets	587	754	(167)
Restricted net position	1,590,713	1,516,873	73,840
Total Net Position	<u>\$ 1,591,300</u>	<u>\$ 1,517,627</u>	<u>\$ 73,673</u>

Assets

Of the Fund's assets, 98.4% is cash and investments and program loans receivable. The Fund does not have a significant investment in capital assets, holding only \$587 thousand in furniture and equipment.

Total assets decreased by \$251.8 million during FY 2016. The Fund's cash and investments were \$1.55 billion as of June 30, 2016, an increase of \$82.8 million from June 30, 2015. The cash and investments balance increase is primarily due to the loan repayments, loan prepayments and issuance of 2016 HMRB Series A Refunding Bonds in Homeownership Programs on June 30, 2016 less debt service and early redemption activities.

Of the Fund's assets, 32.8% is in the form of cash and investments at fiscal year end. Approximately \$1.19 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 FY 2016 increased by \$115.3 million for primarily as a result of the activities previously mentioned above.

The composition of cash and investments as of June 30, 2016 and 2015 and the changes from the prior year are shown in the table below (dollars in thousands):

Cash and Investments			
	<u>2016</u>	<u>2015</u>	<u>Change</u>
Investment agreements	\$ 39,567	\$ 43,599	\$ (4,032)
SMIF	1,192,972	1,077,656	115,316
Open Commercial Paper	17,819	18,163	(344)
Securities	247,183	288,083	(40,900)
Cash	53,978	41,245	12,733
Total Cash and Investments	<u>\$ 1,551,519</u>	<u>\$ 1,468,746</u>	<u>\$ 82,773</u>

Program loans receivable decreased by \$315.3 million during FY 2016. This decrease is primarily due to loan prepayments along with loan write-offs of \$5.6 million (first and subordinate loans) and REO loan write-downs of \$1.5 million in fiscal year 2016. Loan prepayments decreased by \$46.8 million in FY 2016 as \$344.1 million was received compared to \$390.9 million in FY 2015. REO properties were \$5.1 million during FY 2016 compared to \$12.3 million in FY 2015, a decrease of \$7.2 million.

Other Assets decreased by \$19.3 million during FY 2016 when compared to FY 2015. The decrease is primarily due to the decrease in cash collateral held by counterparties.

Liabilities

The Fund's liabilities were \$3.17 billion as of June 30, 2016, a decrease of \$316.7 million from June 30, 2015. Of the Fund's liabilities, 81.4% is in the form of bond indebtedness. The Fund's net bonds payable at June 30, 2016 decreased by \$330.7 million from the prior year due to the \$48.2 million of scheduled principal payments, \$580.4 million in bond redemptions less \$299.3 million of new 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, 2016 and 2015.

All of the bonds issued by the Agency are reported within the Fund (with the exception of conduit bond obligations) as liabilities along with the related assets in the accompanying financial statements.

Conduit bond obligations are not reported within the Fund. 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 6 – Bonds and Notes Payable and Associated Interest Rate Swaps.

The Agency issues both tax-exempt and federally taxable bonds. In FY 2016, federally taxable bonds outstanding increased by \$105.1 million to \$1.04 billion as of June 30, 2016 represent 40.5% of all bonds outstanding, while tax-exempt bonds outstanding decreased by \$434.4 million to \$1.54 billion as of June 30, 2016 represent 59.5% of all bonds outstanding. During FY 2016, the Agency issued \$236.4 million in taxable fixed rate bonds and \$62.9 million in tax-exempt fixed rate bonds.

Shown below are the amounts of variable and fixed rate indebtedness, by tax status, as of June 30, 2016 and 2015 and the changes from the prior year (dollars in thousands):

Bonds Payable

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Tax-Exempt Bonds			
*Variable Rate	\$ 539,770	\$ 756,060	\$ (216,290)
Fixed Rate	996,190	1,214,305	(218,115)
Total Tax-Exempt Bonds	<u>1,535,960</u>	<u>1,970,365</u>	<u>(434,405)</u>
Federally Taxable Bonds			
*Variable Rate	385,175	430,926	(45,751)
Fixed Rate	659,561	508,675	150,886
Total Federally Taxable Bonds	<u>1,044,736</u>	<u>939,601</u>	<u>105,135</u>
Total Bonds Outstanding	<u>\$ 2,580,696</u>	<u>\$ 2,909,966</u>	<u>\$ (329,270)</u>

* Certain variable rate bonds have been swapped to a fixed rate (see Note 6 – Bonds and Notes Payable and Associated Interest Rate Swaps).

All other liabilities increased by \$33.6 million during fiscal year 2016. The increase primarily due to the \$24.5 million increase in deposits –impound account, \$14.5 million increase in derivative swap liability and a decrease of \$8.5 million in interest payable. As of June 30, 2016 and June 30, 2015, the fair values of interest rate swaps included in other liabilities were in a negative position of \$177.1 million and \$162.6 million, respectively.

Net Position

The Fund's net position is either restricted pursuant to trust agreements with bondholders and the Agency's enabling legislation or is classified as net investment in capital assets. As of June 30, 2016, the total net position of the Fund is \$1.59 billion, an increase of \$73.7 million from fiscal year 2015.

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

The following table presents condensed schedule of revenues, expenses, and changes in net position for the Fund for the fiscal years ended June 30, 2016 and June 30, 2015 and the changes from the prior year (dollars in thousands):

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

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Operating Revenues:			
Interest income program loans – net	\$ 171,278	\$ 194,987	\$ (23,709)
Interest income investments – net	14,247	17,302	(3,055)
Increase (decrease) in fair value of investments	7,768	(5,357)	13,125
Realized gain on sale of securities	39,549	9,471	30,078
Other loan fees	31,070	44,552	(13,482)
Other revenues	21,117	37,699	(16,582)
Total Operating Revenues	<u>285,029</u>	<u>298,654</u>	<u>(13,625)</u>
Operating Expenses:			
Interest	72,288	89,960	(17,672)
Mortgage servicing fees	6,008	7,312	(1,304)
Salaries & general expenses	40,117	39,546	571
Other expenses	89,278	73,543	15,735
Total Operating Expenses	<u>207,691</u>	<u>210,361</u>	<u>(2,670)</u>
Operating Income before transfers	77,338	88,293	(10,955)
Transfers out	(3,665)	(432)	(3,233)
Increase(decrease) in net position	<u>\$ 73,673</u>	<u>\$ 87,861</u>	<u>\$ (14,188)</u>

Operating Revenues

Total operating revenues of the Fund was \$285 million for FY 2016 compared to \$298.7 million for FY 2015, a decrease of \$13.6 million or 4.6%. The decrease is primarily due to a decrease in interest income program loans-net, other loan fees and other revenues and an increase in the fair value of investments and gain on sale of mortgage-backed securities as illustrated below:

- Interest income on program loans - net decreased by \$23.7 million or 12.2% as related program loans receivable decreased by \$315.3 million or 9.2% in FY 2016.
- Other loan fees decreased by \$13.5 million primarily due to a decrease in prepayment penalty fees and an increase in late fees and re-reservation fees for Homeownership Programs.
- Other revenues decreased by \$16.6 million primarily due to a decrease in fair value of investment swaps, lower negative position of investment swap revenue and increase in CalPLUS program-related fees.
- From FY 2015 to FY 2016, the fair value of the investments increased \$13.2 million.
- Gain on sale of securities increased by \$30 million due to the gain on sale of mortgage-backed securities related to the TBA Market Rate Program loan product – CalPLUS.

Operating Expenses

Total operating expenses of the Fund were \$207.7 million for FY 2016 compared to \$210.4 million during FY 2015, a decrease of \$2.7 million or 1.3%. The decrease is primarily due to a decrease in bond interest expense and increase in other expenses as illustrated below:

- Bond interest expense decreased by \$17.7 million or 19.6% as bonds payable decreased by \$329.3 million or 11.3% bond interest and swap expense in FY 2016. Bond interest and swap expenses represent 34.8% of the Fund's total operating expenses. The decrease in bond interest and swap expenses are attributed to continued bond redemption activity.
- Other expenses increased by \$15.7 million primarily due to an increase in service release fees associated with the CalPLUS loan product, operating subsidy expenses under Contract Administration Programs and decrease in allowance for loan loss and liquidity fees.
- Salaries and general expenses for FY 2016 was \$40.1 million compared to \$39.5 million for FY 2015.

Operating Income before Transfers

Operating income before transfers for fiscal year 2016 was \$77.3 million compared to \$88.3 million for fiscal year 2015.

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

	<u>2015</u>	<u>2014</u>	<u>Change</u>
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	<u>4,987,956</u>	<u>5,570,510</u>	<u>(582,554)</u>
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	<u>3,490,401</u>	<u>4,117,626</u>	<u>(627,225)</u>
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	<u>\$ 1,517,627</u>	<u>\$ 1,478,594</u>	<u>\$ 39,033</u>

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

	<u>2015</u>	<u>2014</u>	<u>Change</u>
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	<u>\$ 1,468,746</u>	<u>\$ 1,585,117</u>	<u>\$ (116,371)</u>

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	<u>1,970,365</u>	<u>2,638,620</u>	<u>(668,255)</u>
Federally Taxable Bonds			
*Variable Rate	430,926	510,189	(79,263)
Fixed Rate	508,675	378,122	130,553
Total Federally Taxable Bonds	<u>939,601</u>	<u>888,311</u>	<u>51,290</u>
Total Bonds Outstanding	<u>\$ 2,909,966</u>	<u>\$ 3,526,931</u>	<u>\$ (616,965)</u>

* 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

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Operating Revenues:			
Interest income program loans – net	\$ 194,987	\$ 218,715	\$ (23,728)
Interest income investments – net	17,302	22,519	(5,217)
Decrease in fair value of investments	(5,357)	(729)	(4,628)
Gain on sale of securities	9,471	421	9,050
Other loan fees	44,552	29,984	14,568
Other revenues	37,699	(47,401)	85,100
Total Operating Revenues	<u>298,654</u>	<u>223,509</u>	<u>75,145</u>
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	<u>210,361</u>	<u>256,516</u>	<u>(46,155)</u>
Operating Loss before transfers	88,293	(33,007)	121,300
Transfers (out) in	(432)	53,462	(53,894)
Increase(decrease) in net position	<u>\$ 87,861</u>	<u>\$ 20,455</u>	<u>\$ 67,406</u>

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 Income 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.

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 few years, however, the losses have been significantly lower as California home sale prices increased in FY 2014, FY 2015 and continued to increase in FY 2016. The upward trend in single family home prices has had a positive impact on the Agency's profitability.
- Success of the lending programs – One of the Agency's Single Family Lending programs, CalPLUS, had enormous success in FY 2016. CalPLUS is a competitive loan product with down payment assistance. The Agency exceeded its FY 2016 Single Family business plan goals by approximately \$278 million or 27%. 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; while 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 A2); ii) Home Mortgage Revenue Bonds (S&P AA-/Moody's A2); and iii) Multifamily Housing Revenue Bonds III (S&P AA+/Moody's A1) . During FY 2016, CalHFA's issuer credit rating improved from A- to A with S&P, and improved from A3 to A2 with Moody's. The Home Mortgage Revenue Bonds rating also improved from A- to AA- with S&P, and improved from A3 to A2 with Moody's in FY 2016. 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, 2016 and June 30, 2015

(Dollars in Thousands)

	<u>2016</u> <u>Totals</u>	<u>2015</u> <u>Totals</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 53,978	\$ 41,245
Investments	1,250,358	1,139,418
Current portion - program loans receivable, net of allowance	163,299	131,059
Interest receivable:		
Program loans, net	36,884	34,005
Investments	2,688	2,446
Accounts receivable	10,481	9,641
Other assets	<u>18,506</u>	<u>34,316</u>
Total current assets	<u>1,536,194</u>	<u>1,392,130</u>
Noncurrent assets:		
Investments	247,183	288,083
Program loans receivable, net of allowance	2,944,550	3,292,045
Other assets	<u>8,267</u>	<u>15,698</u>
Total noncurrent assets	<u>3,200,000</u>	<u>3,595,826</u>
Total assets	<u>4,736,194</u>	<u>4,987,956</u>
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated decrease in fair value of hedging derivatives	27,441	23,544
Deferred loss on refunding	343	447
Employer contribution	<u>10,211</u>	<u>4,311</u>
Total Deferred outflows of resources	37,995	28,302
LIABILITIES		
Current liabilities:		
Bonds payable	54,592	53,733
Notes payable	1,371	2,048
Interest payable	39,690	48,180
Due to other government entities, net	566	510
Compensated absences	3,473	3,811
Deposits and other liabilities	<u>251,098</u>	<u>227,251</u>
Total current liabilities	<u>350,790</u>	<u>335,533</u>
Noncurrent liabilities:		
Bonds payable	2,529,360	2,860,893
Notes payable	33,616	52,532
Due to other government entities, net	81,871	77,947
Other liabilities	177,054	162,591
Unearned revenues	<u>1,034</u>	<u>905</u>
Total noncurrent liabilities	<u>2,822,935</u>	<u>3,154,868</u>
Total liabilities	<u>3,173,725</u>	<u>3,490,401</u>
Commitments and contingencies (see notes 11 and 13)		
DEFERRED INFLOWS OF RESOURCES		
Unamortized pension net difference	<u>9,164</u>	<u>8,230</u>
Total deferred inflows of resources	9,164	8,230
NET POSITION		
Net investment in capital assets	587	754
Restricted by indenture	531,130	531,976
Restricted by statute	<u>1,059,583</u>	<u>984,897</u>
Total net position	<u>\$ 1,591,300</u>	<u>\$ 1,517,627</u>

See notes to financial statements.

CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2016 and June 30, 2015
(Dollars in Thousands)

	<u>2016</u>	<u>2015</u>
	<u>Totals</u>	<u>Totals</u>
OPERATING REVENUES		
Interest income:		
Program loans, net	\$ 171,278	\$ 194,987
Investments, net	14,247	17,302
Increase in fair value of investments	7,768	(5,357)
Realized gain on sale of securities	39,549	9,471
Loan commitment fees	885	459
Other loan fees	30,185	44,093
Other revenues	21,117	37,699
Total operating revenues	<u>285,029</u>	<u>298,654</u>
SALARIES AND GENERAL EXPENSES		
Interest	72,288	89,960
Amortization of bond discount and bond premium	(1,300)	(941)
Mortgage servicing expenses	6,008	7,312
(Reversal) provision for program loan losses	(12,069)	(22,113)
Salaries and general expenses	40,117	39,546
Other expenses	102,647	96,597
Total salaries and general expenses	<u>207,691</u>	<u>210,361</u>
Operating income before transfers	77,338	88,293
Transfers out	(3,665)	(432)
Increase in net position	<u>73,673</u>	<u>87,861</u>
Net position at beginning of year	1,517,627	1,478,594
Cumulative effect of adoption of GASB 68 & 71	-	(48,828)
Net position at beginning of year, as restated	<u>1,517,627</u>	<u>1,429,766</u>
Net position at end of year	<u>\$ 1,591,300</u>	<u>\$ 1,517,627</u>

See Note 3 at notes to financial statements.

**CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF CASH FLOWS**

Years Ended June 30, 2016 and June 30, 2015

(Dollars in Thousands)

	<u>2016</u> <u>Totals</u>	<u>2015</u> <u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 168,400	\$ 193,211
Payments to suppliers	(17,777)	(18,581)
Payments to employees	(28,582)	(21,247)
Other receipts	325,440	440,394
Net cash provided by operating activities	<u>447,481</u>	<u>593,777</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Due from (to) other government entities	<u>7,275</u>	<u>(5,812)</u>
Net cash provided by (used for) noncapital financing activities	<u>7,275</u>	<u>(5,812)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sales of bonds	299,270	174,180
Payment of bond & note principal	(67,758)	(64,077)
Early bond redemptions	(580,374)	(736,083)
Interest paid on debt	(80,779)	(99,950)
Interfund transfers	(3,665)	(432)
Net cash used for capital and related financing activities	<u>(433,306)</u>	<u>(726,362)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturity and sale of investments	2,920,585	2,213,254
Purchase of investments	(2,943,307)	(2,092,033)
Interest on investments, net	<u>14,005</u>	<u>17,914</u>
Net cash (used for) provided by investing activities	<u>(8,717)</u>	<u>139,135</u>
Net increase in cash and cash equivalents	12,733	738
Cash and cash equivalents at beginning of year	41,245	40,507
Cash and cash equivalents at end of year	<u>\$ 53,978</u>	<u>\$ 41,245</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Operating income	\$ 77,338	\$ 88,293
Adjustments to reconcile operating income to net cash provided by operating activities:		
Interest expense on debt	72,288	89,960
Interest on investments	(14,247)	(17,302)
Increase in fair value of investments	(7,768)	5,357
Realized gain on sale of securities	(39,549)	(9,471)
Amortization of bond discount	40	27
Amortization of deferred losses on refundings of debt	104	221
Amortization of bond premium	(1,444)	(1,189)
Loan commitment fees	(885)	(459)
Depreciation	232	243
(Reversal) provision for program loan losses	(12,069)	(22,113)
(Reversal) provision for yield reduction payments	(3,383)	(4,024)
Provision (reversal) for nonmortgage investment excess	88	(782)
Effects of changes in operating assets and liabilities:		
Purchase of program loans, net	(171,840)	(79,258)
Collection of principal from program loans, net	506,318	585,701
Interest receivable	(2,879)	(1,777)
Accounts receivable	(764)	3,376
Other assets	5,980	(19,635)
Compensated absences	(338)	(223)
Pension liability	934	8,172
Deposits and other liabilities	23,847	(8,002)
Unearned revenue	15,478	(23,338)
Net cash provided by operating activities	<u>\$ 447,481</u>	<u>\$ 593,777</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Noncash transfer of program loan to REO	<u>\$ 7,401</u>	<u>\$ 2,237</u>

See notes to financial statements.

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**CALIFORNIA HOUSING FINANCE FUND
NOTES TO FINANCIAL STATEMENTS
Fiscal Years Ended June 30, 2016 and 2015**

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 from bond proceeds and interest earned on loans and investments and by participating in the To Be Announced (“TBA”) Market Rate Program. As part of the program, the Agency has agreed to sell on a mandatory delivery basis certain specified Agency mortgage pass-through securities, the repayment of which is guaranteed in full as to principal and interest by Federal National Mortgage Association (“Fannie Mae”) or Government National Mortgage Association (“GNMA”).

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, for budgetary reporting purposes only, the Agency was moved from being within the Business, Transportation and Housing Agency to being within HCD. HCD 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, 2015, the Housing Loan Insurance Fund had total assets of \$632 thousand and deficit of \$53.9 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, 2015, CalHFA MAC had total assets of \$239.2 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 provided 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 are 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, 2016, all the bonds series under this indenture have been fully redeemed. 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 were 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, were converted to long-term fixed-rate bonds. The Treasury 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 were 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 renters.

Special Obligation Multifamily Housing Revenue Bonds and Multifamily Housing Revenue Bonds: The Special Obligation Multifamily Housing Revenue Bonds and Multifamily Housing Revenue Bonds are secured by FHA risk-share insured mortgage loans. The bonds provide financing for the acquisition and rehabilitation of multifamily affordable residential rental development.

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 California Homebuyer's Down payment Assistance Program, Mental Health Services Act Housing Program, HOME Tenant-Based Rental Assistance 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 \$3.7 million and \$432 thousand for fiscal year 2016 and 2015, respectively.

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

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 54.6% of the Agency's homeownership program loans in first lien position (as of June 30, 2016), 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 under "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.

Federal Programs: The Agency administers loan and grant programs for HUD Section 8 Housing Assistance Payments, HUD Section 811 Supportive Housing for Persons with Disabilities and HUD National Foreclosure Mitigation Counseling.

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 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. The Agency adopted GASB No. 72 for the fiscal year ended June 30, 2016.

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. The Agency adopted GASB No. 73 for the fiscal year ended June 30, 2016.

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 within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The Agency adopted GASB 76 for the fiscal year ended June 30, 2016.

In December 2015, GASB also issued Statement No. 79, *Certain External Investment Pools and Pool Participants*, effective for reporting periods beginning after December 15, 2015. This Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investment at amortized cost for financial reporting purposes. The Agency plans adopted GASB 79 for the fiscal year ended June 30, 2016.

New Accounting Pronouncements: 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). The Agency plans to adopt GASB 75 for the periods beginning July 1, 2017.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*, effective for reporting periods beginning after June 15, 2016. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The Agency believes that GASB 80 will have no effect on the financial statements of the Fund.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, effective for periods beginning after December 15, 2015. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest

agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Agency believes that GASB 81 will have no effect on the financial statement of the Fund.

In March 2016, GASB also issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for reporting periods beginning after June 15, 2016. This statement address the issues regarding (1) the presentation of payroll-related measures, (2) the selection of assumptions and treatment of deviations, and (3) the classification of payments made by employers. The Agency plans to adopt GASB 82 for the periods beginning July 1, 2016.

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: Investment of funds is restricted by the California Code section 16430 – 16431, Agency’s Investment Policy, and various bond resolutions and indentures of the Agency.

GASB No. 72, *Fair Value Measurement and Application* (Statement No. 72), revises and establishes new financial reporting requirements for governments related to fair value measurements. The Agency was already in compliance with the Statement’s requirement that investments be measured at fair value.

Investment securities, other than certain non-participating fixed interest investment contracts, are stated at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between two market participants at the measurement date. Purchase and sale transactions are recorded on the trade date.

Any monies determined to be in excess of the Funds’ immediate needs are swept into the Surplus Money Investment Fund (SMIF), managed by the California State Treasurer for investment. All earnings derived from investments of SMIF are apportioned to the contributing funds as provided in the code. The value of each participating dollar equals the fair value divided by the amortized cost of the SMIF. The funds of the SMIF are invested by the Pooled Money Investment Board. The SMIF is not rated.

Income from Investments: Income from investments is recognized when earned and includes interest, dividends, other income, and market appreciation (realized and unrealized).

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.

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.

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, employer contribution difference for pensions, difference between expected and actual experience for pensions and net difference between projected and actual earnings on investments for pensions. Accumulated increase in fair value of hedging derivatives, net difference between projected and actual earnings on investments for pensions, and change in assumptions 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 and HUD Section 811 programs—Supportive Housing for Persons with Disabilities Programs. Included in most contracts is an administrative fee earned by the Agency which totaled \$1.9 million and \$1.3 million for years ended June 30, 2016 and 2015, respectively. The Agency also administers National Foreclosure Mitigation Counseling Program ("FMC"). The HUD and FMC pass-through payments aggregated \$60.2 million and \$59.6 million for the years ended June 30, 2016 and 2015, 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 – 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 (STO). The Agency is allowed to withdraw funds from the investment pool, at any time, given that the Agency follows the standard claim schedule process. 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, 2016 and 2015, all cash and cash equivalents, totaling \$54.0 million and \$41.2 million, respectively, were covered by federal depository insurance or by collateral held by the Agency’s agent in the Agency’s name.

b. Investments

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, 2016 and 2015 the par value and market value of Open CP agreements were \$17.8 million and \$18.2 million, respectively.

The Agency’s investment measured at amortized cost includes guaranteed investment contracts, SMIF and Open CP, totaling \$1.25 billion and \$1.14 billion for the fiscal year ended June 30, 2016, and June 30, 2015, 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 6 - 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, 2016 and 2015 was \$32.8 million and \$51.1 million, respectively.

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Agency has the ability to access.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly such as:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair market value measurement.

Investments with Fair Value Measurement at June 30, 2016 and 2015 are as follows (dollars in thousands):

	Fair Value Measurements Using							
	6/30/16				6/30/15			
	6/30/16	Level 1	Level 2	Level 3	6/30/15	Level 1	Level 2	Level 3
Investment by fair value level								
U.S. Agency Securities --- GNMA's	\$ 117,308	-	\$ 117,308	-	\$ 153,382	-	\$ 153,382	-
Federal Agency Securities	129,875	-	129,875	-	134,701	-	134,701	-
Total Investments by fair value level	\$ 247,183	-	\$ 247,183	-	\$ 288,083	-	\$ 288,083	-

The Agency measures and records its investments using fair value measurement guidelines established by general accepted accounting principles. As of June 30, 2016, all the securities were using quoted price from similar asset in active markets through Interactive Data Corp (IDC) and are classified in Level 2.

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 including mortgage backed securities and rated investment agreements at June 30, 2016 and 2015 are as follows (dollars in thousands):

	<u>2016</u> <u>Totals</u>	<u>2015</u> <u>Totals</u>
Fixed income securities:		
U.S. government guaranteed	\$ 247,183	\$ 288,083
Guaranteed interest contracts:		
Rated Aa1/AA-	17,819	-
Rated Aa2/AA+	799	-
Rated Aa2/A+	2,486	2,996
Rated A1+/P1	-	18,163
Rated A1/AA+	-	2,461
Rated A1/AA-	16,519	13,946
Rated A2/A	19,763	22,168
Rated A3/NR	-	2,028
Total fixed income securities	<u>\$ 304,569</u>	<u>\$ 349,845</u>

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, 2016, 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, 2016, 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, 2016, 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, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Fixed income securities:		
U.S. government guaranteed	15.37	15.82

Note 4 – PROGRAM LOANS RECEIVABLE

Changes in program loans receivable for the years ended June 30, 2016 and 2015 are as follows (dollars in thousands):

	2016	2015
	Totals	Totals
Beginning of year balance	\$ 3,423,104	\$ 3,906,285
Loans purchased/funded	175,121	84,796
Noncash transfers - REO	(7,401)	(2,237)
Amortized principal repayments	(154,839)	(192,526)
Prepayments	(344,078)	(390,939)
Principal Reduction Program	(3,431)	(5,670)
Chargeoffs	241	(6,603)
Unamortized Mortgage Discount	150	132
Transfer to REO- net of write-down	7,154	1,150
Allowance for loan loss	11,828	28,716
	<u>\$ 3,107,849</u>	<u>\$ 3,423,104</u>
Current portion	\$ 163,299	\$ 131,059
Noncurrent portion	2,944,550	3,292,045
Total	<u>\$ 3,107,849</u>	<u>\$ 3,423,104</u>

Note 5 – ALLOWANCE FOR PROGRAM LOAN LOSSES

Changes in the allowance for program loan losses for the year ended June 30, 2016 and 2015 are as follows (dollars in thousands):

	2016	2015
	Totals	Totals
Beginning of year balance	\$ 117,222	\$ 145,938
Provisions for program loan losses	(12,069)	(22,113)
Chargeoffs	241	(6,603)
End of year balance	<u>\$ 105,394</u>	<u>\$ 117,222</u>

Note 6 – 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, 2016 are as follows (dollars in thousands):

<u>Bond Issue</u>	<u>Type of Bond</u>	<u>Interest Rate Range</u>	<u>Final Maturity Date</u>	<u>Bonds</u>		<u>Total</u>
				<u>Outstanding Fixed</u>	<u>Outstanding Variable</u>	
Home Mortgage Revenue Bonds:						
2000 Series J	Tax-Exempt		N/A		\$ -	\$ -
2000 Series N	Tax-Exempt	0.290%	2031		8,385	8,385
2000 Series X-2	Tax-Exempt		N/A		-	-
2000 Series Z	Taxable	0.810%	2031		28,950	28,950
2001 Series D	Taxable	0.890%	2022		35,505	35,505
2001 Series G	Taxable	0.830%	2029		28,290	28,290
2001 Series J	Tax-Exempt		N/A		-	-
2001 Series K	Taxable	0.870%	2032		37,610	37,610
2001 Series N	Tax-Exempt		N/A		-	-
2001 Series O	Taxable	0.900%	2032		35,420	35,420
2001 Series S	Taxable	0.940%	2023		6,230	6,230
2001 Series U	Tax-Exempt		N/A		-	-
2002 Series B	Tax-Exempt		N/A		-	-
2002 Series F	Tax-Exempt		N/A		-	-
2002 Series H	Taxable	0.880%	2022		11,205	11,205
2002 Series J	Tax-Exempt	0.280%	2033		15,975	15,975
2002 Series M	Tax-Exempt		N/A		-	-
2002 Series P	Tax-Exempt		N/A		-	-
2003 Series I	Taxable	0.810%	2033		27,415	27,415
2003 Series M	Tax-Exempt	0.280%	2034		28,745	28,745
2003 Series N	Taxable	0.840%	2034		20,660	20,660
2004 Series A	Tax-Exempt		N/A		-	-
2004 Series E	Tax-Exempt	0.280%	2035		26,140	26,140
2004 Series F	Taxable	0.820%	2035		33,675	33,675
2004 Series G	Tax-Exempt		N/A		-	-
2004 Series I	Tax-Exempt		N/A		-	-
2005 Series A	Tax-Exempt	0.270%	2035		49,335	49,335
2005 Series B	Tax-Exempt	0.290%	2035		51,020	51,020
2005 Series F	Tax-Exempt	0.280%	2038		48,710	48,710
2006 Series C	Tax-Exempt	0.290%	2037		56,205	56,205
2006 Series D	Tax-Exempt	4.350% - 4.400%	2017	\$ 7,550		7,550
2006 Series E	Tax-Exempt	4.875% - 5.050%	2026	34,600		34,600
2006 Series F	Tax-Exempt		N/A		-	-

Swaps

<u>Type</u>	<u>Fixed Rate Paid By Agency</u>	<u>Floating Rate Received By Agency</u>	<u>Effective Date</u>	<u>Termination Date</u>	<u>Outstanding Notional/Applicable Amount</u>	<u>Fair Value</u>
Fixed payer	4.9000%	LIBOR @ 65%	5/25/00	8/1/30	\$ 17,765	\$ (3,340)
Fixed payer	4.5100%	LIBOR @ 65%	12/13/00	8/1/31	19,710	(3,687)
Fixed payer	6.8430%	3 mo LIBOR	12/13/00	8/1/16	640	(3)
Fixed payer	6.2150%	3 mo LIBOR+.26%	1/25/01	8/1/19	12,605	(1,029)
Fixed payer	6.0100%	3 mo LIBOR+.20%	4/5/01	2/1/16	1,320	(6)
Fixed payer	4.1430%	LIBOR @ 65%	5/31/01	8/1/24	14,695	(814)
Fixed payer	3.9910%	LIBOR @ 65%	7/26/01	8/1/18	2,715	(130)
Fixed payer	6.3600%	3 mo LIBOR+.27%	7/26/01	8/1/20	16,265	(2,009)
Fixed payer	5.5300%	3 mo LIBOR+.31%	10/10/01	8/1/18	5,935	(199)
Fixed payer	4.1300%	SIFMA less .15%	12/6/01	8/1/32	23,385	(3,701)
Fixed payer	3.8880%	LIBOR @ 65%	4/18/02	8/1/27	28,460	(5,213)
Fixed payer	3.9940%	LIBOR @ 65%	6/6/02	2/1/24	22,025	(2,272)
Fixed payer	3.8630%	LIBOR @ 65%	8/8/02	8/1/32	27,980	(2,991)
Fixed payer	3.7280%	LIBOR @ 65%	10/17/02	8/1/22	24,165	(1,879)
Fixed payer	3.1480%	LIBOR @ 65%	12/12/02	8/1/22	34,400	(2,560)
Fixed payer	3.0875%	LIBOR @ 60%+.26%	8/1/04	8/1/30	12,865	(1,095)
Fixed payer	3.6100%	LIBOR @ 60%+.26%	2/1/05	2/1/34	28,930	(3,846)
Fixed payer	3.5600%	LIBOR @ 60%+.26%	8/4/04	2/1/33	8,895	(1,143)
Fixed payer	3.8040%	LIBOR @ 60%+.26%	4/5/05	8/1/35	49,335	(9,238)
Fixed payer	4.2550%	LIBOR @ 62%+.25%	7/27/06	8/1/40	16,000	(51)

Bonds

<u>Bond Issue</u>	<u>Type of Bond</u>	<u>Interest Rate Range</u>	<u>Final Maturity Date</u>	<u>Outstanding Fixed</u>	<u>Outstanding Variable</u>	<u>Total</u>
2006 Series F	Tax-Exempt	0.270%	2041		20,490	20,490
2006 Series I	Tax-Exempt	4.700% - 4.875%	2041	49,025		49,025
2006 Series K	Tax-Exempt	4.625% - 4.750%	2042	77,080		77,080
2006 Series M	Tax-Exempt	4.625% - 4.700%	2036	70,560		70,560
2007 Series A	Taxable	5.720%	2032	75,530		75,530
2007 Series B	Taxable	0.810%	2042		40,000	40,000
2007 Series C	Taxable	0.810%	2042		20,000	20,000
2007 Series D	Tax-Exempt	4.400%	2018	3,310		3,310
2007 Series E	Tax-Exempt	4.700% - 5.000%	2042	78,780		78,780
2007 Series F	Tax-Exempt	4.700%	2017	6,905		6,905
2007 Series G	Tax-Exempt	4.950% - 5.500%	2042	71,495		71,495
2007 Series H	Tax-Exempt		N/A		-	-
2007 Series H	Tax-Exempt	0.270%	2042		27,480	27,480
2007 Series I	Tax-Exempt	4.250% - 4.350%	2017	3,965		3,965
2007 Series K	Tax-Exempt		N/A		-	-
2007 Series K	Tax-Exempt	0.280%	2038		24,265	24,265
2007 Series M	Taxable	5.835%	2032	68,660		68,660
2007 Series N	Taxable	0.810%	2043		60,000	60,000
2008 Series A	Tax-Exempt	4.250% - 4.500%	2020	15,195		15,195
2008 Series B	Tax-Exempt	4.800% - 5.000%	2028	10,320		10,320
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		N/A		-	-
2008 Series D	Tax-Exempt	0.180%	2043		2,290	2,290
2008 Series D	Tax-Exempt	0.180%	2043		1,355	1,355
2008 Series D	Tax-Exempt	0.180%	2043		3,865	3,865
2008 Series D	Tax-Exempt	0.180%	2043		3,015	3,015
2008 Series D	Tax-Exempt		N/A		-	-
2008 Series D	Tax-Exempt		N/A		-	-
2008 Series F	Tax-Exempt		N/A		-	-
2008 Series H	Taxable	4.950%	2020	41,100		41,100
2008 Series I	Taxable		N/A		-	-
2008 Series K	Tax-Exempt	5.300% - 5.550%	2033	60,775		60,775
2008 Series L	Tax-Exempt	5.450% - 5.550%	2038	52,020		52,020
2016 Series A	Taxable	1.000% - 3.848%	2036	236,350		236,350
Residential Mortgage						
Revenue Bonds:						
2009 Series A-5	Tax-Exempt	3.160%	2041	202,755		202,755
2009 Series A-6 (MF)	Tax-Exempt	3.270%	2030	49,410		49,410
2010 Series A	Tax-Exempt	2.700% - 4.625%	2027	10,810		10,810
2011 Series A	Tax-Exempt	2.450% - 4.750%	2028	23,100		23,100
2013 Series A	Taxable	2.900%	2042	42,834		42,834
2013 Series B	Taxable	2.900%	2042	20,907		20,907
Multifamily Loan						
Purchase Bonds:						
2000 Series A	Taxable	Variable	2017		215	215
Multifamily Housing						
Revenue Bonds III:						
2000 Series B	Tax-Exempt		N/A		-	-
2000 Series D	Tax-Exempt		N/A		-	-
2001 Series D	Tax-Exempt		N/A		-	-
2001 Series E	Tax-Exempt	0.281%	2036		27,195	27,195

Swaps

<u>Type</u>	<u>Fixed Rate Paid By Agency</u>	<u>Floating Rate Received By Agency</u>	<u>Effective Date</u>	<u>Termination Date</u>	<u>Outstanding Notional/Applicable Amount</u>	<u>Fair Value</u>
Fixed payer	4.1360%	LIBOR @ 62%+.25%	7/27/06	2/1/41	60,000	(184)
Fixed payer	4.0480%	LIBOR @ 62%+.25%	8/8/07	2/1/31	38,800	(791)
Fixed payer	4.2360%	LIBOR @ 62%+.25%	8/8/07	2/1/38	50,000	(1,980)
Fixed payer	3.9870%	LIBOR @ 63%+.24%	11/7/07	8/1/32	25,000	(537)
Fixed payer	4.8000%	LIBOR @ 65%	4/6/00	2/1/23	2,225	(542)
Fixed payer	4.1430%	LIBOR @ 65%	5/31/01	8/1/24	9,710	(1,958)
Fixed payer	3.9940%	LIBOR @ 65%	6/6/02	2/1/24	7,005	(1,471)
Fixed payer	3.8630%	LIBOR @ 65%	8/8/02	8/1/32	7,760	(2,508)
Fixed payer	4.9000%	LIBOR @ 65%	5/25/00	8/1/30	1,680	(786)
Fixed payer	4.1430%	LIBOR @ 65%	5/31/01	8/1/24	2,595	(358)
Fixed payer	3.9910%	LIBOR @ 65%	7/26/01	8/1/18	1,355	(94)
Fixed payer	4.1300%	SIFMA less .15%	12/6/01	8/1/32	3,865	(1,456)
Fixed payer	4.8500%	LIBOR @ 65%	11/18/08	2/1/17	4,210	(111)
Fixed payer	4.8000%	LIBOR @ 65%	4/6/00	2/1/23	5,170	(480)
Fixed payer	4.8500%	LIBOR @ 65%	11/18/08	2/1/17	245	(1)
Fixed payer	3.8700%	LIBOR @ 65%	11/18/08	8/1/17	4,165	(60)
Fixed payer	7.1100%	LIBOR	11/18/08	8/1/22	20,695	(4,071)
Fixed payer	4.5850%	LIBOR @ 64%	7/12/00	2/1/31	765	(134)
Fixed payer	4.3950%	LIBOR @ 64%	11/16/00	2/1/31	10,575	(2,896)
Fixed payer	4.4520%	SIFMA less .20%	6/28/01	8/1/22	1,540	(195)
Fixed payer	4.7120%	SIFMA less .15%	6/28/01	2/1/36	39,980	(13,190)

Bonds

<u>Bond Issue</u>	<u>Type of Bond</u>	<u>Interest Rate Range</u>	<u>Final Maturity Date</u>	<u>Outstanding Fixed</u>	<u>Outstanding Variable</u>	<u>Total</u>
2001 Series F	Tax-Exempt	0.276%	2032		9,320	9,320
2001 Series G	Tax-Exempt	0.280%	2025		2,490	2,490
2001 Series G	Tax-Exempt	0.280%	2036		9,115	9,115
2001 Series G	Tax-Exempt	0.280%	2036		7,215	7,215
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	0.276%	2033		3,515	3,515
2002 Series E	Tax-Exempt	0.280%	2037		2,855	2,855
2002 Series E	Tax-Exempt	0.280%	2037		11,335	11,335
2003 Series C	Tax-Exempt	1.098%	2038		23,705	23,705
2004 Series A	Tax-Exempt		N/A		-	-
2004 Series B	Tax-Exempt		N/A		-	-
2004 Series B	Tax-Exempt		N/A		-	-
2004 Series B	Tax-Exempt		N/A		-	-
2004 Series B	Tax-Exempt		N/A		-	-
2004 Series C	Tax-Exempt	1.002%	2025		4,000	4,000
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 D	Tax-Exempt	0.280%	2038		14,885	14,885
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	0.280%	2042		4,770	4,770
2007 Series C	Tax-Exempt	0.280%	2040		4,295	4,295
2008 Series A	Tax-Exempt	0.268%	2040		7,115	7,115
2008 Series B	Tax-Exempt	0.281%	2036		14,555	14,555
2008 Series B	Tax-Exempt	0.275%	2038		8,525	8,525
2008 Series C	Tax-Exempt	0.282%	2038		5,105	5,105
2008 Series C	Tax-Exempt	0.282%	2036		11,760	11,760
2008 Series C	Tax-Exempt	0.282%	2038		740	740
2014 Series A	Tax-Exempt	4.800%	2049	24,965		24,965
2015 Series A	Taxable	2.379% - 4.050%	2030	174,180		174,180
Affordable Multifamily Housing Revenue Bonds:						
2009 Series A-21	Tax-Exempt	2.320%	2046	46,980		46,980
2009 Series A-22	Tax-Exempt	2.320%	2039	33,670		33,670
Special Obligation Multifamily Housing Revenue Bonds (Virginia Terrace):						
2015 Issue A	Tax-Exempt	0.970% - 4.170%	2057	5,245		5,245
Special Obligation Multifamily Housing Revenue Bonds (Ocean View Senior):						
2015 Issue B	Tax-Exempt	1.120% - 4.170%	2058	18,075		18,075

Swaps

<u>Type</u>	<u>Fixed Rate Paid By Agency</u>	<u>Floating Rate Received By Agency</u>	<u>Effective Date</u>	<u>Termination Date</u>	<u>Outstanding Notional/Applicable Amount</u>	<u>Fair Value</u>
Fixed payer	4.0290%	SIFMA less .20%	2/1/02	2/1/32	10,610	(2,195)
Fixed payer	4.2050%	SIFMA less .15%	2/1/02	8/1/36	2,505	(439)
Fixed payer	4.2050%	SIFMA less .15%	2/1/02	8/1/36	32,525	(9,054)
Fixed payer	4.5950%	SIFMA less .15%	2/1/04	2/1/34	7,855	(2,574)
Fixed payer	4.5000%	SIFMA less .15%	8/1/02	8/1/32	13,360	(3,506)
Fixed payer	4.8900%	SIFMA less .15%	2/2/04	2/1/37	9,820	(4,038)
Fixed payer	4.0370%	SIFMA less .20%	2/1/03	2/1/35	19,050	(4,669)
Fixed payer	4.4050%	SIFMA less .15%	2/1/04	2/1/37	11,815	(4,300)
Fixed payer	4.6380%	SIFMA less .15%	8/1/05	8/1/37	13,795	(5,040)
Fixed payer	4.0850%	SIFMA less .20%	2/3/03	2/1/35	9,835	(2,944)
Fixed payer	4.1510%	SIFMA less .15%	2/3/03	2/1/35	13,125	(3,966)
Fixed payer	4.5710%	SIFMA less .15%	11/1/04	8/1/37	35,665	(15,115)
Fixed payer	3.0590%	LIBOR @ 60%+.21%	8/1/04	8/1/34	15,270	(2,230)
Fixed payer	3.6920%	LIBOR @ 60%+.26%	8/1/06	8/1/36	10,790	(1,425)
Fixed payer	3.3300%	LIBOR @ 60%+.26%	8/1/04	8/1/34	4,470	(338)
Fixed payer	4.9783%	SIFMA less .15%	8/1/06	2/1/39	10,360	(1,880)
Fixed payer	4.5390%	SIFMA less .15%	8/1/04	8/1/34	2,145	(237)
Fixed payer	3.4350%	LIBOR @ 60%+.21%	2/1/05	8/1/25	5,840	(728)
Fixed payer	3.5640%	SIFMA less .20%	7/1/05	8/1/35	1,990	(527)
Fixed payer	3.9540%	SIFMA less .15%	6/15/05	8/1/35	2,285	(321)
Fixed payer	4.0790%	SIFMA less .15%	2/1/07	2/1/37	20,590	(3,289)
Fixed payer	3.9570%	SIFMA less .15%	8/1/07	2/1/38	3,450	(623)
Fixed payer	3.7010%	LIBOR @ 60%+.26%	2/1/06	2/1/38	25,240	(5,669)
Fixed payer	4.042% * HR	97% SIFMA & HR	6/15/06	8/1/27	4,665	(637)
Fixed payer	4.381% * HR	97% SIFMA & HR	6/15/06	8/1/39	8,205	(1,212)
Fixed payer	4.492% * HR	97% SIFMA & HR	6/15/06	2/1/41	3,755	(686)
Fixed payer	3.9370%	LIBOR @ 64%+.25%	7/12/07	2/1/22	1,475	(125)
Fixed payer	4.2220%	LIBOR @ 64%+.25%	8/1/09	2/1/40	5,230	(1,148)
Fixed payer	3.7280%	LIBOR @ 63%+.30%	2/1/08	8/1/42	4,955	(687)
Fixed payer	3.9190%	LIBOR @ 63%+.30%	11/1/09	8/1/40	12,755	(2,619)
Fixed payer	3.2950%	LIBOR @ 61%+.24%	11/1/09	8/1/40	9,375	(2,640)
Fixed payer	3.3850%	SIFMA less .15%	8/1/03	8/1/36	17,760	(3,023)
Fixed payer	4.2950%	SIFMA less .15%	8/1/05	2/1/38	24,540	(1,749)
Fixed payer	3.8830%	LIBOR @ 60%+.26%	12/1/04	8/1/38	7,705	(2,377)
Fixed payer	3.9680%	LIBOR @ 60%+.26%	7/1/05	2/1/36	11,760	(3,403)
Fixed payer	4.0600%	LIBOR @ 60%+.26%	2/1/06	8/1/38	8,000	(2,632)

Bonds						
<u>Bond Issue</u>	<u>Type of Bond</u>	<u>Interest Rate Range</u>	<u>Final Maturity Date</u>	<u>Outstanding Fixed</u>	<u>Outstanding Variable</u>	<u>Total</u>
Multifamily Housing Revenue Bonds (Maplewood): 2016 Issue A	Tax-Exempt	0.700% - 3.250%	2035	8,600		8,600
Multifamily Housing Revenue Bonds (Woodglen Vista): 2016 Issue B	Tax-Exempt	0.700% - 3.800%	2053	31,000		31,000
				<u>1,655,751</u>	<u>924,945</u>	<u>2,580,696</u>
Unamortized discount						(148)
Unamortized premium						3,404
Total Bonds						<u><u>\$ 2,583,952</u></u>

Swaps

<u>Type</u>	<u>Fixed Rate Paid By Agency</u>	<u>Floating Rate Received By Agency</u>	<u>Effective Date</u>	<u>Termination Date</u>	<u>Outstanding Notional/Applicable Amount</u>	<u>Fair Value</u>
					<u>\$ 1,068,000</u>	<u>\$ (177,054)</u>

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						
<u>Bond Issue</u>	<u>Type of Bond</u>	<u>Interest Rate Range</u>	<u>Final Maturity Date</u>	<u>Outstanding Fixed</u>	<u>Outstanding Variable</u>	<u>Total</u>
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
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

Swaps

<u>Type</u>	<u>Fixed Rate Paid By Agency</u>	<u>Floating Rate Received By Agency</u>	<u>Effective Date</u>	<u>Termination Date</u>	<u>Outstanding Notional/Applicable Amount</u>	<u>Fair Value</u>
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)
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)

Bonds

<u>Bond Issue</u>	<u>Type of Bond</u>	<u>Interest Rate Range</u>	<u>Final Maturity Date</u>	<u>Outstanding Fixed</u>	<u>Outstanding Variable</u>	<u>Total</u>
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
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

Swaps

<u>Type</u>	<u>Fixed Rate Paid By Agency</u>	<u>Floating Rate Received By Agency</u>	<u>Effective Date</u>	<u>Termination Date</u>	<u>Outstanding Notional/Applicable Amount</u>	<u>Fair Value</u>
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)
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)

Bonds

<u>Bond Issue</u>	<u>Type of Bond</u>	<u>Interest Rate Range</u>	<u>Final Maturity Date</u>	<u>Outstanding Fixed</u>	<u>Outstanding Variable</u>	<u>Total</u>
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
Affordable Multifamily Housing Revenue Bonds:						
2009 Series A-21	Tax-Exempt	0.000% - 2.320%	2046	49,250		49,250
2009 Series A-22	Tax-Exempt	0.000% - 2.320%	2039	34,440		34,440
				1,722,980	1,186,986	2,909,966
Unamortized discount						(187)
Unamortized premium						4,847
Total Bonds						<u>\$ 2,914,626</u>

Swaps

<u>Type</u>	<u>Fixed Rate Paid By Agency</u>	<u>Floating Rate Received By Agency</u>	<u>Effective Date</u>	<u>Termination Date</u>	<u>Outstanding Notional/Applicable Amount</u>	<u>Fair Value</u>
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)

	\$ 1,296,020	\$ (162,591)
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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 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 April 1, 2022 to January 1, 2046 and the interest rates range from 5.25% to 7.25%. The Agency collects and remits the mortgage payments less servicing fees to Citibank on 17 multifamily loans. Changes in notes payable for the years ended June 30, 2016 and 2015 are as follows (dollars in thousands):

	2016	2015
	<u>Totals</u>	<u>Totals</u>
Beginning of year balance	\$ 54,580	\$ 63,595
Principal payments	(19,593)	(9,015)
End of year balance	<u>\$ 34,987</u>	<u>\$ 54,580</u>
Current portion	\$ 1,371	\$ 2,048
Noncurrent portion	33,616	52,532
Total	<u>\$ 34,987</u>	<u>\$ 54,580</u>

The table below provides a summary of note payment requirements for the next five years and in five year increments thereafter (dollars in thousands).

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Ending June 30</u>			
2017	\$ 1,371	\$ 1,721	\$ 3,092
2018	1,445	1,653	3,098
2019	1,531	1,581	3,112
2020	1,622	1,509	3,131
2021	1,718	1,420	3,138
2022-2026	9,798	5,781	15,579
2027-2031	8,458	3,458	11,916
2032-2036	5,278	1,552	6,830
2037-2041	1,734	753	2,487
2042-2046	2,032	252	2,284
Total	<u>\$ 34,987</u>	<u>\$ 19,680</u>	<u>\$ 54,667</u>

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 47 series of conduit debt obligations aggregating \$591.6 million as of June 30, 2016 and 35 series of conduit debt obligations aggregating \$372.4 million as of June 30, 2015. For the years ended June 30, 2016 and 2015, all the authorized conduit debt obligations were issued. For the years ended June 30, 2016 and 2015, the Agency initially issued \$192.8 million and \$30.1 million in conduit debt obligations, respectively. The aggregate balances as of June 30, 2016 and 2015 include draws from previously issued conduits offset by maturities and redemptions.

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, 2016, the Agency collected \$381 thousand in issuance fees, \$2.3 million in administration fees, \$68 thousand in special issuer fees and \$469 thousand in unearned revenue-prepaid administration fees. 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. 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, 2016 and 2015 are as follows (dollars in thousands):

	2016	2015
	Totals	Totals
Beginning of year balance	\$ 2,914,626	\$ 3,532,752
New bonds issued	299,270	174,180
Scheduled maturities	(48,166)	(55,061)
Redemptions	(580,374)	(736,083)
Amortized discount	40	27
Amortized premium	(1,444)	(1,189)
End of year balance	<u>\$ 2,583,952</u>	<u>\$ 2,914,626</u>
Current portion	\$ 54,592	\$ 53,733
Noncurrent portion	<u>2,529,360</u>	<u>2,860,893</u>
Total	<u>\$ 2,583,952</u>	<u>\$ 2,914,626</u>

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, 2016, 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		Variable		Interest Rate	Total
	Unswapped		Swapped			
Ending June 30	Principal	Interest	Principal	Interest	Swaps, Net	
2017	\$ 54,590	\$65,695		\$ 1,162	\$ 39,586	\$ 161,033
2018	76,950	66,886	\$ 8,430	1,289	35,818	189,373
2019	60,440	64,583	9,375	1,246	32,644	168,288
2020	60,635	62,726	9,795	1,200	29,726	164,082
2021	71,130	60,257	10,440	1,152	27,162	170,141
2022-2026	545,185	253,918	50,855	4,933	62,274	917,165
2027-2031	563,640	156,784	61,245	3,781	63,248	848,698
2032-2036	521,910	66,293	70,980	2,124	30,755	692,062
2037-2041	186,510	31,074	51,040	777	5,132	274,533
2042-2046	124,186	9,839	15,620	113	49	149,807
2047-2051	11,930	4,441				16,371
2052-2056	2,595	2,869				5,464
2057-2058	13,215	276				13,491
Total	<u>\$ 2,292,916</u>	<u>\$ 845,641</u>	<u>\$ 287,780</u>	<u>\$ 17,777</u>	<u>\$ 326,394</u>	<u>\$ 3,770,508</u>

As of June 30, 2016, the difference between the gross bonds payable and the net bonds payable was \$3.3 million. This represented the aggregate of the unamortized bond premium and bond discount.

Letter of Credit Agreements: The Temporary Credit and Liquidity Program expired December 2015. In order to replace the liquidity provided by this program, the Agency entered into letter of credit agreements in November 2014, May 2015 and July 2015. For the years ended June 30, 2016 and 2015, the Agency had immediately reimbursed the full amount of all the draws on the agreements.

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, 2016 are summarized in the table at the beginning of this note. 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 years ended June 30, 2016 and 2015, no additional swaps were considered investment derivatives because they no longer met the criteria for effectiveness. The following table summarizes the swap fair value activity in the statements of net position as of June 30, 2016 and 2015 and the statements of revenues, expenses and changes in net position for the years ended June 30, 2016 and 2015 (dollars in thousands):

	<u>2016</u>	<u>2015</u>
Statements of Net Position:		
Derivative swap asset	\$ 241	\$ 299
Accumulated decrease in fair value of hedging derivatives	27,441	23,544
Derivative swap liability	177,054	162,591
Statements of Revenues, Expenses and Changes in Net Position:		
Investment swap revenue	\$ (10,625)	\$ 22,397

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, 2016, the Agency has interest rate swap agreements with 10 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, 2016, the Agency posted cash and fair value of mortgage-backed securities as collateral with swap counterparties in the amounts of \$18.0 million and \$14.8 million, respectively. As of June 30, 2016, the Agency determined that an additional \$1.1 million in collateral postings were required. Appropriate cash collateral amounts were sent to the applicable counterparties on the following business day. As of June 30, 2015, the Agency posted cash and fair value of mortgage-backed securities as collateral in the amounts of \$33.9 million and \$17.2 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 \$177.1 million as of June 30, 2016 and \$162.6 million as of June 30, 2015. 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. The swaps are classified in Level 2 of the fair value hierarchy. Level 2 is described in the Cash, Cash Equivalents and Investments note.

As of June 30, 2016, the Agency’s swap portfolio had an aggregate asset position of \$241 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 \$177.1 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, 2016 (dollars in thousands).

<u>Moody's</u>	<u>Standard & Poors</u>	<u>Outstanding Notional Amount</u>	<u>Number of Swap Transactions</u>
Aa2	AA-	\$ 162,460	5
Aa3	A+	233,720	11
Aa3	AA-	399,295	32
A1	A+	10,610	1
A1	A	28,930	1
A3	BBB+	38,800	1
Baa1	A-	31,080	2
Baa1	BBB+	50,100	4
Baa2	BBB+	103,630	9
Baa3	BBB	9,375	1
		<u>\$ 1,068,000</u>	<u>67</u>

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, 2016, the formulas for the swap portfolio utilized the SIFMA, the 1 month LIBOR and the 3 month LIBOR rates. As of June 30, 2016, rates for the SIFMA, the 1 month LIBOR and the 3 month LIBOR were 0.41%, 0.47% and 0.65%, 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 7 basis swaps as a means to change the variable rate formula received for \$129.3 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, 2016 (dollars in thousands):

<u>Bond Issue</u>	<u>Variable Rate Paid By Agency</u>	<u>Floating Rate Received By Agency */**</u>	<u>Effective Date</u>	<u>Termination Date</u>	<u>Outstanding Notional/Applicable Amount</u>	<u>Fair Value</u>
Home Mortgage Revenue Bonds:						
2000 Series C	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	2/1/17	\$ 4,455	\$ 1
2000 Series J	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	8/1/30	19,445	39
2000 Series X-2	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	8/1/31	19,710	34
2001 Series N	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	8/1/18	4,070	5
2002 Series B	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	8/1/27	28,460	59
2002 Series F	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	2/1/24	29,030	63
2002 Series M	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	8/1/22	24,165	40
					<u>\$ 129,335</u>	<u>\$ 241</u>

* 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, 2016.

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, 2016 (dollars in thousands):

<u>Bond Issue</u>	<u>Bonds Outstanding</u>	<u>Swap Notional Amount</u>	<u>Unmatched Swap</u>	<u>Fair Value</u>
Home Mortgage Revenue Bonds				
2000 Series J *		\$ 17,765	\$ 17,765	\$ (3,301)
2000 Series X2 *		19,710	19,710	(3,653)
2001 Series J		14,695	14,695	(814)
2001 Series N *		2,715	2,715	(126)
2001 Series U		23,385	23,385	(3,701)
2002 Series B *		28,460	28,460	(5,154)
2002 Series F *		22,025	22,025	(2,208)
2002 Series J		27,980	27,980	(2,991)
2002 Series M *		24,165	24,165	(1,839)
2002 Series P		34,400	34,400	(2,560)
2004 Series A		12,865	12,865	(1,095)
2004 Series G		28,930	28,930	(3,846)
2004 Series I		8,895	8,895	(1,143)
2006 Series F		16,000	16,000	(51)
2006 Series F	\$ 20,490	60,000	39,510	(121)
2007 Series H		38,800	38,800	(791)
2007 Series H	27,480	50,000	22,520	(892)
2007 Series K		25,000	25,000	(537)
2008 Series C		2,225	2,225	(542)
2008 Series C		9,710	9,710	(1,958)
2008 Series C		7,005	7,005	(1,471)
2008 Series C		7,760	7,760	(2,508)
2008 Series D		5,170	5,170	(480)
2008 Series D		1,680	1,680	(786)
2008 Series D	2,290	2,595	305	(42)
2008 Series D	3,015	4,455	1,440	(36)
2008 Series F		4,165	4,165	(61)
2008 Series I		20,695	20,695	(4,071)
Multifamily Housing Revenue Bonds III				
2000 Series B		765	765	(134)
2000 Series D		10,575	10,575	(2,896)
2001 Series D		1,540	1,540	(195)
2001 Series E	27,195	39,980	12,785	(4,218)
2001 Series F	9,320	10,610	1,290	(267)
2001 Series G	11,605	35,030	23,425	(6,349)
2001 Series G	7,215	7,855	640	(210)
2002 Series A		13,360	13,360	(3,506)
2002 Series A		9,820	9,820	(4,038)
2002 Series B		19,050	19,050	(4,669)
2002 Series C		13,795	13,795	(5,040)
2002 Series C		11,815	11,815	(4,300)
2002 Series D	3,515	9,835	6,320	(1,892)
2002 Series E	2,855	13,125	10,270	(3,103)
2002 Series E	11,335	35,665	24,330	(10,311)
2004 Series A		15,270	15,270	(2,230)
2004 Series B		10,790	10,790	(1,425)
2004 Series B		4,470	4,470	(338)
2004 Series B		2,145	2,145	(236)
2004 Series B		10,360	10,360	(1,880)
2004 Series C	4,000	5,840	1,840	(229)
2005 Series A		1,990	1,990	(527)
2005 Series B		2,285	2,285	(321)
2005 Series B		20,590	20,590	(3,289)
2005 Series B		3,450	3,450	(623)
2005 Series D	14,885	25,240	10,355	(2,326)
2006 Series A		4,665	4,665	(637)
2006 Series A		8,205	8,205	(1,212)
2006 Series A		3,755	3,755	(686)
2007 Series B		5,230	5,230	(1,148)
2007 Series B		1,475	1,475	(125)
2007 Series C	4,770	4,955	185	(26)

<u>Bond Issue</u>	<u>Bonds Outstanding</u>	<u>Swap Notional Amount</u>	<u>Unmatched Swap</u>	<u>Fair Value</u>
Multifamily Housing Revenue Bonds III (continued)				
2007 Series C	4,295	12,755	8,460	(1,737)
2008 Series A	7,115	9,375	2,260	(636)
2008 Series B	8,525	24,540	16,015	(1,141)
2008 Series B	14,555	17,760	3,205	(546)
2008 Series C	5,105	7,705	2,600	(817)
2008 Series C	740	8,000	7,260	(2,397)
Total	<u>\$ 190,305</u>	<u>\$ 964,920</u>	<u>\$ 774,615</u>	<u>\$ (122,438)</u>

*Includes Basis Swap.

Note 7 – 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, 2016 and 2015, the Fund had liabilities to the IRS totaling \$441 thousand and \$353 thousand, 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, 2016 and 2015, the net effects of changes in the liability have been recorded as a decrease and increase, respectively, 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, 2016 and 2015, the Fund had liabilities to the IRS totaling \$5.6 million and \$9.0 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, 2016 and 2015, the net effects of changes in the liability have been recorded as increases in “Interest income: Program loans” in the statements of revenues, expenses and changes in net position. The Agency will continue to monitor the status of mortgage yield compliance to mitigate further liability.

Note 8 – EXTINGUISHMENT OF DEBT

For the year ended June 30, 2016, the Agency issued Home Mortgage Revenue Bonds 2016 Series A on June 30, 2016 and the proceeds were used to refund prior Home Mortgage Revenue Bonds series in a subsequent period as described in Note 16 – Subsequent Events.

For the year ended June 30, 2015, the Agency issued Multifamily Housing Revenue Bonds 2015 Series A on April 24, 2015 and the proceeds were used to refund prior Multifamily Housing Revenue Bonds III series on April 24, 2015 and August 1, 2015. No gains or 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 also provided an estimated economic gain of \$25.5 million.

Note 9 – 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, 2014 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.

GASB 68 Accounting Valuation Reports: The State requested CalPERS GASB 68 Accounting Valuation Reports for the Plan. Copies of these reports 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 must 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, 2015 (the current measurement date), the employees’ contribution rates ranged from 3% to 11% of annual payroll and the employer’s contribution rates were 23.51% and 24.20% of

annual payroll. For the measurement period ended June 30, 2014 (the previous measurement date), the average active employees' contribution rate was 6.53% of annual payroll and the employer's contribution rate was 21.14% of annual payroll. Employer contribution rates may change if plan contracts are amended. 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 for the years ended June 30, 2016 and 2015 were \$4.5 million and \$4.3 million, respectively.

Pension Liabilities, Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions: As of June 30, 2016 and 2015, the Fund reported a liability of \$47.1 million and \$43.7 million, respectively in the Due to other government entities section of the financial statement, for its proportionate share of the State's net pension liability. The net pension liabilities were measured as of June 30, 2015 and 2014 and were based on the Fund's pensionable compensation as a percentage of the State's total pensionable compensation. As of June 30, 2015 and 2014, the Fund's proportionate share was 0.167% and 0.173%, respectively.

For the years ended June 30, 2016 and 2015, the Fund recognized pension expense of \$2.9 million and \$3.1 million, respectively. As of June 30, 2016 and 2015, the Fund reported deferred outflows of resources and deferred inflows of resources related to pensions for the following sources (dollars in thousands):

	2016		2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	\$ 861	\$ -	\$ -	\$ -
Differences between projected and actual earnings on pension plan investments	4,855	5,884	-	8,148
Differences between Fund contributions and proportionate share of contributions	-	53	-	82
Changes in proportion	-	1,443	-	-
Changes of assumptions	-	1,784	-	-
Fund contributions subsequent to the measurement date	4,495	-	4,311	-
	<u>\$ 10,211</u>	<u>\$ 9,164</u>	<u>\$ 4,311</u>	<u>\$ 8,230</u>

As of June 30, 2016, the \$4.5 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 ending June 30, 2017. 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:	
2017	\$ (1,593)
2018	(1,587)
2019	(1,482)
2020	1,214

Actuarial Assumptions: For the measurement period ended June 30, 2015, the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2015 total pension liability was based on the following actuarial assumptions:

Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.65%
Post retirement benefit increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

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, 2014 and 2013 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

For the measurement periods ended June 30, 2015 and 2014, the mortality tables were based on CalPERS' specific data. The tables include 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, 2014 and 2013 valuations 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. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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.

For the measurement period ended June 30, 2015, the rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocations were adopted by CalPERS effective July 1, 2014. For the measurement period ended June 30, 2015, the following table reflects long-term expected real rate of returns by asset class:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Years 1-10¹</u>	<u>Real Return Years 11+²</u>
Global Equity	51%	5.25%	5.71%
Global Fixed Income	19	0.99	2.43
Private Equity	10	6.83	6.95
Real Estate	10	4.50	5.13
Inflation Sensitive	6	0.45	3.36
Infrastructure and Forestland	2	4.50	5.09
Liquidity	2	(0.55)	(1.05)
	<u>100%</u>		

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0% used for this period

For the measurement period ended June 30, 2014, the rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The geometric rates of return are net of administrative expenses. For the measurement period ended June 30, 2014, the following table reflects long-term expected real rate of returns by asset class:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Years 1-10¹</u>	<u>Real Return Years 11+²</u>
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)
	<u>100%</u>		

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0% used for this period

Discount Rate: The discount rates used to measure the total pension liability for the measurement periods ended June 30, 2015 and 2014 were 7.65% and 7.50%, respectively. 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 discount rates used for the current and previous measurement periods were adequate and the use of the municipal bond rate calculation was not necessary. The current and

previous long term expected discount rates used in the current and previous measurement periods were 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 via the internet at www.calpers.ca.gov under the GASB 68 section.

For the measurement period ended June 30, 2014, 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.

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 June 30, 2015 measurement date, calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65%) or 1 percentage-point higher (8.65%) than the current rate (dollars in thousands):

	Discount Rate – 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Fund's net pension liability	\$ 66,557	\$ 47,125	\$ 30,821

The following presents the Fund's proportionate share of the net pension liability as of the June 30, 2014 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, 2015 and 2014, the Plan's fiduciary net position was \$68.1 billion and \$68.4 billion, respectively. 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, 2016 and 2015, the Fund did not report any payables related to pension contributions.

Note 10 – 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 GAAP. 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 Net OPEB Obligation (NOO) was \$28.7 million and \$24.9 million for the years ended June 30, 2016 and June 30, 2015, respectively, and was included in the Due to other government entities section of the financial statement. The allocated contribution of OPEB from the Fund was \$2.1 million each for both years ended June 30, 2016 and June 30, 2015. CalPERS issues a publicly available Comprehensive Annual Financial Report ("CAFR") that includes financial statements and required supplementary information for the OPEB.

Note 11 – COMMITMENTS

As of June 30, 2016, the Agency had no outstanding commitments to fund Homeownership Program loans and had outstanding commitments to fund Multifamily Program loans totaling \$30.6 million. As of June 30, 2016, the Agency had no proceeds available from bonds issued to Homeownership Program loans and no proceeds available from bonds issued for Multifamily Program loans.

Note 12 – LEASES

The Agency had three office locations in California and entered into three separate lease agreements for office space. The lease for the West Sacramento office ended on May 31, 2016 and the Agency did not renew the lease as staff has been consolidated into the Sacramento Office. 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
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	\$ 20,586	\$ 268	\$ 902	\$ 21,756

Note 13 – ARRANGEMENTS WITH THE MORTGAGE INSURANCE FUND

All operating and administrative expenses of the Agency are initially paid from the Fund including certain operating and administrative expenses in support of mortgage guarantee insurance programs which are reported in the Mortgage Insurance Fund. Monthly, the Fund charges the Mortgage Insurance Fund for these expenses and is reimbursed from premiums of 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, 2016, 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, 2016, the reserve amount established under the Homeownership Programs indenture was \$19.8 million.

Note 14 – LITIGATION

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

Note 15 – RELATED PARTY TRANSACTIONS

CalHFA MAC entered into an administrative agreement with CalHFA for support services, which include an allocation of CalHFA staff to provide program oversight, administrative and legal support and direct reimbursement for goods and services of outside vendors. Due to its status as a state governmental agency, CalHFA enjoys the benefit of discounts for goods and services with strategic business partners. The administrative agreement enables CalHFA MAC to leverage these discounts by providing for CalHFA to purchase goods and services during program implementation and ongoing operations. CalHFA MAC reimburses CalHFA for these items at the actual cost expended. CalHFA MAC had liabilities to CalHFA of \$124 thousand and \$112 thousand for the fiscal year ended June 30, 2016 and June 30, 2015, 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 \$689 thousand and \$580 thousand for fiscal years ended June 30, 2016 and June 30, 2015, 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 16 – SUBSEQUENT EVENTS

In June 2014, MortgageFlex System, Inc. brought suit against CalHFA asserting claims for breach of contract and declaratory relief, and CalHFA filed a counter-suit against MortgageFlex asserting claims for breach of contract, breach of good faith and fair dealing, and declaratory relief. On July 11, 2016, CalHFA and MortgageFlex engaged in mediation which resulted in a settlement agreement on July 13, 2016. In the settlement agreement both parties mutually agreed that CalHFA pay MortgageFlex \$1.7 million and both parties expressly release and discharge the other party. The settlement agreement was executed on July 17, 2016.

In June 2016, the Agency was approved for \$100 million in financing availability from the Federal Home Loan Bank of San Francisco (“FHLBSF”) to support loan originations for low to moderate income homebuyers in California. The Board of Directors approved the use of the secured credit facility on July 13, 2016 under Resolution No. 16-13. The Agency will be the first housing associate to borrow from the FHLBSF. As a housing associate of the FHLBSF, the Agency will have access to a variety of low-cost funding solutions it can use to achieve its affordable housing initiatives.

On June 27, 2016, Senate Bill No. 837 was approved by the Governor. This bill discontinues various housing finance assistance programs including California Homebuyer’s Downpayment Assistance Program and the Homebuyer Down Payment Assistance Program of 2002. This bill modifies the program to instead provide home purchase assistance to low- and moderate-income homebuyers to qualify for the purchase of owner-occupied homes. This bill also authorized the Agency, pursuant to specified objectives, to create its own home purchase assistance programs, home purchase assistance products, or both, on terms and conditions as the Agency deems prudent. On and after July 1, 2016, the bill would transfer any obligated amounts from the funds for the programs discontinued by the bill, and any loan receivables, interest, or other amount accruing to the Agency pursuant to those programs to the Home Purchase Assistance Fund, which is a state general obligation bond program.

On August 1, 2016 and August 3, 2016, the Agency used \$236.4 million of the Home Mortgage Revenue Bonds 2016 Series A bond proceeds to refund a like amount of prior Home Mortgage Revenue Bonds. The debt refundings resulted in a \$1.4 million deferred gain. The refundings will decrease the debt service cash flow for the Homeownership Programs by an estimated \$21.4 million. In addition, the refundings provided an estimated economic gain of \$15.7 million.

* * * * *

**CALIFORNIA HOUSING FINANCE AGENCY
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF THE FUND'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Miscellaneous Plan
Last 2 Measurement Periods Ended June 30
(Dollar amounts in thousands)

	<u>2015</u>	<u>2014</u>
Fund's proportion of the net pension liability	0.167%	0.173%
Fund's proportionate share of the net pension liability	\$ 47,125	\$ 43,722
Fund's covered-employee payroll	\$ 17,756	\$ 17,256
Fund's proportionate share of the net pension liability as a percentage of its covered-employee payroll	265.41%	253.38%
Plan fiduciary net position as a percentage of the total pension liability	70.68%	73.05%

SCHEDULE OF FUND CONTRIBUTIONS
Miscellaneous Plan
Last 2 Measurement Periods Ended June 30
(Dollar amounts in thousands)

	2015	2014
Contractually required contribution	\$ 4,311	\$ 3,627
Contribution in relation to the contractually required contribution	(4,311)	(3,627)
Contribution deficiency (excess)	-	-
Fund's covered-employee payroll	\$ 17,756	\$ 17,256
Contributions as a percentage of covered-employee payroll	24.28%	21.02%

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2014-15 were derived from the June 30, 2013 funding valuation report.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2013 Funding Valuation Report.
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2013 Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50 Net Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

**CALIFORNIA HOUSING FINANCE FUND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

Note 1 – PENSION SCHEDULES

Changes in Assumptions: Amounts reported in the measurement periods ended June 30, 2015 and 2014 reflect a discount rate of 7.65% and 7.50%, respectively.

CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF NET POSITION
WITH ADDITIONAL COMBINING INFORMATION
June 30, 2016

(Dollars in Thousands)

	HOMEOWNERSHIP PROGRAMS	MULTIFAMILY RENTAL HOUSING PROGRAMS	OTHER PROGRAMS AND ACCOUNTS	COMBINED TOTALS
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 5,436	\$ 2,098	\$ 46,444	\$ 53,978
Investments	471,696	38,548	740,114	1,250,358
Current portion - program loans receivable, net allowance	57,191	86,562	19,546	163,299
Interest receivable - program loans, net	6,828	3,595	26,461	36,884
Interest receivable - investments	1,346	257	1,085	2,688
Accounts receivable	5,823	8	4,650	10,481
Due (to) from other funds	(2,916)	-	2,916	-
Other assets	40	410	18,056	18,506
Total current assets	<u>545,444</u>	<u>131,478</u>	<u>859,272</u>	<u>1,536,194</u>
Noncurrent assets:				
Investments	167,254	63,933	15,996	247,183
Program loans receivable, net of allowance	1,667,328	657,971	619,251	2,944,550
Other assets	7,615	-	652	8,267
Total noncurrent assets	<u>1,842,197</u>	<u>721,904</u>	<u>635,899</u>	<u>3,200,000</u>
Total assets	<u>2,387,641</u>	<u>853,382</u>	<u>1,495,171</u>	<u>4,736,194</u>
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives	-	25,985	1,456	27,441
Deferred loss on refunding	-	343	-	343
Employer contribution	-	-	10,211	10,211
Total deferred outflows of resources	<u>-</u>	<u>26,328</u>	<u>11,667</u>	<u>37,995</u>
LIABILITIES				
Current liabilities:				
Bonds payable	46,562	8,030	-	54,592
Notes payable	-	-	1,371	1,371
Interest payable	18,985	10,938	9,767	39,690
Due (from) to other government entities, net	(54)	-	620	566
Compensated absences	-	-	3,473	3,473
Deposits and other liabilities	1,538	367	249,193	251,098
Total current liabilities	<u>67,031</u>	<u>19,335</u>	<u>264,424</u>	<u>350,790</u>
Noncurrent liabilities:				
Bonds payable	1,972,642	556,718	-	2,529,360
Notes payable	-	-	33,616	33,616
Due to other government entities, net	1,892	4,143	75,836	81,871
Other liabilities	-	114,460	62,594	177,054
Unearned revenues	-	-	1,034	1,034
Total noncurrent liabilities	<u>1,974,534</u>	<u>675,321</u>	<u>173,080</u>	<u>2,822,935</u>
Total liabilities	<u>2,041,565</u>	<u>694,656</u>	<u>437,504</u>	<u>3,173,725</u>
DEFERRED INFLOWS OF RESOURCES				
Unamortized pension net difference	-	-	9,164	9,164
Total deferred inflows of Resources	<u>-</u>	<u>-</u>	<u>9,164</u>	<u>9,164</u>
NET POSITION				
Net investment in capital assets	-	-	587	587
Restricted by indenture	346,076	185,054	-	531,130
Restricted by statute	-	-	1,059,583	1,059,583
Total net position	<u>\$ 346,076</u>	<u>\$ 185,054</u>	<u>\$ 1,060,170</u>	<u>\$ 1,591,300</u>

CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
WITH ADDITIONAL COMBINING INFORMATION
Year Ended June 30, 2016
(Dollars in Thousands)

	HOMEOWNERSHIP PROGRAMS	MULTIFAMILY RENTAL HOUSING PROGRAMS	OTHER PROGRAMS AND ACCOUNTS	COMBINED TOTALS
OPERATING REVENUES				
Interest income:				
Program loans, net	\$ 100,392	\$ 48,178	\$ 22,708	\$ 171,278
Interest income, net	8,805	2,509	2,933	14,247
Increase in fair value of investments	896	6,291	581	7,768
Realized gain on sale of securities	-	-	39,549	39,549
Loan commitment fees	-	-	885	885
Other loan fees	17	5,960	24,208	30,185
Other revenues	259	(36,411)	57,269	21,117
Total operating revenues	<u>110,369</u>	<u>26,527</u>	<u>148,133</u>	<u>285,029</u>
SALARIES AND GENERAL EXPENSES				
Interest	55,725	16,484	79	72,288
Amortization of bond discount and bond premium	(1,411)	111	-	(1,300)
Mortgage servicing fees	6,007	-	1	6,008
(Reversal) provision for program loan losses	(11,244)	(2,549)	1,724	(12,069)
Salaries and general expenses	-	-	40,117	40,117
Other expenses	10,605	4,771	87,271	102,647
Total salaries and general expenses	<u>59,682</u>	<u>18,817</u>	<u>129,192</u>	<u>207,691</u>
Operating income before transfers	50,687	7,710	18,941	77,338
Transfers out	-	-	(3,665)	(3,665)
Transfers intrafund	(29,648)	(29,595)	59,243	-
Increase (decrease) in net position	<u>21,039</u>	<u>(21,885)</u>	<u>74,519</u>	<u>73,673</u>
Net position at beginning of year	<u>325,037</u>	<u>206,939</u>	<u>985,651</u>	<u>1,517,627</u>
Net position at end of year	<u>\$ 346,076</u>	<u>\$ 185,054</u>	<u>\$ 1,060,170</u>	<u>\$ 1,591,300</u>

CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF CASH FLOWS
WITH ADDITIONAL COMBINING INFORMATION
Year Ended June 30, 2016
(Dollars in Thousands)

	HOMEOWNERSHIP PROGRAMS	MULTIFAMILY RENTAL HOUSING PROGRAMS	OTHER PROGRAMS AND ACCOUNTS	COMBINED TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 103,548	\$ 49,808	\$ 15,044	\$ 168,400
Payments to suppliers	(6,374)	(83)	(11,320)	(17,777)
Payments to employees	-	-	(28,582)	(28,582)
Other receipts (payments)	396,794	540	(71,894)	325,440
Net cash provided by (used for) operating activities	<u>493,968</u>	<u>50,265</u>	<u>(96,752)</u>	<u>447,481</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intrafund transfers	(29,648)	(29,595)	59,243	-
Changes in due from (to) other government entities	67	-	7,208	7,275
Net cash (used for) provided by noncapital financing activities	<u>(29,581)</u>	<u>(29,595)</u>	<u>66,451</u>	<u>7,275</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sales of bonds	236,350	62,920	-	299,270
Payment of bond & note principal	(36,835)	(11,330)	(19,593)	(67,758)
Early bond redemptions	(475,419)	(104,955)	-	(580,374)
Interest paid on debt	(60,617)	(16,011)	(4,151)	(80,779)
Interfund transfers	-	-	(3,665)	(3,665)
Net cash (used for) provided by capital and related financing activities	<u>(336,521)</u>	<u>(69,376)</u>	<u>(27,409)</u>	<u>(433,306)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from maturity and sale of investments	823,713	510,855	1,586,017	2,920,585
Purchase of investments	(963,382)	(462,600)	(1,517,325)	(2,943,307)
Interest on investments, net	9,015	2,541	2,449	14,005
Net cash (used for) provided by investing activities	<u>(130,654)</u>	<u>50,796</u>	<u>71,141</u>	<u>(8,717)</u>
Net (decrease) increase in cash and cash equivalents	(2,788)	2,090	13,431	12,733
Cash and cash equivalents at beginning of year	8,224	8	33,013	41,245
Cash and cash equivalents at end of year	<u>\$ 5,436</u>	<u>\$ 2,098</u>	<u>\$ 46,444</u>	<u>\$ 53,978</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income	\$ 50,687	\$ 7,710	\$ 18,941	\$ 77,338
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Interest expense on debt	55,725	16,484	79	72,288
Interest on investments	(8,805)	(2,509)	(2,933)	(14,247)
Increase in fair value of investments	(896)	(6,291)	(581)	(7,768)
Realized gain on sale of securities	-	-	(39,549)	(39,549)
Amortization of bond discount	33	7	-	40
Amortization of deferred losses on refundings of debt	-	104	-	104
Amortization of bond premium	(1,444)	-	-	(1,444)
Loan commitment fees	-	-	(885)	(885)
Depreciation	-	-	232	232
(Reversal) provision for estimated loan losses	(11,244)	(2,549)	1,724	(12,069)
(Reversal) provision for yield reduction payments	(100)	(3,283)	-	(3,383)
Provision (reversal) for nonmortgage investment excess	86	2	-	88
Effect of changes in operating assets and liabilities:				
Sale (purchase) of program loans, net	114,859	(41,550)	(245,149)	(171,840)
Collection of principal from program loans, net	297,014	58,556	150,748	506,318
Interest receivable	3,156	1,630	(7,665)	(2,879)
Accounts receivable	(137)	(8)	(619)	(764)
Due (from) to other funds	(4,836)	-	4,836	-
Other assets	35	(3,501)	9,446	5,980
Compensated absences	-	-	(338)	(338)
Pension liability	-	-	934	934
Deposits and other liabilities	(165)	(19)	24,031	23,847
Unearned revenue	-	25,482	(10,004)	15,478
Net cash provided by (used for) operating activities	<u>\$ 493,968</u>	<u>\$ 50,265</u>	<u>\$ (96,752)</u>	<u>\$ 447,481</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Noncash transfer of program loan to REO	<u>\$ 7,401</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,401</u>

**CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF NET POSITION
HOMEOWNERSHIP PROGRAMS**

June 30, 2016

(Dollars in Thousands)

	HOME MORTGAGE REVENUE BONDS	SINGLE FAMILY HOUSING PROGRAM BONDS	RESIDENTIAL MORTGAGE REVENUE BONDS
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,820	\$ -	\$ 615
Investments	446,976	-	21,610
Current portion - program loans receivable, net of allowance	48,138	-	6,981
Interest receivable - program loans, net	6,001	-	690
Interest receivable - investments	1,000	-	326
Accounts receivable	5,314	-	476
Due (to) from other funds	(3,056)	-	134
Other assets	24	-	16
Total current assets	<u>509,217</u>	<u>-</u>	<u>30,848</u>
Noncurrent assets:			
Investments	53,886	-	107,362
Program loans receivable, net of allowance	1,447,264	-	197,228
Other assets	7,072	-	543
Total noncurrent assets	<u>1,508,222</u>	<u>-</u>	<u>305,133</u>
Total assets	<u>2,017,439</u>	<u>-</u>	<u>335,981</u>
DEFERRED OUTFLOWS OF RESOURCES			
Accumulated decrease in fair value of hedging derivatives	-	-	-
Deferred loss on refunding	-	-	-
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current liabilities:			
Bonds payable	38,077	-	8,485
Notes payable	-	-	-
Interest payable	17,168	-	1,817
Due from other government entities, net	(54)	-	-
Compensated absences	-	-	-
Deposits and other liabilities	1,475	-	55
Total current liabilities	<u>56,666</u>	<u>-</u>	<u>10,357</u>
Noncurrent liabilities:			
Bonds payable	1,680,722	-	291,920
Notes payable	-	-	-
Due to other government entities, net	1,892	-	-
Other liabilities	-	-	-
Unearned revenues	-	-	-
Total noncurrent liabilities	<u>1,682,614</u>	<u>-</u>	<u>291,920</u>
Total liabilities	<u>1,739,280</u>	<u>-</u>	<u>302,277</u>
DEFERRED INFLOWS OF RESOURCES			
Unamortized pension net difference	-	-	-
Total deferred inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	-	-	-
Restricted by indenture	278,159	-	33,704
Restricted by statute	-	-	-
Total net position	<u>\$ 278,159</u>	<u>\$ -</u>	<u>\$ 33,704</u>

RESIDENTIAL MORTGAGE REVENUE BONDS OVERCOLLATERALIZATION	TOTAL HOMEOWNERSHIP PROGRAMS
\$ 1	\$ 5,436
3,110	471,696
2,072	57,191
137	6,828
20	1,346
33	5,823
6	(2,916)
-	40
<u>5,379</u>	<u>545,444</u>
6,006	167,254
22,836	1,667,328
-	7,615
<u>28,842</u>	<u>1,842,197</u>
<u>34,221</u>	<u>2,387,641</u>
-	-
-	-
-	-
-	46,562
-	-
-	18,985
-	(54)
-	-
8	1,538
<u>8</u>	<u>67,031</u>
-	1,972,642
-	-
-	1,892
-	-
-	-
<u>-</u>	<u>1,974,534</u>
<u>8</u>	<u>2,041,565</u>
-	-
-	-
-	-
34,213	346,076
-	-
<u>\$ 34,213</u>	<u>\$ 346,076</u>

CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
HOMEOWNERSHIP PROGRAM
Year Ended June 30, 2016

(Dollars in Thousands)

	HOME MORTGAGE REVENUE BONDS	SINGLE FAMILY HOUSING PROGRAM BONDS	RESIDENTIAL MORTGAGE REVENUE BONDS
OPERATING REVENUES			
Interest income:			
Program loans, net	\$ 88,564	\$ -	\$ 9,922
Interest income, net	3,849	5	4,729
Increase in fair value of investments	641	-	155
Realized gain on sale of securities	-	-	-
Loan commitment fees	-	-	-
Other loan fees	15	-	2
Other revenues	217	-	42
Total operating revenues	<u>93,286</u>	<u>5</u>	<u>14,850</u>
SALARIES AND GENERAL EXPENSES			
Interest	44,762	143	10,820
Amortization of bond discount and bond premium	(1,411)	-	-
Mortgage servicing fees	5,290	-	663
(Reversal) provision for program loan losses	(10,282)	-	(911)
Salaries and general expenses	-	-	-
Other expenses	8,806	-	1,799
Total salaries and general expenses	<u>47,165</u>	<u>143</u>	<u>12,371</u>
Operating income (loss) before transfers	46,121	(138)	2,479
Transfers intrafund	(29,693)	45	5,615
Increase (decrease) in net position	16,428	(93)	8,094
Net position at beginning of year	<u>261,731</u>	<u>93</u>	<u>25,610</u>
Net position at end of year	<u>\$ 278,159</u>	<u>\$ -</u>	<u>\$ 33,704</u>

RESIDENTIAL MORTGAGE REVENUE BONDS OVERCOLLATERALIZATION	TOTAL HOMEOWNERSHIP PROGRAMS
\$ 1,906	\$ 100,392
222	8,805
100	896
-	-
-	-
-	17
-	259
<u>2,228</u>	<u>110,369</u>
-	55,725
-	(1,411)
54	6,007
(51)	(11,244)
-	-
-	10,605
<u>3</u>	<u>59,682</u>
2,225	50,687
<u>(5,615)</u>	<u>(29,648)</u>
(3,390)	21,039
<u>37,603</u>	<u>325,037</u>
<u>\$ 34,213</u>	<u>\$ 346,076</u>

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL STATEMENTS OF CASH FLOWS -
HOMEOWNERSHIP PROGRAMS

Year Ended June 30, 2016

(Dollars in Thousands)

	HOME MORTGAGE REVENUE BONDS	SINGLE FAMILY HOUSING PROGRAM BONDS	RESIDENTIAL MORTGAGE REVENUE BONDS
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 91,166	\$ 261	\$ 10,180
Payments to suppliers	(5,625)	(1)	(693)
Payments to employees	-	-	-
Other receipts (payments)	320,757	31,916	40,902
Net cash provided by operating activities	<u>406,298</u>	<u>32,176</u>	<u>50,389</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intrafund transfers	(29,693)	45	5,615
Changes in due from other government entities	67	-	-
Net cash (used for) provided by provided by noncapital financing activities	<u>(29,626)</u>	<u>45</u>	<u>5,615</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from sales of bonds	236,350	-	-
Payment of bond & note principal	(27,545)	-	(9,290)
Early bond redemptions	(360,265)	(34,900)	(80,254)
Interest paid on debt	(48,380)	(859)	(11,378)
Interfund transfers	-	-	-
Net cash (used for) provided by capital and related financing activities	<u>(199,840)</u>	<u>(35,759)</u>	<u>(100,922)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturity and sale of investments	576,242	39,519	200,728
Purchase of investments	(759,389)	(35,998)	(161,060)
Interest on investments, net	3,953	8	4,832
Net cash (used for) provided by investing activities	<u>(179,194)</u>	<u>3,529</u>	<u>44,500</u>
Net (decrease) increase in cash and cash equivalents	(2,362)	(9)	(418)
Cash and cash equivalents at beginning of year	7,182	9	1,033
Cash and cash equivalents at end of year	<u>\$ 4,820</u>	<u>\$ -</u>	<u>\$ 615</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	\$ 46,121	\$ (138)	\$ 2,479
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Interest expense on debt	44,762	143	10,820
Interest on investments	(3,849)	(6)	(4,728)
Increase in fair value of investments	(641)	-	(156)
Realized gain on sale of securities	-	-	-
Amortization of bond discount	33	-	-
Amortization of deferred losses on refundings of debt	-	-	-
Amortization of bond premium	(1,444)	-	-
Loan commitment fees	-	-	-
(Reversal) provision for estimated loan losses	(10,282)	-	(911)
(Reversal) provision for yield reduction payments	(100)	-	-
Provision (reversal) for nonmortgage investment excess	86	-	-
Effect of changes in operating assets and liabilities:			
(Purchase) sale of program loans, net	(4,620)	120,077	(598)
Collection of principal from program loans, net	339,521	(88,735)	43,006
Interest receivable	2,602	261	258
Accounts receivable	(309)	-	173
Due (from) to other funds	(5,488)	574	83
Other assets	34	-	1
Compensated absences	-	-	-
Deposits and other liabilities	(128)	-	(38)
Unearned revenue	-	-	-
Net cash provided by (used for) operating activities	<u>\$ 406,298</u>	<u>\$ 32,176</u>	<u>\$ 50,389</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Noncash transfer of program loan to REO	<u>\$ 6,524</u>	<u>\$ -</u>	<u>\$ 877</u>

RESIDENTIAL MORTGAGE REVENUE BONDS OVERCOLLATERALIZATION		TOTAL HOMEOWNERSHIP PROGRAMS	
\$	1,941	\$	103,548
	(55)		(6,374)
	-		-
	3,219		396,794
	<u>5,105</u>		<u>493,968</u>
	(5,615)		(29,648)
	-		67
	<u>(5,615)</u>		<u>(29,581)</u>
	-		236,350
	-		(36,835)
	-		(475,419)
	-		(60,617)
	-		-
	-		<u>(336,521)</u>
	7,224		823,713
	(6,935)		(963,382)
	222		9,015
	<u>511</u>		<u>(130,654)</u>
	1		(2,788)
	-		8,224
\$	<u>1</u>	\$	<u>5,436</u>
\$	2,225	\$	50,687
	-		55,725
	(222)		(8,805)
	(99)		(896)
	-		-
	-		33
	-		-
	-		(1,444)
	-		-
	(51)		(11,244)
	-		(100)
	-		86
	-		114,859
	3,222		297,014
	35		3,156
	(1)		(137)
	(5)		(4,836)
	-		35
	-		-
	1		(165)
	-		-
\$	<u>5,105</u>	\$	<u>493,968</u>
\$	-	\$	7,401

**CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF NET POSITION
MULTIFAMILY RENTAL HOUSING PROGRAMS**

June 30, 2016

(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	\$ -	\$ 7	\$ -	\$ -
Investments	35	30,707	-	4,548
Current portion - program loans receivable, net of allowance	181	21,727	-	1,129
Interest receivable - program loans, net	-	2,944	-	221
Interest receivable - investments	-	138	-	116
Accounts receivable	-	8	-	-
Due from other funds	-	-	-	-
Other assets	-	272	-	46
Total current assets	<u>216</u>	<u>55,803</u>	<u>-</u>	<u>6,060</u>
Noncurrent assets:				
Investments	-	23,936	-	39,997
Program loans receivable, net of allowance	-	558,232	-	50,463
Other assets	-	-	-	-
Total noncurrent assets	<u>-</u>	<u>582,168</u>	<u>-</u>	<u>90,460</u>
Total assets	<u>216</u>	<u>637,971</u>	<u>-</u>	<u>96,520</u>
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives	-	25,985	-	-
Deferred loss on refunding	-	343	-	-
Total deferred outflows of resources	<u>-</u>	<u>26,328</u>	<u>-</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Bonds payable	-	7,220	-	810
Notes payable	-	-	-	-
Interest payable	4	9,933	-	312
Due to (from) other government entities, net	-	-	-	-
Compensated absences	-	-	-	-
Deposits and other liabilities	-	365	-	1
Total current liabilities	<u>4</u>	<u>17,518</u>	<u>-</u>	<u>1,123</u>
Noncurrent liabilities:				
Bonds payable	215	364,333	-	79,840
Notes payable	-	-	-	-
Due to other government entities, net	-	4,143	-	-
Other liabilities	-	114,460	-	-
Unearned revenues	-	-	-	-
Total noncurrent liabilities	<u>215</u>	<u>482,936</u>	<u>-</u>	<u>79,840</u>
Total liabilities	<u>219</u>	<u>500,454</u>	<u>-</u>	<u>80,963</u>
DEFERRED INFLOWS OF RESOURCES				
Unamortized pension net difference	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	-	-	-	-
Restricted by indenture	(3)	163,845	-	15,557
Restricted by statute	-	-	-	-
Total net position	<u>\$ (3)</u>	<u>\$ 163,845</u>	<u>\$ -</u>	<u>\$ 15,557</u>

MULTIFAMILY RESIDENTIAL MORTGAGE REVENUE BONDS	MULTIFAMILY SPECIAL/LIMITED OBLIGATION BONDS	TOTAL MULTIFAMILY RENTAL HOUSING PROGRAMS
\$ -	\$ 2,091	\$ 2,098
3,258	-	38,548
604	62,921	86,562
209	221	3,595
3	-	257
-	-	8
-	-	-
20	72	410
<u>4,094</u>	<u>65,305</u>	<u>131,478</u>
-	-	63,933
49,276	-	657,971
-	-	-
<u>49,276</u>	<u>-</u>	<u>721,904</u>
<u>53,370</u>	<u>65,305</u>	<u>853,382</u>
-	-	25,985
-	-	343
-	-	<u>26,328</u>
-	-	8,030
-	-	-
269	420	10,938
-	-	-
-	-	-
1	-	367
<u>270</u>	<u>420</u>	<u>19,335</u>
49,410	62,920	556,718
-	-	-
-	-	4,143
-	-	114,460
-	-	-
<u>49,410</u>	<u>62,920</u>	<u>675,321</u>
<u>49,680</u>	<u>63,340</u>	<u>694,656</u>
-	-	-
-	-	-
-	-	-
3,690	1,965	185,054
-	-	-
<u>\$ 3,690</u>	<u>\$ 1,965</u>	<u>\$ 185,054</u>

CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
MULTIFAMILY PROGRAM
Year Ended June 30, 2016

(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	\$ 26	\$ 41,421	\$ 86	\$ 2,855
Interest income, net	-	1,092	1	1,407
Increase in fair value of investments	-	2,486	-	3,805
Realized gain on sale of securities	-	-	-	-
Loan commitment fees	-	-	-	-
Other loan fees	-	5,960	-	-
Other revenues	-	(36,411)	-	-
Total operating revenues	<u>26</u>	<u>14,548</u>	<u>87</u>	<u>8,067</u>
SALARIES AND GENERAL EXPENSES				
Interest	26	12,168	-	1,911
Amortization of bond discount and bond premium	-	111	-	-
Mortgage servicing fees	-	-	-	-
(Reversal) provision for program loan losses	-	(2,185)	(364)	-
Salaries and general expenses	-	-	-	-
Other expenses	-	2,513	-	1,019
Total salaries and general expenses	<u>26</u>	<u>12,607</u>	<u>(364)</u>	<u>2,930</u>
Operating income (loss) before transfers	-	1,941	451	5,137
Transfers intrafund	-	(7,731)	(23,899)	-
(Decrease) increase in net position	-	(5,790)	(23,448)	5,137
Net position at beginning of year	<u>(3)</u>	<u>169,635</u>	<u>23,448</u>	<u>10,420</u>
Net position at end of year	<u>\$ (3)</u>	<u>\$ 163,845</u>	<u>\$ -</u>	<u>\$ 15,557</u>

MULTIFAMILY RESIDENTIAL MORTGAGE REVENUE BONDS	MULTIFAMILY SPECIAL/LIMITED OBLIGATION BONDS	TOTAL MULTIFAMILY RENTAL HOUSING PROGRAMS
\$ 2,505	\$ 1,285	\$ 48,178
9	-	2,509
-	-	6,291
-	-	-
-	-	-
-	-	5,960
-	-	(36,411)
<u>2,514</u>	<u>1,285</u>	<u>26,527</u>
1,616	763	16,484
-	-	111
-	-	-
-	-	(2,549)
-	-	-
647	592	4,771
<u>2,263</u>	<u>1,355</u>	<u>18,817</u>
251	(70)	7,710
-	2,035	(29,595)
<u>251</u>	<u>1,965</u>	<u>(21,885)</u>
3,439	-	206,939
<u>\$ 3,690</u>	<u>\$ 1,965</u>	<u>\$ 185,054</u>

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL STATEMENTS OF CASH FLOWS -
MULTIFAMILY RENTAL HOUSING PROGRAMS
Year Ended June 30, 2016

(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	\$ 26	\$ 41,612	\$ 1,739	\$ 2,860
Payments to suppliers	-	(68)	-	(4)
Other receipts (payments)	737	43,285	20,104	64
Net cash provided by (used for) operating activities	<u>763</u>	<u>84,829</u>	<u>21,843</u>	<u>2,920</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intrafund transfers	-	(7,732)	(23,898)	-
Net cash (used for) provided by provided by noncapital financing activities	<u>-</u>	<u>(7,732)</u>	<u>(23,898)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sales of bonds	-	-	-	-
Payment of bond & note principal	(806)	(9,755)	-	(769)
Early bond redemptions	-	(102,685)	-	(2,270)
Interbond transfers	-	-	-	-
Interest paid on debt	(30)	(12,098)	-	(1,923)
Interfund transfers	-	-	-	-
Net cash (used for) provided by capital and related financing activities	<u>(836)</u>	<u>(124,538)</u>	<u>-</u>	<u>(4,962)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from maturity and sale of investments	1,004	291,369	2,327	14,545
Purchase of investments	(931)	(245,051)	(274)	(13,912)
Interest on investments, net	-	1,122	2	1,409
Net cash provided by (used for) investing activities	<u>73</u>	<u>47,440</u>	<u>2,055</u>	<u>2,042</u>
Net (decrease) increase in cash and cash equivalents	-	(1)	-	-
Cash and cash equivalents at beginning of year	-	8	-	-
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	\$ -	\$ 1,941	\$ 451	\$ 5,137
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Interest expense on debt	26	12,168	-	1,911
Interest on investments	-	(1,092)	(1)	(1,407)
Increase in fair value of investments	-	(2,487)	-	(3,804)
Realized gain on sale of securities	-	-	-	-
Amortization of bond discount	-	7	-	-
Amortization of deferred losses on refundings of debt	-	104	-	-
Amortization of bond premium	-	-	-	-
Loan commitment fees	-	-	-	-
Depreciation	-	-	-	-
(Reversal) provision for estimated loan losses	-	(2,185)	(364)	-
(Reversal) provision for yield reduction payments	-	(3,283)	-	-
Provision for nonmortgage investment excess	-	2	-	-
Effect of changes in operating assets and liabilities:				
Sale (purchase) of program loans, net	-	1,367	20,003	-
Collection of principal from program loans, net	737	56,062	101	1,077
Interest receivable	-	191	1,653	5
Other assets	-	(3,421)	-	1
Deposits and other liabilities	-	(19)	-	-
Unearned revenue	-	25,482	-	-
Net cash provided by (used for) operating activities	<u>\$ 763</u>	<u>\$ 84,829</u>	<u>\$ 21,843</u>	<u>\$ 2,920</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Noncash transfer of program loan to REO	\$ -	\$ -	\$ -	\$ -

MULTIFAMILY RESIDENTIAL MORTGAGE REVENUE BONDS	MULTIFAMILY SPECIAL/LIMITED OBLIGATION BONDS	TOTAL MULTIFAMILY RENTAL HOUSING PROGRAMS
\$ 2,507	\$ 1,064	\$ 49,808
(4)	(7)	(83)
(73)	(63,577)	540
<u>2,430</u>	<u>(62,520)</u>	<u>50,265</u>
-	2,035	(29,595)
<u>-</u>	<u>2,035</u>	<u>(29,595)</u>
-	62,920	62,920
-	-	(11,330)
-	-	(104,955)
-	-	-
(1,616)	(344)	(16,011)
-	-	-
<u>(1,616)</u>	<u>62,576</u>	<u>(69,376)</u>
5,885	195,725	510,855
(6,707)	(195,725)	(462,600)
8	-	2,541
<u>(814)</u>	<u>-</u>	<u>50,796</u>
-	2,091	2,090
-	-	8
<u>\$ -</u>	<u>\$ 2,091</u>	<u>\$ 2,098</u>
\$ 251	\$ (70)	7,710
1,616	763	16,484
(9)	-	(2,509)
-	-	(6,291)
-	-	-
-	-	7
-	-	104
-	-	-
-	-	-
-	-	(2,549)
-	-	(3,283)
-	-	2
-	-	-
-	(62,920)	(41,550)
579	-	58,556
2	(221)	1,630
(9)	(72)	(3,501)
-	-	(19)
-	-	25,482
<u>\$ 2,430</u>	<u>\$ (62,520)</u>	<u>\$ 50,265</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF NET POSITION
OTHER PROGRAMS AND ACCOUNTS
June 30, 2016

(Dollars in Thousands)

	HOUSING ASSISTANCE TRUST	CONTRACT ADMINISTRATION PROGRAMS	SUPPLEMENTAL BOND SECURITY ACCOUNT	EMERGENCY RESERVE ACCOUNT
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 17,328	\$ 4,514	\$ -	\$ -
Investments	212,930	227,431	19,757	32,288
Current portion - program loans receivable, net of allowance	18,220	-	-	-
Interest receivable - program loans, net	3,402	22,932	-	-
Interest receivable - investments	357	317	26	37
Accounts receivable	1,974	194	-	158
Due from (to) other funds	(326)	2,050	6,369	-
Other assets	18,018	-	-	-
Total current assets	<u>271,903</u>	<u>257,438</u>	<u>26,152</u>	<u>32,483</u>
Noncurrent assets:				
Investments	15,996	-	-	-
Program loans receivable, net of allowance	187,311	398,395	-	-
Other assets	65	-	-	-
Total noncurrent assets	<u>203,372</u>	<u>398,395</u>	<u>-</u>	<u>-</u>
Total assets	<u>475,275</u>	<u>655,833</u>	<u>26,152</u>	<u>32,483</u>
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives	1,456	-	-	-
Deferred gain (loss) on refunding	-	-	-	-
Employer contribution	-	-	-	-
Total deferred outflows of resources	<u>1,456</u>	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Bonds payable	-	-	-	-
Notes payable	-	-	-	-
Interest payable	9,657	-	-	-
Due to other government entities, net	-	330	-	-
Compensated absences	-	-	-	-
Deposits and other liabilities	4,485	9	-	-
Total current liabilities	<u>14,142</u>	<u>339</u>	<u>-</u>	<u>-</u>
Noncurrent liabilities:				
Bonds payable	-	-	-	-
Notes payable	-	-	-	-
Due to other government entities, net	-	-	-	-
Other liabilities	62,594	-	-	-
Unearned revenues	-	-	-	-
Total noncurrent liabilities	<u>62,594</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>76,736</u>	<u>339</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unamortized pension net difference	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	-	-	-	-
Restricted by indenture	-	-	-	-
Restricted by statute	399,995	655,494	26,152	32,483
Total net position	<u>\$ 399,995</u>	<u>\$ 655,494</u>	<u>\$ 26,152</u>	<u>\$ 32,483</u>

	LOAN SERVICING	CITIGROUP GLOBAL MARKETS	FEDERAL PROGRAMS	OPERATING ACCOUNT	TOTAL OTHER PROGRAMS AND ACCOUNTS
\$	24,407	\$ 80	\$ 1	\$ 114	\$ 46,444
	225,441	-	1,209	21,058	740,114
	-	1,326	-	-	19,546
	-	127	-	-	26,461
	309	-	2	37	1,085
	1,697	-	-	627	4,650
	(6,284)	-	-	1,107	2,916
	-	-	-	38	18,056
	<u>245,570</u>	<u>1,533</u>	<u>1,212</u>	<u>22,981</u>	<u>859,272</u>
	-	-	-	-	15,996
	-	33,545	-	-	619,251
	-	-	-	587	652
	-	<u>33,545</u>	-	<u>587</u>	<u>635,899</u>
	<u>245,570</u>	<u>35,078</u>	<u>1,212</u>	<u>23,568</u>	<u>1,495,171</u>
	-	-	-	-	1,456
	-	-	-	-	-
	-	-	-	10,211	10,211
	-	-	-	10,211	11,667
	-	-	-	-	-
	-	1,371	-	-	1,371
	-	110	-	-	9,767
	-	-	-	290	620
	-	-	-	3,473	3,473
	<u>239,938</u>	-	<u>1,212</u>	<u>3,549</u>	<u>249,193</u>
	<u>239,938</u>	<u>1,481</u>	<u>1,212</u>	<u>7,312</u>	<u>264,424</u>
	-	-	-	-	-
	-	33,616	-	-	33,616
	-	-	-	75,836	75,836
	-	-	-	-	62,594
	-	-	-	1,034	1,034
	-	<u>33,616</u>	-	<u>76,870</u>	<u>173,080</u>
	<u>239,938</u>	<u>35,097</u>	<u>1,212</u>	<u>84,182</u>	<u>437,504</u>
	-	-	-	9,164	9,164
	-	-	-	9,164	9,164
	-	-	-	587	587
	-	-	-	-	-
	5,632	(19)	-	(60,154)	1,059,583
\$	<u>5,632</u>	<u>\$ (19)</u>	<u>\$ -</u>	<u>\$ (59,567)</u>	<u>\$ 1,060,170</u>

CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
OTHER PROGRAMS AND ACCOUNTS
Year Ended June 30, 2016

(Dollars in Thousands)

	HOUSING ASSISTANCE TRUST	CONTRACT ADMINISTRATION PROGRAMS	SUPPLEMENTAL BOND SECURITY ACCOUNT	EMERGENCY RESERVE ACCOUNT
OPERATING REVENUES				
Interest income:				
Program loans, net	\$ 12,715	\$ 9,993	\$ -	\$ -
Interest income, net	1,544	1,061	110	120
Increase in fair value of investments	581	-	-	-
Realized gain on sale of securities	39,549	-	-	-
Loan commitment fees	-	-	-	-
Other loan fees	6,441	1,119	-	-
Other revenues	(5,670)	868	-	-
Total operating revenues	<u>55,160</u>	<u>13,041</u>	<u>110</u>	<u>120</u>
SALARIES AND GENERAL EXPENSES				
Interest	79	-	-	-
Mortgage servicing fees	1	-	-	-
(Reversal) provision for program loan losses	(946)	2,867	-	-
Salaries and general expenses	-	-	-	-
Other expenses	11,007	11,157	91	-
Total salaries and general expenses	<u>10,141</u>	<u>14,024</u>	<u>91</u>	<u>-</u>
Operating income (loss) before transfers	45,019	(983)	19	120
Transfers out	(496)	(3,169)	-	-
Transfers intrafund	34,928	16	-	-
Increase (decrease) in net assets	<u>79,451</u>	<u>(4,136)</u>	<u>19</u>	<u>120</u>
Net position at beginning of year	<u>320,544</u>	<u>659,630</u>	<u>26,133</u>	<u>32,363</u>
Net position at end of year	<u>\$ 399,995</u>	<u>\$ 655,494</u>	<u>\$ 26,152</u>	<u>\$ 32,483</u>

LOAN SERVICING	CITIGROUP GLOBAL MARKETS	FEDERAL PROGRAMS	OPERATING ACCOUNT	TOTAL OTHER PROGRAMS AND ACCOUNTS
\$ -	\$ -	\$ -	\$ -	\$ 22,708
-	-	-	98	2,933
-	-	-	-	581
-	-	-	-	39,549
-	-	-	885	885
3,802	-	-	12,846	24,208
283	-	60,184	1,604	57,269
<u>4,085</u>	<u>-</u>	<u>60,184</u>	<u>15,433</u>	<u>148,133</u>
-	-	-	-	79
-	-	-	-	1
-	(197)	-	-	1,724
-	-	-	40,117	40,117
486	-	60,184	4,346	87,271
<u>486</u>	<u>(197)</u>	<u>60,184</u>	<u>44,463</u>	<u>129,192</u>
3,599	197	-	(29,030)	18,941
-	-	-	-	(3,665)
(4,500)	55	-	28,744	59,243
(901)	252	-	(286)	74,519
6,533	(271)	-	(59,281)	985,651
<u>\$ 5,632</u>	<u>\$ (19)</u>	<u>\$ -</u>	<u>\$ (59,567)</u>	<u>\$ 1,060,170</u>

**CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL STATEMENTS OF CASH FLOWS -
OTHER PROGRAMS AND ACCOUNTS**

Year Ended June 30, 2016

(Dollars in Thousands)

	HOUSING ASSISTANCE TRUST	CONTRACT ADMINISTRATION PROGRAMS	SUPPLEMENTAL BOND SECURITY ACCOUNT	EMERGENCY RESERVE ACCOUNT
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 10,760	\$ 4,159	\$ -	\$ -
Payments to suppliers	(77)	(18)	-	-
Payments to employees	-	-	-	-
Other (payments) receipts	(81,541)	(48,901)	2,188	(60)
Net cash (used for) provided by operating activities	<u>(70,858)</u>	<u>(44,760)</u>	<u>2,188</u>	<u>(60)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intrafund transfers	34,929	16	-	-
Due from (to) other government entities	-	-	-	-
Net cash provided by (used for) noncapital financing activities	<u>34,929</u>	<u>16</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payment of bond & note principal	-	-	-	-
Early bond redemptions	-	-	-	-
Interest paid on debt	(3,963)	-	-	-
Interfund transfers	(496)	(3,169)	-	-
Net cash (used for) provided by capital and related financing activities	<u>(4,459)</u>	<u>(3,169)</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from maturity and sale of investments	1,358,425	86,766	91	9,713
Purchase of investments	(1,309,708)	(37,386)	(2,375)	(9,759)
Interest on investments, net	1,402	939	95	105
Net cash provided by (used for) investing activities	<u>50,119</u>	<u>50,319</u>	<u>(2,189)</u>	<u>59</u>
Net increase (decrease) in cash and cash equivalents	9,731	2,406	(1)	(1)
Cash and cash equivalents at beginning of year	7,597	2,108	1	1
Cash and cash equivalents at end of year	<u>\$ 17,328</u>	<u>\$ 4,514</u>	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 45,019	\$ (983)	\$ 19	\$ 120
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Interest expense on debt	79	-	-	-
Interest on investments	(1,545)	(1,061)	(109)	(120)
Increase in fair value of investments	(581)	-	-	-
Realized gain on sale of securities	(39,549)	-	-	-
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	(946)	2,867	-	-
Provision for yield reduction payments	-	-	-	-
Provision for nonmortgage investment excess	-	-	-	-
Effect of changes in operating assets and liabilities:				
(Purchase) sale of program loans, net	(198,083)	(64,708)	-	-
Collection of principal from program loans, net	124,139	24,667	-	-
Interest receivable	(1,955)	(5,834)	-	-
Accounts receivable	(1,722)	(5)	-	(60)
Due to (from) other funds	630	287	2,278	-
Other assets	15,419	-	-	-
Compensated absences	-	-	-	-
Pension liability	-	-	-	-
Deposits and other liabilities	(744)	10	-	-
Unearned revenue	(11,019)	-	-	-
Net cash (used for) provided by operating activities	<u>\$ (70,858)</u>	<u>\$ (44,760)</u>	<u>\$ 2,188</u>	<u>\$ (60)</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Noncash transfer of program loan to REO	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LOAN SERVICING	CITIGROUP GLOBAL MARKETS	FEDERAL PROGRAMS	OPERATING ACCOUNT	TOTAL OTHER PROGRAMS AND ACCOUNTS
\$ -	\$ 125	\$ -	\$ -	\$ 15,044
-	-	-	(11,225)	(11,320)
-	-	-	(28,582)	(28,582)
29,074	19,583	(2,403)	10,166	(71,894)
<u>29,074</u>	<u>19,708</u>	<u>(2,403)</u>	<u>(29,641)</u>	<u>(96,752)</u>
(4,500)	55	-	28,743	59,243
-	-	-	7,208	7,208
<u>(4,500)</u>	<u>55</u>	<u>-</u>	<u>35,951</u>	<u>66,451</u>
-	(19,593)	-	-	(19,593)
-	-	-	-	-
-	(188)	-	-	(4,151)
-	-	-	-	(3,665)
<u>-</u>	<u>(19,781)</u>	<u>-</u>	<u>-</u>	<u>(27,409)</u>
85,109	-	4,858	41,055	1,586,017
(108,044)	-	(2,458)	(47,595)	(1,517,325)
(166)	-	2	72	2,449
<u>(23,101)</u>	<u>-</u>	<u>2,402</u>	<u>(6,468)</u>	<u>71,141</u>
1,473	(18)	(1)	(158)	13,431
22,934	98	2	272	33,013
<u>\$ 24,407</u>	<u>\$ 80</u>	<u>\$ 1</u>	<u>\$ 114</u>	<u>\$ 46,444</u>
\$ 3,599	\$ 197	\$ -	\$ (29,030)	\$ 18,941
-	-	-	-	79
-	-	-	(98)	(2,933)
-	-	-	-	(581)
-	-	-	-	(39,549)
-	-	-	-	-
-	-	-	-	-
-	-	-	(885)	(885)
-	-	-	232	232
-	(197)	-	-	1,724
-	-	-	-	-
-	-	-	-	-
-	17,642	-	-	(245,149)
-	1,942	-	-	150,748
-	124	-	-	(7,665)
1,390	-	-	(222)	(619)
(710)	-	-	2,351	4,836
-	-	-	(5,973)	9,446
-	-	-	(338)	(338)
-	-	-	934	934
24,795	-	(2,403)	2,373	24,031
-	-	-	1,015	(10,004)
<u>\$ 29,074</u>	<u>\$ 19,708</u>	<u>\$ (2,403)</u>	<u>\$ (29,641)</u>	<u>\$ (96,752)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>