2015 Minnesota Housing Audit Report

Minnesota Housing Finance Agency

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At Minnesota Housing, we are pleased to have completed another year with strong financial and programmatic results.

Minnesota continues to enjoy strong economic activity, with unemployment at 3.9%, compared to 5.3% nationally, and jobs growing to the 2.77 million level. The housing market is also improving, with the number of foreclosure sales in Minnesota dropping almost 30% from 11,834 in 2014 to 8,313 in 2015. Home sales prices continue to improve, rising 7% in the last year from $193,000 in June 2014 to $206,500 in June 2015, but remaining below their 2006 peak. In this marketplace environment, we capitalized on strong market conditions and low interest rates to improve both our product offerings and our financial condition with positive programmatic results:

- During the current fiscal year, we offered a suite of single family home mortgage programs. With more stability in the employment market and the threat of higher interest rates nationally, first time homebuyers entered the market this year in strong numbers. Minnesota Housing had one of our highest home mortgage volume years ever, with 3,960 loans – up from 2,620 loans last year, more than a 50% increase. The Agency increased our allocation of down payment and closing costs assistance resources during the year to support this production and to ensure that the Agency is reaching its targeted borrowers. More than 93% of mortgage loans went to first time homebuyers and more than 26% were for households of color and Hispanic ethnicity.

- The capital markets and best execution funding strategy employed nearly three years ago continues to serve the Agency well. Record single family production and prospects that Federal Reserve will raise short term interest rates in the coming months adds a significant amount of interest rate risk to the Agency. Hedging a mortgage pipeline effectively removes the risk of rising interest rates and it is our strategy to be 100% hedged at all times. Today, the Agency is a national leader in funding new single family production through the issuance of pass-through housing bonds while opportunistically refunding older bond transactions to take advantage of today's lower interest rate environment. In fiscal year 2015, Minnesota Housing financed over $300 million of new mortgage production through the issuance of tax exempt bonds and refinanced nearly $150 million of older bonds, helping to improve both short and long term finances of the Agency. We expect to remain an active issuer of tax exempt bonds, while continuing to sell loans into the capital markets when that is the better execution.

- We have seen continued improvement in our Real Estate Owned (REO) portfolio with the number of REO properties declining from 67 last year to 42 at the end of June, 2015. In addition, the average loss on the sale of REO properties declined from $21,016 last year to $18,419 at the end of June, 2015. Delinquency rates continued to drop from June of last year, and have stabilized at a 4.45% rate for 60+ days, and the foreclosure rate has held steady at 1.25%. We continue our strategy of placing virtually all new loan production into mortgage-backed securities.

- The State of Minnesota went into its 2015 legislative session with a large budget surplus. We received appropriations of $104.6 million for the biennium beginning July 1, 2015, which represents a $3 million increase from the previous biennium. The Agency also received a $10 million allocation of Housing Infrastructure bonds from a small capital investment bill passed by the legislature. Because the state appropriates debt service for these bonds, we are able to use the proceeds of the bonds as deferred financing for projects. The Agency enjoys broad bipartisan support from the state legislature.

- We are working to further develop our multifamily first mortgage lending capacity, including the processing of FHA MAP (Multifamily Accelerated Processing) loans along with FHA Risk Share loans. Two multifamily underwriters have now completed their MAP training, one loan has closed and several loans have received concept approval from HUD.

- We closed 98 loans and grants on 83 multifamily properties totaling nearly $57 million and providing affordable housing to 4,067 households (units), 675 of which were designated to serve long-term homeless households. Of the 98 transactions that closed, the Agency provided financing to 11 federally assisted developments, which resulted in the preservation of 856 units and are estimated to leverage more than $70 million in federal rent subsidies during the affordability periods of the properties. Forty-two new developments included units of supportive housing for families and individuals who experienced long term homelessness.

- In partnership with the non-profit Minnesota Homeownership Center, we supported pre-purchase education and counseling, foreclosure prevention counseling and reverse mortgage counseling. Nearly 13,000 households throughout the state used these services last year. More than 3,400 of those households received their counseling through an on-line homebuyer counseling program called Framework, which makes homebuyer counseling accessible and convenient for many more households. In addition, we launched a new, intensive coaching and counseling program targeted primarily for households of color and Hispanic ethnicity who often experience difficulty accessing mortgage loans through conventional channels. Since its start, 442 households have started this program, of which 92% are households of color and Hispanic ethnicity.

Minnesota Housing took other important steps during the year to set our course for the future:

- Completed a comprehensive risk-based capital adequacy study, including five-year financial forecasts under several interest rate and production scenarios.
- Adopted a new 2016-2019 Strategic Plan entitled "Housing is the Foundation for Success".
- Worked with the Interagency Council on Homelessness comprised of 11 state agency commissioners to implement a new Statewide Plan to Prevent and End Homelessness. Based on the annual census of homeless individuals conducted in January 2015, the state saw a 10% decline in homeless households compared to the previous year.
- Continued our significant investment in the redesign of business processes and the technology to support them that was started in 2012. During the year, Minnesota Housing:
  - Continued the movement of all amortizing and deferred loans serviced by the Agency to a comprehensive loan servicing system. This has resulted in the elimination of over 1000 spreadsheets, improved access to loan data and streamlined processes for loan servicing
  - Entered into a contract with Accenture Mortgage Cadence for the development and installation of a new single family loan origination system. The system will allow for the electronic transfer of data from multiple loan origination systems used by originating lenders and will dramatically improve internal processes for the Agency.
  - Redesigned our developer application for multifamily tax credits and funding resources as a first step in a larger project to the redesign of business processes for multifamily loan processing operations.
  - Entered into contracts for the design and implementation of several important agency-wide technology utilities, including a data strategy and a customer relationship management platform.

We are proud to maintain multiple programs so that individuals and families with a wide range of needs can obtain stable, affordable housing. We are committed to building and maintaining the elements that have sustained our work for more than 40 years – our people, our partners, our community support and our financial strength.

Mary Tingerthal, Commissioner
Minnesota Housing
August 12, 2015

Independent Auditors' Report

To the Board of Directors
Minnesota Housing Finance Agency
Saint Paul, Minnesota

Report on the Financial Statements
We have audited the accompanying financial statements of the businesstype activities and each major fund of Minnesota Housing Finance Agency (the Agency), a component unit of the State of Minnesota, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency'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 Agency'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.

Unmodified Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Minnesota Housing Finance Agency, a component unit of the State of Minnesota, as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter—Adoption of Standards
As explained in the Summary of Significant Accounting Policies in the notes to the financial statements, the Agency adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68,* which resulted in the Agency restating net position for recognition of the Agency's pension-related activity incurred prior to July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Report on Summarized Comparative Information
The financial statements include summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information

should be read in conjunction with the Agency's financial statements for the year ended June 30, 2014, from which such summarized information was derived.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of selected pension information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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 opinions on the financial statements that collectively comprise the Agency's basic financial statements. The introductory section, the supplementary information and other information as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The 2015 supplementary 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 2015 supplementary information is fairly stated, in all material respects, in relation to the 2015 basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the Agency's 2014 basic financial statements (not presented herein), and have issued our report thereon dated August 25, 2014, which contained unmodified opinions on the respective financial statements of the business-type activities and each major fund. The accompanying supplementary information, as listed in the table of contents, for the year ended June 30, 2014, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2014 financial statements. The accompanying supplementary information has been subjected to the auditing procedures applied in the audit of the 2014 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements, or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2014 supplementary information is fairly stated in all material respects in relation to the 2014 basic financial statements taken as a whole.

The introductory section and other information have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

McGladrey LLP

Minneapolis, Minnesota
August 19, 2015

Management's Discussion and Analysis of Financial Condition and Results of Operations is not audited. However, it is supplementary information required by accounting principles generally accepted in the United States of America. This discussion should be read in conjunction with the financial statements and notes thereto.

Introduction

The Minnesota Housing Finance Agency (Minnesota Housing or the Agency) was created in 1971 by the Minnesota legislature through the enactment of Minnesota Statutes, Chapter 462A, which has been amended from time to time. The Agency was established to facilitate the construction and rehabilitation of housing in Minnesota for families of low- and moderate-income by providing mortgage loans, development loans, and technical assistance to qualified housing sponsors. Minnesota Housing is a component unit of the State of Minnesota and receives appropriations from the state legislature, substantially all of which are used to make loans or grants under specified state-defined programs and to pay debt service and related expenses on state appropriation-backed housing bonds. Minnesota Housing also receives funds appropriated by the federal government for similar program purposes. The Agency's mission is to finance affordable housing for low- and moderate-income Minnesotans while fostering strong communities.

Minnesota Housing is authorized to issue bonds and notes to fulfill its corporate purposes up to a total outstanding amount of $5.0 billion and to incur other indebtedness. None of the bonds, notes or other indebtedness is a debt of the State of Minnesota or any political subdivision thereof.

Minnesota Housing operates three program divisions — Multifamily, Single Family and Community Development — which offer housing programs with funding from the sale of tax-exempt and taxable bonds, state and federal appropriations, the Housing Trust Fund and the Alternative Loan Fund. The federal Low Income Housing Tax Credit is another resource the Agency allocates. The members of Minnesota Housing (the Board) consist of six public members appointed by the Governor with the advice and consent of the state senate and the State Auditor as an ex-officio member.

Discussion of Financial Statements

The Financial Section of this report consists of three parts: the independent auditors' report, management's discussion and analysis (this section), and the basic financial statements. The basic financial statements are prepared on an accrual basis and presented on an Agency-wide basis and by fund.

- Agency-wide financial statements provide information about Minnesota Housing's overall financial position and results of operations. These statements consist of the Statement of Net Position and the Statement of Activities. Significant interfund transactions have been eliminated within the Agency-wide statements. Assets and revenues of the separate funds that comprise the Agency-wide financial statements are generally restricted as to use and the reader should not assume they may be used for every corporate purpose.
- The fund financial statements provide information about the financial position and results of operations for Minnesota Housing's eight proprietary funds.
- The financial statements also include "Notes to Financial Statements" which provide more detailed explanations of certain information contained in the Agency-wide and fund financial statements.

Required and other Supplementary Information is presented following the Notes to Financial Statements for certain funds of Minnesota Housing, which have been established under the bond resolutions under which Minnesota Housing issues bonds and other debt for its programs. These funds consist of General Reserve and the bond funds, which are Rental Housing, Residential Housing Finance, Homeownership Finance, HOMES℠ and Multifamily Housing.

The basic financial statements also include comparative totals as of and for the year ended June 30, 2014. Although not required, these comparative totals are intended to facilitate an understanding of Minnesota Housing's financial position and results of operations for fiscal year 2015 in comparison to the prior fiscal year.

Discussion of Individual Funds

General Reserve

The purposes of General Reserve are to maintain sufficient liquidity for Minnesota Housing operations, to hold escrowed funds and to maintain the Housing Endowment Fund (also referred to as Pool 1). The costs of administering Minnesota Housing programs are captured on the Statement of Revenues and Expenses for General Reserve. The fees earned are generally related to the administration of the federal Low Income Housing Tax Credit program, administration of the federal Housing Assistance Payment program, and contract administration of the Section 8 program for developments not financed by Minnesota Housing.

Rental Housing

More than one-half of the developments with a first mortgage loan presently held in Rental Housing receive Section 8 payments under contracts that are for substantially the same length of time as the mortgage loans.

Inherent risks remain in these portfolios, especially for multifamily developments without project-based tenant subsidies. Maintaining asset quality is a high priority for Minnesota Housing; therefore, this portfolio receives a significant amount of oversight.

All of Minnesota Housing's bond-financed multifamily loans, except loans financed under state appropriation-backed housing bonds, conduit bonds, and one loan under Multifamily Housing, are financed in Rental Housing as of June 30, 2015. Funds in excess of bond resolution requirements may be withdrawn and used to redeem any Agency bonds, to fund housing programs and for Agency operations.

Residential Housing Finance

Included within Residential Housing Finance are the bonds issued and outstanding under the Residential Housing Finance bond resolution, and the restricted by covenant Alternative Loan Fund which consists of the Housing Investment Fund (Pool 2), and the Housing Affordability Fund (Pool 3). The Alternative Loan Fund is not pledged as security for any bonds of the Agency but is available to pay debt service on any bonds except appropriation-backed bonds and conduit bonds.

Bonds have been issued for the purpose of funding purchases of single family first mortgage loans, mortgage-backed securities backed by single family mortgage loans, certain entry cost housing assistance loans, and unsecured and secured subordinated home improvement mortgage loans. The majority of the single family loans financed by these bond issues are insured by private mortgage insurance or the Federal Housing Administration (FHA), or guaranteed by the U.S. Department of Veterans Affairs (VA) or the U.S. Department of Agriculture Rural Development (RD). While mortgage insurance and guarantees help mitigate the risk of loss to the Agency, inherent risks remain including the impact of declining home values on default recoveries and the risk of deterioration to the credit worthiness of insurers. The Agency's collection experience among mortgage insurers has been generally favorable.

This bond resolution, along with the Homeownership Finance bond resolution (see Homeownership Finance below), were the principal sources of financing for bond-financed homeownership programs. Minnesota Housing may also issue bonds for its home improvement loan program under this bond resolution although no bonds were issued to support home improvement lending during fiscal year 2015.

Assets of the Housing Investment Fund (Pool 2) consist of investment quality housing loans, as defined by the Agency, and investment grade securities. During fiscal year 2015 this fund provided capital for several Agency programs including its home improvement loan program and its multifamily first-mortgage loan program. It also provided capital for warehousing purchases of mortgage-backed securities secured by single family first mortgage loans before those securities are permanently financed by issuing bonds, permanently financed with HOMES℠ certificates (see below for a description of the HOMES℠ program), or sold into the TBA market. In addition, it provided capital for amortizing second lien homeownership loans made in conjunction with the Agency's single family first mortgage loans, for tax credit bridge loans, for loans to partner organizations to acquire, rehabilitate and sell foreclosed homes and to develop new affordable

Discussion of Individual Funds (continued)

housing, and for bond sale contributions. The fund may also provide interim financing for construction and rehabilitation of single family housing and may be used to advance funds to retire debt.

Assets of the Housing Affordability Fund (Pool 3) consist of investment-grade securities when not utilized for program purposes. Program purposes include, but are not limited to: no-interest loans, loans at interest rates substantially below market, high risk loans, deferred loans, revolving funds, and grants. During fiscal year 2015 funds from Pool 3 were used for entry cost assistance for first-time homebuyers, below-market interim financing for construction and rehabilitation of single family housing, capital costs and rental assistance for permanent supportive housing, advances for certain multifamily housing developments in anticipation of permanent funding through state appropriation-backed housing bonds, and deferred, subordinated multifamily loans.

Funds in excess of bond resolution requirements may be withdrawn and used to redeem any Agency bonds, to fund housing programs and for Agency operations.

Homeownership Finance

This bond resolution was originally adopted for the purpose of issuing mortgage revenue bonds under the United States Treasury's Single Family New Issue Bond Program (NIBP). Non-NIBP mortgage revenue bonds, which also meet resolution requirements, have also been issued under this resolution. Bonds issued under this resolution fund mortgage-backed securities backed by single family mortgage loans. These securities are guaranteed as to payment of principal and interest by either the Government National Mortgage Association or the Federal National Mortgage Association. Funds in excess of bond resolution requirements may be withdrawn and used to redeem any Agency bonds, to fund housing programs and for Agency operations.

Home Ownership Mortgage-backed Exempt Securities (HOMES^{SM})

This bond indenture implements a program developed by the investment banking division of a major bank whereby the Agency issues and sells to the investment bank limited obligations of the Agency (HOMES^{SM} certificates), each secured by a mortgage-backed security guaranteed by FNMA or GNMA. Minnesota Housing is not committed to sell any HOMES^{SM} certificates but has the option to accept the investment bank's bid for HOMES^{SM} certificates, which may be a higher price than the Agency could achieve by selling the mortgage-backed security in the open market. The HOMES^{SM} Certificates are not secured by the general obligation pledge of the Agency and are not protected by the moral obligation backing from the State of Minnesota.

Multifamily Housing

This bond resolution was adopted for the purpose of issuing multifamily housing bonds under the United States Treasury's Multifamily New Issue Bond Program. Bonds were issued during a prior fiscal year for one rental housing project.

State and Federal Appropriated Funds

The appropriated funds are maintained by Minnesota Housing for the purpose of receiving and disbursing monies appropriated by the state and federal government for housing. The entire balance of the appropriated funds' net position is restricted by law for specified uses set forth in the state appropriations or federal contracts and are not pledged or available to secure the bondholders or creditors of Minnesota Housing.

The State Appropriated fund was established to account for funds, received from the state legislature, which are to be used for programs for low- and moderate-income persons and families and multifamily housing developments in the form of low-interest loans, no-interest deferred loans, low-interest amortizing loans, debt service and other costs associated with appropriation-backed housing bonds, and other housing-related program costs.

Discussion of Individual Funds (continued)

The Federal Appropriated fund was established to account for funds received from the federal government which are to be used for programs for low- and moderate-income persons and families and multifamily housing developments in the form of no-interest deferred loans and grants in support of foreclosure counseling and remediation efforts, assistance to tax credit developments, and other housing-related program costs.

General Overview

Minnesota Housing financial statements are presented in two formats: agency-wide and by fund. Funds include Rental Housing, Residential Housing Finance, Homeownership Finance, Multifamily Housing, and HOMES^{SM} (collectively the bond funds); State and Federal Appropriated (collectively the appropriated funds) and General Reserve. Agency-wide financial statements are provided to display a comprehensive view of all Minnesota Housing funds as required by accounting principles generally accepted in the United States of America applicable to governmental entities under accounting standards promulgated from time to time by the Governmental Accounting Standards Board. Agency-wide financial statements reflect totals of similar accounts for various funds. However, substantially all of the funds in these accounts are restricted as to use by Agency covenants or legislation as further described below.

Assets and revenues of the bond funds are restricted to uses specifically set forth in the respective bond resolutions and are pledged for the primary benefit of the respective bondholders and interest rate swap agreement counterparties. General Reserve is created under the Minnesota Housing bond resolutions as part of the pledge of the general obligation of Minnesota Housing. Minnesota Housing covenants in the bond resolutions that it will use the assets in General Reserve only for administration and financing of programs in accordance with the policy and purpose of the Minnesota Housing enabling legislation, including reserves for the payment of bonds and notes and of loans made from the proceeds thereof, and to accumulate and maintain therein such a balance of funds and investments as will be sufficient for the purpose.

Minnesota Housing has no taxing power and neither the State of Minnesota nor any political subdivision thereof is legally obligated to pay the principal of or interest on bonds or other obligations issued by Minnesota Housing. The state has pledged to and agreed with bondholders that it will not limit or alter the rights vested in Minnesota Housing to fulfill the terms of any agreements made with bondholders or in any way impair the rights and remedies of the bondholders.

Public funds directly appropriated to Minnesota Housing by the State of Minnesota or made available to Minnesota Housing from the federal government are restricted by law to specified uses set forth in the state appropriations or federal contracts. Assets and revenues of State Appropriated and Federal Appropriated funds are not pledged or available to secure bonds issued under the bond funds or other obligations of Minnesota Housing or its general obligation pledge in respect thereof.

In addition to its audited annual financial statements, Minnesota Housing has published unaudited quarterly disclosure reports for Residential Housing Finance and Homeownership Finance bond resolutions and unaudited semiannual disclosure reports for the Rental Housing bond resolution. Recent disclosure reports can be found in the "Investors" section on Minnesota Housing's web site at www.mnhousing.gov.

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Condensed Financial Information

Selected Elements From Statement of Net Position (in $000's)

		Agency-wide Total		
		Fiscal 2015	**Fiscal 2014**	**Change**
Assets	Cash and Investments	$1,787,690	$1,575,244	$ 212,446
	Loans receivable, Net	1,348,525	1,489,486	(140,961)
	Interest Receivable	12,134	12,636	(502)
	Total Assets	3,163,984	3,095,972	68,012
Liabilities	Bonds Payable	2,033,332	2,018,912	14,420
	Interest Payable	29,980	32,884	(2,904)
	Accounts Payable & Other Liabilities	8,453	9,554	(1,101)
	Funds Held for Others	117,060	88,545	28,515
	Total Liabilities	2,210,787	2,171,427	39,360
Net Position	Restricted by Bond Resolution	339,091	315,927	23,164
	Restricted by Covenant	476,252	490,527	(14,275)
	Restricted by Law	128,420	130,077	(1,657)
	Total Net Position	946,212	939,916	6,296

Selected Elements From Statement of Revenues, Expenses, and Changes in Net Position (in $000's)

		Agency-wide Total		
		Fiscal 2015	**Fiscal 2014**	**Change**
Revenues	Interest Earned	$ 124,655	$ 120,809	$ 3,846
	Appropriations Received	245,137	252,801	(7,664)
	Fees and Reimbursements	15,675	14,671	1,004
	Net G/L on Sale of MBS Held for Sale/HOMES℠ Certificates	3,904	4,590	(686)
	Total Revenues (1)	420,202	430,150	(9,948)
Expenses	Interest Expense	86,869	79,006	7,863
	Appropriations Disbursed	227,117	222,063	5,054
	Fees	4,579	5,297	(718)
	Payroll, Gen. & Admin.	33,206	31,810	1,396
	Loan Loss/Value Adjust's	20,287	13,818	6,469
	Total Expenses (1)	391,526	371,944	19,582
	Revenues over Expenses	28,676	58,206	(29,530)
	Beginning Net Position, as restated (see page 16)	917,536	881,710	35,826
	Ending Net Position	946,212	939,916	6,296

(1) Agency-wide totals include interfund amounts

Combined General Reserve and Bond Funds					Combined State and Federal Appropriations Funds		
Fiscal 2015							
Excluding Pool 3	Pool 3	Total	Fiscal 2014	Change	Fiscal 2015	Fiscal 2014	Change
$1,595,484	$ 48,527	$1,644,011	$1,460,595	$ 183,416	$143,679	$114,649	$29,030
1,272,603	39,311	1,311,914	1,453,235	(141,321)	36,611	36,251	360
11,768	146	11,914	12,372	(458)	220	264	(44)
2,892,775	87,985	2,980,760	2,944,022	36,738	183,224	151,950	31,274
2,033,332	-	2,033,332	2,018,912	14,420	-	-	-
29,980	-	29,980	32,884	(2,904)	-	-	-
4,614	11	4,625	8,055	(3,430)	3,828	1,499	2,329
67,062	-	67,062	69,168	(2,106)	49,998	19,377	30,621
2,176,050	(20,067)	2,155,983	2,149,554	6,429	54,804	21,873	32,931
339,091	-	339,091	315,927	23,164	-	-	-
368,200	108,052	476,252	490,527	(14,275)	-	-	-
-	-	-	-	-	128,420	130,077	(1,657)
709,740	108,052	817,792	809,839	7,953	128,420	130,077	(1,657)

Combined General Reserve and Bond Funds					Combined State and Federal Appropriations Funds		
Fiscal 2015							
Excluding Pool 3	Pool 3	Total	Fiscal 2014	Change	Fiscal 2015	Fiscal 2014	Change
$ 121,891	$ 1,084	$ 122,975	$ 119,340	$ 3,635	$ 1,680	$ 1,469	$ 211
-	-	-	-	-	245,137	252,801	(7,664)
15,819	(1,176)	14,643	13,195	1,448	1,032	1,476	(444)
3,904	-	3,904	4,590	(686)	-	-	-
170,018	1,116	171,134	172,755	(1,621)	249,068	257,395	(8,327)
86,869	-	86,869	79,006	7,863	-	-	-
-	-	-	-	-	227,117	222,063	5,054
4,473	12	4,485	5,199	(714)	94	98	(4)
27,525	3,538	31,063	29,883	1,180	2,143	1,927	216
(1,837)	1,953	116	1,557	(1,441)	20,171	12,261	7,910
134,052	6,749	140,801	134,508	6,293	250,725	237,436	13,289
35,966	(5,633)	30,333	38,247	(7,914)	(1,657)	19,959	(21,616)
673,774	113,685	787,459	771,592	15,867	130,077	110,118	19,959
709,740	108,052	817,792	809,839	7,953	128,420	130,077	(1,657)

FINANCIAL HIGHLIGHTS

The following financial highlights section refers to the General Reserve and bond funds. The reader is encouraged to review the Fund Financial Statements included as supplementary information in this 2015 Financial Report.

General Reserve and Bond Funds–Statement of Net Position

Loans receivable, investments, cash and cash equivalents, deferred loss on interest rate swap agreements, real estate owned, and interest receivable comprise the majority of assets and deferred outflows of resources in the General Reserve and bond funds. Equipment, fixtures, furniture, capitalized software costs, and other assets continue to be insignificant in relation to the total General Reserve and bond fund assets.

Loans receivable, net is the largest single category of bond fund assets. Loans are limited to housing-related lending for low- and moderate-income individuals and families and multifamily housing developments. Loans receivable, net decreased 10% to $1,311.9 million at June 30, 2015 as a result of repayments, prepayments, and loss reserves net of new loan purchases and originations. Amortizing homeownership loans at fixed interest rates, secured by first mortgages, continue to be the dominant loan product offered by Minnesota Housing. In the last half of 2009, the Agency changed its business model from purchasing homeownership loans to purchasing mortgage-backed securities (MBS) secured by homeownership loans. As a result, the homeownership loan portfolio, now in runoff, will continue to shrink as repayments and prepayments are no longer offset by new loans. Instead, the portion of investments represented by MBS may increase as they are purchased in place of loans. The Agency also sells a portion of those MBS directly into the TBA market after hedging the interest rate risk with forward sales contracts at the time of loan commitment. The reduction in loans receivable during fiscal year 2015 was attributable to the runoff of the homeownership loan portfolio. The reserve for loan loss for the homeownership loan portfolio decreased due to reduced delinquency and a decrease in the estimated loss per delinquent loan. Minnesota Housing also has amortizing home improvement and rental rehabilitation loans which are no-interest, low-interest, and market-rate loans generally secured with second or subordinate mortgages. The reserve for loan loss for the home improvement loan portfolio decreased due to reduced amount of loans being delinquent. Amortizing multifamily loans at fixed interest rates, secured by first mortgages (referred to as the multifamily portfolio) exhibited little change in delinquency rate and the aggregate loan receivable balance. Minnesota Housing's primary loan programs offer fixed interest rate financing and therefore differ from the high risk characteristics associated with some adjustable payment loan products.

Homeownership Loan Portfolio Delinquency
Actual Loan Count

	June 30, 2015		June 30, 2014	
Current and less than 60 days past due	9,443	94.3%	10,247	93.6%
60-89 days past due	129	1.3%	143	1.3%
90-119 days past due	51	0.5%	89	0.8%
120+ days past due and foreclosures[(1)]	394	3.9%	467	4.3%
Total count	10,017		10,946	
Total past due[(1)]	574	5.7%	699	6.4%

[(1)] In addition to loans customarily included in foreclosure statistics, "foreclosures" include homeownership loans for which the sheriff's sale has been held and the redemption period (generally six months) has not yet elapsed. This causes the delinquency rates in the table not to be directly comparable to delinquency rates reported by the Mortgage Bankers Association of America.

General Reserve and Bond Funds–Statement of Net Position (continued)

Home Improvement Loan Portfolio Delinquency
Actual Loan Count

	June 30, 2015		June 30, 2014	
Current and less than 60 days past due	6,283	98.0%	6,534	97.4%
60-89 days past due	58	0.9%	61	0.9%
90-119 days past due	26	0.4%	28	0.4%
120+ days past due	45	0.7%	86	1.3%
Total count	6,412		6,709	
Total past due	129	2.0%	175	2.6%

The 60+ day delinquency rate as of June 30, 2015 for the entire Minnesota Housing homeownership loan portfolio, excluding those loans not customarily included in foreclosure statistics, exceed by approximately one and three quarters percentage points the delinquency rates of similar loan data available as of March 31, 2015 from the Mortgage Bankers Association of America for loans in Minnesota (as adjusted to reflect the proportions of insurance types in the Agency's loan portfolio).

Due to the unique program characteristics of the Minnesota home improvement loan portfolio, the Agency has determined that comparable delinquency data from other available sources is not directly comparable. The table above excludes inactive home improvement loans defined as delinquent loans for which the Agency has a valid lien but active collection efforts have been exhausted.

FHA/VA insurance claims, net consist of non-performing homeownership loans that are FHA insured or VA guaranteed. These loans are reclassified as claims receivable at the time the Agency files a claim. FHA/VA insurance claims, net increased 23% to $4.6 million at June 30, 2015 as a result of an increase in the amount of loans with outstanding claims.

Real estate owned, net consists of properties acquired upon foreclosure of homeownership loans. Real estate owned decreased 55% to $4.0 million at June 30, 2015 as a result of a decreased amount of foreclosure properties held within the homeownership portfolio on June 30, 2015.

While the delinquency rates and foreclosures in the Agency's loan portfolio remained above historical norms during fiscal year 2015, the combined net total of FHA/VA insurance claims and real estate owned remains immaterial compared to total loans receivable at June 30, 2015, being less than 1% of total net loans receivable. Management believes that reserves for loan losses are adequate based on the current assessment of asset quality.

No loans reside in General Reserve.

Investments, cash, and cash equivalents are the next largest categories of assets and are carefully managed to provide adequate resources for future debt service requirements and liquidity needs. The combined investments, cash, and cash equivalents increased 13% to $1,644.1 million at June 30, 2015. The increase is principally a result of an increase in the balance of program mortgage-backed securities which are financed with mortgage revenue bonds. Mortgage-backed securities that are pledged as security for the payment of certain Agency mortgage revenue bonds and held in an acquisition account are classified on the statement of net position as "Investments- program mortgage-backed securities." All other mortgage-backed securities, including those held in anticipation of the Agency issuing mortgage revenue bonds or selling them into the TBA market (warehoused mortgage-backed securities), are classified as "Investment securities- other."

Interest receivable on loans and investments is a function of the timing of interest payments and the general level of interest rates. Combined loan and investment interest receivable decreased 4% to $11.9 million at June 30, 2015. The decrease is mainly a result of a decrease in interest receivable on homeownership loans due to the runoff of that portfolio.

General Reserve and Bond Funds–Statement of Net Position (continued)

Bonds payable is the largest single category of liabilities, resulting primarily from debt issued to fund housing-related lending. Bonds payable increased 0.7% to $2033.3 million at June 30, 2015 because new bonding issuance outpaced scheduled redemptions and early bond redemptions of existing debt.

The companion category of interest payable decreased 8.8% to $30.0 million at June 30, 2015 due to an increase in the proportion of outstanding bonds that require monthly debt service payments as opposed to semi-annual debt service payments.

While there is no debt issued in General Reserve, there is a significant liability for funds held for others. These funds are routinely collected and held in escrow on behalf of multifamily borrowers pursuant to loan documents and are used for future periodic payments of real property taxes, casualty insurance premiums, and certain capital expenditures. Funds held for others in General Reserve and HOMES[SM] remained about the same at $67.2 million at June 30, 2015.

Accounts payable and other liabilities decreased to $4.6 million at June 30, 2015. The two largest components of accounts payable continue to be: arbitrage rebate liability on tax-exempt bonds calculated pursuant to federal law and payable to the United States Treasury, which decreased $0.6 million; and yield compliance liability, which decreased $2.3 million. Minnesota Housing obtains from independent calculation specialists annual calculations of its arbitrage rebate liability. Other accounts payable items decreased a net $0.5 million.

Interfund payable/receivable exists primarily as a result of interfund borrowing and pending administrative and program reimbursements between funds. Most administrative expenses are paid from General Reserve, with the bond funds and appropriated funds owing an administrative reimbursement to General Reserve for the respective fund's contribution to those administrative expenses.

The net position of General Reserve and bond funds is divided into two primary categories. Restricted by Bond Resolution is pledged to the payment of bonds, subject to bond resolution provisions that authorize Minnesota Housing to withdraw funds in excess of the amounts required to be maintained under the bond resolutions. Restricted by Covenant is subject to a covenant with bondholders that the Agency will use the money in General Reserve, and money that would otherwise have been released to General Reserve, only for the administration and financing of programs in accordance with the policy and purpose of Minnesota Housing's enabling legislation, including the creation of reserves for the payment of bonds and of loans made from the proceeds thereof, and will accumulate and maintain therein such a balance of funds and investments as will be sufficient for the purpose. The Board of the Agency has established investment guidelines for these funds to implement this covenant. Net position increased 1% to $817.8 million at June 30, 2015 due to revenues over expenses for the fiscal year. Per GASB 68 and 71, the Agency was required to record a change in the beginning net position in the amount of $22.380 million. This is a one-time negative adjustment to record the Agency's proportionate share pension liability.

General Reserve and Bond Funds–Revenues over Expenses

Revenues over expenses of General Reserve and bond funds decreased 21% from fiscal year 2014 when considering Pool 3 net expenses and the net effect of unrealized gains and losses that resulted from market valuation adjustments to certain investment assets. Ignoring the effects of unrealized gains and losses on investments, total revenues increased 2.4%. Total expenses, excluding Pool 3, increased 4% compared to the prior fiscal year. The largest revenue component, interest earned, increased during fiscal year 2015. Loan interest revenue decreased 8% in fiscal year 2015 as repayments and prepayments decreased the size of the homeownership loan portfolio. That portfolio is in runoff because of the change to the mortgage-backed securities business model during fiscal 2010. Investment interest revenue increased 33% in fiscal year 2015. Reinvestment rates for funds from other maturing and called investment securities rebounded as well as the rates on MBS, compared to the prior year.

Administrative reimbursements to General Reserve from bond funds were $18.3 million in fiscal year 2015 compared to $18.9 million during the prior fiscal year. General Reserve also incurs overhead expenses to administer state and federal appropriated housing programs. General Reserve received overhead reimbursements of $1.9 million from the State and Federal Appropriated funds to recover certain overhead

General Reserve and Bond Funds–Revenues over Expenses (continued)

expenses incurred during fiscal year 2015 compared to $1.8 million during the prior fiscal year. Investment earnings within the State Appropriated fund were insufficient to reimburse the Agency for the full amount of overhead expense incurred for the state programs.

Other fee income to General Reserve and bond funds of $12.8 million increased by $1.4 million compared to the prior fiscal year. The primary components are service acquisition fees earned from the sale of mortgage servicing rights, fees earned from the federal low income housing tax credit program, Section 8 contract administration, federal Housing Assistance Payments administration, and various loan programs.

The net gain on the sale of mortgage-backed securities held for sale was $3.9 million. Components of the net gain, in addition to the gain or loss on the security itself, include the cost of minimizing interest rate risk through forward sale contracts, certain trustee fees, and service release premiums. The net gain amount also includes the net gain on the sale of HOMES℠ certificates, which is an Agency execution option essentially equivalent to the sale of mortgage-backed securities.

Minnesota Housing recorded $11.3 million of unrealized gains on investment securities during fiscal year 2015, compared to $16.8 million of unrealized losses during the prior year, a decrease of $5.5 million.

Interest expense of the bond funds decreased 0.9% to $72.1 million compared to the prior year as a result of a smaller amount of long-term outstanding debt and a decrease in the interest rate on debt issued during fiscal year 2015.

In fiscal year 2015 the agency changed the presentation of interest expense of the bond funds. Before fiscal year 2014 this number included financing costs which consists of variable rate debt fees, bond financing costs, bond discount expense, hedge pair-off expense allocated, hedge pair-off expense un-allocated, and swap termination fees. The financial statements for fiscal year 2015 as well as the comparative statements for fiscal year 2014 now show financing costs as a separate line item. The combination of the two lines increased 10% to $86.9 million. The majority of the increase is due to hedging pair off cost associated with the MBS securitization in the Residential Housing Finance and Homeownership Finance resolutions.

Expenses for loan administration and trustee fees in the bond funds decreased by 14% to $4.5 million compared to the prior fiscal year. Of the total administrative reimbursement revenue in General Reserve of $20.1 million, the interfund charge to the bond funds and State Appropriated fund of $19.4 million was eliminated for purposes of financial reporting in the Agency-wide financial statements.

Salaries and benefits in General Reserve of $20.5 million decreased 2% from the prior year. Other general operating expense in General Reserve and bond funds increased 18% to $10.6 million compared to the prior fiscal year. The majority of the increase relates to contract expenses for the 3 major system projects.

Reductions in carrying value of certain low interest rate deferred loans in the bond funds increased 19% to $1.6 million. The increase related to increased disbursements of deferred subordinated multifamily loans plus repayments of deferred subordinated multifamily loans disbursed in prior fiscal years.

Provision for loan loss expense in the bond funds decreased $1.7 million or 746% to $(1.5) million. The provision for loan loss expense for the homeownership loan portfolio increased $0.6 million because the delinquencies increased slightly. The provision for loan loss expense for the home improvement loan portfolio increased $0.2 million as a result of increased loan delinquencies during the year, a portion of which became inactive loans. The provision for loan loss expense for the homeownership down payment assistance loan portfolio was essentially unchanged from the prior fiscal year. The provision for loan loss expense for the multifamily loan portfolio decreased $2.4 million as a large multifamily development was able to be removed from the watchlist, when compared to the prior fiscal year.

Non-operating transfers occur as a result of bond sale contributions related to new debt issues, the periodic transfer of assets to maintain the Housing Endowment Fund (Pool 1) requirement, periodic fiscal year end transfers to the Housing Affordability Fund (Pool 3), if any, and periodic transfers from the bond funds of amounts in excess of bond resolution requirements. During fiscal year 2015, $6.7 million of Pool 1 funds in excess of requirements were transferred to Pool 2. $22.3 million was transferred from Pool 2 to

General Reserve and Bond Funds– Revenues over Expenses (continued)

Pool 1 to reimburse the fund for the adjustment to beginning net position as required by GASB 68 and 71. Revenues over expenses in General Reserve that are in excess of the Pool 1 requirement are transferred periodically to Pool 2 for use in housing programs. Pool 2 also recorded a $10.0 million contribution to Pool 3 to be used for highly subsidized housing programs. Revenues over expenses plus non-operating transfers in Pool 2 may be transferred periodically, with approval of the Board, to Pool 3 for use in more highly subsidized housing programs. Board investment guidelines establish required balances for Pool 1 and Pool 2. In addition, Pool 2 made $19.5 million in bond sale contributions to the Homeownership Finance bond fund.

Combined revenues over expenses, including unrealized gains and losses for General Reserve and the bond funds, decreased $7.9 million to $30.3 million when compared to the prior fiscal year. After removing the effects of unrealized gains and losses and Pool 3 revenues and expenses, the combined revenues over expenses decreased 5.2% to $24.6 million.

Total combined net position of General Reserve and bond funds increased 1% to $817.8 million as of June 30, 2015. A portion of that increase is a result of current year unrealized gains on investments, without which the combined net position would have increased 1.8%. The net position of each individual bond fund increased. Pool 2, which resides in Residential Housing Finance, decreased because of its $10.0 million contribution to Pool 3 and its $22.3 million contribution to Pool 1. After the $6.7 million transfer of Pool 1 excesses to Pool 2, and the $22.3 million transfer back to Pool 1 the net position of General Reserve decreased $2.5 million as a result of a $1.6 million decrease in the Pool 1 requirement (which resides in General Reserve) which, in turn, was caused by a decrease in the balance of outstanding loans on which its requirement is based, netted against a $0.9 million increase in the balance of Invested in Capital Assets.

State and Federal Appropriated Funds– Statement of Net Position

Assets of the appropriated funds are derived from the appropriation of funds by the State of Minnesota and funds made available to Minnesota Housing by the federal government for housing purposes. Housing preservation and development typically requires appropriations received in the current period to be expended over several future years of planned development. This timing difference is the primary reason for the presence of investments, cash, and cash equivalent assets in the appropriated funds and for the balance of net position restricted by law.

Investments, cash, and cash equivalents combined are the largest category of assets in the appropriated funds. The June 30, 2015 combined balance increased 25% to $143.6 million as a result of the combined appropriations received and other revenues exceeding the combined disbursements for programs, loans and expenses during the fiscal year.

Certain state appropriations are expended as housing loans which are in a first lien position and with near- or below-market interest rates, resulting in net loans receivable. At June 30, 2015 State Appropriated fund net loans receivable increased 1% to $36.6 million, reflecting higher net loan program activity.

Interest receivable in appropriated funds is a function of the timing of interest payments and the general level of interest rates on investments. Interest receivable on appropriated funds at June 30, 2015 decreased 17% to $0.2 million.

Accounts payable and other liabilities represent amounts payable for HUD's share of savings from certain debt refinancing activities and accrued expenses for federal and state housing programs. The balance payable at June 30, 2015 was $3.8 million compared to $1.5 million at June 30, 2014. The increase in accounts payable and other liabilities is largely attributable to a $2.1 million increase in federal Home programs' accrued year-end expenses.

Interfund payable occurs in the Federal Appropriated fund as a result of overhead expense and indirect cost recoveries owed to General Reserve. Interfund payable occurs in the State Appropriated fund because of accrued overhead expense payable to General Reserve. At June 30, 2015 the combined net interfund payable was $1.0 million.

State and Federal Appropriated Funds– Statement of Net Position (continued)

At June 30, 2015 the balance of funds held for others was $50 million. Of that amount, $49.9 million is comprised of the proceeds of appropriation-backed housing bonds which are held for disbursement to certain multifamily affordable housing developments. The remaining balance of funds held for others consists mainly of excess federal housing assistance payments received for administration of the Section 8 program and the interest income earned on those unexpended funds. The prior year balance of funds held for others is comparatively much smaller because of this year's issuance of appropriation-backed housing bonds.

The entire net position of the appropriated funds is restricted by law for use with housing programs only and is not pledged or available to secure bonds issued under any of the Agency's bond funds or other obligations of the Agency or its general obligation pledge in respect thereof. The combined net position of the appropriated funds decreased to $128.4 million as of June 30, 2015, reflecting that combined expenses exceeded receipts and revenues during fiscal year 2015.

State and Federal Appropriated Funds– Revenues over Expenses

State and Federal Appropriated funds are recorded as revenue in the period in which such appropriations are earned. Funds are spent for eligible program activities as defined by Minnesota Housing, the State of Minnesota or agencies of the federal government. Unexpended appropriations are invested and the interest income on the investments is recorded as it is earned, except for interest earned on certain unexpended federal appropriations, which is recorded as funds held for others. Similarly, interest income on certain State Appropriated fund loan receivables is recorded as it is earned.

The largest revenue category is appropriations received, and is a function of the fiscal, legislative, and political environment of the State of Minnesota and the federal government. The combined appropriations received decreased from $252.8 million in fiscal year 2014 to $245.1 million in fiscal year 2015. Federal appropriations received increased by $.1 million, mostly due to an increase in funding for the HOME program. State appropriations received decreased by a net $7.7 million due to a $2.2 million increase in Housing Infrastructure Bonds issued against a $10.5 reduction in appropriations received for the Economic Development and Housing Challenge program and the HECAT program.

The combined interest income from investments increased 1.2% to $1.2 million for fiscal year 2015.

Loan interest income from State Appropriations loan assets continues to be minimal at $0.5 million as relatively few loans bear interest.

Fees earned and other income in the amount of $2.2 million were recorded in the State Appropriated fund during fiscal year 2015. This consisted mainly of private donations and the receipt of interagency transfers to support certain state housing programs.

Unrealized gains or losses on investments are recorded to reflect current market valuations of investments, and may be reversed over time as investments are held. Combined unrealized gains of $0.02 million were recorded at June 30, 2015 compared to $0.6 million of unrealized losses at June 30, 2014.

Administrative reimbursements to General Reserve of overhead expenses to administer State Appropriated fund programs increased 10.4% to $1.2 million compared to the prior fiscal year. The Agency incurs the overhead expense in General Reserve. General Reserve is reimbursed for these overhead expenses by the State Appropriated fund to the extent of investment earnings on unexpended state appropriations. During fiscal year 2015 investment earnings in the State Appropriated fund were insufficient to reimburse all of the overhead expenses incurred in General Reserve for State Appropriated programs during this fiscal year.

Combined appropriations disbursed increased 2.3% to $227.1 million compared to the prior fiscal year, reflecting State Appropriations disbursed of $33.0 million and federal appropriations disbursed of $194.1 million.

Increased expenditures of State Appropriated funds for fully-reserved below-market and zero-percent interest rate loans resulted in higher expense from reductions in carrying value of certain loans. Net reductions of carrying value increased 91% to $19.5 million compared to the prior fiscal year.

State and Federal Appropriated Funds– Revenues over Expenses (continued)

Other general operating expenses in the State Appropriation fund represent fees for professional and technical support to implement and administer certain housing programs. Other general operating expenses in the State Appropriation fund increased 11.2% to $2.1 million at June 30, 2015.

Combined expenditures were greater than combined revenue of the appropriated funds by $1.7 million at June 30, 2015. Ultimately, the entire State and Federal Appropriated funds' net position will be expended for housing programs.

Significant Long Term Debt Activities

Minnesota Housing issues a significant amount of bonds, having outstanding at June 30, 2015 long-term bonds totaling $2,033.3 million. Bond proceeds and related revenues are held by a trustee, who is responsible for administration of bond resolution requirements including payment of debt service. The bond resolutions may require funding debt service reserve accounts and insurance reserve accounts. At June 30, 2015, amounts held by the trustee in principal, interest, redemption, and reserve accounts represented full funding of those requirements as of that date.

Minnesota Housing continually investigates and utilizes financing and debt management techniques designed to achieve its goals of reducing interest expense and efficiently utilizing bonding authority while managing risk and responding to changing capital markets. During 2015 fiscal year, Minnesota Housing issued nine series of bonds aggregating $453.0 million (excluding appropriation-backed housing bonds, conduit bonds, and short-term borrowing against a line of credit), compared to the issuance of twelve series totaling $221.9 million the previous fiscal year. Long-term bonds are issued as capital is needed for program purposes and as opportunities arise to economically refund outstanding bonds. Short-term bonds and notes and other indebtedness may be issued to preserve tax-exempt bonding authority for future program use and to warehouse purchases of mortgage-backed securities in advance of permanent financing. In the past, the Agency has converted a portion of its bonding authority to Mortgage Credit Certificate authority in another effort to support first-time homebuyers.

A total of $445.4 million in bond principal repayments and $86.9 million of bond-related interest expense occurred during fiscal year 2015. Of the total bond principal repayments, $370.9 million were repayments made on bonds prior to the scheduled maturity date using a combination of optional and special redemption provisions.

Most of the bonds issued by Minnesota Housing bear interest that is not includable in gross income for federal and State of Minnesota income taxation, in accordance with requirements of the federal Internal Revenue Code and Treasury regulations governing either qualified mortgage bonds or bonds issued to provide qualified residential rental projects. Minnesota Housing's ability to issue tax-exempt debt is limited by its share of the state's allocation of private activity volume cap, which is established by Minnesota statutes. Minnesota Housing's ability to issue tax-exempt debt is also limited by a provision in the Internal Revenue Code (commonly known as the 10-year rule) that prohibits refunding of mortgage repayments and prepayments received more than ten years after the date of issuance of the bonds that financed such mortgage loans.

While most of the Agency's bonds are tax-exempt, taxable bonds have been issued to supplement limited tax-exempt authority in order to meet demand for mortgage loans, although that did not occur during fiscal year 2015. Taxable bonds may also be issued to refund existing debt or to finance lending programs where federal tax-exempt bond restrictions are inconsistent with program goals. One series of bonds was issued for the letter purpose in fiscal year 2015. Variable-rate bonds and interest-rate swaps were incorporated into Minnesota Housing's financings from fiscal year 2003 through fiscal year 2010, enabling the Agency to provide below-market mortgage financing at synthetically fixed interest rates. Interest-rate swaps help to hedge the mismatch between fixed-rate loans and variable-rate bonds. (See Interest Rate Swaps under the notes to the financial statements for further discussion of interest-rate swaps and their risks.)

The Agency also had outstanding at June 30, 2015 certain conduit bonds and appropriation-backed housing bonds which are not payable from any funds of the Agency (other than from funds received specifically to pay debt service on those bonds) and which are discussed in the notes to the financial statements. Board

Significant Long Term Debt Activities (continued)

policy governs the process Minnesota Housing follows to issue and manage debt. State statute limits total outstanding bonds and notes of Minnesota Housing to $5.0 billion.

At June 30, 2015 Minnesota Housing's issuer ratings were "AA+" and "Aa1" from Standard and Poor's Ratings Services and Moody's Investors Service, Inc., respectively. Minnesota Housing's credit ratings are separate from, and are not directly dependent on, ratings on debt issued by the State of Minnesota. Ongoing reporting to and communications with the bond rating agencies are priorities for the Agency.

Significant Factors that May Affect Financial Conditions and/or Operations

Legislative Actions

The primary purpose of the Legislative session in odd-numbered years is to enact a two-year state budget. Minnesota Housing's state appropriated budget was passed as part of a Special Session on June 12, 2015. The Special Session was called following the Governor's veto of three budget bills, one of which included Minnesota Housing's state appropriated budget.

Minnesota Housing's total state appropriations for the state fiscal year 2016-17 biennium are $104,596,000. This is a $3 million increase over FY2014-15 funding levels. In addition to funding the agency's state programs at base budget level, the FY2016-17 budget includes a $2.5 million increase to the Bridges program, which provides rental assistance for households in which at least one adult member has a serious mental illness. The budget also includes two one-time appropriations:

- $2 million for the Housing and Job Growth Initiative, which provides funding for housing development in communities where employers are poised to expand but there is not enough housing for the local workforce;
- $2 million for the Rental Assistance for Highly Mobile Students Initiative, which provides rental assistance to families with school-aged children who have moved frequently.

While Capital investment bills are not the focus of legislative sessions in odd-numbered years, the Legislature does typically pass a small bonding bill. This year the bonding bill authorized Minnesota Housing to issue $10 million in Housing Infrastructure Bonds. Housing Infrastructure Bond proceeds can be used for four purposes:

- to construct or acquire and rehabilitate housing that will be used as permanent supportive housing for those who have experienced homelessness,
- to preserve existing federally-assisted housing,
- to acquire and rehabilitate foreclosed rental housing or for new construction of rental housing on parcels that have been foreclosed, or
- to acquire the land that will be held by a community land trust for single family owner-occupied housing.

The Housing Infrastructure Bond proceeds will be awarded as part of Minnesota Housing's consolidated Request for Proposal in 2015.

The 2015 legislative session did not include any policy changes to Minnesota Housing's state-appropriated programs.

Additional Information

Questions and inquiries may be directed to Mr. Terry Schwartz at Minnesota Housing Finance Agency, 400 Sibley Street, Suite 300, St. Paul, MN 55101 (651-296-7608 or 800-657-3769 or if T.T.Y. 651-297-2361)

MINNESOTA HOUSING FINANCE AGENCY
Agency-wide Financial Statements
Statement of Net Position (in thousands)
As of June 30, 2015 (with comparative totals as of June 30, 2014)

		Agency-wide Total as of June 30, 2015	Agency-wide Total as of June 30, 2014
Assets	Cash and cash equivalents	$ 383,438	$ 396,563
	Investments-program mortgage-backed securities	1,140,834	925,523
	Investment securities-other	263,418	253,158
	Loans receivable, net	1,348,525	1,489,486
	Interest receivable on loans and program mortgage-backed securities	11,118	11,583
	Interest receivable on investments	1,016	1,053
	FHA/VA insurance claims, net	4,600	3,736
	Real estate owned, net	4,002	8,846
	Capital assets, net	2,449	3,385
	Other assets	4,584	2,639
	Total assets	3,163,984	3,095,972
Deferred Outflows of Resources	Deferred loss on refunding	267	1,070
	Deferred loss on interest rate swap agreements	12,649	21,532
	Deferred pension expense	1,042	-
	Total deferred outflows of resources	13,958	22,602
	Total assets and deferred outflows of resources	$3,177,942	$3,118,574
Liabilities	Bonds payable, net	$2,033,332	$2,018,912
	Interest payable	29,980	32,884
	Interest rate swap agreements	12,649	21,532
	Net pension liability	9,313	-
	Accounts payable and other liabilities	8,453	9,554
	Funds held for others	117,060	88,545
	Total liabilities	2,210,787	2,171,427
Deferred Inflows of Resources	Deferred revenue-service release fee	9,122	7,231
	Deferred pension credit	11,821	-
	Total deferred inflows of resources	20,943	7,231
	Total liabilities and deferred inflows of resources	$2,231,730	$2,178,658
	Commitments and contingencies		
Net Position	Restricted by bond resolution	$ 339,091	$ 315,927
	Restricted by covenant	476,252	490,527
	Restricted by law	128,420	130,077
	Invested in capital assets	2,449	3,385
	Total net position	946,212	939,916
	Total liabilities, deferred inflows of resources, and net position	$3,177,942	$3,118,574

See accompanying notes to financial statements

MINNESOTA HOUSING FINANCE AGENCY
Agency-wide Financial Statements
Statement of Activities (in thousands)
Year ended June 30, 2015 (with comparative total for year ended June 30, 2014)

		Agency-wide Total for Year Ended June 30, 2015	Agency-wide Total for Year Ended June 30, 2014
Revenue	Interest earned on loans	$ 80,692	$ 87,520
	Interest earned on investments-program mortgage-backed securities	34,648	29,192
	Interest earned on investments-other	9,315	4,097
	Net G/L on Sale of MBS Held for Sale/HOMES℠ Certificates	3,904	4,590
	Appropriations received	245,137	252,801
	Administrative reimbursement	674	706
	Fees earned and other income	15,001	13,965
	Unrealized gains on investments	11,363	17,329
	Total revenues	400,734	410,200
Expenses	Interest	72,105	72,779
	Financing, net	14,764	6,227
	Loan administration and trustee fees	4,579	5,297
	Salaries and benefits	20,457	20,909
	Other general operating	12,749	10,901
	Appropriations disbursed	227,117	222,063
	Reduction in carrying value of certain low interest rate deferred loans	21,046	11,520
	Provision for loan losses	(759)	2,298
	Total expenses	372,058	351,994
	Change in net position	28,676	58,206
Net Position	Total net position, beginning of period, as restated (see page 16)	917,536	881,710
	Total net position, end of year	$946,212	$939,916

See accompanying notes to financial statements

MINNESOTA HOUSING FINANCE AGENCY
Fund Financial Statements
Statement of Net Position (in thousands)
Proprietary Funds
As of June 30, 2015 (with comparative totals as of June 30, 2014)

		Bond Funds	
		General Reserve	**Rental Housing**
Assets	Cash and cash equivalents	$52,772	$ 22,431
	Investments-program mortgage-backed securities	-	-
	Investment securities-other	29,956	2,006
	Loans receivable, net	-	144,358
	Interest receivable on loans and program mortgage-backed securities	-	705
	Interest receivable on investments	92	11
	FHA/VA insurance claims, net	-	-
	Real estate owned, net	-	-
	Capital assets, net	2,449	-
	Other assets	1,212	106
	Total assets	86,481	169,617
Deferred Outflows of Resources	Deferred loss on refunding	-	-
	Deferred loss on interest rate swap agreements	-	-
	Deferred pension expense	1,042	-
	Total assets and deferred outflows of resources	$87,523	$169,617
Liabilities	Bonds payable, net	$ -	$ 42,930
	Interest payable	-	762
	Interest rate swap agreements	-	-
	Net pension liability	9,313	-
	Accounts payable and other liabilities	3,480	17
	Interfund payable (receivable)	(18,922)	(5)
	Funds held for others	66,537	-
	Total liabilities	60,408	43,704
Deferred Inflows of Resources	Deferred revenue-service release fee	-	-
	Deferred pension credit	11,821	-
	Total liabilities and deferred inflows of resources	$72,229	$ 43,704
	Commitments and contingencies		
Net Position	Restricted by bond resolution	-	125,913
	Restricted by covenant	12,845	-
	Restricted by law	-	-
	Invested in capital assets	2,449	-
	Total net position	15,294	125,913
	Total liabilities, deferred inflows of resources, and net position	$87,523	$169,617

See accompanying notes to financial statements

Bond Funds				Appropriated Funds			
Residential Housing Finance	Homeownership Finance	Multifamily Housing	HOMES[SM]	State Appropriated	Federal Appropriated	Total as of June 30, 2015	Total as of June 30, 2014
$ 171,614	$ 34,293	$ 1,253	$ -	$ 96,819	$ 4,256	$ 383,438	$ 396,563
280,399	860,435	-	-	-	-	1,140,834	925,523
157,589	2,070	-	29,193	38,020	4,584	263,418	253,158
1,153,083	-	14,473	-	36,611	-	1,348,525	1,489,486
7,722	2,622	53	-	16	-	11,118	11,583
633	1	-	75	201	3	1,016	1,053
4,600	-	-	-	-	-	4,600	3,736
4,002	-	-	-	-	-	4,002	8,846
-	-	-	-	-	-	2,449	3,385
462	23	67	-	-	2,714	4,584	2,639
1,780,104	899,444	15,846	29,268	171,667	11,557	3,163,984	3,095,972
267	-	-	-	-	-	267	1,070
12,649	-	-	-	-	-	12,649	21,532
-	-	-	-	-	-	1,042	-
$1,793,020	$899,444	$15,846	$29,268	$171,667	$11,557	$3,177,942	$3,118,574
$1,110,853	$836,451	$14,430	$28,668	$ -	$ -	$2,033,332	$2,018,912
22,566	6,541	36	75	-	-	29,980	32,884
12,649	-	-	-	-	-	12,649	21,532
-	-	-	-	-	-	9,313	-
1,030	98	-	-	1,686	2,142	8,453	9,554
17,949	-	-	-	404	574	-	-
-	-	-	525	49,996	2	117,060	88,545
1,165,047	843,090	14,466	29,268	52,086	2,718	2,210,787	2,171,427
8,621	501	-	-	-	-	9,122	7,231
-	-	-	-	-	-	11,821	-
$1,173,668	$843,591	$14,466	$29,268	$ 52,086	$ 2,718	$2,231,730	$2,178,658
155,945	55,853	1,380	-	-	-	339,091	315,927
463,407	-	-	-	-	-	476,252	490,527
-	-	-	-	119,581	8,839	128,420	130,077
-	-	-	-	-	-	2,449	3,385
619,352	55,853	1,380	-	119,581	8,839	946,212	939,916
$1,793,020	$899,444	$15,846	$29,268	$171,667	$11,557	$3,177,942	$3,118,574

MINNESOTA HOUSING FINANCE AGENCY
Fund Financial Statements
Statement of Revenues, Expenses and Changes in Net Position (in thousands)
Proprietary Funds
Year ended June 30, 2015 (with comparative totals for year ended June 30, 2014)

		Bond Funds	
		General Reserve	Rental Housing
Revenues	Interest earned on loans	$ -	$ 10,907
	Interest earned on investments-program mortgage-backed securities	-	-
	Interest earned on investments-other	95	77
	Net G/L on Sale of MBS Held for Sale/HOMES^{SM} Certificates	-	-
	Appropriations received	-	-
	Administrative reimbursement	20,142	-
	Fees earned and other income	10,616	328
	Unrealized gains (losses) on investments	-	174
	Total revenues	30,853	11,486
Expenses	Interest	-	1,929
	Financing, net	-	707
	Loan administration and trustee fees	-	77
	Administrative reimbursement	-	1,072
	Salaries and benefits	20,457	-
	Other general operating	6,079	5
	Appropriations disbursed	-	-
	Reduction in carrying value of certain low interest rate deferred loans	-	(44)
	Provision for loan losses	-	(2,185)
	Total expenses	26,536	1,561
	Revenues over (under) expenses	4,317	9,925
Other Changes	Non-operating transfer of assets between funds	15,574	-
	Change in net position	19,891	9,925
Net Position	Total net position, beginning of Year, as restated (see Page 16)	(4,597)	115,988
	Total net position, end of Year	$15,294	$125,913

See accompanying notes to financial statements

Bond Funds				Appropriated Funds			
Residential Housing Finance	Homeownership Finance	Multifamily Housing	HOMES℠	State Appropriated	Federal Appropriated	Total for the Year Ended June 30, 2015	Total for the Year Ended June 30, 2014
$ 68,657	$ -	$ 639	$ -	$ 489	$ -	$ 80,692	$ 87,520
7,779	26,869	-	-	-	-	34,648	29,192
7,000	3	5	944	1,155	36	9,315	4,097
3,904	-	-	-	-	-	3,904	4,590
-	-	-	-	50,318	194,819	245,137	252,801
-	-	-	-	-	-	20,142	20,656
1,803	22	-	-	2,232	-	15,001	13,965
14,116	(2,958)	12	-	-	19	11,363	17,329
103,259	23,936	656	944	54,194	194,874	420,202	430,150
46,463	22,332	437	944	-	-	72,105	72,779
6,953	7,104	-	-	-	-	14,764	6,227
4,079	324	5	-	94	-	4,579	5,297
12,628	4,472	96	-	1,200	-	19,468	19,950
-	-	-	-	-	-	20,457	20,909
4,500	22	-	-	2,143	-	12,749	10,901
-	-	-	-	32,989	194,128	227,117	222,063
1,627	-	-	-	19,463	-	21,046	11,520
719	-	(1)	-	708	-	(759)	2,298
76,969	34,254	537	944	56,597	194,128	391,526	371,944
26,290	(10,318)	119	-	(2,403)	746	28,676	58,206
(35,069)	19,495	-	-	-	-	-	-
(8,779)	9,177	119	-	(2,403)	746	28,676	58,206
628,131	46,676	1,261	-	121,984	8,093	917,536	881,710
$619,352	$55,853	$1,380	$ -	$119,581	$ 8,839	$946,212	$939,916

MINNESOTA HOUSING FINANCE AGENCY
Fund Financial Statements
Statement of Cash Flows (in thousands)
Proprietary Funds
Year ended June 30, 2015 (with comparative totals for year ended June 30, 2014)

		Bond Funds	
		General Reserve	Rental Housing
Cash flows from operating activities	Principal repayments on loans and program mortgage-backed securities	$ -	$22,778
	Investment in loans/loan modifications and program mortgage-backed securities	-	(928)
	Interest received on loans and program mortgage-backed securities	-	8,575
	Fees and other income received	10,472	324
	Salaries, benefits and other operating	(26,768)	(88)
	Appropriations received	-	-
	Appropriations disbursed	-	-
	Administrative reimbursement from funds	20,161	(1,064)
	Deposits into funds held for others	27,732	-
	Disbursements made from funds held for others	(30,424)	-
	Interfund transfers and other assets	(1,490)	(22)
	Net cash provided (used) by operating activities	(317)	29,575
Cash flows from non-capital financing activities	Proceeds from sale of bonds and notes	-	-
	Principal repayment on bonds and notes	-	(24,550)
	Interest paid on bonds and notes	-	(2,323)
	Financing costs paid related to bonds issued	-	(17)
	Agency contribution to program funds	-	-
	Transfer of cash between funds	(4,673)	-
	Net cash provided (used) by noncapital financing activities	(4,673)	(26,890)
Cash flows from investing activities	Investment in real estate owned	-	-
	Interest received on investments	602	122
	Net gain (loss) on Sale of MBS Held for Sale and HOMES^{SM} Certificates	-	-
	Proceeds from sale of mortgage insurance claims/real estate owned	-	-
	Proceeds from maturity, sale or transfer of investment securities	-	8,553
	Purchase of investment securities	-	-
	Purchase of loans between funds	-	(17,956)
	Net cash provided (used) by investing activities	602	(9,281)
	Net increase (decrease) in cash and cash equivalents	(4,388)	(6,596)
Cash and cash equivalents	Beginning of period	57,160	29,027
	End of period	$52,772	$22,431

See accompanying notes to financial statements

Bond Funds				Appropriated Funds			
Residential Housing Finance	Homeownership Finance	Multifamily Housing	HOMES[SM]	State Appropriated	Federal Appropriated	Total for the Year Ended June 30, 2015	Total for the Year Ended June 30, 2014
$182,524	$ 81,678	$ 149	$ -	$ 8,477	$ -	$295,606	$249,922
(147,125)	(231,376)	-	-	(25,609)	-	(405,038)	(249,053)
74,273	27,639	586	-	496	-	111,569	114,850
10,947	-	-	-	2,232	-	23,975	21,050
(16,238)	(402)	(5)	-	(2,236)	-	(45,737)	(42,761)
-	-	-	-	50,318	192,891	243,209	253,031
-	-	-	-	(33,334)	(192,209)	(225,543)	(223,414)
(12,628)	(4,472)	(96)	-	(1,149)	-	752	661
-	-	-	-	41,734	-	69,466	61,170
-	-	-	-	(10,812)	(302)	(41,538)	(43,179)
723	-	-	-	-	-	(789)	(1,470)
92,476	(126,933)	634	-	30,117	380	25,932	140,807
719,275	227,233	-	-	-	-	946,508	344,716
(826,535)	(77,337)	(230)	(2,709)	-	-	(931,361)	(453,165)
(49,488)	(22,475)	(438)	(951)	-	-	(75,675)	(80,774)
(3,993)	(2,061)	-	-	-	-	(6,071)	(3,775)
(6,961)	6,961	-	-	-	-	-	-
4,673	-	-	-	-	-	-	-
(163,029)	132,321	(668)	(3,660)	-	-	(66,599)	(192,998)
(3,825)	-	-	-	-	-	(3,825)	(4,542)
6,185	3	6	951	1,020	44	8,933	7,758
(3,690)	-	-	-	-	-	(3,690)	3,411
32,323	-	-	-	-	-	32,323	54,480
488,434	340	450	2,709	-	4,799	505,285	453,218
(509,086)	-	-	-	-	(2,398)	(511,484)	(445,241)
20,680	-	-	-	(2,724)	-	-	-
31,021	343	456	3,660	(1,704)	2,445	27,542	69,084
(39,532)	5,731	422	-	28,413	2,825	(13,125)	16,893
211,146	28,562	831	-	68,406	1,431	396,563	379,670
$171,614	$ 34,293	$1,253	$ -	$96,819	$4,256	$383,438	$396,563

(Continued)

Statement of Cash Flows (in thousands)

Reconciliation of revenue over (under) expenses to net cash provided (used) by operating activities

	Bond Funds	
	General Reserve	**Rental Housing**
Revenues over (under) expenses	$ 4,317	$ 9,925
Adjustments to reconcile revenues over (under) expenses to net cash provided (used) by operating activities:		
Amortization of premiums (discounts) and fees on program mortgage-backed securities	-	-
Amortization of premium (discounts) and fees on sale of HOMES^{SM} Certificates	-	-
Amortization of proportionate share-Pension	(47)	-
Depreciation	2,131	-
Gain (loss) on sale of MBS held for sale and HOMES^{SM} Certificates	-	-
Realized losses (gains) on sale of securities, net	-	27
Unrealized losses (gains) on securities, net	-	(174)
Salaries and Benefits-Pensions	(2,241)	-
Provision for loan losses	-	(2,185)
Reduction in carrying value of certain low interest rate and/or deferred loans	-	(44)
Capitalized interest on loans and real estate owned	-	(12)
Interest earned on investments	(95)	(90)
Interest expense on bonds and notes	-	1,929
Financing expense on bonds	-	707
Changes in assets and liabilities:		
Decrease (increase) in loans receivable and program mortgage-backed securities, excluding loans transferred between funds	-	21,850
Decrease (increase) in interest receivable on loans	-	(20)
Increase (decrease) in arbitrage rebate liability	-	(2,314)
Increase (decrease) in accounts payable	-	(6)
Increase (decrease) in interfund payable, affecting operating activities only	19	8
Increase (decrease) in funds held for others	(2,692)	-
Other	(1,709)	(26)
Total	(4,634)	19,650
Net cash provided (used) by operating activities	$ (317)	$29,575

See accompanying notes to financial statements

Bond Funds				Appropriated Funds			
Residential Housing Finance	Homeownership Finance	Multifamily Housing	HOMES^{SM}	State Appropriated	Federal Appropriated	Total for the Year Ended June 30, 2015	Total for the Year Ended June 30, 2014
$ 26,290	$ (10,318)	$119	$ -	$ (2,403)	$ 746	$ 28,676	$58,206
(462)	1,225	-	-	-	-	763	376
-	-	-	-	-	-	-	583
-	-	-	-	-	-	(47)	-
-	-	-	-	-	-	2,131	1,789
(3,904)	-	-	-	-	-	(3,904)	(5,173)
(393)	-	-	-	-	(1)	(367)	2,760
(14,116)	2,958	(12)	-	-	(19)	(11,363)	(17,329)
-	-	-	-	-	-	(2,241)	-
719	-	(1)	-	708	-	(759)	2,299
1,627	-	-	-	19,463	-	21,046	11,519
(2,604)	-	-	-	-	-	(2,616)	(5,127)
(6,001)	(3)	(5)	(944)	(1,155)	(35)	(8,328)	(7,210)
46,463	22,332	437	944	-	-	72,105	72,779
6,953	7,104	-	-	-	-	14,764	6,227
35,399	(149,698)	149	-	(17,132)	-	(109,432)	869
914	(455)	(53)	-	(2)	-	384	3,287
(606)	-	-	-	-	-	(2,920)	(47)
1,685	(78)	-	-	(345)	1,999	3,255	(1,504)
(1)	-	-	-	61	(80)	7	54
-	-	-	-	30,922	(302)	27,928	17,991
513	-	-	-	-	(1,928)	(3,150)	(1,542)
66,186	(116,615)	515	-	32,520	(366)	(2,744)	82,601
$ 92,476	$(126,933)	$634	$ -	$30,117	$ 380	$ 25,932	$140,807

Nature of Business and Fund Structure

The Minnesota Housing Finance Agency (the Agency or Minnesota Housing) was created in 1971 by the Minnesota legislature through the enactment of Minnesota Statutes, Chapter 462A, which has been amended from time to time. The Agency was established to facilitate the construction and rehabilitation of housing in Minnesota for families of low- and moderate-income by providing mortgage loans, development loans, and technical assistance to qualified housing sponsors. The Agency, as a special purpose agency engaged in business-type activities, is a component unit of the State of Minnesota, and is reflected as a proprietary fund in the state's comprehensive annual financial report. The Agency receives appropriations from the state legislature, substantially all of which are used to make loans or grants under specified programs. The Agency also receives funds from the federal government and other entities for similar program purposes.

The Agency is authorized to issue bonds and notes to fulfill its corporate purposes up to a total outstanding amount of $5.0 billion and to incur other indebtedness. None of the bonds, notes or other indebtedness is a debt of the State of Minnesota or any political subdivision thereof.

The following describes the funds maintained by the Agency, which are included in this report, all of which conform to the authorizing legislation and bond resolutions:

General Reserve

General Reserve was established in fulfillment of the pledge by the Agency of its full faith and credit to the payment of its general obligation bonds in its bond resolutions. Administrative costs of the Agency and multifamily development escrow receipts and related disbursements are recorded in this account. The net position of General Reserve is available to support the following funds which are further described below: Rental Housing, Residential Housing Finance, Homeownership Finance and Multifamily Housing. Also described below is the HOMES℠ fund which carries limited obligations of the Agency and is therefore not supported by General Reserve.

Rental Housing

Activities relating to bond-financed multifamily housing programs are maintained under the Rental Housing bond resolution. Loans are generally secured by first mortgages on real property. The Rental Housing bond resolution prescribes the application of bond proceeds, debt service requirements of the bond indebtedness, permitted investments, and eligible loans to be financed from the bond proceeds.

Residential Housing Finance

Included within Residential Housing Finance are the bond funds, which include bonds issued and outstanding under the Residential Housing Finance bond resolution and the Alternative Loan Fund which consists of the Housing Investment Fund (Pool 2) and the Housing Affordability Fund (Pool 3). All of these funds are restricted by a covenant with bondholders as to their use.

The bond resolution within Residential Housing Finance, along with the Homeownership Finance bond resolution, were the principal sources of financing for bond-financed homeownership programs (see Homeownership Finance below). Bonds were issued for the purpose of funding purchases of single family first mortgage loans, mortgage-backed securities backed by single family mortgage loans, some related entry cost housing assistance loans, and subordinated home improvement loans. The majority of the single family first mortgage loans financed by these bond issues are insured by private mortgage insurers or the Federal Housing Administration (FHA) or guaranteed by the U.S. Department of Veterans Affairs (VA) or the U.S. Department of Agriculture Rural Development (RD). Assets financed by the bonds issued and outstanding under the Residential Housing Finance bond resolution are pledged to the repayment of Residential Housing Finance bonds.

The Alternative Loan Fund has been established in Residential Housing Finance and residing therein are two sub funds: Housing Investment Fund (Pool 2) and Housing Affordability Fund (Pool 3). Funds deposited therein would otherwise be available to be transferred to General Reserve. The Alternative Loan Fund is not pledged to the payment of the Residential Housing Finance bonds or any other debt obligation of the Agency

Nature of Business and Fund Structure (continued)

but, to the extent that funds are available therein, is available to honor the general obligation pledge of the Agency.

Assets of the Housing Investment Fund (Pool 2) consist of investment quality housing loans, as defined by the Agency, and investment grade securities. During fiscal year 2015 this fund provided capital for several Agency programs including its home improvement loan program and its multifamily first-mortgage loan program. It also provided capital for warehousing purchases of mortgage-backed securities secured by single family first mortgage loans before these securities are permanently financed by issuing bonds, or sold into the TBA market. In addition, it provided capital for amortizing second lien homeownership loans made in conjunction with the Agency's single family first mortgage loans, for tax credit bridge loans, for loans to partner organizations to acquire, rehabilitate and sell foreclosed homes and to develop new affordable housing, and bond sale contributions. The fund may also provide interim financing for construction and rehabilitation of single family housing and may be used to advance funds to retire Agency high interest-rate debt.

Assets of the Housing Affordability Fund (Pool 3) consist of investment-grade securities when not utilized for program purposes. Program purposes include, but are not limited to: no-interest loans; loans at interest rates substantially below market, high risk loans, deferred loans, revolving funds, and grants. During fiscal year 2014 funds from Pool 3 were used for entry cost assistance for first-time homebuyers, below-market interim financing for construction and rehabilitation of single family housing, capital costs and rental assistance for permanent supportive housing, advances for certain multifamily housing developments in anticipation of permanent funding through state appropriation-backed housing bonds, and deferred, subordinated multifamily loans.

The Residential Housing Finance bond resolution prescribes the application of bond proceeds, debt service requirements of the bond indebtedness, permitted investments, and eligible loans to be financed from the bond proceeds.

Homeownership Finance

This bond resolution was originally adopted for the purpose of issuing mortgage revenue bonds under the United States Treasury's Single Family New Issue Bond Program (NIBP). Non-NIBP mortgage revenue bonds, which also meet resolution requirements, have also been issued under this resolution. Bonds issued under this resolution fund mortgage-backed securities backed by single family mortgage loans. These securities are guaranteed as to payment of principal and interest by either the Government National Mortgage Association or the Federal National Mortgage Association.

Home Ownership Mortgage-backed Exempt Securities (HOMES^{SM})

This bond indenture implements a program developed by the investment banking division of a major bank whereby the Agency issues and sells to the investment bank limited obligations of the Agency (HOMES^{SM} certificates), each secured by a mortgage-backed security guaranteed by FNMA or GNMA. The HOMES^{SM} Certificates are not secured by the general obligation pledge of the Agency and are not protected by the moral obligation backing from the State of Minnesota.

Multifamily Housing

This bond resolution was adopted for the purpose of issuing multifamily housing bonds under the United States Treasury's Multifamily New Issue Bond Program. Bonds were issued during a prior fiscal year for one rental housing project.

State Appropriated

The State Appropriated fund was established to account for funds received from the Minnesota legislature which are to be used for programs for low- and moderate-income persons and families in the form of low-interest loans, no-interest deferred loans, low-interest amortizing loans, debt service and other costs associated with appropriation-backed housing bonds, and other housing-related program costs. The net

Nature of Business and Fund Structure (continued)

position of the State Appropriated fund is not pledged or available to secure bonds issued under any of the Agency's bond funds or creditors of the Agency.

Federal Appropriated

The Federal Appropriated fund was established to account for funds received from the federal government which are to be used for programs for low- and moderate-income persons and families in the form of no-interest deferred loans and grants in support of foreclosure counseling and remediation efforts, assistance to tax credit developments and other housing-related program costs. The net position of the Federal Appropriated fund is not pledged or available to secure bondholders or creditors of the Agency.

Summary of Significant Accounting Policies

The following is a summary of the more significant accounting policies.

Basis of Accounting

The Agency's financial statements have been prepared on the accrual basis utilizing the proprietary fund concept which pertains to financial activities that operate in a manner similar to private business enterprises and are financed through fees and charges assessed primarily to the users of the services.

Generally Accepted Accounting Principles

Since the business of the Agency is essentially that of a financial institution having a business cycle greater than one year, the statement of net position is not presented in a classified format.

New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The provisions of this Statement are effective for the Agency's fiscal year ending June 30, 2015. The provisions of statement were adopted for fiscal year ended June 30, 2015. The effects on the agency financials are as follows: The beginning net position was adjusted by $22.380 million, a net pension liability of $9.313 million was added, deferred pension expense of $1.042 million and a deferred pension credit of $11.821 million were added. Details can be found in the footnote for Pension. With respect to the comparative information as of and for the year ended June 30, 2014, 2014 balances could not be restated as information required to adopt the standard is not available to the Agency.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 6*8 The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The provisions of this Statement are effective for the Agency's fiscal year ending June 30, 2015. The provisions of statement were adopted for fiscal year ended June 30, 2015. The effects on the agency financials are as follows: The beginning net position was adjusted by $22.380 million, a net pension liability of $9.313 million was added, deferred pension expense of $1.042 million and a deferred pension credit of $11.821 million were added. Details can be found in the footnote for Pension. With respect to the comparative information as of and for the year ended June 30, 2014, 2014 balances could not be restated as information required to adopt the standard is not available to the Agency.

Summary of Significant Accounting Policies (continued)

In June 2015, the GASB issued 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 Statements 67 and 68.* 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 governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter period equity, and creating additional transparency. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions,* as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans,* and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and non employer contributing entities. This Statement also clarifies the application of certain provisions of Statements 67 and 68 with regard to the following issues:

Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.

Accounting and financial reporting for separately financed specific liabilities of individual employers and non employer contributing entities for defined benefit pensions.

Timing of employer recognition of revenue for the support of non employer contributing entities not in a special funding situation.

The requirements of this Statement that address accounting and financial reporting by employers and governmental non employer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. Earlier application is encouraged.

In June 2015, the GASB issued Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter period equity, and creating additional transparency. This Statement replaces Statements No. 43, *Financial Reporting for Post- employment Benefit Plans Other Than Pension Plans,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* as amended, Statement 43, and Statement No. 50, *Pension Disclosures.* Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* establishes new accounting and financial re- porting requirements for governments whose employees are provided with OPEB, as well as for certain non employer governments that have a legal obligation to provide financial support for OPEB provided to the

Summary of Significant Accounting Policies (continued)

employees of other entities. The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

Contributions from employers and non employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

OPEB plan assets are legally protected from the creditors of employers, non employer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are *not* administered through trusts that meet the specified criteria. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

In June 2015, the GASB issued Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter period equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* establishes new accounting and financial reporting requirements for OPEB plans. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a non employer entity provides financial support for OPEB of employees of another entity. In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria: Contributions from employers and non employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable. OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged

In June 2015, the GASB issued Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non authoritative 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 requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted.

OPEB plan assets are legally protected from the creditors of employers, non employer contributing entities, the OPEB plan administrator, and the plan members.

Cash and Cash Equivalents

Cash equivalents may include commercial paper, money market funds, repurchase agreements, State investment pool holdings and any other investments, primarily U.S. treasury and agency securities, that have 90 or less days remaining to maturity at the time of purchase. Investment agreements are also classified as cash and cash equivalents.

Investments- Program Mortgage-backed Securities and Investment Securities- Other

The Agency generally carries investment securities at fair market value. Unrealized gains and losses on investment securities resulting from changes in market valuation are generally recorded as revenue. However, unrealized gains and losses on investments of multifamily development escrow funds resulting from changes in market valuation, as well as unrealized gains and losses on MBS held in the HOMES℠ fund, are recorded as funds held for others. Mortgage-backed securities held for sale are carried at the lower of cost or market. Investments- program mortgage-backed securities, as previously described, are shown separately on the statement of net position.

Loans Receivable, Net

Loans receivable are carried at their unpaid principal balances, net of an allowance for loan losses.

The allowances for loan losses are established based on management's evaluation of the loan portfolio.

Generally, the Agency provides an allowance for loan losses for multifamily loans after considering the specific known risks: adequacy of collateral and projected cash flows; past experience; amount of federal or state rent subsidies, if any; the status and amount of past due payments, if any; the amount of deferred maintenance, if any; and current economic conditions.

For homeownership and home improvement loans, the Agency establishes varying amounts of reserves depending upon the number of delinquent loans, the estimated amount of loss per delinquent loan, the number of days delinquent and the type of insurance coverage in force, if any: FHA insurance, RD guarantee, VA guarantee, or private mortgage insurance.

Actual gains and losses are posted to allowance for loan losses. Management believes the allowances for loan losses adequately reserve for probable losses inherent in the loan portfolios as of June 30, 2015.

Interest Receivable on Loans and Program Mortgage-Backed Securities

The Agency accrues interest on its amortizing loans until they become 90 days or more delinquent in the case of multifamily loans, until they become "real estate owned" (described below) for homeownership loans, or until they are classified by the Agency as inactive for home improvement loans.

FHA/VA Insurance Claims Receivable, Net

Mortgages that are FHA insured or VA guaranteed, and for which insurance claims have been filed, are included in this category. FHA/VA insurance claims receivable, net is carried at its estimated realizable value.

Real Estate Owned, Net

Real estate acquired through foreclosure is recorded at the lower of the investment in the loan or estimated fair market value less estimated selling costs. These properties may be RD guaranteed, uninsured or have private mortgage insurance. Real estate owned, net is carried at its estimated realizable value.

Summary of Significant Accounting Policies (continued)

Deferred Loss on Interest Rate Swap Agreements

The Agency's interest rate swap agreements have a negative fair value as of the end of fiscal year 2015. Because these agreements have been determined to be effective hedges under applicable accounting guidance, the negative fair value is recorded as a deferred loss.

Deferred Pension Expense and Credits

The deferred inflows and outflows of pension resources are amounts used under GASB statement No. 68 in developing the annual pension expense. They arise with differences between expected and actual experience; changes of assumptions. The portion of these amounts not included in pension expense should be included in the deferred inflows or outflows of resources.

Bonds Payable

Bonds payable are carried at their unpaid principal balances.

Interest Rate Swap Agreements

Because the Agency's interest rate swap agreements have a negative fair value as of the end of fiscal year 2015 and they have been determined to be effective hedges under the applicable accounting guidance, they are recorded here as a liability.

Net Pension Liability

The Net Pension Liability is the liability of employers and non-employer contribution entities to plan members for benefits provided through a defined benefit pension plan.

Pension

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 Minnesota State Retirement System (MSRS) and additions to/deductions from MSRS's fiduciary net position have been determined on the same basis as they are reported by MSRS. 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.

Inter fund Payable (Receivable)

Inter fund payable (receivable) primarily reflects pending transfers of cash and assets between funds. The more significant activities that flow through this fund may include funds advanced for purposes of optionally redeeming bonds when economically advantageous; funds advanced for loan warehousing; administrative fees receivable and payable between funds; non-operating transfers among the Housing Endowment Fund (Pool 1), the Housing Investment Fund (Pool 2), and the Housing Affordability Fund (Pool 3); and certain mortgage payments received but not yet transferred to their respective funds.

Funds Held for Others

Funds Held for Others are primarily escrow amounts held by the Agency on behalf of multifamily housing developments where the Agency holds the first mortgages. These amounts are held under the terms of the related loans and federal regulations regarding subsidized housing. Investment income relating to these funds is credited directly to the escrow funds and is not included in the investment income of General Reserve.

Undisbursed proceeds of state appropriation-backed housing bonds are recorded in Funds Held for Others until disbursed for their intended purpose.

Also included in funds held for others are unrealized gains and losses on investments of the multifamily housing development escrow fund investments, unrealized gains and losses on the mortgage-backed

Summary of Significant Accounting Policies (continued)

securities supporting HOMES℠ certificates, and funds held for, and reimbursable to, HUD, such as Section 8 payments. In addition, investment income on unspent Section 8 funds is credited directly to Funds Held for Others and not included in the investment income of Federal Appropriated.

Deferred Revenue- Service Release Fees

The Agency's master servicer pays the Agency a fee for the right to service the loans backing mortgage-backed securities that are purchased and retained by the Agency. These fees are initially recorded as deferred inflows of resources and then amortized to Fees Earned and Other Income using the effective interest method over the expected life of the loans.

Restricted by Bond Resolution

The Restricted by Bond Resolution portion of Net Position represents the amount restricted within the respective bond resolution due to the specific provisions of the bond resolutions.

Restricted by Covenant

The Restricted by Covenant portion of Net Position represents those assets in General Reserve and those assets that would otherwise be available to be transferred to General Reserve under the applicable bond resolutions. Under the Agency's bond resolutions, the Agency covenants that it will use the assets in General Reserve only for the administration and financing of programs in accordance with the policy and purpose of Minnesota Housing's enabling legislation, including reserves for the payment of bonds and notes and of loans made from the proceeds thereof, and will accumulate and maintain therein such balance of funds and investments as will be sufficient for the purpose. The Agency's Board establishes investment guidelines for these funds.

Restricted by Law

Undisbursed, recognized federal and state appropriations are classified as restricted by law.

Invested in Capital Assets

This represents the balance of capital assets, net of depreciation. No related debt exists.

Agency-wide Total

The Agency-wide Total columns reflect the totals of the similar accounts of the various funds. Since the assets of certain of the funds are restricted by either the related bond resolutions or legislation, the totaling of the accounts, including assets therein, is for convenience only and does not indicate that the combined assets are available in any manner other than that provided for in either the bond resolutions, Board resolutions or the legislation for the separate funds or groups of funds. The totals for fiscal year 2014 are for comparative purposes only.

Administrative Reimbursement

The largest source of funding for the Agency's administrative operations is a monthly transfer from each of the bond funds to General Reserve based on adjusted assets. Adjusted assets are defined as total assets excluding the reserve for loan loss, proceeds of limited obligation debt and unrealized appreciation and depreciation on investments including all mortgage-backed securities. Additional funding for the Agency's administrative operations is provided by a monthly transfer from Residential Housing Finance Pool 2 based on a portion of the net gain on the sale of mortgage-backed securities held for sale.

For programs funded by state appropriations, the Agency recovers the cost of administering the programs but only to the extent of interest earnings on unexpended state appropriations.

For programs funded by federal appropriations, the Agency recovers the cost of administering programs through an approved federal indirect cost recovery rate but only to the extent that funds are available. Certain

Summary of Significant Accounting Policies (continued)

other direct costs are also recovered. Total direct and indirect costs recovered from the federal government in the amount of $0.647 million are reflected as administrative reimbursement revenues in the General Reserve.

Administrative reimbursements in the amount of $19.468 million between the Agency's funds have been eliminated from the respective administrative reimbursement revenues and expenses line items for purposes of presentation in the Agency-wide statement of activities.

Fees Earned and Other Income

Fees earned and other income consists mainly of fees related to the financing and administration of Section 8 properties, including administration of a HUD-owned Section 8 portfolio, acquisition fees earned from the sale of mortgage servicing rights, fees in connection with operating the federal Low Income Housing Tax Credits program, annual fees related to certain multifamily housing development loans, fees from the Low Income Rental Classification program, private contributions restricted to use in the Agency's Homeownership Education, Counseling and Training Program, housing development operating subsidies received from other state agencies, fees received for reimbursement for the cost of issuance for certain bonds, and fees for issuing and monitoring conduit bonds. Fees earned and other income is recorded as it is earned.

Reduction in Carrying Value of Certain Low-Interest Rate Deferred Loans

The carrying value of certain Housing Affordability Fund (Pool 3) loans and State Appropriated loans which are originated at below market interest rates and for which repayment is deferred for up to 30 years, is written down to zero at the time of origination by providing for a Reduction in Carrying Value of Certain Low Interest Rate Deferred Loans because of the nature of these loans and the risks associated with them. Certain of these loans may be forgiven at maturity.

Other Changes

The Agency utilizes the Other Changes section of the Statement of Revenues, Expenses and Changes in Net Position to describe various non-operating transfers of assets between funds.

Non-operating Transfer of Assets Between Funds

Non-operating transfers occur as a result of bond sale contributions related to new debt issues; transfers between the Housing Endowment Fund (Pool 1), the Housing Investment Fund (Pool 2), and the Housing Affordability Fund (Pool 3) to maintain the Pool 1 required balance; and periodic transfers from the bond funds of assets in excess of bond resolution requirements.

Non-Cash Activities

Transfers from loans receivable to FHA/VA insurance claims receivable and real estate owned for fiscal year 2015 were $24.0 million in Residential Housing Finance.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows and outflows, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the comparative totals columns of the financial statements have been reclassified to conform with the current year presentation.

Summary of Significant Accounting Policies (continued)

Income Taxes

The Agency, as a component unit of the State of Minnesota, is exempt from federal and state income taxes. Accordingly, no provision for income taxes is necessary.

Rebatable Arbitrage

Arbitrage earnings that are owed to the United States Treasury are recorded in Accounts Payable and based on estimated calculations performed by an independent calculation specialist on an ongoing basis. Also included in this category is yield compliance liability.

Permitted Agency investments include government obligations, commercial paper, repurchase agreements, money market funds, guaranteed investment contracts (i.e., investment agreements), the State investment pool, corporate obligations, municipal bonds and other investments consistent with requirements of safety and liquidity that comply with applicable provisions of the bond resolutions, state law and Board policy.

Cash, Cash Equivalents and Investment Securities

Cash and Cash Equivalents are generally stated at cost, which approximates fair value. The balances were composed of the following at June 30, 2015 (in thousands):

Cash and Cash Equivalents

Funds	Deposits	Money Market Funds	State Investment Pool	Investment Agreements	Combined Totals
General Reserve Account	$ -	$ -	$52,772	$ -	$ 52,772
Rental Housing	-	22,431	-	-	22,431
Residential Housing Finance	2,250	162,916	-	6,448	171,614
Homeownership Finance Bonds	-	34,293	-	-	34,293
Multifamily Housing Bonds	-	1,253	-	-	1,253
HOMES[SM]	-	-	-	-	-
State Appropriated Accounts	150	49,995	46,674	-	96,819
Federal Appropriated Accounts	682	3,573	1	-	4,256
Combined Totals	$3,082	$274,461	$99,447	$6,448	$383,438

Deposits were cash awaiting investment, consisting of interest earned on investments received too late on the last day of the fiscal year to be invested and loan servicer deposits in transit.

The State investment pool is an internal investment pool managed by the Minnesota State Board of Investment (SBI). The SBI invests in debt securities, including U.S. treasury securities, U.S. agency securities, bankers' acceptances, high grade corporates, and commercial paper. This investment pool is unrated.

Generally, investment agreements are uncollateralized, interest-bearing contracts with financial institutions or corporations with variable liquidity features, which require a one-day to two-week notice for deposits and/or withdrawals, and are invested in accordance with the restrictions specified in the various bond resolutions.

Investment securities (comprising U.S. Treasury securities, U.S. Agency securities, mortgage-backed securities and municipal bonds) are recorded at fair market value and were allocated to the following funds at June 30, 2015 (in thousands):

Cash, Cash Equivalents and Investment Securities (continued)

Investment Securities

Funds	Investment Securities-Other at Amortized Cost	Program Mortgage-backed Securities at Amortized Cost	Unrealized Appreciation (Depreciation) in Fair Market Value	Estimated Fair Market Value
General Reserve Account	$ 29,668	$ -	$ 288	$ 29,956
Rental Housing	1,855	-	151	2,006
Residential Housing Finance	152,653	275,270	10,065	437,988
Homeownership Finance Bonds	2,070	831,479	28,956	862,505
Multifamily Housing Bonds	-	-	-	-
HOMES[SM]	28,668	-	525	29,193
State Appropriated Accounts	36,967	-	1,053	38,020
Federal Appropriated Accounts	4,552	-	32	4,584
Combined Totals	$256,433	$1,106,749	$41,070	$1,404,252

U.S. Treasury securities, U.S. Agency securities, and municipal bonds in General Reserve, State Appropriated and Federal Appropriated are held by the Agency's agent in the name of the State of Minnesota. U.S. treasury and U.S. agency securities in the remainder of the funds are held by the trustees under the Agency's bond resolutions in the Agency's name.

Investment securities are subject to credit risk. The following table classifies investment securities, except U.S. Treasuries, by their lowest Standard & Poor's/Moody's rating. Investment securities' credit rating categories (without qualifiers) at June 30, 2015 were (in thousands):

Credit Ratings of Investment Securities

Type	Par Value	AA+/Aaa	AA/Aa2
U.S. Agencies	$1,305,850	$1,305,850	$ -
Municipal Bonds	34,165	-	34,165
Agency-wide Totals	$1,340,015	$1,305,850	$34,165
U.S. Treasuries	10,683		
Agency-wide Totals	$1,350,698		

Examining the weighted average maturities of the Agency's investment securities can reveal information about interest rate risk. Cash, Cash Equivalents and Investment Securities (excluding unrealized appreciation of $41.070 million and net discounts of $12.484 million), along with the weighted average maturities (in years) as of June 30, 2015, consisted of the following (in thousands):

		Weighted Average Maturity, in Years							
Type	Par Value	General Reserve	Rental Housing	Residential Housing Finance	Home-ownership Finance	Multifamily Housing	HOMES[SM]	State Appropriated	Federal Appropriated
Deposits	$3,082	-	-	-	-	-	-	-	-
Money market fund	274,461	-	-	-	-	-	-	-	-
State investment pool	99,447	-	-	-	-	-	-	-	-
Investment agreements	6,448	-	-	-	-	-	-	-	-
US agencies	1,305,850	2.1	21.7	26.8	27.2	-	28.2	3.1	-
US treasuries	10,683	-	-	4.7	-	-	-	-	2.9
Municipal bonds	34,165	-	-	-	-	-	-	9.7	-
Agency-wide Totals	$1,734,136								
Weighted Average Maturity		0.8	1.7	17.8	26.0	-	28.2	1.2	0.1

Cash, Cash Equivalents and Investment Securities (continued)

Investments in any one issuer, excluding $933 million of investments issued or explicitly guaranteed by the U.S. Government, that represent five percent or more of the par value of total investments, as defined by GASB Statement No. 40, as of June 30, 2015 were as follows (in thousands):

Investment Issuer	Amount
Federal National Mortgage Association, U.S. Agencies	$305,874

The Agency maintained certain deposits and investments throughout fiscal year 2015 that were subject to custodial credit risk. As of June 30, 2015, the amounts subject to this risk consisted of the following (in thousands):

	Amount
Deposits not covered by depository insurance and uncollateralized (including $274,461 in a money market fund and $99,447 in the State investment pool)	$ 376,990
Investment securities uninsured, uncollateralized and not held in the Agency's name	1,342,723
Agency-wide Total	$1,719,713

Net realized loss on sale of investment securities of $0.368 million is included in interest earned on investments.

Certain balances are required to be maintained under the various bond resolutions. These balances represent debt service and insurance reserves. The required balances at June 30, 2015 were as follows (in thousands)

Funds	Amount
Rental Housing	$ 2,586
Residential Housing Finance	33,121
Multifamily Housing	488
Combined Totals	$36,195

Loans Receivable, Net

Loans receivable, net at June 30, 2015 consisted of (in thousands):

Funds	Outstanding Principal	Allowance for Loan Losses	Loans Receivable, Net
General Reserve	$ -	$ -	$ -
Rental Housing	148,339	(3,981)	144,358
Residential Housing Finance	1,165,173	(12,090)	1,153,083
Multifamily Housing	14,546	(73)	14,473
State Appropriated	37,646	(1,035)	36,611
Federal Appropriated	-	-	-
Agency-wide Totals	$1,365,704	$(17,179)	$1,348,525

Substantially all loans in the table above are secured by first or second mortgages on the real property financed. A significant portion of the homeownership first mortgage loans in the Residential Housing Finance fund have either FHA insurance or a VA or RD guarantee. Insurance reduces, but does not eliminate, loan losses.

In addition to the loans in the table above, certain loans are carried at below-market interest rates and repayment is deferred for up to 30 years. These loans are generally in either a second or more subordinate mortgage position or may be unsecured. Given the nature of these loans and the risk associated with them, at the time of origination they are fully reserved resulting in a net carrying value of zero. The principal

Loans Receivable, Net (continued)

amount of loans with such characteristics originated during fiscal year 2015 aggregated $3.262 million in the Residential Housing Finance Housing Affordability Fund (Pool 3) and $26.584 million in State Appropriated. Loans with net carrying values of zero are excluded from the tables above and below.

Loans receivable, net and gross in Residential Housing Finance at June 30, 2015 consist of a variety of loans as follows (in thousands):

Description	Net Outstanding Amount	Gross Outstanding Amount
Residential Housing Finance Bonds:		
Homeownership, first mortgage loans	$ 812,140	$ 819,067
Other homeownership loans, generally secured by a second mortgage	1,262	1,308
Alternative Loan Fund, Housing Investment Fund (Pool 2):		
Home Improvement loans, generally secured by a second mortgage	82,471	83,751
Homeownership, first mortgage loans	43,578	44,043
Other homeownership loans, generally secured by a second mortgage	15,497	15,976
Multifamily, first mortgage loans	158,825	160,226
Alternative Loan Fund, Housing Affordability Fund (Pool 3):		
Other homeownership loans, generally secured by a second mortgage	35,749	37,241
Multifamily, other	3,561	3,561
Residential Housing Finance Totals	$1,153,083	$1,165,173

The Agency is limited by statute to financing real estate located within the State of Minnesota. Collectability depends on, among other things, local economic conditions.

Other Assets

Other assets, including receivables, at June 30, 2015 consisted of the following (in thousands):

Funds	Receivables Due from the Federal Government	Other Assets and Receivables	Total
General Reserve Account	$1,208	$ 4	$1,212
Rental Housing	-	106	106
Residential Housing Finance	-	462	462
Homeownership Finance	-	23	23
Multifamily Housing	-	67	67
HOMES[SM]	-	-	-
State Appropriated	-	-	-
Federal Appropriated	2,714	-	2,714
Combined Totals	$3,922	$662	$4,584

Bonds Payable

Summary of bonds payable activity at June 30, 2015 is as follows (in thousands):

Funds	June 30, 2014 Bonds Outstanding	Bonds Issued	Bonds Repaid	June 30, 2015 Bonds Outstanding
Rental Housing	$ 67,480	$ -	$ 24,550	$ 42,930
Residential Housing Finance	1,218,840	225,730	340,535	1,104,035
Homeownership Finance	686,555	227,234	77,338	836,451
Multifamily Housing	14,660	-	230	14,430
HOMES[SM]	31,377	-	2,709	28,668
Totals	$2,018,912	$452,964	$445,362	$2,026,514
Bond Premium-Residential Housing Finance				6,818
				$2,033,332

Bonds payable at June 30, 2015 were as follows (in thousands):

Series	Interest rate	Final Maturity	Original amount	June 30, 2015 Bonds Outstanding, at Par
Rental Housing Bonds				
2006 Series A-1	4.40% to 5.10%	2047	$ 6,615	$ 6,165
2006 Series B	4.89%	2037	5,020	4,395
2006 Series C-1	4.96%	2037	2,860	2,495
2007 Series A-1	4.65%	2038	3,775	3,340
2010 Series A-1	3.75% to 5.25%	2040	3,605	3,520
2011 Series A	2.25% to 5.45%	2041	8,890	7,630
2012 Series A-1	3.75%	2048	4,175	4,120
2013 Series A-1	3.50% to 5.30%	2049	3,710	3,690
2013 Series B-1	3.65% to 5.30%	2044	2,040	2,025
2014 Series A	0.625%	2016	5,550	5,550
			$46,240	$42,930
Residential Housing Finance Bonds				
2003 Series A	4.30%	2023	$40,000	$ 3,575
2003 Series B	Variable	2033	25,000	10,660
2003 Series I	4.80% to 5.10%	2020	25,000	2,715
2003 Series J	Variable	2033	25,000	8,710
2004 Series E-1	4.60%	2016	5,110	55
2004 Series E-2	4.50% to 4.60%	2016	6,475	530
2004 Series F-2	4.80% to 5.25%	2034	36,160	4,085
2004 Series G	Variable	2032	50,000	18,670
2006 Series A	4.00%	2016	13,150	1,075
2006 Series B	4.60% to 4.90%	2037	43,515	12,925
2006 Series C	Variable	2037	28,335	19,760
2006 Series F	4.20% to 4.25%	2016	11,015	1,175

Bonds Payable (continued)

Series	Interest rate	Final Maturity	Original amount	June 30, 2015 Bonds Outstanding, at Par
Residential Housing Finance Bonds (continued)				
2006 Series G	4.85% to 5.50%	2037	$ 58,985	$ 31,110
2006 Series I	4.60% to 5.75%	2038	95,000	39,410
2006 Series J	6.00% to 6.51%	2038	45,000	18,775
2006 Series L	3.90% to 3.95%	2016	6,740	1,525
2006 Series M	4.625% to 5.75%	2037	35,260	26,005
2006 Series N	5.49% to 5.76%	2037	18,000	2,940
2007 Series C	3.875% to 3.95%	2017	12,515	3,290
2007 Series D	4.60% to 5.50%	2038	62,485	31,725
2007 Series E	Variable	2038	25,000	6,890
2007 Series H	3.85% to 3.95%	2017	12,230	4,250
2007 Series I	4.65% to 5.50%	2038	100,270	46,830
2007 Series J	Variable	2038	37,500	10,375
2007 Series L	4.50% to 5.50%	2048	105,000	49,995
2007 Series M	6.345%	2038	70,000	34,750
2007 Series P	3.70% to 3.90%	2017	4,305	1,555
2007 Series Q	5.00% to 5.50%	2038	42,365	15,270
2007 Series S	Variable	2038	18,975	18,975
2007 Series T	Variable	2048	37,160	15,630
2008 Series A	3.80% to 4.65%	2023	25,090	2,415
2008 Series B	5.50% to 5.65%	2033	34,910	5,965
2008 Series C	Variable	2048	40,000	36,400
2009 Series A	3.30% to 5.20%	2023	26,795	2,390
2009 Series B	5.45% to 5.90%	2038	33,205	3,940
2009 Series C	Variable	2036	40,000	40,000
2009 Series D	3.65% to 4.05%	2020	19,830	6,515
2009 Series E	3.00% to 5.10%	2040	103,960	66,915
2009 Series F	Variable	2031	34,120	12,545
2012 Series A	1.6% to 3.90%	2023	50,945	31,225
2012 Series B	3.30% to 3.45%	2024	8,830	6,650
2012 Series C	3.625% to 3.85%	2029	30,975	23,350
2012 Series D	3.90% to 4.00%	2040	60,000	39,805
2013 Series A	0.750% to 3.00%	2031	33,305	22,580
2013 Series B	0.90% to 1.80%	2019	9,555	8,975
2013 Series C	1.80% to 3.90%	2043	42,310	39,755
2014 Series A	0.35% to 4.00%	2038	50,000	45,970
2014 Series B	0.30% to 4.00%	2038	50,000	46,455
2014 Series C	0.35% to 4.00%	2045	143,145	138,895
2014 Series D	3.00% to 3.10%	2026	6,585	6,385
2014 Series E	2.00% to 3.50%	2032	76,000	73,670
			$2,015,110	$1,104,035

Bonds Payable (continued)

Series	Interest rate	Final Maturity	Original amount	June 30, 2015 Bonds Outstanding, at Par
Homeownership Finance Bonds				
2009 Series A-1	3.01%	2041	$ 108,000	$ 76,350
2009 Series A-4A	2.48%	2041	21,910	16,130
2009 Series A-4B	2.48%	2041	13,090	9,670
2009 Series A-5	2.49%	2041	21,990	17,390
2010 Series A	1.80% to 4.25%	2028	72,000	39,610
2011 Series B	2.125% to 5.0%	2031	63,760	43,555
2011 Series C	2.00% to 3.850%	2022	8,310	4,320
2011 Series D	1.90% to 4.70%	2034	33,690	24,535
2011 Series E	1.35% to 4.45%	2035	65,000	45,335
2011 Series F	1.60% to 3.45%	2022	13,575	8,635
2011 Series G	4.00% to 4.25%	2035	29,110	22,710
2012 Series A	2.60%	2042	50,000	39,709
2012 Series B	2.25%	2042	75,000	62,196
2013 Series A	2.35%	2043	75,000	65,165
2013 Series B	2.70%	2041	85,148	67,085
2013 Series C	3.00%	2043	37,000	32,576
2014 Series A	3.00%	2044	38,527	36,952
2014 Series B	2.95%	2044	18,868	18,122
2014 Series C	3.25%	2044	13,663	13,123
2014 Series D	2.875%	2044	39,934	39,177
2015 Series A	2.80%	2045	60,013	59,514
2015 Series B	3.000%	2045	54,530	54,366
2015 Series C	3.050%	2045	40,226	40,226
			$1,038,344	$ 836,451
Multifamily Housing Bonds				
2009	3.01%	2051	$ 15,000	$ 14,430
			$ 15,000	$ 14,430
HOMES℠				
2013 Series A-1	3.50%	2043	$ 3,359	$ 3,259
2013 Series B-1	3.00%	2043	24,471	21,152
2013 Series C-1	3.50%	2043	4,713	4,257
			$ 32,543	$ 28,668
Combined Totals			$3,147,237	$2,026,514

Bonds Payable (continued)

The Agency uses special redemption provisions to retire certain bonds prior to their stated maturity from unexpended bond proceeds and revenues in excess of scheduled debt service resulting primarily from loan prepayments.

Substantially all bonds are subject to optional redemption after various dates at an amount equal to 100% of the unpaid principal and accrued interest as set forth in the applicable series resolution. Annual debt service requirements to maturity for bonds outstanding as of June 30, 2015, are as follows (in thousands):

	Rental Housing		Residential Housing Finance	
Fiscal Year	Principal	Interest	Principal	Interest
2016	$ 6,925	$ 1,667	$ 70,550	$ 36,371
2017	6,320	1,467	33,100	33,100
2018	600	1,423	31,665	31,665
2019	630	1,398	30,155	30,155
2020	660	1,371	31,230	31,230
2021-2025	3,840	6,389	178,985	178,985
2026-2030	6,055	6,308	227,510	227,510
2031-2035	6,755	3,720	261,000	261,000
2036-2040	7,570	1,962	203,725	203,725
2041-2045	2,300	576	30,685	30,685
2046-2050	1,275	111	5,430	5,430
Total	$42,930	$26,392	$1,104,035	$1,069,856

	Multifamily Housing		Homeownership Finance	
Fiscal Year	Principal	Interest	Principal	Interest
2016	$ 230	$ 431	$ 17,818	$ 24,895
2017	240	424	8,530	24,596
2018	240	417	8,760	24,386
2019	240	410	9,030	24,141
2020	240	402	9,320	23,861
2021-2025	1,200	1,904	53,190	113,961
2026-2030	1,520	1,710	61,590	102,092
2031-2035	1,800	1,450	59,550	89,172
2036-2040	2,190	1,160	66,435	79,463
2041-2045	2,550	802	542,228	51,009
2046-2050	3,080	376	-	-
2051-2055	900	18	-	-
Total	$14,430	$ 9,505	$ 836,451	$ 557,576

Bonds Payable (continued)

Fiscal Year	HOMES[SM] Principal	HOMES[SM] Interest	Combined Totals Principal	Combined Totals Interest
2016	$ -	$ 898	$ 95,523	$ 64,261
2017	-	898	48,190	60,485
2018	-	898	41,265	58,788
2019	-	898	40,055	57,001
2020	-	898	41,450	57,762
2021-2025	-	4,488	237,215	305,727
2026-2030	-	4,488	296,675	342,108
2031-2035	-	4,488	329,105	359,831
2036-2040	-	4,488	279,920	290,798
2041-2045	28,668	2,842	606,431	85,914
2046-2050	-	-	9,785	5,918
2051-2055	-	-	900	18
Total	$28,668	$25,283	$2,026,514	$1,688,612

Residential Housing Finance Bonds 2003 Series B and J; 2004 Series G; 2006 Series C; 2007 Series E (Taxable), J (Taxable), S and T (Taxable); 2008 Series C; and 2009 Series C and F accrue interest at rates that change weekly as determined by a remarketing agent for such series based on market conditions. Future interest due for these bonds, as displayed above in the annual debt service requirements table, assumes that the respective rates in effect on June 30, 2015 continue for the term of the bonds. Variable rate bond interest payments will vary as general short-term interest rates vary. Associated interest rate swaps are not included in the annual debt service requirements table. See the Swap Payments and Associated Debt table below to view those amounts.

The income and assets of each of the bond funds, except for the HOMES[SM] fund, are pledged on a parity basis for the payment of principal and interest on the bonds issued, and to be issued, under the respective resolutions. All but one of the bond resolutions contains covenants that require the Agency to maintain certain reserves. The Agency believes that as of June 30, 2015, it is in compliance with those covenants in all material respects and the assets of all funds and accounts in the bond funds equaled or exceeded the requirements as established by the respective bond resolutions.

Call notices were issued on or before June 30, 2015 for the redemption of certain bonds thereafter. See Subsequent Events.

On June 30, 2015 the Agency had in place a revolving line of credit with the Federal Home Loan Bank of Des Moines with an outstanding balance of $0.

Derivative Instruments-Interest Rate Swaps

The Agency has entered into certain interest rate swap agreements that are considered to be derivative instruments under Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53). A consultant was engaged by the Agency to determine the fair value of these agreements and to evaluate their effectiveness as hedges as of June 30, 2015. The fair values approximate the termination payments that would have been due had the swaps been terminated as of June 30, 2015. In accordance with GASB 53, the Agency recorded the fair value of the agreements on the statement of net position. The fair values exclude accrued interest. As of June 30, 2015, all of the Agency's interest rate swap agreements have been determined to be effective hedges, as defined by GASB 53. The fair value is displayed on the statement of net position as a liability named "Interest rate swap agreements." The inception-to-date change in fair value as of June 30, 2015 is included under deferred outflows of resources as "Deferred loss on interest rate swap agreements."

Derivative Instruments-Interest Rate Swaps (continued)

Objective of Swaps

The Agency entered into interest rate swap agreements in connection with its issuance of variable rate mortgage revenue bonds under the Residential Housing Finance Bond Resolution from 2003 through 2009. Using variable-rate debt hedged with interest-rate swaps reduced the Agency's cost of capital at the time of issuance compared to using long-term fixed rate bonds and, in turn, enabled the Agency to reduce mortgage rates offered to the Agency's low- and moderate-income, first-time home buyers.

Swap Payments and Associated Debt

Using rates as of June 30, 2015, debt service requirements of the Residential Housing Finance outstanding variable rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows (in thousands). As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year	Principal	Interest	Interest Rate Swaps, Net	Total
06/30/2016	$13,655	$134	$7,384	$21,173
06/30/2017	4,905	121	6,747	11,773
06/30/2018	1,470	118	6,345	7,933
06/30/2019	1,385	117	6,096	7,598
06/30/2020	1,645	115	5,884	7,644
06/30/2025	24,040	643	30,615	55,298
06/30/2030	53,210	510	22,586	76,306
06/30/2035	81,600	263	11,236	93,099
06/30/2040	8,770	54	1,581	10,405
06/30/2045	5,995	14	397	6,406

Terms of Swaps

Terms of the swaps, the fair values, changes in fair values, and the credit ratings of the two counterparties thereto as of June 30, 2015, are contained in the two tables below (in thousands). All swaps are pay-fixed, receive-variable. Initial swap notional amounts matched original principal amounts of the associated debt. The Agency's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximate scheduled or anticipated reductions in outstanding principal amounts of the associated bond series. With respect to the outstanding swaps (except for the 2009 F swap), the Agency has also purchased the right, generally based upon a 300% PSA prepayment rate (The Standard Prepayment Model of The Securities Industry and Financial Markets Association and formerly the Public Securities Association) on the underlying mortgage loans, to further reduce the notional balances of the swaps as necessary to match the outstanding principal amount of the associated bond series and, except for the 2003B, 2003J, 2004G, and 2009F swaps, the right to terminate the swaps at par at approximately the 10-year anniversary date of the swap. The Agency also has the right to terminate outstanding swaps in whole or in part at fair value at any time if it is not in default thereunder.

Derivative Instruments-Interest Rate Swaps (continued)

Counterparty: The Bank of New York Mellon

Moody's* AA (stable outlook) / Standard & Poor's** Aa2 (Negative outlook)[2]

Associated Bond Series	Notional Amount as of June 30, 2015 (in thousands)	Effective Date	Swap Maturity Date	Fixed Rate Payable	Variable Rate Receivable	Fair Value[1] as of June 30, 2015 (in thousands)	Increase (Decrease) in Fair Value since June 30, 2014 (in thousands)
RHFB 2003B	$10,660	July 23, 2003	January 1, 2033	3.532%	65% of 1 month LIBOR*** plus 0.23% per annum	$ (944)	$ 195
RHFB 2003J	8,710	October 15, 2003	July 1, 2033	4.183%	65% of 1 month LIBOR*** plus 0.23% per annum	(1,120)	161
RHFB 2006C	19,760	March 21, 2006	January 1, 2037	3.788%	64% of 1 month LIBOR*** plus 0.29% per annum	(349)	562
RHFB 2007S	18,975	December 19, 2007	July 1, 2038	4.340%	100% of SIFMA**** Index plus 0.06% per annum	(1,022)	237
RHFB 2007T (Taxable)	15,630	December 19, 2007	July 1, 2026	4.580%	100% of 1 month LIBOR*	(881)	492
Counterparty Total	$73,735					$(4,316)	$1,647

Derivative Instruments-Interest Rate Swaps (continued)

Counterparty: Royal Bank Of Canada

Moody's* Aa3 (Negative outlook) / Standard & Poor's** AA- (Stable outlook[3])

Associated Bond Series	Notional Amount as of June 30, 2015 (in thousands)	Effective Date	Swap Maturity Date	Fixed Rate Payable	Variable Rate Receivable	Fair Value[1] as of June 30, 2015 (in thousands)	Increase (Decrease) in Fair Value since June 30, 2014 (in thousands)
RHFB 2004G	$ 18,670	July 22, 2004	January 1, 2032	4.165%	64% of 1 month LIBOR*** plus 0.26% per annum	$ (654)	$1,273
RHFB 2007E (Taxable)	6,890	March 7, 2007	July 1, 2038	5.738%	100% of 1 month LIBOR***	(311)	995
RHFB 2007J (Taxable)	10,380	May 17, 2007	July 1, 2038	5.665%	100% of 1 month LIBOR***	(458)	1,581
RHFB 2008C	36,400	August 7, 2008	July 1, 2048	4.120%	64% of 1 month LIBOR*** plus 0.30% per annum	(2,509)	770
RHFB 2009C	40,000	February 12, 2009	July 1, 2036	4.215%	64% of 3 month LIBOR*** plus 0.30% per annum	(4,207)	407
RHFB 2009F	12,545	December 1, 2009	January 1, 2017	2.365%	100% of weekly SIFMA****plus 0.08% per annum	(194)	264
Counterparty Total	$124,885					$ (8,333)	$5,290
Combined Totals	$198,620					$(12,649)	$6,937

1. A positive fair value represents money due to the Agency by the counterparty upon an assumed termination of the swap while a negative fair value represents the amount payable by the Agency.
2. Moody's Investors Services, Inc. has given the "Aa2" rating of this counterparty (The Bank of New York Mellon) a positive outlook and Standard & Poor's Ratings Services has given the "AA-" rating of this counterparty (The Bank of New York Mellon) a stable outlook.
3. Moody's Investors Services, Inc. has given the "Aa3" rating of this counterparty (Royal Bank of Canada) a negative outlook and Standard & Poor's Ratings Services has given the "AA-" rating of this counterparty (Royal Bank of Canada) a negative outlook.

* Moody's Investor Service, Inc.
** Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies
*** London Inter-Bank Offered Rate
**** Securities Industry and Financial Markets Association

Termination Risk

The swap contracts may be terminated by either party if the other party fails to perform under the terms of the contract or upon certain termination events. Upon termination at market, a payment is due by one party based upon the fair value of the swap even if the payment is owed to a defaulting party. The potential termination risks to the Agency are the liability for a termination payment to the counterparty or the inability to replace the swap upon favorable financial terms, in which event the variable rate bonds would no longer be hedged. To reduce the risk of termination, swap contracts generally limit counterparty terminations to the following Agency actions or events: payment default, other defaults that remain uncured for 30 days after notice, substantial impairment of credit ratings, bankruptcy and insolvency.

Credit Risk

A swap potentially exposes the Agency to credit risk with the counterparty. The fair value of a swap represents the Agency's current potential credit exposure to the swap counterparty assuming the occurrence of a termination event. As of June 30, 2015, the Agency did not have a net credit risk exposure to any of

Derivative Instruments-Interest Rate Swaps (continued)

its three counterparties because their respective combined swap positions had a negative net fair value, as set forth in the foregoing tables. Each of the swap agreements requires that, upon demand, a party post collateral to secure its obligation to make a termination payment to the extent the fair value exceeds a collateral threshold specified in the agreement. The collateral threshold for each counterparty and the Agency is $50 million if the ratings on the unsubordinated, unsecured long-term indebtedness of the counterparty, in the case of the counterparty, or the hedged bonds, in the case of the Agency, are not less than “AA-“ and “Aa3” from Standard & Poor’s and Moody’s, respectively, $5 million if the ratings are not less than “A+” and “A1”, $3 million if the ratings are not less than “A” and “A2”, and $0, if either rating is lower. These bilateral requirements are established to mitigate potential credit risk exposure. As of June 30, 2015, neither the Agency nor any counterparty had been required to post collateral.

Amortization Risk

The Agency is subject to amortization risk because prepayments from the mortgage loan portfolio may cause the outstanding principal amount of variable rate bonds to decline faster than the amortization of the notional amount of the swap. To ameliorate amortization risk, termination options were structured within most of the outstanding swaps to enable the Agency to manage the outstanding balances of variable rate bonds and notional swap amounts. (See *Terms of Swaps.*) Additionally, the Agency may terminate outstanding swaps in whole or in part at fair value at any time if it is not in default thereunder.

Basis Risk

The potential for basis risk exists when variable interest payments on the Agency’s bonds do not equal variable interest receipts payable by the counterparty under the associated swap. The variable rate the Agency pays on its bonds resets weekly, but the variable rate received on its swaps is based upon a specified percentage of the one-month taxable LIBOR rate or the SIFMA index rate, plus a specified spread if the swap relates to tax-exempt bonds. Basis risk will vary over time due to inter-market conditions. As of June 30, 2015, the interest rate on the Agency’s variable rate tax-exempt debt ranged from 0.05% to 0.07% per annum while the variable interest rate on the associated swaps ranged from 0.14% to 0.41% per annum. As of June 30, 2015, the interest rate on the Agency’s variable rate taxable debt was 0.15% per annum while the variable interest rate on the corresponding swaps ranged from 0.15% to 0.20% per annum. In order to reduce the cumulative effects of basis risk on the swaps relating to tax-exempt variable rate debt, the determination of the spread from one-month LIBOR payable by the counterparty under the swap was based upon a regression analysis of the long-term relationship between one-month LIBOR and the tax-exempt variable rate SIFMA index (which ordinarily would approximate the weekly variable rate on the Agency’s tax-exempt variable rate bonds).

Tax Risk

The structure of the variable interest rate payments the Agency receives from its LIBOR-based swap contracts relating to tax-exempt variable rate bonds is based upon the historical long-term relationship between taxable and tax-exempt short-term interest rates. Tax risk represents the risk that may arise due to a change in the tax code that may fundamentally alter this relationship. The Agency chose to assume this risk at the time the swaps were entered into because it was not economically favorable to transfer to the swap counterparties.

Derivative Instruments-Forward Sales Contracts

The Agency has entered into forward sales contracts for the future delivery of Ginnie Mae and Fannie Mae securities. The contracts offset the financial impact to the Agency of changes in interest rates between the time of loan reservations and the securitization and sale of such loans as Ginnie Mae or Fannie Mae securities. These contracts are considered investment derivative instruments. Therefore, the change in value is reported as unrealized gains (losses) on investments. Outstanding forward sales contracts, summarized by counterparty as of June 30, 2015, are as follows: (in thousands):

Derivative Instruments-Forward Sales Contracts (continued)

Counterparty Short-Term Rating	Number of Contracts	Notional Amount	Original Price	Market Price	Fair Value
A-1* / F1**	29	$121,000	$125,163	$124,798	$ 365
A-1* / F1**	9	49,500	51,218	50,853	365
A-1* / F1**	43	125,000	128,321	127,482	840
A-1* / F1+**	1	2,000	2,086	2,072	14
	82	$297,500	$306,788	$305,205	$1,584

* Standard and Poor's Rating Services, Inc
** Fitch Ratings, Ltd

Conduit Debt-Obligation

On December 21, 2005, the Agency issued tax-exempt bonds on a conduit basis to assist a Minnesota nonprofit organization in preserving assisted elderly rental housing. The proceeds of the bonds were used by the organization to refinance certain HUD Section 202 elderly housing projects. The bonds were sold on a private placement basis. As of June 30, 2015, $27.906 million of the bonds were outstanding.

On December 12, 2014 and February 18, 2015 the Agency issued short-term tax-exempt bonds on a conduit basis to enable a nonprofit corporations to obtain Low Income Housing Tax Credit 4% credits in connection with the acquisition and rehabilitation of HUD Section 8 multifamily permanent supportive housing developments in Minnesota. As of June 30, 2015, $35.005 million of the bonds were outstanding.

Neither the Agency, the State of Minnesota, nor any political subdivision thereof is obligated in any manner for repayment of these conduit bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Appropriation Debt Obligation

The Agency has outstanding bonds under two indentures of trust that permit capital funding for loans for permanent supportive housing for long-term homeless households, preservation of federally assisted housing and other purposes. As of June 30, 2015, $94.420 million of bonds were outstanding. This debt is not a general obligation of the Agency and is not payable from any funds or assets of the Agency. These bonds are payable solely from the appropriations the Agency expects to receive from the State General Fund pursuant to standing appropriations to be made by the Legislature as authorized by state laws adopted in 2008 and 2012. Thus, the bonds are not recorded as a liability in the accompanying financial statements.

Accounts Payable

Accounts payable and other liabilities at June 30, 2015 consisted of the following (in thousands):

Funds	Arbitrage Rebate Payable to the Federal Governmant and Yeild Compliance Liability	Accrued Salaries, Compensated Absences and Employee Benefits	Other Liabilities and Accounts Payable	Total
General Reserve Account	$ -	$3,212	$ 268	$3,480
Rental Housing	-	-	17	17
Residential Housing Finance	-	-	1,030	1,030
Homeownership Finance	-	-	98	98
Multifamily Housing	-	-	-	-
HOMES℠	-	-	-	-
State Appropriated	-	-	1,686	1,686
Federal Appropriated	-	-	2,142	2,142
Combined Totals	$ -	$3,212	$5,241	$8,453

Interfund Balances

Interfund balances displayed as Interfund Payable (Receivable) at June 30, 2015 consisted of the following (in thousands):

		Due from								
	Funds	General Reserve	Rental Housing	Residential Housing Finance	Home-ownership Finance	Multifamily Housing	HOMES℠	State Appropriated	Federal Appropriated	Total
Due to	General Reserve	$ -	$-	$17,950	$-	$-	$-	$403	$574	$18,927
	Rental Housing	5	-	-	-	-	-	-	-	5
	Residential Housing Finance	-	-	-	-	-	-	1	-	1
	Homeownership Finance	-	-	-	-	-	-	-	-	-
	Multifamily Housing	-	-	-	-	-	-	-	-	-
	HOMES℠	-	-	-	-	-	-	-	-	-
	State Appropriated	-	-	-	-	-	-	-	-	-
	Federal Appropriated	-	-	-	-	-	-	-	-	-
	Agency-wide Totals	$5	$-	$17,950	$-	$-	$-	$404	$574	$18,933

All balances resulted from the time lag between the dates that: (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers

Interfund transfers recorded in Interfund Payable (Receivable) for the year ended June 30, 2015 consisted of the following (in thousands):

		Transfer from								
	Funds	General Reserve	Rental Housing	Residential Housing Finance	Home-ownership Finance	Multifamily Housing	HOMES℠	State Appropriated	Federal Appropriated	Total
Transfer to	General Reserve	$ -	$ 1,064	$12,628	$4,472	$96	$-	$1,149	$753	$20,162
	Rental Housing	-	-	-	-	-	-	-	-	-
	Residential Housing Finance	-	17,956	-	-	-	-	2,843	-	20,799
	Homeownership Finance	-	-	-	-	-	-	-	-	-
	Multifamily Housing	-	-	-	-	-	-	-	-	-
	HOMES℠						-			
	State Appropriated	9	-	119	-	-	-	-	-	128
	Federal Appropriated	-	19	-	-	-	-	-	-	19
	Agency-wide Totals	$9	$19,039	$12,747	$4,472	$96	$-	$3,992	$753	$41,108

Interfund Transfers (continued)

Interfund transfers recorded in Interfund Payable (Receivable) were made to move loan payments that were deposited for administrative convenience in a fund not holding the loans; to make administrative reimbursements to the General Reserve from other funds; to pay for loans transferred between funds including $2.725 million of entry cost assistance loans transferred from Residential Housing Finance to State Appropriated; and $17.956 million of multi family first mortgage loans transferred from Residential Housing Finance to Rental Housing and to make payments from Rental Housing to Residential Housing Finance on loans outstanding between those funds.

Interfund transfers recorded in Non-operating Transfer of Assets Between Funds for the year ended June 30, 2015, consisted of the following (in thousands):

		Transfer from								
	Funds	General Reserve	Rental Housing	Residential Housing Finance	Home-ownership Finance	Multifamily Housing	HOMES[SM]	State Appropriated	Federal Appropriated	Total
Transfer to	General Reserve	$-	$-	$15,574	$-	$-	$-	$-	$-	$15,574
	Rental Housing	-	-	-	-	-	-	-	-	-
	Residential Housing Finance	-	-	-	-	-	-	-	-	-
	Homeownership Finance	-	-	19,495	-	-	-	-	-	19,495
	Multifamily Housing	-	-	-	-	-	-	-	-	-
	HOMES[SM]	-	-	-	-	-	-	-	-	-
	State Appropriated	-	-	-	-	-	-	-	-	-
	Federal Appropriated	-	-	-	-	-	-	-	-	-
	Agency-wide Totals	$-	$-	$35,069	$-	$-	$-	$-	$-	$35,069

Interfund transfers recorded in Non-operating Transfer of Assets Between Funds normally result from bond sale contributions to new debt issues in other funds, the transfer of assets to maintain the Housing Endowment Fund (Pool 1) requirement and periodic transfers from the bond funds of assets in excess of bond resolution requirements.

Net Position

Restricted by Bond Resolution

The Restricted by Bond Resolution portion of Net Position represents those funds restricted within the respective bond resolution due to the specific provisions of the bond resolutions.

Restricted by Covenant

In accordance with provisions of the respective bond resolutions, the Agency may transfer excess money from bond funds to General Reserve. The Agency has pledged to deposit in General Reserve any such funds transferred from the bond funds, except for any amounts as may be necessary to reimburse the state for money appropriated to restore a deficiency in any debt service reserve fund. The Agency further covenanted that it will use the money in General Reserve (or any such transferred funds deposited directly in the Alternative Loan Fund) only for the administration and financing of programs in accordance with the policy and purpose of Minnesota Housing's enabling legislation, including reserves for the payment of bonds and of loans made from the proceeds thereof, and will accumulate and maintain therein such a balance of funds and investments as will be sufficient for that purpose. All interfund transfers are approved by the Board of the Agency.

In order to provide financial security for the Agency's general obligation bonds, and to provide additional resources for housing loans to help meet the housing needs of low- and moderate-income Minnesota residents, the Agency's Board adopted the investment guidelines in the following table. These guidelines are periodically evaluated in consideration of changes in the economy and in the Agency's specific risk profile.

Net Position (continued)

The $476.252 million restricted by covenant portion of net position is restricted by a covenant made with bondholders authorized by the Agency's enabling legislation.

The Housing Endowment Fund (Pool 1) is maintained in the Restricted by Covenant portion of Net Position of the General Reserve. The Housing Investment Fund (Pool 2) and the Housing Affordability Fund (Pool 3) are maintained in the Restricted by Covenant portion of Net Position of the Residential Housing Finance fund.

The combined net position of the General Reserve and bond funds (exclusive of Pool 3, accumulated unrealized gains/losses on investments, and realized gains/losses in sale of investments between Agency funds) is required by Board investment guidelines to be not less than the combined net position of the same funds (exclusive of cumulative unrealized gains/losses on investments) as of the immediately preceding fiscal year end. That combined net position was $683.047 million as of June 30, 2014 and $708.840 million as of June 30, 2015.

Net Position (continued)

The following table describes the restricted by covenant portion of net position, including the balances to be maintained according to the Agency's Board investment guidelines, as of June 30, 2015 (in thousands):

Net Position — Restricted By Covenant	Certain Balances Maintained According to Agency's Board Guidelines	Unrealized Appreciation (Depreciation) in Fair Market Value of Investments	Total Net Position Restricted by Covenant
Housing Endowment Fund (Pool 1), General Reserve			
Pool 1 is an amount equal to 1% of gross loans outstanding (excluding Pool 3 and appropriation-funded loans) and must be invested in short-term, investment-grade securities at market interest rates	$ 12,845	$ -	$ 12,845
Unrealized depreciation in fair market value of investments, excluding multifamily development escrow investments	-	-	-
Subtotal, Housing Endowment Fund (Pool 1), General Reserve	$ 12,845	$ -	$ 12,845
Housing Investment Fund (Pool 2), Residential Housing Finance			
An amount that causes the combined net position in the General Reserve and bond funds (exclusive of: Pool 3, unrealized gains/losses on investments, and realized gains/losses from the sale of investments between Agency funds) to be at least equal to the combined net position of the same funds for the immediately preceding audited fiscal year end (after restatements, if any, required by generally accepted accounting principles). During fiscal year 2015, $10,000 was transferred from Pool 2 to Pool 3 in compliance with these Board gudielines. Pool 2 is invested in investment-quality housing loans, as defined by the Agency, or investment-grade securities.	342,735	-	342,735
Unrealized appreciation in fair market value of investments	-	2,620	2,620
Subtotal, Housing Investment Fund (Pool 2), Residential Housing Finance	342,735	2,620	345,355
Housing Affordability Fund (Pool 3), Residential Housing Finance			
Funds in excess of the combined requirement of Pool 1, Pool 2 and General Reserve may be transferred to Pool 3. Assets are invested in deferred loans, zero percent and low interest-rate loans, other loans with higher than ordinary risk factors, or, pending use, investment-grade securities.	117,210	-	117,210
Unrealized appreciation in fair market value of investments	-	842	842
Subtotal, Housing Affordability Fund (Pool 3), Residential Housing Finance	117,210	842	118,052
Agency-wide Total	$472,790	$3,462	$476,252

Net Position (continued)

Restricted by Law

Undisbursed, recognized federal and state appropriations are classified as Restricted by Law under Net Position. The $8.839 million balance of Restricted by Law in the Federal Appropriated fund as of June 30, 2015 is restricted by federal requirements that control the use of the funds. The $119.581 million balance of Restricted by Law in the State Appropriated fund as of June 30, 2015 is restricted by the state laws appropriating such funds.

Defined Benefit Pension Plan

The Agency contributes to the Minnesota State Retirement System (the System), a multiple-employer public employee retirement system, which provides pension benefits for all permanent employees.

The State Employees Retirement Fund (SERF) is administered by the Minnesota State Retirement System (MSRS), and is established and administered in accordance with Minnesota Statutes, Chapters 352 and 356. SERF includes the General Employees Retirement Plan (General Plan), a multiple-employer, cost-sharing defined benefit plan, and three single-employer defined benefit plans: the Military Affairs Plan, the Transportation Pilots Plan, and the Fire Marshals Plan. Only certain employees of the Department of Military Affairs, the Department of Transportation, and the State Fire Marshal's Division are eligible to be members of those plans, but all state of Minnesota employees who are not members of another plan are covered by the General Plan. The Transportation Pilots Plan has been closed to new entrants since July 1, 2008.

MSRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at www.msrs.state.mn.us/financial-information; by writing to MSRS at 60 Empire Drive, #300, St. Paul, Minnesota, 55103; or by calling (651) 296-2761 or 1-800-657-5757.

Benefits Provided

MSRS provides retirement, disability, and death benefits through the State Employees Retirement Fund. Benefit provisions are established by state statute and can only be modified by the state legislature. Benefits are based on a member's age, years of credit, and the highest average salary for any sixty successive months of allowable service at termination of service. Benefit increases are provided to benefit recipients each January, and are related to the funded ratio of the plan. Annuitants receive benefit increases of 2.0 percent each year. When the fund reaches a 90 percent funded status for two consecutive years, annuitants will receive a 2.5 percent increase.

Retirement benefits can be computed using one of two methods: the Step formula and the Level formula. Members hired before July 1, 1989, may use the Step or Level formula, whichever is greater. Members hired on or after July 1, 1989, must use the Level formula. Each formula converts years and months of service to a certain percentage. Under the Step formula, members receive 1.2 percent of the high-five average salary for each of the first 10 years of covered service, plus 1.7 percent for each year thereafter. It also includes full benefits under the Rule of 90 (age plus years of allowable service equals 90). In contrast, the Level formula does not include the Rule of 90. Under the Level formula, members receive 1.7 percent of the high-five average salary for all years of covered service, and full benefits are available at normal retirement age.

Contributions

Minnesota Statutes Chapter 352 sets the rates for employer and employee contributions. Eligible General Plan members and participating employers were required to contribute 5.0 percent of their annual covered salary in fiscal year 2014. Effective July 1, 2014, member and employer rates increased to 5.5 percent of total compensation. The Agency's contribution to the General Plan for the fiscal year ending June 30, 2015 was $.853 million. These contributions were equal to the contractually required contributions for each year as set by state statute.

Actuarial Assumptions

The Agency's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total

Defined Benefit Pension Plan (continued)

pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent per year
Active Member Payroll Growth	3.50 percent per year
Investment Rate of Return	7.90 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 generational mortality tables for males or females, as appropriate, with adjustments to match fund experience. Benefit increases for retirees are assumed to be 2.0 percent every January 1st through 2015 and 2.5 percent thereafter.

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of actuarial experience studies for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014.

The long-term expected rate of return on pension plan investments is 7.9 percent. The rate assumption was selected as the result of a 2014 actuarial review of economic assumptions. The review combined the asset class target allocations and long-term rate of return expectations from the State Board of Investment (SBI) with return expectations from eight other investment consultants. The review also factored in information from the Social Security Trustees Report, U.S. Department of the Treasury yield curve rates, and historical observations of inflation statistics and investment returns.

The SBI, which manages the investments of MSRS, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method. Best-estimates of expected future real rates of return are developed for each major asset class. These asset class estimates and target allocations are combined to produce a geometric, expected long-term rate of return as summarized in the following table:

Asset Class	Target Allocation	SBI's Long-Term Expected Real Rate of Return (Geometric Mean)
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2014, was 7.9 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2014, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A similar analysis was performed as of July 1, 2013, based on a long-term expected rate of return of 7.90 percent and a municipal bond rate of 4.63 percent. The projection showed that assets would be available to pay benefits only through 2045, with a resulting single discount rate of 6.63 percent, and an increase of 1.27 percent between the beginning and the end of the measurement period.

Net Pension Liability

At June 30, 2015, the Agency reported a liability of $9.313 million for its proportionate share of MSRS' net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's contributions received by MSRS during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer

Defined Benefit Pension Plan (continued)

contributions received from all of MSRS's participating employers. At June 30, 2014, the Agency's proportion was .7754 percent.

Two changes in benefit provisions affected the measurement of the total pension liability since the prior measurement date. Member and employer contribution rates increased from 5 percent to 5.5 percent of pay effective the first day of the first full pay period beginning after July 1, 2014. Beginning July 1, 2014, the funding ratio threshold that must be attained to pay a 2.5 percent post-retirement benefit increase to benefit recipients was changed from 90 percent for one year to 90 percent for two consecutive years.

Two changes in assumptions affected the measurement of the total pension liability since the prior measurement date. The single discount rate changed from 6.63 percent to 7.90 percent. The post-retirement benefit increase changed from 2 percent indefinitely, to 2 percent through 2015, and 2.5 percent thereafter.

Pension Liability Sensitivity

The following presents the Agency's proportionate share of the net pension liability, calculated using the discount rate disclosed above, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate (in thousands):

	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
Minnesota Housing's proportionate share of the net pension liability:	$18,796	$9,313	$1,434

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the MSRS Comprehensive Annual Financial Report, available on the MSRS website (www.msrs.state.mn.us/financial-information).

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the Agency recognized pension expense of $1.434 million. At June 30, 2015, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 202	$ -
Changes of assumptions	6,788	-
Net difference between projected and actual earnings on investments	4,831	-
Changes in proportion and differences between actual contributions and proportionate share of contributions	-	189
Contributions paid to MSRS subsequent to the measurement date	-	853
Total	$11,821	$104

Defined Benefit Pension Plan (continued)

Amounts reported as deferred outflows of resources related to pensions resulting from Agency's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year ended June 30:	Pension Expense Amount
2016	$47
2017	47
2018	47
2019	47
2020	-
Thereafter	-

Post-Employment Benefits Other Than Pensions

The Agency's employees participate in the State of Minnesota-sponsored hospital, medical, and dental insurance group. State statute requires that former employees and their dependents be allowed to continue participation indefinitely, under certain conditions, in the insurance that the employees participated in immediately before retirement. The former employees must pay the entire premium for continuation coverage. An implicit rate subsidy exists for the former participants that elect to continue coverage. That subsidy refers to the concept that retirees under the age of 65 (i.e. not eligible for Medicare) generate greater claims on average than active participants.

The State of Minnesota obtains an actuarial valuation from an independent firm of its postretirement medical benefits and to determine its other postemployment benefits (OPEB) liability. The state intends to fund the OPEB liability on a "pay as you go" basis. The net other postemployment benefit obligation (NOO) for the Agency is $.213 million for fiscal year 2015. The NOO was recorded as an expense and a corresponding liability by the Agency. This is a cost sharing plan. The State of Minnesota has not prepared separate financial statements for the plan. The actuarial method used to determine the actuarial accrued liability and the annual required contribution was the entry age normal method. The assumed discount rate was 4.10% and the assumed payroll growth rate was 3.75%. Future retirees who are eligible for an implicit subsidy are assumed to elect coverage at a 50% rate. The projected annual medical claims cost trend rate is 9.13% initially, reduced by decrements to an ultimate rate of 5.0% for the year 2026 and beyond. Mortality was determined using 1983 Group Annuity Mortality Tables.

The funding status, from the report dated July 31, 2014, which is the latest available, is described in the following tables on a plan-wide basis. The Agency portion is not separately determinable. The State of Minnesota also subsidizes the healthcare and dental premium rates for certain other state agency retirees. That liability is reflected in the tables along with the implicit rate subsidy.

Post-Employment Benefits Other Than Pensions (continued)

Schedule of Funding Progress (dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
7/1/2010	$ -	$693,297	$693,297	0.00%	$2,048,761	33.84%
7/1/2012	-	573,135	573,135	0.00%	1,904,671	30.09%
7/1/2014	-	574,221	574,221	0.00%	2,260,171	25.41%

Schedule of Employer Contributions (dollars in thousands)

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
6/30/2013	$59,317	$33,772	56.93%	$193,986
6/30/2014	62,409	30,222	48.43%	226,173
6/30/2015	62,192	27,324	43.93%	261,041
6/30/2016	65,289	30,372	46.52%	295,958

Development of NOO and Annual OPEB Cost Pursuant to GASB No. 45 (dollars in thousands)

Fiscal Year Ended	Annual Required Contribution (ARC)	Employer Contribution	Interest on NOO	ARC Adjustment with Interest	Amor-tization Factor	Annual OPEB Cost	Change in NOO	NOO Balance
6/30/2013	$58,052	$33,772	$8,001	$6,736	26.195	$59,317	$25,545	$193,986
6/30/2014	60,952	30,222	9,214	7,757	26.195	62,409	32,187	226,173
6/30/2015	61,156	27,324	9,273	8,237	28.582	62,192	34,868	261,041
6/30/2016	64,093	30,372	10,703	9,507	28.582	65,289	34,917	295,958

Risk Management

Minnesota Housing is exposed to various insurable risks of loss related to tort; theft of, damage to, or destruction of assets; errors or omissions; and employer obligations. Minnesota Housing manages these risks through State of Minnesota insurance plans including the State of Minnesota Risk Management Fund (a self-insurance fund) and through purchased insurance coverage. Property, casualty, liability, and crime coverage is provided by the Minnesota Risk Management Fund which may also purchase other insurance from qualified insurers for Minnesota Housing's needs. Minnesota Housing bears a $2,500 deductible per claim for the following coverage limits (in thousands):

Type of Coverage	Coverage Limits
Real and personal property loss	$ 4,894
Business interruption/loss of use/extra expense	75,000
Bodily injury and property damage per person	500
Bodily injury and property damage per occurrence	1,500
Faithful performance/commercial crime	14,000
Employee dishonesty	250

Minnesota Housing retains the risk of loss, although there have been no settlements or actual losses in excess of coverage in the last three fiscal years.

Risk Management (continued)

The Agency participates in the State Employee Group Insurance Plan, which provides life insurance and hospital, medical, and dental benefits coverage through provider organizations.

Minnesota Housing participates in the State of Minnesota Workers' Compensation Program. Annual premiums are assessed by the program based on average costs and claims. Minnesota Housing workers compensation costs and claims have been negligible during the last three fiscal years.

Commitments

As of June 30, 2015, the Agency had committed the following amounts for the purchase or origination of future loans or other housing assistance amounts (in thousands):

Funds	Amount
General Reserve Account	$ -
Rental Housing	29,246
Residential Housing Finance	309,294
Homeownership Finance	-
Multifamily Housing	-
HOMES℠	-
State Appropriated	90,601
Federal Appropriated	13,575
Agency Wide Totals	$442,716

Board-approved selections of future loans or other housing assistance for multifamily housing projects are included in the above table. Multifamily developers frequently proceed with their projects based upon their selection by the Board and, therefore, a selection is treated like a de facto commitment although it is merely a reservation of funds. The Agency retains the unilateral discretion to cancel any reservation of funds that has not been formally and legally committed.

The Agency has cancellable lease commitments for office facilities through August 2017 and for parking through February 2016, totaling $2.435 million. Combined office facilities and parking lease expense for fiscal year 2015 was $1.209 million.

On June 30, 2015 the Agency had in place a revolving line of credit with the Federal Home Loan Bank of Des Moines. Draws against the line of credit are required to be collateralized with mortgage-backed securities which reside in Pool 2. As of June 30, 2015, $53.020 million of mortgage-backed securities were pledged. The advances taken during fiscal year 2015 were used to purchase and warehouse mortgage-backed securities in Pool 2. The line of credit activity for the year ended June 30, 2015, is summarized as follows (in thousands):

Beginning Balance	Draws	Repayments	Ending Balance
$ -	$496,000	$496,000	$ -

The Agency is a party to various litigations arising in the ordinary course of business. While the ultimate effect of such actions cannot be predicted with certainty, the Agency expects that the outcome of these matters will not result in a material adverse effect on the financial position or results of operations of the Agency.

Subsequent Events

The Agency called for redemption subsequent to June 30, 2015 the following bonds (in thousands):

Program	Retirement Date	Par
Homeownership Finance	July 1, 2015	$ 3,815
Residential Housing Finance	July 1, 2015	37,020
Homeownership Finance	August 1, 2015	1,470
Residential Housing Finance	August 1, 2015	2,410
Rental Housing	August 1, 2015	6,130
Homeownership Finance	September 1, 2015	2,660
Residential Housing Finance	September 1, 2015	4,330
Residential Housing Finance	August 26, 2015	18,225
Residential Housing Finance	September 15,2015	44,545

On June 25, 2015, the Board of the Agency adopted a series resolution authorizing the issuance of RHFB 2015 Series A, B and C and on July 23, 2015, authorized the issuance of RHFB 2015 Series D, for the purpose of providing funds for certain of the Agency's homeownership programs. The Residential Housing Finance Bonds, RHFB 2015 Series A, B, C and D, in the principal amount of $124.6 million and were delivered on August 11, 2015.

On May 28, 2015, the Board of the Agency adopted a series resolution authorizing the issuance of RH 2015 Series A, for the purpose of providing funds for certain of the Agency's multi-family programs. The Rental Housing Bonds, RH 2015 Series A, in the principal amount of $6.620 million and were delivered on July 30, 2015.

Schedule of Employer's Share of Net Pension Liability
State Employees Retirement Fund
Last 10 Fiscal Years*
(dollars in thousands)

	2014
Employer Unit's Proportion of the Net Pension Liability	0.775%
Employer Unit's Proportionate Share of the Net Pension Liability	$ 9,313
Employer Unit's Covered-Employee Payroll	$22,438
Employer Unit's proportionate share of the net pension liability as a percentage of its covered-employee payroll	41.505%
Plan fiduciary net position as a percentage of the total pension liability	87.640%

The measurement date is June 30 of each fiscal year.

* This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Employer's Contributions
State Employees Retirement Fund
Last 10 Fiscal Years*
(dollars in thousands)

	2014
Contractually Required Contribution	$ 735
Contributions in relation to the contractually required contribution	$ 735
Contribution deficiency (excess)	$ -
Employer Unit's covered-employee payroll	$22,438
Contributions as a percentage of covered-employee payroll	3.276%

* This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

MINNESOTA HOUSING FINANCE AGENCY
Supplementary Information
General Reserve and Bond Funds
Five Year Financial Summary (in thousands)
Fiscal Years 2011 – 2015

		2011	2012	2013	2014	2015
Loans Receivable net (as of June 30)	Multifamily programs	$ 329,452	$ 339,306	$ 354,059	$ 338,782	$ 317,655
	Homeownership programs	1,589,329	1,372,835	1,166,480	1,028,918	911,788
	Home Improvement programs	111,670	98,987	87,973	85,535	82,471
	Total	$2,030,451	$1,811,128	$1,608,512	$1,453,235	$1,311,914
Mortgage-backed securities, net, at par (as of June 30)	Program mortgage-backed securities	$ 349,676	$ 621,678	$ 801,771	$ 900,321	$1,106,749
	Warehoused mortgaged-backed securities	$49,688	$ 5,081	$ 56,007	$ 28,728	$74,425
	Total	$ 399,364	$ 626,759	$ 857,778	$ 929,049	$1,181,174
Bonds Payable, net (as of June 30)	Multifamily programs	$ 172,692	$ 119,667	$ 86,655	$ 82,140	$ 57,360
	Homeownership programs	2,372,722	2,050,422	2,034,472	1,936,772	1,975,972
	Home Improvement programs	10,000	-	-	-	-
	Total	$2,555,414	$2,170,089	$2,121,127	$2,018,912	$2,033,332
Mortgage-backed securities purchased, at par and loans purchased or originated during fiscal year	Multifamily programs	$ 33,956	$ 51,091	$ 36,757	$ 15,867	$ 13,765
	Homeownership programs	31,372	12,736	18,999	23,912	39,269
	Program and warehoused mortgage-backed securities	288,580	248,423	296,751	160,485	358,108
	Home Improvement programs	22,780	11,245	10,627	15,202	15,417
	Total	$ 376,688	$ 323,495	$ 363,134	$ 215,466	$ 426,559
Net Position (as of June 30)	Total Net Position *	$ 683,638	$ 724,098	$ 682,308	$ 696,154	$ 709,740
	Percent of total assets and deferred outflows of resources *	19.9%	23.5%	23.0%	24.0%	24.4%
Revenue over Expenses	Revenues over expenses for the fiscal year *	$ 14,305	$ 57,460	($19,587)	$ 41,846	$ 35,966

Notes:

* Excludes Pool 3

MINNESOTA HOUSING FINANCE AGENCY
Supplementary Information
Statement of Net Position (in thousands)
General Reserve and Bond Funds
As of June 30, 2015 (with comparative totals as of June 30, 2014)

			Bond Funds		
				Residential Housing Finance	
		General Reserve	Rental Housing	Bonds	Pool 2
Assets	Cash and cash equivalents	$52,772	$ 22,431	$ 139,441	$ 22,926
	Investments-program mortgage-backed securities	-	-	280,399	-
	Investment securities-other	29,956	2,006	41,264	77,045
	Loans receivable, net	-	144,358	813,402	300,370
	Interest receivable on loans and program mortgage-backed securities	-	705	6,237	1,406
	Interest receivable on investments	92	11	358	208
	FHA/VA insurance claims, net	-	-	4,487	113
	Real estate owned, net	-	-	3,926	76
	Capital assets, net	2,449	-	-	-
	Other assets	1,212	106	43	418
	Total assets	86,481	169,617	1,289,557	402,562
Deferred outflows of Resources	Deferred loss on refunding	-	-	267	-
	Deferred loss on interest rate swap agreements	-	-	12,649	-
	Deferred pension expense	1,042	-	-	-
	Total assets and deferred outflows of resources	$87,523	$169,617	$1,302,473	$402,562
Liabilities	Bonds payable, net	$ -	$ 42,930	$1,110,853	$ -
	Interest payable	-	762	22,566	-
	Interest rate swap agreements	-	-	12,649	-
	Net pension liability	9,313	-	-	-
	Accounts payable and other liabilities	3,480	17	460	559
	Interfund payable (receivable)	(18,922)	(5)	-	48,027
	Funds held for others	66,537	-	-	-
	Total liabilities	60,408	43,704	1,146,528	48,586
Deferred inflows of Resources	Deferred revenue-service release fee	-	-	-	8,621
	Deferred pension credit	11,821	-	-	-
	Total liabilities and deferred inflows of resources	$72,229	$ 43,704	$1,146,528	$ 57,207
	Commitments and contingencies				
Net Position	Restricted by bond resolution	-	125,913	155,945	-
	Restricted by covenant	12,845	-	-	345,355
	Invested in capital assets	2,449	-	-	-
	Total net position	15,294	125,913	155,945	345,355
	Total liabilities, deferred inflows, and net position	$87,523	$169,617	$1,302,473	$402,562

Bond Funds			General Reserve & Bond Funds Excluding Pool 3	General Reserve & Bond Funds Excluding Pool 3	Residential Housing Finance Pool 3	General Reserve & Bond Funds	General Reserve & Bond Funds
Home-ownership Finance	Multifamily Housing	HOMES℠	Total For The Year Ended June 30, 2015	Total For The Year Ended June 30, 2014	Total For The Year Ended June 30, 2015	Total For The Year Ended June 30, 2015	Total For The Year Ended June 30, 2014
$ 34,293	$ 1,253	$ -	$ 273,116	$ 316,561	$ 9,247	$ 282,363	$ 326,726
860,435	-	-	1,140,834	925,523	-	1,140,834	925,523
2,070	-	29,193	181,534	163,523	39,280	220,814	208,346
-	14,473	-	1,272,603	1,422,646	39,311	1,311,914	1,453,235
		-					
2,622	53		11,023	11,497	79	11,102	11,569
1	-	75	745	732	67	812	803
-	-	-	4,600	3,736	-	4,600	3,736
-	-	-	4,002	8,846	-	4,002	8,846
-	-	-	2,449	3,385	-	2,449	3,385
23	67	-	1,869	1,852	1	1,870	1,853
899,444	15,846	29,268	2,892,775	2,858,301	87,985	2,980,760	2,944,022
-	-	-	267	1,070	-	267	1,070
-	-	-	12,649	21,532	-	12,649	21,532
-	-	-	1,042	-	-	1,042	-
$899,444	$15,846	$29,268	$2,906,733	$2,880,903	$ 87,985	$2,994,718	$2,966,624
$836,451	$14,430	$28,668	$2,033,332	$2,018,912	$ -	$2,033,332	$2,018,912
6,541	36	75	29,980	32,884	-	29,980	32,884
-	-	-	12,649	21,532	-	12,649	21,532
-	-	-	9,313	-	-	9,313	-
98	-	-	4,614	8,029	11	4,625	8,055
-	-	-	29,100	26,993	(30,078)	(978)	(997)
-	-	525	67,062	69,168	-	67,062	69,168
843,090	14,466	29,268	2,186,050	2,177,518	(30,067)	2,155,983	2,149,554
501	-	-	9,122	7,231	-	9,122	7,231
-	-	-	11,821	-	-	11,821	-
$843,591	$14,466	$29,268	$2,206,993	$2,184,749	$(30,067)	$2,176,926	$2,156,785
55,853	1,380	-	339,091	315,927	-	339,091	315,927
-	-	-	358,200	376,842	118,052	476,252	490,527
-	-	-	2,449	3,385	-	2,449	3,385
55,853	1,380	-	699,740	696,154	118,052	817,792	809,839
$899,444	$15,846	$29,268	$2,906,733	$2,880,903	$ 87,985	$2,994,718	$2,966,624

MINNESOTA HOUSING FINANCE AGENCY
Supplementary Information
Statement of Revenues, Expenses and Changes in Net Position (in thousands)
General Reserve and Bond Funds
Year ended June 30, 2015 (with comparative totals for year ended June 30, 2014)

			Bond Funds		
				Residential Housing Finance	
		General Reserve	Rental Housing	Bonds	Pool 2
Revenues	Interest earned on loans	$ -	$ 10,907	$ 49,401	$ 19,221
	Interest earned on investments-program mortgage-backed securities	-	-	7,779	-
	Interest earned on investments-other	95	77	2,772	3,179
	Net G/L on Sale of MBS Held for Sale/HOMES[SM] Certificate	-	-	-	3,904
	Administrative reimbursement	20,142	-	-	-
	Fees earned and other income	10,616	328	-	1,733
	Unrealized gains (losses) on Investments	-	174	(258)	14,412
	Total revenues	30,853	11,486	59,694	42,449
Expenses	Interest	-	1,929	46,324	139
	Financing, net	-	707	6,953	-
	Loan administration and trustee fees	-	77	2,849	1,218
	Administrative reimbursement	-	1,072	8,141	3,241
	Salaries and benefits	20,457	-	-	-
	Other general operating	6,079	5	40	922
	Reduction in carrying value of certain low interest rate deferred loans	-	(44)	-	-
	Provision for loan losses	-	(2,185)	(1,077)	1,470
	Total expenses	26,536	1,561	63,230	6,990
	Revenue over(Under) expenses	4,317	9,925	(3,536)	35,459
Other changes	Non-operating transfer of assets between funds	15,574	-	7,479	(52,548)
	Change in net position	19,891	9,925	3,943	(17,089)
Net Position	Total net position, beginning of Year	(4,597)	115,988	152,002	362,444
	Total net position, end of Year	$15,294	$125,913	$155,945	$345,355

See note page 16 Beginning of Year balances adjusted to GASB 68

Bond Funds			General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2015	General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2014	Residential Housing Finance Pool 3 Total For The Year Ended June 30, 2015	General Reserve & Bond Funds Total For The Year Ended June 30, 2015	General Reserve & Bond Funds Total For The Year Ended June 30, 2014
Home-ownership Finance	Multifamily Housing	HOMES[SM]					
$ -	$ 639	$ -	$ 80,168	$ 86,927	$ 35	$ 80,203	$ 87,228
26,869	-	-	34,648	29,192	-	34,648	29,192
3	5	944	7,075	2,289	1,049	8,124	2,920
-	-	-	3,904	4,590	-	3,904	4,590
-	-	-	20,142	20,656	-	20,142	20,656
22	-	-	12,699	11,219	70	12,769	11,402
(2,958)	12	-	11,382	15,908	(38)	11,344	16,767
23,936	656	944	170,018	170,781	1,116	171,134	172,755
22,332	437	944	72,105	72,779	-	72,105	72,779
7,104	-	-	14,764	6,227	-	14,764	6,227
324	5	-	4,473	5,187	12	4,485	5,199
4,472	96	-	17,022	17,662	1,246	18,268	18,863
-	-	-	20,457	20,909	-	20,457	20,909
22	-	-	7,068	5,350	3,538	10,606	8,974
-	-	-	(44)	697	1,627	1,583	1,330
-	(1)	-	(1,793)	124	326	(1,467)	227
34,254	537	944	134,052	128,935	6,749	140,801	134,508
(10,318)	119	-	35,966	41,846	(5,633)	30,333	38,247
19,495	-	-	(10,000)	(28,000)	10,000	-	-
9,177	119	-	25,966	13,846	4,367	30,333	38,247
46,676	1,261	-	673,774	682,308	113,685	787,459	771,592
$55,853	$1,380	$ -	$699,740	$696,154	$118,052	$817,792	$809,839

Statement of Cash Flows (in thousands)

		Bond Funds	
		General Reserve	Rental Housing
Cash flows from operating activities	Principal repayments on loans and program mortgage-backed securities	$ -	$22,778
	Investment in loans and program mortgage-backed securities	-	(928)
	Interest received on loans and program mortgage-backed securities	-	8,575
	Fees and other income received	10,472	324
	Salaries, benefits and other operating	(26,768)	(88)
	Administrative reimbursement from funds	20,161	(1,064)
	Deposits into funds held for others	27,732	-
	Disbursements made from funds held for others	(30,424)	-
	Interfund transfers and other assets	(1,490)	(22)
	Net cash provided (used) by operating activities	(317)	29,575
Cash flows from non-capital financing activities	Proceeds from sale of bonds and notes	-	-
	Principal repayment on bonds and notes	-	(24,550)
	Interest paid on bonds and notes	-	(2,323)
	Financing costs paid related to bonds issued	-	(17)
	Agency contribution to program funds	-	-
	Transfer of cash between funds	(4,673)	-
	Net cash provided (used) by noncapital financing activities	(4,673)	(26,890)
Cash flows from investing activities	Investment in real estate owned	-	-
	Interest received on investments	602	122
	Net gain (loss) on Sale of MBS Held for Sale and HOME Certificates	-	-
	Proceeds from sale of mortgage insurance claims/real estate owned	-	-
	Proceeds from maturity, sale or transfer of investment securities	-	8,553
	Purchase of investment securities	-	-
	Purchase of loans between funds	-	(17,956)
	Net cash provided (used) by investing activities	602	(9,281)
	Net increase (decrease) in cash and cash equivalents	(4,388)	(6,596)
Cash and cash equivalents	Beginning of year	57,160	29,027
	End of year	$52,772	$22,431

Bond Funds					General Reserve & Bond Funds Excluding Pool 3	Residential Housing Finance Pool 3	General Reserve & Bond Funds	General Reserve & Bond Funds
Residential Housing Finance								
Bonds	Pool 2	Home-ownership Finance	Multi-family Housing	HOMES℠	Total For The Year Ended June 30, 2015	Total For The Year Ended June 30, 2015	Total For The Year Ended June 30, 2015	Total For The Year Ended June 30, 2014
$139,766	$38,906	$ 81,678	$ 149	$ -	$283,277	$ 3,852	$287,129	$246,103
(79,949)	(49,470)	(231,376)	-	-	(361,723)	(17,706)	(379,429)	(232,420)
55,741	18,034	27,639	586	-	110,575	498	111,073	114,567
-	10,877	-	-	-	21,673	70	21,743	18,487
(3,405)	(9,268)	(402)	(5)	-	(39,936)	(3,565)	(43,501)	(40,727)
(8,141)	(3,241)	(4,472)	(96)	-	3,147	(1,246)	1,901	1,563
-	-	-	-	-	27,732	-	27,732	30,637
-	-	-	-	-	(30,424)	-	(30,424)	(31,705)
-	736	-	-	-	(776)	(13)	(789)	(1,470)
104,012	6,574	(126,933)	634	-	13,545	(18,110)	(4,565)	105,035
233,275	486,000	227,233	-	-	946,508	-	946,508	344,716
(340,535)	(486,000)	(77,337)	(230)	(2,709)	(931,361)	-	(931,361)	(453,165)
(49,424)	(64)	(22,475)	(438)	(951)	(75,675)	-	(75,675)	(80,774)
(3,993)	-	(2,061)	-	-	(6,071)	-	(6,071)	(3,775)
1,819	(8,780)	6,961	-	-	-	-	-	-
-	4,090	-	-	-	(583)	583	-	-
(158,858)	(4,754)	132,321	(668)	(3,660)	(67,182)	583	(66,599)	(192,998)
(3,813)	(12)	-	-	-	(3,825)	-	(3,825)	(4,542)
2,602	3,151	3	6	951	7,437	432	7,869	6,796
-	(3,690)	-	-	-	(3,690)	-	(3,690)	3,411
32,009	314	-	-	-	32,323	-	32,323	54,480
18,351	451,529	340	450	2,709	481,932	18,554	500,486	453,218
(87)	(503,913)	-	-	-	(504,000)	(5,086)	(509,086)	(445,241)
15	17,956	-	-	-	15	2,709	2,724	2,026
49,077	(34,665)	343	456	3,660	10,192	16,609	26,801	70,148
(5,769)	(32,845)	5,731	422	-	(43,445)	(918)	(44,363)	(17,815)
145,210	55,771	28,562	831	-	316,561	10,165	326,726	344,541
$139,441	$22,926	$ 34,293	$1,253	$ -	$273,116	$ 9,247	$282,363	$326,726

Statement of Cash Flows (in thousands)

Reconciliation of revenue over (under) expenses to net cash provided (used) by operating activities

		Bond Funds
	General Reserve	**Rental Housing**
Revenues over (under) expenses	$4,317	$ 9,925
Adjustments to reconcile revenues over (under) expenses to net cash provided (used) by operating activities:		
Amortization of premiums (discounts) and fees on program mortgage-backed securities	-	-
Amortization of premium (discounts) and fees on sale of HOMES[SM] Certificates	-	-
Amortization of proportionate share-Pension	(47)	-
Depreciation	2,131	-
Gain (loss) on sale of MBS held for sale and HOMES[SM] Certificates	-	-
Realized losses (gains) on sale of securities, net	-	27
Unrealized losses (gains) on securities, net	-	(174)
Salaries and Benefits-Pensions	(2,241)	-
Provision for loan losses	-	(2,185)
Reduction in carrying value of certain low interest rate and/or deferred loans	-	(44)
Capitalized interest on loans and real estate owned	-	(12)
Interest earned on investments	(95)	(90)
Interest expense on bonds and notes	-	1,929
Financing expense in bonds	-	707
Changes in assets and liabilities:		
Decrease (increase) in loans receivable and program mortgage-backed securities, excluding loans transferred between funds	-	21,850
Decrease (increase) in interest receivable on loans	-	(20)
Increase (decrease) in arbitrage rebate liability	-	(2,314)
Increase (decrease) in accounts payable	-	(6)
Increase (decrease) in interfund payable, affecting operating activities only	19	8
Increase (decrease) in funds held for others	(2,692)	-
Other	(1,709)	(26)
Total	(4,634)	19,650
Net cash provided (used) by operating activities	$ (317)	$29,575

Bond Funds					General Reserve & Bond Funds Excluding Pool 3	Residential Housing Finance Pool 3	General Reserve & Bond Funds	General Reserve & Bond Funds
Residential Housing Finance		Home-ownership Finance	Multi-family Housing		Total For The Year Ended June 30, 2015	Total For The Year Ended June 30, 2015	Total For The Year Ended June 30, 2015	Total For The Year Ended June 30, 2014
Bonds	Pool 2			HOMES℠				
$ (3,536)	$ 35,459	$ (10,318)	$119	$ -	$35,966	$ (5,633)	$30,333	$ 38,247
307	(1,239)	1,225	-	-	293	470	763	376
-	-	-	-	-	-	-	-	583
-	-	-	-	-	(47)	-	(47)	-
-	-	-	-	-	2,131	-	2,131	1,789
-	(3,904)	-	-	-	(3,904)	-	(3,904)	(5,173)
(20)	(59)	-	-	-	(52)	(314)	(366)	2,760
258	(14,412)	2,958	(12)	-	(11,382)	38	(11,344)	(16,767)
-	-	-	-	-	(2,241)	-	(2,241)	-
(1,077)	1,470	-	(1)	-	(1,793)	326	(1,467)	228
-	-	-	-	-	(44)	1,627	1,583	1,329
(2,582)	(22)	-	-	-	(2,616)	-	(2,616)	(5,127)
(2,146)	(3,120)	(3)	(5)	(944)	(6,403)	(735)	(7,138)	(6,033)
46,324	139	22,332	437	944	72,105	-	72,105	72,779
6,953	-	7,104	-	-	14,764	-	14,764	6,227
59,817	(10,564)	(149,698)	149	-	(78,446)	(13,854)	(92,300)	13,683
836	85	(455)	(53)	-	393	(7)	386	3,287
(606)	-	-	-	-	(2,920)	-	(2,920)	(47)
(516)	2,216	(78)	-	-	1,616	(15)	1,601	(106)
-	12	-	-	-	39	(13)	26	(165)
-	-	-	-	-	(2,692)	-	(2,692)	(1,068)
-	513	-	-	-	(1,222)	-	(1,222)	(1,767)
107,548	(28,885)	(116,615)	515	-	(22,421)	(12,477)	(34,898)	66,788
$104,012	$ 6,574	$(126,933)	$634	$ -	$13,545	$(18,110)	$ (4,565)	$105,035

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