2016 Minnesota Housing Audit Report

Minnesota Housing Finance Agency

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Commissioner's Report

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 3.8% and with Minnesota adding 26,000 jobs in the past year bringing the total to nearly 3 million jobs in the State. Home sales prices continue to increase, especially in the Twin Cities metropolitan area, where they rose more than 4% from last year from $235,950 in June 2015 to $245,900 in June 2016. In this marketplace environment, Minnesota Housing has capitalized on strong market conditions and continuing low interest rates to improve both its product offerings and its financial condition with positive programmatic results:

- During the current fiscal year, Minnesota Housing continued to offer its suite of single family home mortgage programs. First time homebuyers continued to enter the market in bigger numbers in the past year, putting pressure on housing inventory in the lower price ranges, as existing homes with values below $300,000 currently represent less than a two-month supply. Minnesota Housing had one of its highest home mortgage volume years ever, with almost 4,200 loans up from 3,900 loans last year with loan purchase approvals topping $630 million. The Agency increased its allocation of deferred loans for downpayment and closing costs 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 31% were for households of color and Hispanic ethnicity.

- Minnesota Housing continued to manage its single family production using a "best execution" strategy, using bond sales as well as selling loans directly into the capital markets. As the use of tax-exempt bonding authority for multifamily transactions grew over the past year, the Agency increased the amount of taxable bonds used to support single family bond transactions. These and other strategies allowed the Agency to grow its balance sheet in the past year to a level of $3.5 billion, and to increase its net position to $998 million.

- Minnesota Housing has seen delinquency rates across its entire portfolio continue to drop from 4.45% in June of last year to 3.75% this year for 60+ days, and the foreclosure rate also fell from 1.25% to 0.97%. The Agency continues its strategy of placing virtually all new loan production into mortgage-backed securities.

- The State of Minnesota continues to carry a large budget surplus at the same time that it has substantially increased its budget reserves. One rating agency recently upgraded the State's credit rating to AAA. Minnesota Housing continues to enjoy strong support from the State Legislature, but the 2016 Legislative session failed to take action on a capital investment bill, so the Agency has not yet received an additional allocation of appropriation bonds for housing as it has in the three of the past four years.

- Minnesota Housing continues to develop its multifamily first mortgage lending capacity. It continues to bring new multifamily loans, generally insured under the FHA Risk Share program, onto the balance sheet, while continuing to process loans under the FHA MAP (Multifamily Accelerated Processing) program and completing approval of the Agency to participate in the new Treasury/Risk Share program.

- Minnesota Housing closed 132 loans and grants on 123 multifamily properties and providing capital or operating subsidies for affordable housing to 6,452 households (units). Of these, 237 units were designated to serve long-term homeless households and 669 units were for supportive housing.

- In partnership with the non-profit Minnesota Homeownership Center, Minnesota Housing supports pre-purchase education and counseling, foreclosure prevention counseling and reverse mortgage counseling. Over 13,000 households throughout the state used these services last year. More than 4,800 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. Foreclosure prevention counseling fell from 2,600 to 1,700 over the past year. In addition, the Agency continued 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, 891 households have started this program, of which 90% 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 detailed review of single family master servicing needs and options and issued a Request for Proposals for master servicing.
- Worked with the Interagency Council on Homelessness comprised of 11 state agency commissioners to implement the Statewide Plan to Prevent and End Homelessness. Based on the annual census of homeless individuals conducted in January, 2016, the state saw a 3% decline in homeless households compared to the previous year, to levels not seen since before the great recession.
- Continued its significant investment in the redesign of business processes and the technology to support them. During the year, Minnesota Housing:
  - Began detailed system design work for a new single family loan origination system with its selected vendor, Mortgage Cadence.
  - Put in place the infrastructure to support improved management of both data and documents.
  - Streamlined submission processes for multifamily developers submitting applications for Agency financing.
  - Continued the build out of its new comprehensive loan servicing system to include more extensive use of its invoicing functions.

Mary Tingerthal, Commissioner
Minnesota Housing
August 12, 2016

Independent Auditor's Report

To the Board of Directors
Minnesota Housing Finance Agency
St. Paul, Minnesota

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type 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, 2016, 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, 2016, 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.

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, 2015, 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 Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming 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 2016 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 2016 supplementary information is fairly stated, in all material respects, in relation to the 2016 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 2015 basic financial statements (not presented herein), and have issued our report thereon dated August 19, 2015, 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, 2015, 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 2015 financial statements. The accompanying 2015 supplementary information has been subjected to the auditing procedures applied in the audit of the 2015 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 2015 supplementary information is fairly stated in all material respects in relation to the 2015 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.

RSM US LLP

Minneapolis, Minnesota
August 23, 2016

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^{SM} and Multifamily Housing.

The basic financial statements also include comparative totals as of and for the year ended June 30, 2015. 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 2016 in comparison to the prior fiscal year.

General Overview

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.

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 or receives a significant amount of oversight.

Discussion of Individual Funds (continued)

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, 2016. 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, then limited obligation drawdown index bonds issued under a separate bond trust indenture 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 2016.

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 2016 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 housing, contributions for drawdown index bond expenses, 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 2016 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.

Discussion of Individual Funds (continued)

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.

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.

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Condensed Financial Information

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

		Agency-wide Total		
		Fiscal 2016	**Fiscal 2015**	**Change**
Assets	Cash and Investments	$2,245,460	$1,787,690	$457,770
	Loans receivable, Net	1,224,448	1,348,525	(124,077)
	Interest Receivable	11,905	12,134	(229)
	Total Assets	3,492,798	3,163,984	328,814
Liabilities	Bonds Payable	2,307,222	2,033,332	273,890
	Interest Payable	26,900	29,980	(3,080)
	Accounts Payable & Other Liabilities	15,206	8,453	6,753
	Funds Held for Others	115,854	117,060	(1,206)
	Total Liabilities	2,485,925	2,210,787	275,138
Net Position	Restricted by Bond Resolution	382,133	339,091	43,042
	Restricted by Covenant	477,456	476,252	1,204
	Restricted by Law	135,999	128,420	7,579
	Total Net Position	998,371	946,212	52,159

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

		Agency-wide Total		
		Fiscal 2016	**Fiscal 2015**	**Change**
Revenues	Interest Earned	$ 120,373	$ 124,655	$ (4,282)
	Appropriations Received	261,144	245,137	16,007
	Fees and Reimbursements	16,269	15,675	594
	Net G/L on Sale of MBS Held for Sale/HOMES℠ Certificates	3,756	3,904	(148)
	Total Revenues (1)	455,813	420,202	35,611
Expenses	Interest Expense	87,274	86,869	405
	Appropriations Disbursed	235,135	227,117	8,018
	Fees	4,182	4,579	(397)
	Payroll, Gen. & Admin.	34,128	33,206	922
	Loan Loss/Value Adjust's	22,186	20,287	1,899
	Total Expenses (1)	403,654	391,526	12,128
	Revenues over Expenses	52,159	28,676	23,483
	Beginning Net Position	946,212	917,536	28,676
	Ending Net Position	998,371	946,212	52,159

(1) Agency-wide totals include interfund amounts

Combined General Reserve and Bond Funds					Combined State and Federal Appropriations Funds		
Fiscal 2016							
Excluding Pool 3	Pool 3	Total	Fiscal 2015	Change	Fiscal 2016	Fiscal 2015	Change
$2,060,163	$42,778	$2,102,941	$1,644,011	$458,930	$142,519	$143,679	$(1,160)
1,139,295	43,812	1,183,107	1,311,914	(128,807)	41,341	36,611	4,730
11,529	154	11,683	11,914	(231)	222	220	2
3,221,232	86,748	3,307,980	2,980,760	327,220	184,818	183,224	1,594
2,307,222	-	2,307,222	2,033,332	273,890	-	-	-
26,900	-	26,900	29,980	(3,080)	-	-	-
14,428	11	14,439	4,625	9,814	767	3,828	(3,061)
68,691	-	68,691	67,062	1,629	47,163	49,998	(2,835)
2,465,196	(28,090)	2,437,106	2,155,983	281,123	48,819	54,804	(5,985)
382,133	-	382,133	339,091	43,042	-	-	-
362,618	114,838	477,456	476,252	1,204	-	-	-
-	-	-	-	-	135,999	128,420	7,579
747,534	114,838	862,372	817,792	44,580	135,999	128,420	7,579

Combined General Reserve and Bond Funds					Combined State and Federal Appropriations Funds		
Fiscal 2016							
Excluding Pool 3	Pool 3	Total	Fiscal 2015	Change	Fiscal 2016	Fiscal 2015	Change
$ 117,333	$ 889	$ 118,222	$ 122,975	$ (4,753)	$ 2,151	$ 1,680	$ 471
-	-	-	-	-	261,144	245,137	16,007
16,860	(887)	15,973	14,643	1,330	296	1,032	(736)
3,756	-	3,756	3,904	(148)	-	-	-
188,882	1,839	190,721	171,134	19,587	265,092	249,068	16,024
87,274	-	87,274	86,869	405	-	-	-
-	-	-	-	-	235,135	227,117	8,018
4,039	17	4,056	4,485	(429)	126	94	32
27,855	4,322	32,177	31,063	1,114	1,951	2,143	(192)
806	2,468	3,274	116	3,158	18,912	20,171	(1,259)
138,088	8,053	146,141	140,801	5,340	257,513	250,725	6,788
50,794	(6,214)	44,580	30,333	14,247	7,579	(1,657)	9,236
699,740	118,052	817,792	787,459	30,333	128,420	130,077	(1,657)
747,534	114,838	862,372	817,792	44,580	135,999	128,420	7,579

FINANCIAL HIGHLIGHTS

General Reserve and Bond Funds-Statement of Net Position

The following financial highlights section refers to the General Reserve and bond funds. The reader is encouraged to review the Fund Financial Statements as well as supplementary information in this 2016 Financial Report.

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. Capital assets, other assets, deferred loss on refunding and deferred pension expense continue to be insignificant in relation to the total General Reserve and bond fund assets and deferred outflows of resources.

Loans receivable, net is one of 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 9.8% to $1,183.1 million at June 30, 2016 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 2016 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 simple interest home improvement, amortizing down payment assistance and simple interest 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 while the reserve for the down payment assistance loans increased slightly due to an increase in production. 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, 2016		June 30, 2015	
Current and less than 60 days past due	8,226	94.5%	9,443	94.3%
6089 days past due	113	1.3%	129	1.3%
90119 days past due	63	0.7%	51	0.5%
120+ days past due and foreclosures[1]	302	3.5%	394	3.9%
Total count	8,704		10,017	
Total past due[1]	478	5.5%	574	5.7%

[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, 2016		June 30, 2015	
Current and less than 60 days past due	5,775	98.2%	6,283	98.0%
6089 days past due	45	0.8%	58	0.9%
90119 days past due	26	0.4%	26	0.4%
120+ days past due	36	0.6%	45	.7%
Total count	5,882		6,412	
Total past due	107	1.8%	129	2.0%

The 60+ day delinquency rate as of June 30, 2016 for the entire Minnesota Housing homeownership loan portfolio, excluding those loans not customarily included in foreclosure statistics, exceed by approximately one and one half percentage points the delinquency rates of similar loan data available as of March 31, 2016 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 decreased 42.7% to $2.6 million at June 30, 2016 as a result of a decrease 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 22.4% to $3.1 million at June 30, 2016 as a result of a decreased amount of foreclosure properties held within the homeownership portfolio on June 30, 2016.

While the delinquency rates and foreclosures in the Agency's loan portfolio remained above historical norms during fiscal year 2016, the combined net total of FHA/VA insurance claims and real estate owned remains immaterial compared to total loans receivable at June 30, 2016, 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 27.9% to $2,102.9 million at June 30, 2016. 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 1.9% to $11.7 million at June 30, 2016. 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 13.5% to $2,307.2 million at June 30, 2016 because new bonding issuance outpaced scheduled redemptions and early bond redemptions of existing debt.

The companion category of interest payable decreased 10% to $27.0 million at June 30, 2016, 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 $68.7 million at June 30, 2016.

Accounts payable and other liabilities increased to $14.4 million at June 30, 2016. The largest component of accounts payable is related to the presentation of the Rental Housing loans funded by short term bonds. The undisbursed amount of loan funds are shown as accounts payable, with the increased issuance of these types of bonds accounts for the increase in the category.

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 5.5% to $862.4 million at June 30, 2016 due to revenues over expenses for the fiscal year.

General Reserve and Bond Funds-Revenues over Expenses

Revenues over expenses of General Reserve and bond funds increased 47% from fiscal year 2015 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 decreased 1.6%. Total expenses, excluding Pool 3, increased 3% compared to the prior fiscal year. The largest revenue component, interest earned, decreased during fiscal year 2016. Loan interest revenue decreased 15% in fiscal year 2016 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 17% in fiscal year 2016. 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 $19.4 million in fiscal year 2016 compared to $18.3 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 $2.1 million from the State and Federal Appropriated funds to recover certain overhead expenses incurred during fiscal year 2016 compared to $1.9 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.

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

Other fee income to General Reserve and bond funds of $13.8 million increased by $1.0 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 $3.8 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..

Minnesota Housing recorded $33.0 million of unrealized gains on investment securities during fiscal year 2016, compared to $11.3 million of unrealized gains during the prior year, an increase of $22.1 million.

Interest expense of the bond funds decreased 4.9% to $68.6 million compared to the prior year as a result of a smaller amount of long-term outstanding debt, and refundings that replaced higher rate bonds with lower rate bonds.

Financing costs increased 0.4% to $87.3 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 9.6% to $4.1 million compared to the prior fiscal year. Of the total administrative reimbursement revenue in General Reserve of $21.5 million, the interfund charge to the bond funds and State Appropriated fund of $20.7 million was eliminated for purposes of financial reporting in the Agency-wide financial statements.

Salaries and benefits in General Reserve of $21.3 million increased 3.9% from the prior year. Other general operating expense in General Reserve and bond funds increased 2.9% to $10.9 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 decreased 66.8% to $0.5 million. The decrease related to the change in presentation for the Home Improvement inactive loans, moving from the provision line to this line. Provision for loan loss expense in the bond funds increased $4.2 million or 287% to $2.7 million. The provision for loan loss expense for the homeownership loan portfolio increased $2.2 million because the delinquencies increased.

The provision for loan loss expense for the home improvement loan portfolio increased $0.5 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 increased $1.5 million due to the mix of loans on 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 2016, $6.7 million of Pool 1 funds in excess of requirements were transferred to Pool 2. 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 $3.0 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 $16.7 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, increased $14.2 million to $44.6 million when compared to the prior fiscal year. After removing

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

the effects of unrealized gains and losses and Pool 3 revenues and expenses, the combined revenues over expenses decreased 26.9% to $18 million.

Total combined net position of General Reserve and bond funds increased 5.4% to $862.4 million as of June 30, 2016. A portion of that increase is a result of current year unrealized gains on investments, without which the combined net position would have increased 2.8%. The net position of each individual bond fund increased. Pool 2, which resides in Residential Housing Finance, increased because of its $3.0 million contribution to Pool 3. After the $6.1 million transfer of Pool 1 excesses to Pool 2, the net position of General Reserve decreased $1.0 million as a result of a $1.3 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 $0.03 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, 2016 combined balance decreased .8% to $142.5 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, 2016 State Appropriated fund net loans receivable increased 12.9% to $41.3 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, 2016 increased $.002 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, 2016 was $0.7 million compared to $3.8 million at June 30, 2015. 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, 2016 the combined net interfund payable was $0.9 million.

At June 30, 2016 the balance of funds held for others was $47.1 million. These funds are the proceeds of appropriation-backed housing bonds held for disbursement to certain multifamily affordable housing developments. 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 increased to $136.0 million as of June 30, 2016, reflecting that combined receipts and revenues exceeded expenses during fiscal year 2016.

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 increased from $245.1 million in fiscal year 2015 to $261.1 million in fiscal year 2016. Federal

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

appropriations received remained the same. State appropriations received increased by a net $15.4 million due to a $6.7 million increase in Housing Infrastructure Bonds issued along with a $9.1 million increase in appropriations received for the Economic Development and Housing Challenge program and the HECAT program.

The combined interest income from investments increased 19.5% to $1.4 million for fiscal year 2016.

Loan interest income from State Appropriations loan assets continues to be minimal at $0.7 million as relatively few loans bear interest.

Fees earned and other income in the amount of $1.7 million were recorded in the State Appropriated fund during fiscal year 2016. 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 $0.11 million were recorded at June 30, 2016 compared to $0.001 million of unrealized losses at June 30, 2015.

Administrative reimbursements to General Reserve of overhead expenses to administer State Appropriated fund programs increased 15.7% to $1.4 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 2016 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 3.5% to $235.1 million compared to the prior fiscal year, reflecting State Appropriations disbursed of $39.5 million and federal appropriations disbursed of $195.6 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 decreased 6.0% to $18.3 million compared to the prior fiscal year.

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 decreased 9.0% to $1.9 million at June 30, 2016.

Combined expenditures were less than combined revenue of the appropriated funds by $7.6 million at June 30, 2016. 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, 2016 long-term bonds totaling $2,307.2 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, 2016, 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 2016 fiscal year, Minnesota Housing issued eighteen series of bonds aggregating $684.7 million (excluding appropriation-backed housing bonds, conduit bonds, limited obligation drawdown index bonds, and short-term borrowing against a line of credit), compared to the issuance of nine series totaling $453.0 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

Significant Long Term Debt Activities (continued)

advance of permanent financing. In the past, the Agency also has converted a portion of its bonding authority to Mortgage Credit Certificate authority in another effort to support first-time homebuyers.

A total of $441.4 million in bond principal repayments and $87.3 million of bond-related interest expense occurred during fiscal year 2016. Of the total bond principal repayments, $341.6 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 requires mortgage repayments and prepayments received more than ten years after the date of issuance of the bonds that financed those mortgage loans to be used to redeem bonds.

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. 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 to refund existing debt in fiscal year 2016. Variable-rate bonds and interest-rate swaps were incorporated into Minnesota Housing's financing from fiscal year 2003 through fiscal year 2010, and again in fiscal year 2016 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. The Agency issued two new series of variable rate bonds in fiscal year 2016 in a principal amount totaling $53.2 million each with an interest rate swap with the equivalent notional amount.(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, 2016 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 certain limited obligation drawdown index bonds, only the interest on which is payable from funds of the Agency, and which are discussed in the notes to the financial statements. Board 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, 2016 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

In even-numbered years, the Legislature typically passes a bonding bill to fund capital projects around the state. The agency's top priority this session was to secure the Governor's recommendation for $70 million in Housing Infrastructure Bonds and $20 million in General Obligation Bonds for public housing rehabilitation as part of a bonding bill. After an 11 week session, a busy final weekend of negotiations, and attempts at a last-minute passage of a bonding bill, the 2016 Regular Legislative Session ended without passage of a bonding bill. Legislative leaders and the Governor are in discussions for a possible special session in August. The agenda for the special session could include a bonding bill. The special session has not been scheduled as of August 25, 2016.

The Legislature did approve a supplemental budget bill, which was signed by the Governor. It included several appropriations to Minnesota Housing. These appropriations are all one-time funding for State Fiscal

Significant Factors that May Affect Financial Conditions and/or Operations (continued)

Year 2017, with the exception of the appropriation to Build Wealth Minnesota, which is for ongoing funding. The appropriations are for programs that are not currently part of the agency's state appropriated base budget. They include:

- $250,000 for a Landlord Risk Mitigation Fund Pilot within the Family Homeless Prevention and Assistance Program
- $500,000 for a Rental Assistance for Exploited Families Pilot Program
- $750,000 for a Workforce and Affordable Homeownership Program
- $500,000 for housing in an area with a job training center (student housing)
- $500,000 for a direct appropriation to Build Wealth Minnesota for intensive homebuyer counseling (ongoing funding)

In addition to these appropriations, there was a policy change to the Family Homeless Prevention and Assistance Program that allows tribal nations to apply for funding and changes the definition of homeless youth from age 22 and under to age 24 and under.

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, 2016 (with comparative totals as of June 30, 2015)

		Agency wide Total as of June 30, 2016	Agency wide Total as of June 30, 2015
Assets	Cash and cash equivalents	$ 530,172	$ 383,438
	Investments-program mortgage-backed securities	1,444,863	1,140,834
	Investment securities-other	270,425	263,418
	Loans receivable, net	1,224,448	1,348,525
	Interest receivable on loans and program mortgage-backed securities	10,816	11,118
	Interest receivable on investments	1,089	1,016
	FHA/VA insurance claims, net	2,634	4,600
	Real estate owned, net	3,103	4,002
	Capital assets, net	2,783	2,449
	Other assets	2,465	4,584
	Total assets	3,492,798	3,163,984
Deferred Outflows of Resources	Deferred loss on refunding	199	267
	Deferred loss on interest rate swap agreements	11,764	12,649
	Deferred pension expense	2,980	1,042
	Total deferred outflows of resources	14,943	13,958
Liabilities	Bonds payable, net	2,307,222	2,033,332
	Interest payable	26,900	29,980
	Interest rate swap agreements	11,764	12,649
	Net pension liability	8,979	9,313
	Accounts payable and other liabilities	15,206	8,453
	Funds held for others	115,854	117,060
	Total liabilities	2,485,925	2,210,787
Deferred Inflows of Resources	Deferred service release fee	12,118	9,122
	Deferred pension credit	11,327	11,821
	Total deferred inflows of resources	23,445	20,943
	Commitments and contingencies		
Net Position	Restricted by bond resolution	382,133	339,091
	Restricted by covenant	477,456	476,252
	Restricted by law	135,999	128,420
	Invested in capital assets	2,783	2,449
	Total net position	998,371	946,212
	Total liabilities, deferred inflows of resources, and net position	$3,507,741	$3,177,942

See accompanying notes to financial statements

MINNESOTA HOUSING FINANCE AGENCY
Agency-wide Financial Statements
Statement of Activities (in thousands)
Year ended June 30, 2016 (with comparative total for year ended June 30, 2015)

		Agency-wide Total for Year Ended June 30, 2016	Agency-wide Total for Year Ended June 30, 2015
Revenue	Interest earned on loans	$ 68,884	$ 80,692
	Interest earned on investments-program mortgage-backed securities	41,846	34,648
	Interest earned on investments-other	9,643	9,315
	Net G/L on Sale of MBS Held for Sale/HOMES^{SM} Certificates	3,756	3,904
	Appropriations received	261,144	245,137
	Administrative reimbursement	774	674
	Fees earned and other income	15,495	15,001
	Unrealized gains on investments	33,522	11,363
	Total revenues	435,064	400,734
Expenses	Interest	68,580	72,105
	Financing, net	18,694	14,764
	Loan administration and trustee fees	4,182	4,579
	Salaries and benefits	21,258	20,457
	Other general operating	12,870	12,749
	Appropriations disbursed	235,135	227,117
	Reduction in carrying value of certain low interest rate deferred loans	18,831	21,046
	Provision for loan losses	3,355	(759)
	Total expenses	382,905	372,058
	Change in net position	52,159	28,676
Net Position	Total net position, beginning of period	946,212	917,536
	Total net position, end of year	$998,371	$946,212

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, 2016 (with comparative totals as of June 30, 2015)

		Bond Funds	
		General Reserve	Rental Housing
Assets	Cash and cash equivalents	$58,048	$47,552
	Investments-program mortgage-backed securities	-	-
	Investment securities-other	20,068	2,097
	Loans receivable, net	-	146,783
	Interest receivable on loans and program mortgage-backed securities	-	620
	Interest receivable on investments	78	19
	FHA/VA insurance claims, net	-	-
	Real estate owned, net	-	-
	Capital assets, net	2,783	-
	Other assets	1,285	59
	Total assets	82,262	197,130
Deferred Outflows of Resources	Deferred loss on refunding	-	-
	Deferred loss on interest rate swap agreements	-	-
	Deferred pension expense	2,980	-
	Total deferred outflows of resources	2,980	-
Liabilities	Bonds payable, net	-	54,680
	Interest payable	-	592
	Interest rate swap agreements	-	-
	Net pension liability	8,979	-
	Accounts payable and other liabilities	4,028	9,431
	Interfund payable (receivable)	(20,748)	-
	Funds held for others	67,376	-
	Total liabilities	59,635	64,703
Deferred Inflows of Resources	Deferred service release fee	-	-
	Deferred pension credit	11,327	-
	Total deferred inflows of resources	11,327	-
	Commitments and contingencies		
Net Position	Restricted by bond resolution	-	132,427
	Restricted by covenant	11,497	-
	Restricted by law	-	-
	Invested in capital assets	2,783	-
	Total net position	$14,280	$132,427

See accompanying notes to financial statements

Residential Housing Finance (Bond Funds)	Homeownership Finance (Bond Funds)	Multifamily Housing (Bond Funds)	HOMES^{SM} (Bond Funds)	State Appropriated (Appropriated Funds)	Federal Appropriated (Appropriated Funds)	Total as of June 30, 2016	Total as of June 30, 2015
$ 267,896	$ 45,808	$ 1,362	$ -	$105,418	$4,088	$ 530,172	$ 383,438
476,868	967,995	-	-	-	-	1,444,863	1,140,834
187,059	1,400	-	26,788	28,442	4,571	270,425	263,418
1,022,019	-	14,305	-	41,341	-	1,224,448	1,348,525
7,232	2,881	52	-	31	-	10,816	11,118
727	7	-	67	187	4	1,089	1,016
2,634	-	-	-	-	-	2,634	4,600
3,103	-	-	-	-	-	3,103	4,002
-	-	-	-	-	-	2,783	2,449
359	26	-	-	-	736	2,465	4,584
1,967,897	1,018,117	15,719	26,855	175,419	9,399	3,492,798	3,163,984
199	-	-	-	-	-	199	267
11,764	-	-	-	-	-	11,764	12,649
-	-	-	-	-	-	2,980	1,042
11,963	-	-	-	-	-	14,943	13,958
1,277,263	935,606	14,200	25,473	-	-	2,307,222	2,033,332
20,061	6,144	36	67	-	-	26,900	29,980
11,764	-	-	-	-	-	11,764	12,649
-	-	-	-	-	-	8,979	9,313
917	63	-	-	642	125	15,206	8,453
19,859	-	-	-	277	612	-	-
-	-	-	1,315	47,161	2	115,854	117,060
1,329,864	941,813	14,236	26,855	48,080	739	2,485,925	2,210,787
10,098	2,020	-	-	-	-	12,118	9,122
-	-	-	-	-	-	11,327	11,821
10,098	2,020	-	-	-	-	23,445	20,943
173,939	74,284	1,483	-	-	-	382,133	339,091
465,959	-	-	-	-	-	477,456	476,252
-	-	-	-	127,339	8,660	135,999	128,420
-	-	-	-	-	-	2,783	2,449
$ 639,898	$ 74,284	$ 1,483	$ -	$127,339	$8,660	$ 998,371	$ 946,212

Statement of Revenues, Expenses and Changes in Net Position (in thousands)
Proprietary Funds
Year ended June 30, 2016 (with comparative totals for year ended June 30, 2015)

		Bond Funds	
		General Reserve	Rental Housing
Revenues	Interest earned on loans	$ -	$ 8,336
	Interest earned on investments-program mortgage-backed securities	-	-
	Interest earned on investments-other	161	101
	Net G/L on Sale of MBS Held for Sale/HOMES^{SM} Certificates	-	-
	Appropriations received	-	-
	Administrative reimbursement	21,523	-
	Fees earned and other income	11,252	313
	Unrealized gains (losses) on investments	-	119
	Total revenues	32,936	8,869
Expenses	Interest	-	1,580
	Financing, net	-	-
	Loan administration and trustee fees	-	79
	Administrative reimbursement	-	1,102
	Salaries and benefits	21,258	-
	Other general operating	6,010	5
	Appropriations disbursed	-	-
	Reduction in carrying value of certain low interest rate deferred loans	-	(18)
	Provision for loan losses	-	(322)
	Total expenses	27,268	2,426
	Revenues over (under) expenses	5,668	6,443
Other changes	Non-operating transfer of assets between funds	(6,682)	71
	Change in net position	(1,014)	6,514
Net Position	Total net position, beginning of Year	15,294	125,913
	Total net position, end of Year	$14,280	$132,427

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, 2016	Total for the Year Ended June 30, 2015
$ 59,189	$ -	$ 632	$ -	$ 727	$ -	$ 68,884	$ 80,692
10,783	31,063	-	-	-	-	41,846	34,648
7,092	27	1	837	1,389	35	9,643	9,315
3,756	-	-	-	-	-	3,756	3,904
-	-	-	-	65,718	195,426	261,144	245,137
-	-	-	-	-	-	21,523	20,142
2,043	202	-	-	1,685	-	15,495	15,001
22,826	10,465	-	-	121	(9)	33,522	11,363
105,689	41,757	633	837	69,640	195,452	455,813	420,202
39,656	26,076	431	837	-	-	68,580	72,105
10,477	8,217	-	-	-	-	18,694	14,764
3,624	348	5	-	126	-	4,182	4,579
12,837	5,326	95	-	1,389	-	20,749	19,468
-	-	-	-	-	-	21,258	20,457
4,877	27	-	-	1,951	-	12,870	12,749
-	-	-	-	39,504	195,631	235,135	227,117
544	-	-	-	18,305	-	18,831	21,046
3,071	-	(1)	-	607	-	3,355	(759)
75,086	39,994	530	837	61,882	195,631	403,654	391,526
30,603	1,763	103	-	7,758	(179)	52,159	28,676
(10,057)	16,668	-	-	-	-	-	-
20,546	18,431	103	-	7,758	(179)	52,159	28,676
619,352	55,853	1,380	-	119,581	8,839	946,212	917,536
$639,898	$74,284	$1,483	$ -	$127,339	$ 8,660	$998,371	$946,212

MINNESOTA HOUSING FINANCE AGENCY
Fund Financial Statements
Statement of Cash Flows (in thousands)
Proprietary Funds
Year ended June 30, 2016 (with comparative totals for year ended June 30, 2015)

		Bond Funds	
		General Reserve	Rental Housing
Cash flows from operating activities	Principal repayments on loans and program mortgage-backed securities	$ -	$30,893
	Investment in loans/loan modifications and program mortgage-backed securities	-	(23,490)
	Interest received on loans and program mortgage-backed securities	-	8,272
	Fees and other income received	11,181	313
	Salaries, benefits and other operating	(27,277)	(43)
	Appropriations received	-	-
	Appropriations disbursed	-	-
	Administrative reimbursement from funds	21,617	(1,110)
	Deposits into funds held for others	28,083	-
	Disbursements made from funds held for others	(27,902)	-
	Interfund transfers and other assets	(2,542)	94
	Net cash provided (used) by operating activities	3,160	14,929
Cash flows from non-capital financing activities	Proceeds from sale of bonds and notes	-	28,340
	Principal repayment on bonds and notes	-	(16,590)
	Interest paid on bonds and notes	-	(1,750)
	Financing costs paid related to bonds issued	-	-
	Agency contribution to program funds	-	71
	Transfer of cash between funds	(8,585)	-
	Net cash provided (used) by noncapital financing activities	(8,585)	10,071
Cash flows from investing activities	Investment in real estate owned	-	-
	Interest received on investments	701	96
	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	10,000	25
	Purchase of investment securities	-	-
	Purchase of loans between funds	-	-
	Net cash provided (used) by investing activities	10,701	121
	Net increase (decrease) in cash and cash equivalents	5,276	25,121
Cash and cash equivalents	Beginning of period	52,772	22,431
	End of period	$58,048	$47,552

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, 2016	Total for the Year Ended June 30, 2015
$209,807	$111,625	$ 169	$ -	$ 8,966	$ -	$361,460	$295,606
(281,495)	(203,708)	-	-	(29,888)	-	(538,581)	(405,038)
68,889	32,339	633	-	509	-	110,642	111,569
13,862	-	-	-	1,685	-	27,041	23,975
(17,598)	(417)	(5)	-	(2,056)	-	(47,396)	(45,737)
-	-	-	-	65,718	197,404	263,122	243,209
-	-	-	-	(39,740)	(197,610)	(237,350)	(225,543)
(12,837)	(5,326)	(95)	-	(1,513)	-	736	752
-	-	-	-	33,782	-	61,865	69,466
-	-	-	-	(36,672)	-	(64,574)	(41,538)
212	(1)	67	-	(1)	-	(2,171)	(789)
(19,160)	(65,488)	769	-	790	(206)	(65,206)	25,932
1,253,892	200,610	-	-	-	-	1,482,842	946,508
(1,084,975)	(101,455)	(230)	(3,195)	-	-	(1,206,445)	(931,361)
(44,674)	(26,473)	(431)	(845)	-	-	(74,173)	(75,675)
(5,241)	(1,686)	-	-	-	-	(6,927)	(6,071)
(5,387)	5,316	-	-	-	-	-	-
8,585	-	-	-	-	-	-	-
122,200	76,312	(661)	(4,040)	-	-	195,297	(66,599)
(2,189)	-	-	-	-	-	(2,189)	(3,825)
6,686	21	1	845	1,157	38	9,545	8,933
(7,577)	-	-	-	-	-	(7,577)	(3,690)
21,321	-	-	-	-	-	21,321	32,323
624,403	670	-	3,195	10,000	-	648,293	505,285
(652,750)	-	-	-	-	-	(652,750)	(511,484)
3,348	-	-	-	(3,348)	-	-	-
(6,758)	691	1	4,040	7,809	38	16,643	27,542
96,282	11,515	109	-	8,599	(168)	146,734	(13,125)
171,614	34,293	1,253	-	96,819	4,256	383,438	396,563
$267,896	$ 45,808	$1,362	$ -	$105,418	$ 4,088	$530,172	$383,438

(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	$5,668	$ 6,443
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	-	(135)
Amortization of proportionate share-Pension	(80)	-
Depreciation	2,224	-
Gain (loss) on sale of MBS held for sale and HOMES[SM] Certificates	-	-
Realized losses (gains) on sale of securities, net	-	-
Unrealized losses (gains) on securities, net	-	(119)
Salaries and Benefits-Pensions	(2,686)	-
Provision for loan losses	-	(322)
Reduction in carrying value of certain low interest rate and/or deferred loans	-	(18)
Capitalized interest on loans and real estate owned	-	(14)
Interest earned on investments	(161)	(101)
Interest expense on bonds and notes	-	1,580
Financing expense on bonds	-	-
Changes in assets and liabilities:		
Decrease (increase) in loans receivable and program mortgage-backed securities, excluding loans transferred between funds	-	7,403
Decrease (increase) in interest receivable on loans	-	85
Increase (decrease) in arbitrage rebate liability	-	-
Increase (decrease) in accounts payable	1,096	41
Increase (decrease) in interfund payable, affecting operating activities only	97	6
Increase (decrease) in funds held for others	181	-
Other	(3,179)	80
Total	(2,508)	8,486
Net cash provided (used) by operating activities	$3,160	$14,929

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, 2016	Total for the Year Ended June 30, 2015
$ 30,603	$ 1,763	$103	$ -	$7,758	$ (179)	$ 52,159	$28,676
413	1,535	-	-	-	-	1,813	763
-	-	-	-	-	-	(80)	(47)
-	-	-	-	-	-	2,224	2,131
(3,756)	-	-	-	-	-	(3,756)	(3,904)
(715)	-	-	-	(140)	-	(855)	(367)
(22,826)	(10,465)	-	-	(121)	9	(33,522)	(11,363)
-	-	-	-	-	-	(2,686)	(2,241)
3,071	-	(1)	-	607	-	3,355	(759)
544	-	-	-	18,305	-	18,831	21,046
(1,986)	-	-	-	(203)	-	(2,203)	(2,616)
(6,377)	(27)	(1)	(837)	(1,249)	(35)	(8,788)	(8,328)
39,656	26,076	431	837	-	-	68,580	72,105
10,429	8,217	-	-	-	-	18,646	14,764
(71,688)	(92,083)	169	-	(20,922)	-	(177,121)	(109,432)
490	(259)	1	-	(15)	-	302	384
-	-	-	-	-	-	-	(2,920)
2,770	(244)	-	-	(215)	(2,142)	1,306	3,255
(6)	-	-	-	(125)	(573)	(601)	7
-	-	-	-	(2,890)	-	(2,709)	27,928
218	(1)	67	-	-	2,714	(101)	(3,150)
(49,763)	(67,251)	666	-	(6,968)	(27)	(117,365)	(2,744)
$(19,160)	$(65,488)	$769	$ -	$ 790	$ (206)	$ (65,206)	$25,932

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, limited obligation drawdown index bonds issued under a separate trust indenture 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 first 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

Nature of Business and Fund Structure (continued)

pledged to the payment of the Residential Housing Finance bonds or any other debt obligation of the Agency 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 2016 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 2016 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. The limited obligation drawdown index bonds trust indenture prescribes the application of debt proceeds and permitted investments.

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 first 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

Nature of Business and Fund Structure (continued)

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 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 February 2015, the GASB issued Statement No. 72 *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount. Valuation techniques should be applied consistently, though a change may be appropriate in certain circumstances. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs—other than quoted prices—included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security.

The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement

Summary of Significant Accounting Policies (continued)

users about the impact of fair value measurements on a government's financial position. The provisions of this statement were implemented in fiscal year ended June 30, 2016.

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 December 2015, the GASB issued Statement No. 79 *Certain External Investment Pools and Pool Participants*. This Statement supersedes *Implementation Guide No. 2015-1*. It also amends Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*; Statement No. 40, *Deposit and Investment Risk Disclosures*; Statement No. 59, *Financial Instruments Omnibus*; and Statement No. 72, *Fair Value Measurement and Application*. The objective of this Statement is to address for certain external investment pools and their participants the accounting and financial reporting implications that result from changes in the regulatory provisions referenced by previous accounting and financial reporting standards. Those provisions were based on the Investment Company Act of 1940, Rule 2a7. Rule 2a7 contains the Securities and Exchange Commission's regulations that apply to money market funds and were significantly amended in 2014. This Statement establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement also establishes accounting and financial reporting standards for state and local governments that participate in qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost.

This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements

Summary of Significant Accounting Policies (continued)

for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

In March 2016, the GASB issued Statement No. 82 *Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement clarifies that payments made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

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^{SM} 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

Summary of Significant Accounting Policies (continued)

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, 2016.

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.

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 2016. 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 applicable accounting guidance in developing the annual pension expense. They arise with differences between expected and actual experience, investment differences, changes of assumptions and changes in proportions. 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 2016, 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

Summary of Significant Accounting Policies (continued)

(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 securities supporting HOMES^{SM} 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 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.

Fair Value Reporting

To the extent available, the Minnesota Housing investments are recorded at fair value as of June 30, 2016. GASB No. 72-Fair Value Measurement and Application, defines fair value as the price that would be received to sell an asset between market participants at the measure date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the market place.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1: Investments whose values are based on quoted prices (unadjusted) for identical assets (liabilities) in active markets that a government can access at measurement date.

Level 2: Investments with inputs–other than quoted prices included within Level 1–that are observable for an asset (liabilities), either directly or indirectly.

Level 3: Investments classified as Level 3 have unobservable inputs for an asset (liabilities) and may require a degree of professional judgement.

Summary of Significant Accounting Policies (continued)

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, 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 2015 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 other direct costs are also recovered. Total direct and indirect costs recovered from the federal government in the amount of $0.606 million are reflected as administrative reimbursement revenues in the General Reserve.

Administrative reimbursements in the amount of $20.749 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

Summary of Significant Accounting Policies (continued)

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 2016 were $17.2 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.

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, 2016 (in thousands):

Cash and Cash Equivalents

Funds	Deposits	Money Market Funds	State Investment Pool	Investment Agreements	Combined Totals
General Reserve Account	$ -	$ -	$ 58,048	$ -	$ 58,048
Rental Housing	-	47,552	-	-	47,552
Residential Housing Finance	1,603	261,708	-	4,585	267,896
Homeownership Finance Bonds	-	45,808	-	-	45,808
Multifamily Housing Bonds	-	1,362	-	-	1,362
HOMES℠	-	-	-	-	-
State Appropriated Accounts	271	47,067	58,080	-	105,418
Federal Appropriated Accounts	726	3,360	2	-	4,088
Combined Totals	$2,600	$406,857	$116,130	$4,585	$530,172

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, 2016 (in thousands):

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	$ 19,774	$ -	$ 294	$ 20,068
Rental Housing	1,827	-	270	2,097
Residential Housing Finance	181,296	456,288	26,343	663,927
Homeownership Finance Bonds	1,400	922,027	45,968	969,395
Multifamily Housing Bonds	-	-	-	-
HOMES℠	25,473	-	1,315	26,788
State Appropriated Accounts	27,268	-	1,174	28,442
Federal Appropriated Accounts	4,548	-	23	4,571
Combined Totals	$261,586	$1,378,315	$75,387	$1,715,288

Cash, Cash Equivalents and Investment Securities (continued)

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, 2016 were (in thousands):

Credit Ratings of Investment Securities

Type	Par Value	AA+/Aaa	AA/Aa2
U.S. Agencies	$1,580,201	$1,580,201	$ -
Municipal Bonds	31,565	-	31,565
Agency-wide Totals	$1,611,766	$1,580,201	$31,565
U.S. Treasuries	10,520		
Agency-wide Totals	$1,622,286		

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 $75.387 million and net discounts of $17.615 million), along with the weighted average maturities (in years) as of June 30, 2016, 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	$ 2,600	-	-	-	-	-	-	-	-
Money market fund	406,858	-	-	-	-	-	-	-	-
State investment pool	116,129	-	-	-	-	-	-	-	-
Investment agreements	4,585	-	-	-	-	-	-	-	-
US agencies	1,580,201	1.8	20.6	27.7	26.9	-	27.1	1.8	-
US treasuries	10,520	-	-	3.7	-	-	-	-	1.9
Municipal bonds	31,565	-	-	-	-	-	-	8.7	-
Agency-wide Totals	$2,152,458								
Weighted Average Maturity		0.5	0.8	18.6	25.6	-	27.1	0.8	-

Investments in any one issuer, excluding $1.135 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, 2016 were as follows (in thousands):

Investment Issuer	Amount
Federal National Mortgage Association, U.S. Agencies	$408,292

The Agency maintained certain deposits and investments throughout fiscal year 2016 that were subject to custodial credit risk. As of June 30, 2016, the amounts subject to this risk consisted of the following (in thousands):

	Amount
Deposits not covered by depository insurance and uncollateralized (including $406,859 in a money market fund and $116,129 in the State investment pool)	$ 525,590
Investment securities uninsured, uncollateralized and not held in the Agency's name	1,626,869
Agency-wide Total	$2,152,459

Cash, Cash Equivalents and Investment Securities (continued)

Net realized loss on sale of investment securities of $0.855 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, 2016 were as follows (in thousands).

Funds	Amount
Rental Housing	$ 1,829
Residential Housing Finance	34,463
Multifamily Housing	488
Combined Totals	$36,780

The following table summarizes Minnesota Housing's investments with in the fair value hierarchy at June 30, 2016:

Investments (at par value)	Level 1	Level 2	Level 3	Total
US Agencies	$54,866	$1,525,334	-	$1,580,200
US Treasuries	10,520	-	-	10,520
Municipal Bonds	-	31,565	-	31,565
Total	$65,386	$1,556,899	-	$1,622,285
Prem/Disc & Unrealized Appr/Depr				93,003
Fair Market Value				$1,715,288

Loans Receivable, Net

Loans receivable, net at June 30, 2016 consisted of (in thousands):

Funds	Outstanding Principal	Allowance for Loan Losses	Loans Receivable, Net
General Reserve	$ -	$ -	$ -
Homeownership Finance	-	-	-
Rental Housing	150,365	(3,582)	146,783
HOMES[SM]	-	-	-
Residential Housing Finance	1,032,745	(10,726)	1,022,019
Multifamily Housing	14,376	(71)	14,305
State Appropriated	42,404	(1,063)	41,341
Federal Appropriated	-	-	-
Agency-wide Totals	$1,239,890	$(15,442)	$1,224,448

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 amount of loans with such characteristics originated during fiscal year 2016 aggregated $5.467 million in the

Loans Receivable, Net (continued)

Residential Housing Finance Housing Affordability Fund (Pool 3) and $29.059 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, 2016 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	$ 675,938	$ 681,167
Other homeownership loans, generally secured by a second mortgage	1,071	1,110
Alternative Loan Fund, Housing Investment Fund (Pool 2):		
Home Improvement loans, generally secured by a second mortgage	76,648	77,678
Homeownership, first mortgage loans	33,007	33,657
Other homeownership loans, generally secured by a second mortgage	22,427	23,121
Multifamily, first mortgage loans	169,116	170,410
Alternative Loan Fund, Housing Affordability Fund (Pool 3):		
Other homeownership loans, generally secured by a second mortgage	43,812	45,602
Residential Housing Finance Totals	$1,022,019	$1,032,745

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, 2016 consisted of the following (in thousands):

Funds	Receivables Due from the Federal Government	Other Assets and Receivables	Total
General Reserve Account	$1,285	$ -	$1,285
Rental Housing	-	59	59
Residential Housing Finance	-	359	359
Homeownership Finance	-	26	26
Multifamily Housing	-	-	-
HOMES℠	-	-	-
State Appropriated	-	-	-
Federal Appropriated	736	-	736
Combined Totals	$2,021	$444	$2,465

Bonds Payable

Summary of bonds payable activity at June 30, 2016 is as follows (in thousands):

Funds	June 30, 2015 Bonds Outstanding	Bonds Issued	Bonds Repaid	June 30, 2016 Bonds Outstanding
Rental Housing	$ 42,930	$ 28,340	$ 16,590	$ 54,680
Residential Housing Finance	1,104,035	449,705	319,975	1,233,765
Homeownership Finance	836,451	200,610	101,455	935,606
Multifamily Housing	14,430	-	230	14,200
HOMES^{SM}	28,668	-	3,195	25,473
Drawdown Index Bonds	-	6,000	-	6,000
Totals	$2,026,514	$684,655	$441,445	$2,269,724
Bond Premium-Residential Housing Finance				14,498
Notes Payable				23,000
				$2,307,222

The Drawdown Index Bonds series and notes payable are part of the Residential Housing Finance Fund.

Bonds payable at June 30, 2016 were as follows (in thousands):

Series	Interest rate	Final Maturity	Original amount	June 30, 2016 Bonds Outstanding, at Par
Rental Housing Bonds				
2006 Series C-1	4.96%	2037	$ 2,860	$ 2,435
2007 Series A-1	4.65%	2038	3,775	3,265
2010 Series A-1	3.75% to 5.25%	2040	3,605	3,480
2011 Series A	1.70% to 5.45%	2041	8,890	7,275
2012 Series A-1	3.75%	2048	4,175	4,065
2013 Series A-1	3.50% to 5.30%	2049	3,710	3,650
2013 Series B-1	3.65% to 5.30%	2044	2,040	1,995
2014 Series A	0.625%	2016	5,550	175
2015 Series A	0.800%	2017	6,620	6,620
2015 Series B	0.750%	2017	7,450	7,450
2015 Series C	0.750%	2017	3,070	3,070
2015 Series D	0.750%	2017	1,700	1,700
2016 Series A	0.900%	2018	9,500	9,500
			$62,945	$54,680
Residential Housing Finance Bonds				
2003 Series A	3.70% to 4.30%	2023	$40,000	$ 1,265
2003 Series B	Variable	2033	25,000	9,365
2003 Series I	4.70% to 5.10%	2020	25,000	1,050
2003 Series J	Variable	2033	25,000	7,640
2006 Series J	6.00% to 6.51%	2038	45,000	280
2006 Series N	5.46% to 5.76%	2037	18,000	1,585
2007 Series C	3.85% to 3.95%	2017	12,515	2,085
2007 Series D	4.60% to 5.50%	2038	62,485	27,750
2007 Series E	Variable	2038	25,000	5,610
2007 Series H	3.80% to 3.95%	2017	12,230	2,770

Bonds Payable (continued)

Series	Interest rate	Final Maturity	Original amount	June 30, 2016 Bonds Outstanding, at Par
Residential Housing Finance Bonds (continued)				
2007 Series I	4.65% to 5.50%	2038	$ 100,270	$ 38,425
2007 Series J	Variable	2038	37,500	8,365
2007 Series L	4.45% to 5.50%	2048	105,000	44,215
2007 Series M	6%	2038	70,000	30,050
2007 Series P	3.60% to 3.90%	2017	4,305	855
2007 Series Q	5.00% to 5.50%	2038	42,365	12,055
2007 Series S	Variable	2038	18,975	17,280
2007 Series T	Variable	2048	37,160	12,480
2008 Series A	3.70% to 4.65%	2023	25,090	1,435
2008 Series B	5.50% to 5.65%	2033	34,910	4,075
2008 Series C	Variable	2048	40,000	30,345
2009 Series A	3.05% to 5.20%	2023	26,795	1,650
2009 Series B	5.45% to 5.90%	2038	33,205	1,730
2009 Series C	Variable	2036	40,000	40,000
2009 Series D	3.65% to 4.00%	2020	19,830	5,910
2009 Series E	2.55% to 5.10%	2040	103,960	59,350
2009 Series F	Variable	2031	34,120	6,285
2012 Series A	1.2% to 3.90%	2023	50,945	25,875
2012 Series B	3.30% to 3.45%	2024	8,830	6,210
2012 Series C	3.625% to 3.85%	2029	30,975	21,800
2012 Series D	3.90% to 4.00%	2040	60,000	32,720
2013 Series A	0.50% to 3.00%	2031	33,305	15,735
2013 Series B	0.90% to 1.80%	2019	9,555	8,635
2013 Series C	1.80% to 3.90%	2043	42,310	38,260
2014 Series A	0.25% to 4.00%	2038	50,000	39,085
2014 Series B	0.20% to 4.00%	2038	50,000	39,635
2014 Series C	0.35% to 4.00%	2045	143,145	118,805
2014 Series D	3.00% to 3.10%	2026	6,585	5,840
2014 Series E	2.00% to 3.50%	2032	76,000	67,300
2015 Series A	4%	2041	43,070	39,925
2015 Series B	0.40% to 0.50%	2016	1,475	170
2015 Series C	0.40% to 3.60%	2031	61,780	59,560
2015 Series D	Variable	2046	18,225	18,225
2015 Series E	0.60% to 3.50%	2046	96,930	94,070
2015 Series F	2.35% to 3.30%	2029	39,515	39,300
2015 Series G	Variable	2034	35,000	35,000
2016 Series A	0.85% to 3.20%	2031	63,135	63,135
2016 Series B	3.10% to 3.50%	2046	74,985	74,985
2016 Series C	1.20% to 4.20%	2037	15,590	15,590
			$2,075,070	$1,233,765

Bonds Payable (continued)

Series	Interest rate	Final Maturity	Original amount	June 30, 2016 Bonds Outstanding, at Par
Homeownership Finance Bonds				
2009 Series A-1	3.01%	2041	$ 108,000	$ 66,310
2009 Series A-4A	2.48%	2041	21,910	14,270
2009 Series A-4B	2.48%	2041	13,090	8,560
2009 Series A-5	2.49%	2041	21,990	15,910
2010 Series A	1.40% to 4.25%	2028	72,000	30,895
2011 Series B	1.625% to 4.50%	2031	63,760	36,000
2011 Series C	1.80% to 3.850%	2031	8,310	3,575
2011 Series D	1.35% to 4.70%	2034	33,690	21,665
2011 Series E	1.05% to 4.45%	2035	65,000	38,425
2011 Series F	1.15% to 3.45%	2022	13,575	7,110
2011 Series G	4.00% to 4.25%	2035	29,110	20,300
2012 Series A	2.60%	2042	50,000	35,468
2012 Series B	2.25%	2042	75,000	54,952
2013 Series A	2.35%	2043	75,000	59,104
2013 Series B	2.70%	2041	85,148	54,987
2013 Series C	3.00%	2043	37,000	27,872
2014 Series A	3.00%	2044	38,527	32,238
2014 Series B	2.95%	2044	18,868	16,086
2014 Series C	3.25%	2044	13,663	11,649
2014 Series D	2.88%	2044	39,934	35,127
2015 Series A	2.80%	2045	60,013	56,588
2015 Series B	3.00%	2045	54,530	52,105
2015 Series C	3.05%	2045	40,226	38,037
2015 Series D	2.90%	2045	52,365	51,421
2016 Series A	2.95%	2046	97,274	96,217
2016 Series B	2.70%	2046	50,971	50,735
			$1,238,954	$ 935,606
Multifamily Housing Bonds				
2009	3.01%	2051	$ 15,000	$ 14,200
			$ 15,000	$ 14,200
HOMES℠				
2013 Series A-1	3.50%	2043	$ 3,359	$ 3,080
2013 Series B-1	3.00%	2043	24,471	18,443
2013 Series C-1	3.50%	2043	4,713	3,950
			$ 32,543	$ 25,473
Drawdown Index Bonds				
2016 Drawdown Index Bonds	Variable	2046	$ 6,000	$6,000
			$ 6,000	$6,000
Combined Totals			$3,430,512	$2,269,724

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, 2016, are as follows (in thousands):

	Rental Housing		Residential Housing Finance	
Fiscal Year	Principal	Interest	Principal	Interest
2017	$19,675	$ 1,449	$ 34,420	$ 35,960
2018	9,985	1,305	35,905	37,551
2019	510	1,201	34,630	36,861
2020	530	1,180	35,725	36,094
2021-2025	565	1,158	37,040	35,213
2026-2030	3,225	5,395	206,850	158,924
2031-2035	4,140	4,544	258,755	121,386
2036-2040	5,390	3,410	299,880	77,618
2041-2045	7,085	1,938	199,085	29,313
2046-2050	2,300	576	87,265	6,577
2051-2055	1,275	111	4,210	43
2056-2060	-	-	-	-
Total	$54,680	$22,267	$1,233,765	$575,540

	Multifamily Housing		Homeownership Finance	
Fiscal Year	Principal	Interest	Principal	Interest
2017	$ 240	$ 424	$ 7,780	$ 27,834
2018	240	417	7,975	27,642
2019	240	410	8,200	27,419
2020	240	402	8,445	27,165
2021-2025	1,200	1,904	8,720	26,885
2026-2030	1,520	1,710	49,380	129,096
2031-2035	1,800	1,450	58,170	117,905
2036-2040	2,190	1,160	49,530	106,940
2041-2045	2,550	802	60,030	98,710
2046-2050	3,080	376	677,376	59,855
2051-2055	900	18	-	-
2056-2060	-	-	-	-
Total	$14,200	$ 9,074	$ 935,606	$649,451

Bonds Payable (continued)

	HOMES℠		DDIB	
Fiscal Year	Principal	Interest	Principal	Interest
2017	$ -	$ 799	$ -	$ 48
2018	-	799	-	49
2019	-	799	-	48
2020	-	799	-	48
2021-2025	-	799	-	49
2026-2030	-	3,997	-	243
2031-2035	-	3,997	-	243
2036-2040	-	3,997	-	244
2041-2045	-	3,997	-	243
2046-2050	25,473	1,732	6,000	243
2051-2055	-	-	-	-
2056-2060	-	-	-	-
Total	$ 25,473	$ 21,715	$6,000	$1,458

	Combined Totals	
Fiscal Year	Principal	Interest
2017	$ 62,115	$ 66,514
2018	54,105	67,763
2019	43,580	66,738
2020	44,940	65,688
2021-2025	47,525	66,008
2026-2030	260,975	299,365
2031-2035	322,865	249,525
2036-2040	356,990	193,369
2041-2045	268,750	135,003
2046-2050	801,494	69,359
2051-2055	6,385	172
2056-2060	-	-
Total	$2,269,724	$1,279,504

Residential Housing Finance Bonds 2003 Series B and J; 2007 Series E (Taxable), J (Taxable), S and T (Taxable); 2008 Series C; 2009 Series C and F; and Series 2015 D and G 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, 2016 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℠ 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, 2016, it is in compliance with those covenants in all material

Bonds Payable (continued)

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, 2016 for the redemption of certain bonds thereafter. See Subsequent Events.

On June 30, 2016 the Agency had in place a revolving line of credit with the Federal Home Loan Bank of Des Moines with an outstanding balance of $23.000 million.

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, 2016. The fair values approximate the termination payments that would have been due had the swaps been terminated as of June 30, 2016. Under GASB 53, instruments, in whole or in part, such as interest rate swaps and similar transactions that fall under the definition of Derivative Instruments must be reported on the statement of net assets, the classification of which depends on whether they represent assets or liabilities, and Derivative Instruments generally should be measured at “Fair Value”. Fair Values were determined pursuant to GASB 72: Fair Value Measurement and Application. The fair value hierarchy of interest rate swap agreements is determined to be level 2. The fair values exclude accrued interest. As of June 30, 2016, 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, 2016 is included under deferred outflows of resources as “Deferred loss on interest rate swap agreements.”

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, and in 2015. 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, 2016, 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
06/30/2017	$4,845	$ 448	$5,360	$10,653
06/30/2018	745	317	4,549	5,611
06/30/2019	700	344	4,462	5,506
06/30/2020	910	343	4,395	5,648
06/30/2021	1,185	341	4,327	5,853
06/30/2026	10,260	1,661	20,445	32,366
06/30/2031	41,080	1,529	17,776	60,385
06/30/2036	74,015	811	11,978	86,804
06/30/2041	30,975	480	2,781	34,236
06/30/2046	22,470	218	874	23,562
06/30/2051	3,410	5	137	3,552

Derivative Instruments-Interest Rate Swaps (continued)

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, 2016, 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, and 2009F swaps, the right to terminate the swaps at par at approximately the 10-year anniversary date of the swap (7-year anniversary date for the 2015D and 2015G swaps). 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.

Counterparty: The Bank of New York Mellon

Moody's* Aa1 (stable outlook) / Standard & Poor's** AA- (stable outlook)[2]

Associated Bond Series	Notional Amount as of June 30, 2016 (in thousands)	Effective Date	Swap Maturity Date	Fixed Rate Payable	Variable Rate Receivable	Fair Value[1] as of June 30, 2016 (in thousands)	Increase (Decrease) in Fair Value since June 30, 2015 (in thousands)
RHFB 2003B	$ 9,365	July 23, 2003	January 1, 2033	3.532%	65% of 1 month LIBOR*** plus 0.23% per annum	$(1,028)	$ (83)
RHFB 2003J	7,640	October 15, 2003	July 1, 2033	4.183%	65% of 1 month LIBOR*** plus 0.23% per annum	(1,161)	(45)
RHFB 2007S	17,280	December 19, 2007	July 1, 2038	4.340%	100% of SIFMA**** Index plus 0.06% per annum	(601)	436
RHFB 2007T (Taxable)	12,480	December 19, 2007	July 1, 2026	4.538%	100% of 1 month LIBOR***	(416)	465
Counterparty Total	$46,765					$(3,206)	$773

Derivative Instruments-Interest Rate Swaps (continued)

Counterparty: Royal Bank Of Canada

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

Associated Bond Series	Notional Amount as of June 30, 2016 (in thousands)	Effective Date	Swap Maturity Date	Fixed Rate Payable	Variable Rate Receivable	Fair Value[1] as of June 30, 2016 (in thousands)	Increase (Decrease) in Fair Value since June 30, 2015 (in thousands)
RHFB 2007E (Taxable)	$ 5,610	March 7, 2007	July 1, 2038	5.738%	100% of 1 month LIBOR***	$ (5)	$ 169
RHFB 2007J (Taxable)	8,365	May 17, 2007	July 1, 2038	5.665%	100% of 1 month LIBOR***	(7)	250
RHFB 2008C	30,345	August 7, 2008	July 1, 2048	4.120%	64% of 1 month LIBOR*** plus 0.30% per annum	(1,802)	494
RHFB 2009C	40,000	February 12, 2009	July 1, 2039	4.215%	64% of 3 month LIBOR*** plus 0.30% per annum	(3,616)	407
RHFB 2009F	6,285	December 1, 2009	July 1, 2039	2.365%	100% of weekly SIFMA**** plus 0.08% per annum	(23)	561
RHFB 2015D	18,225	August 15, 2015	January 1, 2046	2.343%	67% of 1 month LIBOR***	(1,210)	(1,184)
RHFB 2015G	35,000	December 8, 2015	January 1, 2034	1.953%	67% of 1 month LIBOR***	(1,895)	(1,874)
Counterparty Total	$143,830					$ (8,558)	$(1,177)
Combined Totals	$190,595					$(11,764)	$ (404)

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 "Aa1" rating of this counterparty (The Bank of New York Mellon) a stable 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.

Derivative Instruments-Interest Rate Swaps (continued)

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, 2016, the Agency did not have a net credit risk exposure to any of 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 $50.000 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, $5.000 million if the ratings are not less than "A+" and "A1", $5.000 million if the ratings are not less than "A" and "A2", and zero, if either rating is lower. These bilateral requirements are established to mitigate potential credit risk exposure. As of June 30, 2016, 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, 2016, the interest rate on the Agency's variable rate tax-exempt debt ranged from 0.44% to 0.46% per annum while the variable interest rate on the associated swaps ranged from 0.18% to 0.40% per annum. As of June 30, 2016, the interest rate on the Agency's variable rate taxable debt was 0.45% per annum while the variable interest rate on the corresponding swaps was 0.46% 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

Derivative Instruments-Forward Sales Contracts (continued)

is reported as unrealized gains (losses) on investments. Outstanding forward sales contracts, summarized by counterparty as of June 30, 2016, are as follows: (in thousands):

Counter Party Short-term Rating	Number of Contracts	Notional Amount	Original Price	Market Price	Fair Value
A-1*/F1**	34	$ 81,000	$ 84,232	$ 84,955	$ (723)
A-2*/F1**	21	48,000	49,969	50,386	(417)
A-2*/F1**	14	88,000	91,609	92,331	(722)
Not rated*/F1+**	48	50,155	52,137	52,567	(430)
A-1*/F1+**	3	5,000	5,216	5,250	(34)
Not Rated*/F3**	1	2,000	2,099	2,122	(23)
	121	$274,155	$285,262	$287,610	$(2,348)

* 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, 2016, $27.161 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 the owner 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, 2016, zero bonds were outstanding.

On January 29, 2016, the Agency issued short-term tax-exempt bonds on a conduit basis to enable the owner to obtain Low Income Housing Tax Credit 4% credits in connection with the acquisition and rehabilitation of HUD Section 8 multifamily housing developments. As of June 30, 2016, $7.000 million of the bonds were outstanding.

On March 1, 2016, the Agency issued a long-term tax-exempt multifamily revenue note on a conduit basis that will be purchased by Freddie Mac under their Tax Exempt Loan Program. The proceeds of the sale were lent to the owner to pay for a portion of the costs of the acquisition, construction, and equipping of a multifamily senior rental housing development. As of June 30, 2016, $27.515 million of the bonds were outstanding.

On April 20, 2016 and May 11, 2016, the Agency issued long-term tax-exempt multifamily revenue notes on a conduit basis that will be purchased by Freddie Mac under their Tax Exempt Loan Program. The proceeds of the sales were lent to the owner to pay for a portion of the costs of the acquisition and rehabilitation of three HUD Section 8 multifamily housing developments. As of June 30, 2016, $33.100 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, 2016, $118.365 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, 2012 and 2014. Thus, the bonds are not recorded as a liability in the accompanying financial statements.

Accounts Payable

Accounts payable and other liabilities at June 30, 2016 consisted of the following (in thousands):

Funds	Accrued Salaries, Compensated Absences and Employee Benefits	Other Liabilities and Accounts Payable	Total
General Reserve Account	$3,603	$ 425	$ 4,028
Rental Housing	-	9,431	9,431
Residential Housing Finance	-	917	917
Homeownership Finance	-	63	63
Multifamily Housing	-	-	-
HOMES℠	-	-	-
State Appropriated	-	642	642
Federal Appropriated	-	125	125
Combined Totals	$3,603	$11,603	$15,206

Interfund Balances

Interfund balances displayed as Interfund Payable (Receivable) at June 30, 2016 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	$-	$-	$19,859	$-	$-	$-	$277	$612	$20,748
	Rental Housing	-	-	-	-	-	-	-	-	-
	Residential Housing Finance	-	-	-	-	-	-	-	-	-
	Homeownership Finance	-	-	-	-	-	-	-	-	-
	Multifamily Housing	-	-	-	-	-	-	-	-	-
	HOMES℠	-	-	-	-	-	-	-	-	-
	State Appropriated	-	-	-	-	-	-	-	-	-
	Federal Appropriated	-	-	-	-	-	-	-	-	-
	Agency-wide Totals	$-	$-	$19,859	$-	$-	$-	$277	$612	$20,748

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, 2016 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	$ -	$1,110	$12,837	$5,326	$95	$-	$1,513	$736	$21,617
	Rental Housing	14	-	-	-	-	-	-	-	14
	Residential Housing Finance	-	-	-	-	-	-	3,388	-	3,388
	Homeownership Finance	-	-	-	-	-	-	-	-	-
	Multifamily Housing	-	-	-	-	-	-	-	-	-
	HOMES^{SM}						-			
	State Appropriated	-	-	39	-	-	-	-	-	39
	Federal Appropriated	-	2	-	-	-	-	-	-	2
	Agency-wide Totals	$14	$1,112	$12,876	$5,326	$95	$-	$4,901	$736	$25,060

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 $3.348 million of entry cost assistance loans transferred from Residential Housing Finance to State Appropriated.

Interfund transfers recorded in Non-operating Transfer of Assets Between Funds for the year ended June 30, 2016, 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	$ -	$-	$ 1,903	$-	$-	$-	$-	$-	$ 1,903
	Rental Housing	-	-	71	-	-	-	-	-	71
	Residential Housing Finance	8,585	-	-	-	-	-	-	-	8,585
	Homeownership Finance	-	-	16,668	-	-	-	-	-	16,668
	Multifamily Housing	-	-	-	-	-	-	-	-	-
	HOMES^{SM}	-	-	-	-	-	-	-	-	-
	State Appropriated	-	-	-	-	-	-	-	-	-
	Federal Appropriated	-	-	-	-	-	-	-	-	-
	Agency-wide Totals	$8,585	$-	$18,642	$-	$-	$-	$-	$-	$27,227

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 investment guidelines. These guidelines are periodically evaluated in consideration of changes in the economy and in the Agency's specific risk profile.

The $477.456 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 $708.840 million as of June 30, 2015 and $721.570 million as of June 30, 2016.

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, 2016 (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	$ 11,497	$ -	$ 11,497
Unrealized depreciation in fair market value of investments, excluding multifamily development escrow investments	-	-	-
Subtotal, Housing Endowment Fund (Pool 1), General Reserve	11,497	-	11,497
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 2016, $3,000 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.	348,987	-	348,987
Unrealized appreciation in fair market value of investments	-	2,134	2,134
Subtotal, Housing Investment Fund (Pool 2), Residential Housing Finance	348,987	2,134	351,121
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.	113,405	-	113,455
Unrealized appreciation in fair market value of investments	-	1,433	1,433
Subtotal, Housing Affordability Fund (Pool 3), Residential Housing Finance	113,405	1,433	114,888
Agency-wide Total	$473,889	$3,567	$477,456

Net Position (continued)

Restricted by Law

Undisbursed, recognized federal and state appropriations are classified as Restricted by Law under Net Position. The $8.660 million balance of Restricted by Law in the Federal Appropriated fund as of June 30, 2016 is restricted by federal requirements that control the use of the funds. The $127.339 million balance of Restricted by Law in the State Appropriated fund as of June 30, 2016 is restricted by the state laws appropriating such funds.

Defined Benefit Pension Plan

The Agency contributes to the Minnesota State Retirement System (MSRS), 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 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.

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 SERF. 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. If, after reverting to 2.5 percent increase, the funding ratio declines to less than 80 percent for the most recent actuarial valuation year or 85 percent for two consecutive years, the benefit increase will decrease to 2 percent.

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 are required to contribute 5.5 percent of their annual covered salary in fiscal year 2016. The Agency's contribution to the General Plan for the fiscal year ending June 30, 2016 was $1.003 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, 2015, 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 2043 and 2.5 percent thereafter.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies for the period July 1, 2008, through June 30, 2014, with an update of economic assumptions in 2015.

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 2015 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, 2015, 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, 2015, 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, 2015, based on a long-term expected rate of return of 7.90 percent and a municipal bond rate of 3.80 percent.

Net Pension Liability

At June 30, 2016, the Agency reported a liability of $8.979 million for its proportionate share of MSRS' net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer

Defined Benefit Pension Plan (continued)

contributions received from all of MSRS's participating employers. At June 30, 2015, the Agency's proportion of the entire plan was 0.58325 percent.

One change in assumptions affected the measurement of the total pension liability since the prior measurement date. The post-retirement benefit increase changed from 2 percent through 2015 and 2.5 percent thereafter, to 2 percent through 2043 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%)
Agency proportionate share of the net pension liability:	$18,379	$8,979	$1,156

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, 2016, the Agency recognized pension expense of $2.053 million. At June 30, 2016, 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	$ -	$ 2,454
Changes of assumptions	-	5,131
Net difference between projected and actual earnings on investments	1,833	3,651
Changes in proportion and differences between actual contributions and proportionate share of contributions	273	91
Contributions paid to MSRS subsequent to the measurement date	874	-
Total	$2,980	$11,327

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, 2017. 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
2017	$3,038
2018	3,038
2019	3,039
2020	106
2021	-
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 $0.260 million for fiscal year 2016. 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 70% rate. The projected annual medical claims cost trend rate is 6.80% initially, reduced by decrements to an ultimate rate of 4.0% for the year 2074 and beyond. Mortality was determined using RP2000 Nonannuitant Generational Mortality Table.

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	Amortization Factor	Annual OPEB Cost	Change in NOO	NOO Balance
6/30/2013	$58,052	$33,772	$ 8,001	$6,736	26.1946	$59,317	$25,545	$193,986
6/30/2014	60,952	30,222	9,214	7,757	26.1946	62,409	32,187	226,173
6/30/2015	61,156	27,324	9,273	8,237	28.5823	62,192	34,868	261,041
6/30/2016	64,093	30,372	10,703	9,507	28.5823	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	$ 4,690
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, 2016, 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	22,071
Residential Housing Finance	220,564
Homeownership Finance	-
Multifamily Housing	-
HOMES[SM]	-
State Appropriated	90,946
Federal Appropriated	2,909
Agency Wide Totals	$336,490

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 March 2018, totaling $1.605 million. Combined office facilities and parking lease expense for fiscal year 2016 was $1.233 million.

On June 30, 2016 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, 2016, $78.797 million of mortgage-backed securities were pledged. The advances taken during fiscal year 2016 were used to purchase and warehouse mortgage-backed securities in Pool 2. The line of credit activity for the year ended June 30, 2016, is summarized as follows (in thousands):

Beginning Balance	Draws	Repayments	Ending Balance
$ -	$788,000	$765,000	$23,000

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 or repayment subsequent to June 30, 2016 the following bonds (in thousands):

Program	Retirement Date	Par
Homeownership Finance	July 1, 2016	$ 8,390
Residential Housing Finance	July 1, 2016	120,110
Draw Down Index Bond	July 27, 2016	35,390
Homeownership Finance	August 1, 2016	2,125
Residential Housing Finance	August 1, 2016	3,060
Rental Housing	August 1, 2016	2,405
Homeownership Finance	September 1, 2016	3,450
Residential Housing Finance	September 1, 2016	5,390

On March 2, 2016, the Board of the Agency adopted a series resolution authorizing the issuance of bonds in the maximum aggregate principal amount of $200,000,000 for the purpose of providing funds for certain of the Agency's homeownership programs. The Homeownership Finance Bonds, 2016 Series C and 2016 Series D (Taxable), in the aggregate principal amount of $70.779 million were delivered on July 27, 2016 pursuant to that authorization.

On May 26, 2016, the Board of the Agency adopted a series resolution authorizing the issuance of bonds for the purpose of providing funds for certain of the Agency's multifamily programs. The Rental Housing Bonds, 2016 Series B, in the principal of amount $2.650 million were delivered on July 14, 2016.

On April 28, 2016, the Board of the Agency adopted a resolution authorizing the issuance of up to $300 million in cumulative principal amount of Drawdown Index Bonds, Series 2016, of which no more than $80 million may be outstanding at any time, for the purpose of refunding portions of the Agency's Residential Housing Finance Bonds and Homeownership Finance Bonds. That refunding will preserve tax-exempt bonding authority for the Agency's homeownership programs until the Drawdown Bonds can be refunded with long-term Residential Housing Finance Bonds or Homeownership Finance Bonds. In fiscal year 2015 the Agency made one draw on the Drawdown Index Bonds, Subseries 2016B-1 (Non-AMT/Non-ACE) in the principal amount of $6.0 million. After June 30, 2016, the Agency made draws on the Drawdown Index Bonds, Subseries 2016A-1 (AMT), in the principal amounts of $13.250 million and $0.935 million on July 1, 2016 and August 1, 2016, respectively. The Agency also made draws on the Drawdown Index Bonds, Subseries 2016B-1 (Non-AMT/Non-ACE), in the principal amounts of $29.760 million and $8.370 million on July 1, 2016 and August 1, 2016, respectively.

The Agency has evaluated subsequent events through August 25, 2016, the date on which the financial statements were available to be issued.

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

	2014	**2015**
Employer Unit's Proportion of the Net Pension Liability	0.775%	0.781%
Employer Unit's Proportionate Share of the Net Pension Liability	$ 9,313	$ 8,979
Employer Unit's Covered-Employee Payroll	$22,438	$23,836
Employer Unit's proportionate share of the net pension liability as a percentage of its covered-employee payroll	41.505%	37.670%
Plan fiduciary net position as a percentage of the total pension liability	87.640%	88.320%

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	**2015**
Contractually Required Contribution	$ 735	$ 874
Contributions in relation to the contractually required contribution	$ 735	$ 874
Contribution deficiency (excess)	$ -	$ -
Employer Unit's covered-employee payroll	$22,438	$23,836
Contributions as a percentage of covered-employee payroll	3.276%	3.667%

* 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 2012 – 2016

		2012	2013	2014	2015	2016
Loans Receivable, net (as of June 30)	Multifamily programs	$ 339,306	$ 354,059	$ 338,782	$ 317,655	$ 330,204
	Homeownership programs	1,372,835	1,166,480	1,028,918	911,788	776,255
	Home Improvement programs	98,987	87,973	85,535	82,471	76,648
	Total	$1,811,128	$1,608,512	$1,453,235	$1,311,914	$1,183,107
Mortgage-backed securities, net, at par (as of June 30)	Program mortgage-backed securities	$ 621,678	$ 801,771	$ 900,321	$1,106,749	$1,378,317
	Warehoused mortgaged-backed securities	5,081	56,007	28,728	74,425	116,256
	Total	$ 626,759	$ 857,778	$ 929,049	$1,181,174	$1,494,573
Bonds Payable, net (as of June 30)	Multifamily programs	$ 119,667	$ 86,655	$ 82,140	$ 57,360	$ 68,880
	Homeownership programs	2,050,422	2,034,472	1,936,772	1,975,972	2,238,342
	Home Improvement programs	-	-	-	-	-
	Total	$2,170,089	$2,121,127	$2,018,912	$2,033,332	$2,307,222
Mortgage-backed securities purchased, at par and loans purchased or originated during fiscal year	Multifamily programs	$ 51,091	$ 36,757	$ 15,867	$ 13,765	$ 42,517
	Homeownership programs	12,736	18,999	23,912	39,269	33,351
	Program and warehoused mortgage-backed securities	248,423	296,751	160,485	358,108	489,833
	Home Improvement programs	11,245	10,627	15,202	15,417	12,283
	Total	$ 323,495	$ 363,134	$ 215,466	$ 426,559	$ 577,984
Net Position (as of June 30)	Total Net Position *	$ 724,098	$ 682,308	$ 696,154	$ 709,740	$ 747,534
	Percent of total assets and deferred outflows of resources *	23.5%	23.0%	24.0%	24.4%	23.1%
Revenue over Expenses	Revenues over expenses for the fiscal year *	$ 57,460	($19,587)	$ 41,846	$ 35,966	$ 50,794

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, 2016 (with comparative totals as of June 30, 2015)

			Bond Funds		
				Residential Housing Finance	
		General Reserve	Rental Housing	Bonds	Pool 2
Assets	Cash and cash equivalents	$58,048	$ 47,552	$ 247,832	$ 15,200
	Investments-program mortgage-backed securities	-	-	476,868	-
	Investment securities-other	20,068	2,097	30,755	118,390
	Loans receivable, net	-	146,783	677,009	301,198
	Interest receivable on loans and program mortgage-backed securities	-	620	5,855	1,295
	Interest receivable on investments	78	19	337	318
	FHA/VA insurance claims, net	-	-	2,567	67
	Real estate owned, net	-	-	3,088	15
	Capital assets, net	2,783	-	-	-
	Other assets	1,285	59	149	206
	Total assets	82,262	197,130	1,444,460	436,689
Deferred outflows of Resources	Deferred loss on refunding	-	-	199	-
	Deferred loss on interest rate swap agreements	-	-	11,794	-
	Deferred pension expense	2,980	-	-	-
	Total deferred outflows of resources	2,980	-	11,993	-
Liabilities	Bonds payable, net	$ -	$ 54,680	$1,248,263	$ 29,000
	Interest payable	-	592	20,044	17
	Interest rate swap agreements	-	-	11,764	-
	Net pension liability	8,979	-	-	-
	Accounts payable and other liabilities	4,028	9,431	484	422
	Interfund payable (receivable)	(20,748)	-	-	47,960
	Funds held for others	67,376	-	-	-
	Total liabilities	59,635	64,703	1,280,555	77,399
Deferred inflows of Resources	Deferred service release fee	-	-	1,929	8,169
	Deferred pension credit	11,327	-	-	-
	Total deferred inflows of resources	11,327	-	1,929	8,169
	Commitments and contingencies				
Net Position	Restricted by bond resolution	-	132,427	173,939	-
	Restricted by covenant	11,497	-	-	351,121
	Invested in capital assets	2,783	-	-	-
	Total net position	14,280	132,427	173,939	351,121
	Total liabilities, deferred inflows, and net position	$85,242	$197,130	$1,456,423	$436,689

Bond Funds							
Home-ownership Finance	Multifamily Housing	HOMES^{SM}	General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2016	General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2015	Residential Housing Finance Pool 3 Total For The Year Ended June 30, 2016	General Reserve & Bond Funds Total For The Year Ended June 30, 2016	General Reserve & Bond Funds Total For The Year Ended June 30, 2015
$ 45,808	$ 1,362	$ -	$ 415,802	$ 273,116	$ 4,864	$ 420,666	$ 282,363
967,995	-	-	1,444,863	1,140,834	-	1,444,863	1,140,834
1,400	-	26,788	199,498	181,534	37,914	237,412	220,814
-	14,305	-	1,139,295	1,272,603	43,812	1,183,107	1,311,914
2,881	52	-	10,703	11,023	82	10,785	11,102
7	-	67	826	745	72	898	812
-	-	-	2,634	4,600	-	2,634	4,600
-	-	-	3,103	4,002	-	3,103	4,002
-	-	-	2,783	2,449	-	2,783	2,449
26	-	-	1,725	1,869	4	1,729	1,870
1,018,117	15,719	26,855	3,221,232	2,892,775	86,748	3,307,980	2,980,760
-	-	-	199	267	-	199	267
-	-	-	11,764	12,649	-	11,764	12,649
-	-	-	2,980	1,042	-	2,980	1,042
-	-	-	14,943	13,958	-	14,943	13,958
$ 935,606	$14,200	$25,473	$2,307,222	$2,033,332	$ -	$2,307,222	$2,033,332
6,144	36	67	26,900	29,980	-	26,900	29,980
-	-	-	11,764	12,649	-	11,764	12,649
-	-	-	8,979	9,313	-	8,979	9,313
63	-	-	14,428	4,614	11	14,439	4,625
-	-	-	27,212	29,100	(28,101)	(889)	(978)
-	-	1,315	68,691	67,062	-	68,691	67,062
941,813	14,236	26,855	2,465,196	2,186,050	(28,090)	2,437,106	2,155,983
2,020	-	-	12,118	9,122	-	12,118	9,122
-	-	-	11,327	11,821	-	11,327	11,821
2,020	-	-	23,445	20,943	-	23,445	20,943
74,284	1,483	-	382,133	339,091	-	382,133	339,091
-	-	-	362,618	358,200	114,838	477,456	476,252
-	-	-	2,783	2,449	-	2,783	2,449
74,284	1,483	-	747,534	699,740	114,838	862,372	817,792
$1,018,117	$15,719	$26,855	$3,236,175	$2,906,733	$86,748	$3,322,923	$2,994,718

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, 2016 (with comparative totals for year ended June 30, 2015)

			Bond Funds		
				Residential Housing Finance	
		General Reserve	Rental Housing	Bonds	Pool 2
Revenues	Interest earned on loans	$ -	$ 8,336	$ 41,023	$ 18,036
	Interest earned on investments-program mortgage-backed securities	-	-	10,783	-
	Interest earned on investments-other	161	101	1,505	4,828
	Net G/L on Sale of MBS Held for Sale/HOMES^{SM} Certificate	-	-	-	3,756
	Administrative reimbursement	21,523	-	-	-
	Fees earned and other income	11,252	313	153	1,531
	Unrealized gains (losses) on Investments	-	119	9,954	12,281
	Total revenues	32,936	8,869	63,418	40,432
Expenses	Interest	-	1,580	39,250	406
	Financing, net	-	-	10,360	117
	Loan administration and trustee fees	-	79	2,443	1,164
	Administrative reimbursement	-	1,102	7,752	3,839
	Salaries and benefits	21,258	-	-	-
	Other general operating	6,010	5	36	519
	Reduction in carrying value of certain low interest rate deferred loans	-	(18)	-	(1,567)
	Provision for loan losses	-	(322)	695	2,019
	Total expenses	27,268	2,426	60,536	6,497
	Revenue over(Under) expenses	5,668	6,443	2,882	33,935
Other changes	Non-operating transfer of assets between funds	(6,682)	71	15,112	(28,169)
	Change in net position	(1,014)	6,514	17,994	5,766
Net Position	Total net position, beginning of Year	15,294	125,913	155,945	345,355
	Total net position, end of Year	$14,280	$132,427	$173,939	$351,121

Bond Funds							
Home-ownership Finance	Multifamily Housing	HOMES[SM]	General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2016	General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2015	Residential Housing Finance Pool 3 Total For The Year Ended June 30, 2016	General Reserve & Bond Funds Total For The Year Ended June 30, 2016	General Reserve & Bond Funds Total For The Year Ended June 30, 2015
$ -	$632	$ -	$ 68,027	$ 80,168	$ 130	$ 68,157	$ 80,203
31,063	-	-	41,846	34,648	-	41,846	34,648
27	1	837	7,460	7,075	759	8,219	8,124
-	-	-	3,756	3,904	-	3,756	3,904
-	-	-	21,523	20,142	-	21,523	20,142
202	-	-	13,451	12,699	359	13,810	12,769
10,465	-	-	32,819	11,382	591	33,410	11,344
41,757	633	837	188,882	170,018	1,839	190,721	171,134
26,076	431	837	68,580	72,105	-	68,580	72,105
8,217	-	-	18,694	14,764	-	18,694	14,764
348	5	-	4,039	4,473	17	4,056	4,485
5,326	95	-	18,114	17,022	1,246	19,360	18,268
-	-	-	21,258	20,457	-	21,258	20,457
27	-	-	6,597	7,068	4,322	10,919	10,606
-	-	-	(1,585)	(44)	2,111	526	1,583
-	(1)	-	2,391	(1,793)	357	2,748	(1,467)
39,994	530	837	138,088	134,052	8,053	146,141	140,801
1,763	103	-	50,794	35,966	(6,214)	44,580	30,333
16,668	-	-	(3,000)	(10,000)	3,000	-	-
18,431	103	-	47,794	25,966	(3,214)	44,580	30,333
55,853	1,380	-	699,740	673,774	118,052	817,792	787,459
$74,284	$1,483	$ -	$747,534	$699,740	$114,838	$862,372	$817,792

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	$ -	$30,893
	Investment in loans and program mortgage-backed securities	-	(23,490)
	Interest received on loans and program mortgage-backed securities	-	8,272
	Fees and other income received	11,181	313
	Salaries, benefits and other operating	(27,277)	(43)
	Administrative reimbursement from funds	21,617	(1,110)
	Deposits into funds held for others	28,083	-
	Disbursements made from funds held for others	(27,902)	-
	Interfund transfers and other assets	(2,542)	94
	Net cash provided (used) by operating activities	3,160	14,929
Cash flows from non-capital financing activities	Proceeds from sale of bonds and notes	-	28,340
	Principal repayment on bonds and notes	-	(16,590)
	Interest paid on bonds and notes	-	(1,750)
	Financing costs paid related to bonds issued	-	-
	Agency contribution to program funds	-	71
	Transfer of cash between funds	(8,585)	-
	Net cash provided (used) by noncapital financing activities	(8,585)	10,071
Cash flows from investing activities	Investment in real estate owned	-	-
	Interest received on investments	701	96
	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	10,000	25
	Purchase of investment securities	-	-
	Purchase of loans between funds	-	-
	Net cash provided (used) by investing activities	10,701	121
	Net increase (decrease) in cash and cash equivalents	5,276	25,121
Cash and cash equivalents	Beginning of year	52,772	22,431
	End of year	$58,048	$47,552

Bond Funds					General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2016	Residential Housing Finance Pool 3 Total For The Year Ended June 30, 2016	General Reserve & Bond Funds Total For The Year Ended June 30, 2016	General Reserve & Bond Funds Total For The Year Ended June 30, 2015
Residential Housing Finance		Home-ownership Finance	Multifamily Housing	HOMES℠				
Bonds	Pool 2							
$157,091	$43,163	$111,625	$ 169	$ -	$342,941	$9,553	$352,494	$287,129
(217,167)	(43,977)	(203,708)	-	-	(488,342)	(20,351)	(508,693)	(379,429)
50,844	17,657	32,339	633	-	109,745	388	110,133	111,073
-	13,503	-	-	-	24,997	359	25,356	21,743
(2,755)	(10,504)	(417)	(5)	-	(41,001)	(4,339)	(45,340)	(43,501)
(7,752)	(3,839)	(5,326)	(95)	-	3,495	(1,246)	2,249	1,901
-	-	-	-	-	28,083	-	28,083	27,732
-	-	-	-	-	(27,902)	-	(27,902)	(30,424)
9	210	(1)	67	-	(2,163)	(7)	(2,170)	(789)
(19,730)	16,213	(65,488)	769	-	(50,147)	(15,643)	(65,790)	(4,565)
459,892	794,000	200,610	-	-	1,482,842	-	1,482,842	946,508
(319,975)	(765,000)	(101,455)	(230)	(3,195)	(1,206,445)	-	(1,206,445)	(931,361)
(44,310)	(364)	(26,473)	(431)	(845)	(74,173)	-	(74,173)	(75,675)
(5,155)	(86)	(1,686)	-	-	(6,927)	-	(6,927)	(6,071)
6,142	(11,529)	5,316	-	-	-	-	-	-
-	3,585	-	-	-	(5,000)	5,000	-	-
96,594	20,606	76,312	(661)	(4,040)	190,297	5,000	195,297	(66,599)
(2,146)	(43)	-	-	-	(2,189)	-	(2,189)	(3,825)
1,966	4,183	21	1	845	7,813	537	8,350	7,869
-	(7,577)	-	-	-	(7,577)	-	(7,577)	(3,690)
20,888	433	-	-	-	21,321	-	21,321	32,323
10,819	611,429	670	-	3,195	636,138	2,155	638,293	500,486
-	(652,750)	-	-	-	(652,750)	-	(652,750)	(509,086)
-	(220)	-	-	-	(220)	3,568	3,348	2,724
31,527	(44,545)	691	1	4,040	2,536	6,260	8,796	26,801
108,391	(7,726)	11,515	109	-	142,686	(4,383)	138,303	(44,363)
139,441	22,926	34,293	1,253	-	273,116	9,247	282,363	326,726
$247,832	$15,200	$ 45,808	$1,362	$ -	$415,802	$4,864	$420,666	$282,363

(Continued)

MINNESOTA HOUSING FINANCE AGENCY
Supplementary Information
Statement of Cash Flows (in thousands)
General Reserve and Bond Funds (continued)
Year ended June 30, 2016 (with comparative totals for year ended June 30, 2015)

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

		Bond Funds
	General Reserve	**Rental Housing**
Revenues over (under) expenses	$ 5,668	$ 6,443
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	-	(135)
Amortization of premium (discounts) and fees on sale of HOMES℠ Certificates	-	-
Amortization of proportionate share-Pension	(80)	-
Depreciation	2,224	-
Gain (loss) on sale of MBS held for sale and HOMES℠ Certificates	-	-
Realized losses (gains) on sale of securities, net	-	-
Unrealized losses (gains) on securities, net	-	(119)
Salaries and Benefits-Pensions	(2,686)	-
Provision for loan losses	-	(322)
Reduction in carrying value of certain low interest rate and/or deferred loans	-	(18)
Capitalized interest on loans and real estate owned	-	(14)
Interest earned on investments	(161)	(101)
Interest expense on bonds and notes	-	1,580
Financing expense in bonds	-	-
Changes in assets and liabilities:		
Decrease (increase) in loans receivable and program mortgage-backed securities, excluding loans transferred between funds	-	7,403
Decrease (increase) in interest receivable on loans	-	85
Increase (decrease) in arbitrage rebate liability	-	-
Increase (decrease) in accounts payable	1,096	41
Increase (decrease) in interfund payable, affecting operating activities only	97	6
Increase (decrease) in funds held for others	181	-
Other	(3,179)	80
Total	(2,508)	8,486
Net cash provided (used) by operating activities	$ 3,160	$14,929

Residential Housing Finance — Bonds	Residential Housing Finance — Pool 2	Home-ownership Finance	Multifamily Housing	HOMES[SM]	General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2016	Residential Housing Finance Pool 3 Total For The Year Ended June 30, 2016	General Reserve & Bond Funds Total For The Year Ended June 30, 2016	General Reserve & Bond Funds Total For The Year Ended June 30, 2015
Bond Funds								
$ 2,882	$33,935	$ 1,763	$103	$ -	$ 50,794	$ (6,214)	$ 44,580	$30,333
613	(461)	1,535	-	-	1,552	261	1,813	763
-	-	-	-	-	-	-	-	-
-	-	-	-	-	(80)	-	(80)	(47)
-	-	-	-	-	2,224	-	2,224	2,131
-	(3,756)	-	-	-	(3,756)	-	(3,756)	(3,904)
-	(715)	-	-	-	(715)	-	(715)	(366)
(9,954)	(12,281)	(10,465)	-	-	(32,819)	(591)	(33,410)	(11,344)
-	-	-	-	-	(2,686)	-	(2,686)	(2,241)
695	2,019	-	(1)	-	2,391	357	2,748	(1,467)
-	(1,567)	-	-	-	(1,585)	2,111	526	1,583
(1,957)	(29)	-	-	-	(2,000)	-	(2,000)	(2,616)
(1,505)	(4,113)	(27)	(1)	(837)	(6,745)	(759)	(7,504)	(7,138)
39,250	406	26,076	431	837	68,580	-	68,580	72,105
10,343	86	8,217	-	-	18,646	-	18,646	14,764
(60,076)	(814)	(92,083)	169	-	(145,401)	(10,798)	(156,199)	(92,300)
382	111	(259)	1	-	320	(3)	317	386
-	-	-	-	-	-	-	-	(2,920)
(412)	3,182	(244)	-	-	3,663	-	3,663	1,601
-	(2)	-	-	-	101	(4)	97	26
-	-	-	-	-	181	-	181	(2,692)
9	212	(1)	67	-	(2,812)	(3)	(2,815)	(1,222)
(22,612)	(17,722)	(67,251)	666	-	(100,941)	(9,429)	(110,370)	(34,898)
$(19,730)	$16,213	$(65,488)	$769	$ -	$ (50,147)	$(15,643)	$ (65,790)	$ (4,565)

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