

## **NEW ISSUE - BOOK ENTRY ONLY**

*This cover page contains information for quick reference only. It is not a summary of the information contained in this Official Statement. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.*



**\$111,535,000**

## **ALASKA HOUSING FINANCE CORPORATION**

### **State Capital Project Bonds II**

### **2015 Series A**

|                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Dated</i>                  | Date of delivery.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <i>Due</i>                    | As shown on inside cover page.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <i>Price</i>                  | As shown on inside cover page.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <i>Tax Exemption</i>          | In the opinion of Bond Counsel and Special Tax Counsel, under existing laws, regulations, rulings and judicial decisions, (i) interest on the 2015 Series A Bonds described above (the "Offered Bonds") is excluded from gross income for Federal income tax purposes and (ii) interest on the Offered Bonds is not a specific preference item for purposes of the Federal alternative minimum tax, but such interest is included in adjusted current earnings of certain corporations for purposes of the Federal alternative minimum tax. In the opinion of Bond Counsel, under existing laws, interest on the Offered Bonds is free from taxation by the State of Alaska except for inheritance and estate taxes and taxes of transfers by or in anticipation of death. Bond Counsel and Special Tax Counsel express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Offered Bonds. See "Tax Matters."             |
| <i>Redemption</i>             | The Offered Bonds are subject to redemption at par prior to maturity under the circumstances described herein. See "The Offered Bonds — Redemption."                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <i>Interest Rates</i>         | The Offered Bonds will bear interest at the rates set forth on the inside cover page.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <i>Security</i>               | <b>The Bonds are not secured by the pledge of any mortgage loans. The Bonds are general obligations of the Corporation for which its full faith and credit are pledged, subject to agreements made and to be made with the holders of other obligations of the Corporation pledging particular revenues and assets not pledged to the Bonds and to the exclusion of money in the Corporation's Housing Development Fund. The Bonds are not secured by a pledge of any assets or any fund or account <i>except</i> the Accounts (other than the Rebate Account) established under the Indenture. THE CORPORATION HAS NO TAXING POWER. THE BONDS DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF ALASKA OR OF ANY POLITICAL SUBDIVISION THEREOF OR A PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE STATE OF ALASKA OR OF ANY POLITICAL SUBDIVISION THEREOF. THE BONDS ARE GENERAL OBLIGATIONS OF THE CORPORATION AND ARE NOT INSURED OR GUARANTEED BY ANY OTHER GOVERNMENTAL AGENCY.</b> |
| <i>Interest Payment Dates</i> | Each June 1 and December 1, commencing December 1, 2015.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <i>Denominations</i>          | \$5,000 or any integral multiple thereof.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <i>Delivery Date</i>          | March 19, 2015.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <i>Bond Counsel</i>           | Law Office of Kenneth E. Vassar, LLC.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <i>Special Tax Counsel</i>    | Kutak Rock LLP.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <i>Underwriters' Counsel</i>  | Hawkins Delafield & Wood LLP.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <i>Trustee</i>                | U.S. Bank National Association.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <i>Financial Advisor</i>      | FirstSouthwest.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <i>Book-Entry System</i>      | The Depository Trust Company. See "The Offered Bonds — Book Entry Only."                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

The Offered Bonds (except to the extent not reoffered) are offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Bond Counsel, and to the confirmation of certain tax matters by Bond Counsel and Special Tax Counsel, and to certain other conditions.

**KeyBanc Capital Markets Inc.**

**Citigroup**

**Goldman, Sachs & Co.**

**J.P. Morgan**

**BofA Merrill Lynch**

**Morgan Stanley**

January 29, 2015

## MATURITY SCHEDULE

### \$111,535,000 2015 Series A Bonds

\$61,125,000 Serial Bonds

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Priced to Yield</u> | <u>CUSIP<sup>†</sup></u> |
|----------------------|-------------------------|----------------------|------------------------|--------------------------|
| June 1, 2016         | \$2,270,000             | 3.00%                | 0.295%                 | 011839EE3                |
| December 1, 2016     | 2,280,000               | 3.00                 | 0.420                  | 011839EF0                |
| June 1, 2017         | 1,925,000               | 2.00                 | 0.620                  | 011839EG8                |
| December 1, 2017     | 1,935,000               | 4.00                 | 0.740                  | 011839EH6                |
| June 1, 2018         | 1,595,000               | 3.00                 | 0.880                  | 011839EJ2                |
| December 1, 2018     | 1,595,000               | 4.00                 | 0.970                  | 011839EK9                |
| June 1, 2019         | 2,195,000               | 3.00                 | 1.100                  | 011839EL7                |
| December 1, 2019     | 2,195,000               | 4.00                 | 1.170                  | 011839EM5                |
| June 1, 2020         | 2,830,000               | 3.00                 | 1.280                  | 011839EN3                |
| December 1, 2020     | 2,820,000               | 5.00                 | 1.360                  | 011839EP8                |
| June 1, 2021         | 3,495,000               | 5.00                 | 1.500                  | 011839EQ6                |
| December 1, 2021     | 3,500,000               | 5.00                 | 1.590                  | 011839ER4                |
| June 1, 2022         | 3,765,000               | 5.00                 | 1.770                  | 011839ES2                |
| December 1, 2022     | 3,765,000               | 5.00                 | 1.830                  | 011839ET0                |
| June 1, 2023         | 3,955,000               | 5.00                 | 1.980                  | 011839EU7                |
| December 1, 2023     | 3,955,000               | 5.00                 | 2.040                  | 011839EV5                |
| June 1, 2024         | 4,150,000               | 5.00                 | 2.120                  | 011839EW3                |
| December 1, 2024     | 4,160,000               | 5.00                 | 2.160                  | 011839EX1                |
| June 1, 2025         | 4,370,000               | 5.00                 | 2.210                  | 011839FE2                |
| December 1, 2025     | 4,370,000               | 5.00                 | 2.210 <sup>††</sup>    | 011839EY9                |

\$9,175,000 5.00% 2015 Series A Term Bonds due December 1, 2026 -  
Priced to Yield 2.40%<sup>††</sup> CUSIP<sup>†</sup>: 011839EZ6

\$9,655,000 5.00% 2015 Series A Term Bonds due December 1, 2027 -  
Priced to Yield 2.50%<sup>††</sup> CUSIP<sup>†</sup>: 011839FA0

\$10,115,000 4.00% 2015 Series A Term Bonds due December 1, 2028 -  
Priced to Yield 2.91%<sup>††</sup> CUSIP<sup>†</sup>: 011839FB8

\$10,530,000 4.00% 2015 Series A Term Bonds due December 1, 2029 -  
Priced to Yield 2.94%<sup>††</sup> CUSIP<sup>†</sup>: 011839FC6

\$10,935,000 4.00% 2015 Series A Term Bonds due December 1, 2030 -  
Priced to Yield 2.99%<sup>††</sup> CUSIP<sup>†</sup>: 011839FD4

<sup>†</sup> CUSIP is a registered trademark of American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP data herein is set forth for convenience of reference only. Neither the Corporation nor the Underwriters of the Offered Bonds assume any responsibility for the accuracy of such data.

<sup>††</sup> Priced at the stated yield to the June 1, 2025 optional redemption date at a redemption price of 100%.

No dealer, broker, salesman or other person has been authorized by the Corporation or the Underwriters to give any information or to make any representations, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Offered Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Corporation and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters. All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the Offered Bonds are qualified in their entirety by reference to the form thereof included in the Indenture and the provisions with respect thereto included in the aforesaid documents and agreements. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement.

In connection with the offering of the Offered Bonds, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Offered Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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**OFFICIAL STATEMENT  
OF  
ALASKA HOUSING FINANCE CORPORATION**

**Relating to  
\$111,535,000 State Capital Project Bonds II  
2015 Series A**

**INTRODUCTION**

This Official Statement (including the cover page, inside cover page and appendices) of the Alaska Housing Finance Corporation (the “Corporation”) sets forth information in connection with the Corporation’s State Capital Project Bonds II, 2015 Series A (the “Offered Bonds”). The Offered Bonds are authorized to be issued pursuant to Chapters 55 and 56 of Title 18 of the Alaska Statutes, as amended (the “Act”), an Indenture, dated as of October 1, 2012 (the “General Indenture”), by and between the Corporation and U.S. Bank National Association, Seattle, Washington, as trustee (the “Trustee”), a 2015 Series A Supplemental Indenture, dated as of January 1, 2015 (the “2015 Series A Supplemental Indenture”), by and between the Corporation and the Trustee. All bonds outstanding under the General Indenture (including additional bonds which may hereafter be issued) are referred to collectively as the “Bonds.” Each series of Bonds is issued pursuant to a Supplemental Indenture. The General Indenture and all Supplemental Indentures (including the 2015 Series A Supplemental Indenture) are referred to collectively as the “Indenture.” The Bonds issued under the Indenture prior to the issuance of the Offered Bonds are referred to collectively as the “Prior Series Bonds.” Capitalized terms used and not otherwise defined herein have the respective meanings ascribed thereto in the Indenture. See “Summary of Certain Provisions of the Indenture — Certain Definitions.”

The Offered Bonds are the ninth Series of Bonds issued under the Indenture. As of December 31, 2014, there were Prior Series Bonds Outstanding in the aggregate principal amount of \$568,615,000. The Corporation is permitted to issue additional bonds (including refunding bonds) pursuant to and secured under the Indenture (“Additional Bonds”), subject to certain conditions. See “Summary of Certain Provisions of the Indenture — Issuance and Delivery of Bonds.” The Offered Bonds will be secured on a parity with the Prior Series Bonds and any Additional Bonds.

Proceeds of the Offered Bonds are expected to be used to redeem certain outstanding obligations of the Corporation (the “Refunded Obligations”) within 90 days of the date of issuance of the Offered Bonds. Upon the issuance of the Offered Bonds, the Corporation from its general unrestricted funds will pay costs of issuance. See “Application of Funds.”

The underwriters listed on the cover page (the “Underwriters”) will act as underwriters with respect to the Offered Bonds.

**NO MORTGAGE LOANS WILL BE PLEDGED TO THE PAYMENT OF THE OFFERED BONDS. THE PRIMARY SOURCE OF PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE OFFERED BONDS WILL BE THE CORPORATION'S GENERAL UNRESTRICTED FUNDS.**

The Corporation has no taxing power. The Bonds do not constitute a debt, liability or obligation of the State of Alaska (the "State") or a pledge of its faith and credit or taxing power. The Bonds are general obligations of the Corporation and are not insured or guaranteed by any other governmental agency.

The Bonds are, as substantially all bonds of the Corporation currently are, general obligations of the Corporation for which its full faith and credit are pledged, subject to agreements made and to be made with the holders of other obligations of the Corporation pledging particular revenues and assets not pledged to the Bonds and to the exclusion of moneys in the Corporation's Housing Development Fund. A significant portion of the assets of the Corporation is pledged to the payment of outstanding obligations of the Corporation. See Appendix A — "Financial Statements of the Corporation."

In this Official Statement "Bondholder" or "Holder" means any Holder (as defined under the Indenture) of Offered Bonds, except that (i) where the context so requires, such terms shall mean Holders of Bonds under the Indenture and (ii) except under "Tax Matters" herein, so long as the Offered Bonds are immobilized in the custody of DTC, such terms shall mean, for purposes of giving notice to such Bondholders or Holders, DTC or its nominee. (See "Book Entry Only" herein.)

The summaries herein of the Offered Bonds, the Indenture, the Continuing Disclosure Certificate (defined below) and other documents and materials are brief outlines of certain provisions contained therein and do not purport to summarize or describe all the provisions thereof. For further information, reference is hereby made to the Act, the Indenture and such other documents and materials for the complete provisions thereof, copies of which will be furnished by the Corporation upon request. See "The Corporation — General" for the Corporation's address and telephone number.

**SOURCES OF PAYMENT AND SECURITY FOR THE BONDS**

The Bonds are general obligations of the Corporation for which its full faith and credit are pledged for the payment of principal of and interest on the Bonds, *subject to* agreements made and to be made with the holders of other obligations of the Corporation pledging particular revenues and assets and the exclusion by the Act of a pledge of funds in the Housing Development Fund. The Bonds are not secured by a pledge of any assets or any fund or account *except* the Accounts (other than the Rebate Account) established under the Indenture. See the definition of Investment Securities under "Summary of Certain Provisions of the Indenture — Certain Definitions." **NO MORTGAGE LOANS WILL BE PLEDGED TO THE PAYMENT OF THE BONDS. THE PRIMARY SOURCE OF PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS WILL BE THE CORPORATION'S GENERAL UNRESTRICTED FUNDS.** The Corporation may issue additional Bonds under

the Indenture without limit as to principal amount for any purpose of the Corporation. The Corporation will determine which provisions of the Indenture will be applicable to such additional Bonds, except that such issuance, in and of itself, shall not result in the ratings then in effect on the Bonds being reduced or withdrawn. The Corporation has issued, and expects to continue to issue, under other indentures other bonds that are general obligations of the Corporation. A significant portion of the assets of the Corporation is pledged to the payment of outstanding obligations of the Corporation. See Appendix A — “Financial Statements of the Corporation,” “The Corporation — Activities of the Corporation” and “Summary of Certain Provisions of the Indenture — Issuance and Delivery of Bonds.”

### **APPLICATION OF FUNDS**

The proceeds of the Offered Bonds and certain amounts contributed by the Corporation are expected to be applied approximately as follows:

|                                    |                             |
|------------------------------------|-----------------------------|
| Redemption of Refunded Obligations | \$129,906,717               |
| Payment of Underwriting Fee        | 289,991                     |
| Payment of other Costs of Issuance | <u>250,000</u>              |
| <b>TOTAL</b>                       | <b><u>\$130,446,708</u></b> |

### **THE OFFERED BONDS**

#### **General**

The Offered Bonds will be dated as set forth on the cover page and interest thereon will be payable on the dates set forth on the cover page. The Offered Bonds will be issuable in the denominations set forth on the cover page and will mature on the dates and in the amounts set forth on the inside cover page.

The Offered Bonds will bear interest (calculated on the basis of a 360-day year of twelve 30-day months) from their dated date to maturity (or prior redemption) at the applicable rates set forth on the inside cover page.

The Offered Bonds are being issued only as fully-registered bonds without coupons, in book-entry form only, registered in the name of Cede & Co., as registered owner and nominee for DTC, which will act as securities depository for the Offered Bonds. See “Book Entry Only” below.

## Redemption

### *Sinking Fund Redemption*

The Offered Bonds maturing on December 1, 2026, December 1, 2027, December 1, 2028, December 1, 2029 and December 1, 2030 are subject to mandatory redemption in part from sinking fund payments at 100% of the principal amount thereof, plus accrued interest, on the respective dates and in the respective principal amounts set forth below:

| <b>Sinking Fund Payments</b> |                                                                   |                                                                   |                                                                   |                                                                   |                                                                   |
|------------------------------|-------------------------------------------------------------------|-------------------------------------------------------------------|-------------------------------------------------------------------|-------------------------------------------------------------------|-------------------------------------------------------------------|
| <b>Date</b>                  | <b>2015 Series A<br/>Term Bonds<br/>Maturing<br/>Dec. 1, 2026</b> | <b>2015 Series A<br/>Term Bonds<br/>Maturing<br/>Dec. 1, 2027</b> | <b>2015 Series A<br/>Term Bonds<br/>Maturing<br/>Dec. 1, 2028</b> | <b>2015 Series A<br/>Term Bonds<br/>Maturing<br/>Dec. 1, 2029</b> | <b>2015 Series A<br/>Term Bonds<br/>Maturing<br/>Dec. 1, 2030</b> |
| June 1, 2026                 | \$4,585,000                                                       |                                                                   |                                                                   |                                                                   |                                                                   |
| December 1, 2026             | 4,590,000 <sup>†</sup>                                            |                                                                   |                                                                   |                                                                   |                                                                   |
| June 1, 2027                 |                                                                   | \$4,830,000                                                       |                                                                   |                                                                   |                                                                   |
| December 1, 2027             |                                                                   | 4,825,000 <sup>†</sup>                                            |                                                                   |                                                                   |                                                                   |
| June 1, 2028                 |                                                                   |                                                                   | \$5,055,000                                                       |                                                                   |                                                                   |
| December 1, 2028             |                                                                   |                                                                   | 5,060,000 <sup>†</sup>                                            |                                                                   |                                                                   |
| June 1, 2029                 |                                                                   |                                                                   |                                                                   | \$5,270,000                                                       |                                                                   |
| December 1, 2029             |                                                                   |                                                                   |                                                                   | 5,260,000 <sup>†</sup>                                            |                                                                   |
| June 1, 2030                 |                                                                   |                                                                   |                                                                   |                                                                   | \$5,465,000                                                       |
| December 1, 2030             |                                                                   |                                                                   |                                                                   |                                                                   | 5,470,000 <sup>†</sup>                                            |

<sup>†</sup> Stated Maturity

Any redemption (other than a mandatory redemption from sinking fund payments) of Offered Bonds of a particular maturity will be credited against future sinking fund payments for such maturity as shall be directed by the Corporation.

### *Optional Redemption*

The Offered Bonds maturing on or after December 1, 2025 are subject to redemption at the option of the Corporation at 100% of the principal amount thereof, plus accrued interest, at any time on or after June 1, 2025, in whole or in part, from any source of funds.

### *Selection of Bonds for Redemption*

If the Offered Bonds are redeemed in part by optional redemption, the Offered Bonds to be redeemed will be selected as shall be directed by the Corporation. The Indenture provides that if less than all the Offered Bonds of a particular maturity bearing the same interest rate (and otherwise of like tenor) are to be redeemed, the particular Offered Bonds of such maturity bearing the same interest rate (and otherwise of like tenor) to be redeemed will be selected by the Trustee by lot, using such method of selection as it deems proper in its discretion.

### ***Notice of Redemption***

Notice of the redemption, identifying the Offered Bonds or portion thereof to be redeemed, will be given by the Trustee by mailing a copy of the redemption notice by first class mail (postage prepaid) not more than 60 days and not less than 30 days prior to the redemption date to the registered owner of each Offered Bond to be redeemed in whole or in part at the address shown on the registration books maintained by the Trustee. Pursuant to the Indenture, neither failure to receive any redemption notice nor any defect in such redemption notice shall affect the sufficiency of the proceedings for such redemption and failure by the Trustee to deliver such notice of redemption of the Bonds at the times required in the Indenture shall not impair the ability of the Trustee and the Corporation to effect such redemption.

### **Book Entry Only**

#### ***General***

The Offered Bonds will be issued as fully-registered bonds in the name of Cede & Co., as nominee of DTC, as registered owner of the Offered Bonds. Purchasers of such Bonds will not receive physical delivery of bond certificates. For purposes of this Official Statement, so long as all of the Offered Bonds are immobilized in the custody of DTC, references to holders or owners of Offered Bonds (*except* under “Tax Matters”) mean DTC or its nominee.

The information in this section concerning DTC and the DTC book-entry system has been obtained from DTC, and neither the Corporation nor the Underwriters take responsibility for the accuracy or completeness thereof.

DTC will act as securities depository for the Offered Bonds. The Offered Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Offered Bond certificate will be issued for all Offered Bonds of each particular maturity bearing the same interest rate (and otherwise of like tenor), in the aggregate principal amount of the Offered Bonds of such maturity bearing the same interest rate (and otherwise of like tenor), and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC

is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Offered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Offered Bonds on DTC’s records. The ownership interest of each actual purchaser of each Offered Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Offered Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Offered Bonds, except in the event that use of the book-entry system for the Offered Bonds is discontinued.

To facilitate subsequent transfers, all Offered Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Offered Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Offered Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Offered Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Offered Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Offered Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indenture. For example, Beneficial Owners of Offered Bonds may wish to ascertain that the nominee holding the Offered Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Offered Bonds of a particular maturity bearing the same interest rate (and otherwise of like tenor) are being

redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Offered Bonds of such maturity bearing the same interest rate (and otherwise of like tenor) to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Offered Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Offered Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest on the Offered Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the Trustee, on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee or the Corporation, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants. NEITHER THE CORPORATION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS, TO THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE OFFERED BONDS, OR TO ANY BENEFICIAL OWNER IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT, THE PAYMENT BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE OFFERED BONDS, ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS UNDER THE INDENTURE, THE SELECTION BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OR ANY OTHER ACTION TAKEN BY DTC AS REGISTERED BONDHOLDER.

DTC may discontinue providing its services as depository with respect to the Offered Bonds at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Offered Bond certificates are required to be printed and delivered as described in the Indenture.

The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Offered Bond certificates will be required to be printed and delivered as described in the Indenture.

If bond certificates are issued, the principal due upon maturity or redemption of any of the Offered Bonds will be payable at the office of the Trustee, as paying agent, upon presentation and surrender of such Offered Bonds by the registered owner thereof on or after the date of maturity or redemption, as the case may be. Payment of the interest on each Offered Bond will be made by the Trustee to the registered owner of such Offered Bond by check mailed by first class mail (or, upon request of a registered owner of \$1,000,000 or more aggregate principal amount of Offered Bonds, by wire transfer) on the interest payment date to such registered owner as of the 20th day of the preceding month.

If bond certificates are issued, the Offered Bonds may be transferred and exchanged by the registered owner thereof or the registered owner's attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or the registered owner's duly authorized attorney at the office of the Trustee in Seattle, Washington. For every such exchange or transfer the Corporation or the Trustee may charge the transferee to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange. The Trustee is not obligated to make any such transfer or exchange during the 10 days next preceding an interest payment date or the date of mailing of any notice of redemption, nor of any Offered Bond selected for redemption. If any Offered Bond is mutilated, lost, stolen or destroyed, the Trustee may execute and deliver a new Offered Bond or Offered Bonds of the same series, maturity, interest rate and principal amount as the Offered Bond or Offered Bonds so mutilated, lost, stolen or destroyed, provided that such Offered Bond is surrendered to the Trustee, or evidence of loss, destruction or theft, together with satisfactory indemnity, is provided to the Trustee. The fees and expenses of the Corporation and the Trustee in connection with such replacement shall be paid by the owner.

## **THE CORPORATION**

### **Certain Definitions**

"Authority" means the Alaska State Housing Authority.

"Board" means the Board of Directors of the Corporation.

"Department" means the former Department of Community and Regional Affairs.

"Dividend Plan" means the dividend plan adopted by the Board in 1991 to transfer one-half of the lesser of its unrestricted net income or total net income to the State.

"Division" means The Public Housing Division of the Corporation.

"HUD" means the U.S. Department of Housing and Urban Development.

"Self-Liquidity Bonds" means, collectively, the Corporation's \$33,000,000 Governmental Purpose Bonds (University of Alaska), 1997 Series A; the Corporation's \$170,170,000 Governmental Purpose Bonds, 2001 Series A and B; the Corporation's

\$60,250,000 State Capital Project Bonds, 2002 Series C; and the Corporation's \$80,880,000 Home Mortgage Revenue Bonds, 2009 Series B.

## **General**

The Corporation was established in 1971 as a non-stock, public corporation and government instrumentality of the State. The Corporation currently functions as a major source of residential mortgage loan financing and capital project financing in the State. The Corporation's programs were originally established to take advantage of tax-exempt financing permitted under Federal income tax law. Mortgages which meet applicable Federal income tax requirements are financed by selling tax-exempt bonds. All other mortgages generally are financed through the issuance of taxable bonds or from internal funds. Since 1972, the Corporation has acquired mortgage loans by appropriation from the State and by purchase from independent originating lending institutions operating throughout the State. On July 1, 1992, the Corporation succeeded to the public housing functions of the Authority and the rural housing and residential energy functions of the Department pursuant to legislation enacted in the State's 1992 legislative session. As a result, the rights and obligations created by bonds and notes that were previously issued by the Authority became rights and obligations of the Corporation.

The Corporation prepares and publishes on its website a monthly Mortgage and Bond Disclosure Report containing detailed information concerning characteristics of the Corporation's mortgage loan portfolios and outstanding bond issues, including bond redemptions and mortgage prepayments. The Corporation presently intends to continue to provide such information, but is not legally obligated to do so. Certain financial and statistical information relating to the Corporation and its programs under the subheadings "Activities of the Corporation," "Financial Results of Operations" and "Legislative Activity/Transfers to the State—Dividend to the State of Alaska" below was obtained from the December 2014 Mortgage and Bond Disclosure Report of the Corporation, the audited financial statements of the Corporation as of and for the year ended June 30, 2014 and the unaudited financial statements of the Corporation as of and for the three months ended September 30, 2014. Copies of such financial statements and disclosure report may be obtained upon request from the Corporation. The Corporation's main office is located at 4300 Boniface Parkway, Anchorage, Alaska 99504, and its telephone number is (907) 338-6100. Electronic versions of the financial statements and disclosure reports are available at the Corporation's website.

## **Board of Directors, Staff and Organization**

The Corporation is required by law to comply (except for the procurement provisions of the Alaska Executive Budget Act), and does comply, with the State budget process. The Corporation administratively operates within the State Department of Revenue. The Board of Directors of the Corporation is comprised of the Commissioner of Revenue, the Commissioner of Commerce, Community and Economic Development and the Commissioner of Health and Social Services, as well as four members from the following sectors of the general public appointed by the Governor to serve two-year terms: one member with expertise or experience in finance or real estate; one member who is a rural resident of the State or who has expertise or experience with a regional housing authority; one member who has expertise or experience in residential energy efficient home-building or weatherization; and one member who has expertise

or experience in the provision of senior or low-income housing. The powers of the Corporation are vested in and exercised by a majority of its Board of Directors then in office, who may delegate such powers and duties as appropriate and permitted under the Act. The Corporation's current members of its Board of Directors are as follows:

| <b><u>Name</u></b>                                                                                                 | <b><u>Location</u></b>                                                                                                                             |
|--------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Mr. Franklin C. Roppel</b><br>Chair                                                                             | Retired<br>Wrangell, Alaska                                                                                                                        |
| <b>Mr. N. Claiborne Porter</b><br>Vice-Chair                                                                       | President<br>NCP Design/Build Ltd.<br>Anchorage, Alaska                                                                                            |
| <b>Mr. Brent Levalley</b>                                                                                          | Senior Vice President<br>Denali State Bank<br>Fairbanks, Alaska                                                                                    |
| <b>Mr. Marty Shuravloff</b>                                                                                        | Executive Director<br>Kodiak Island Housing Authority<br>Kodiak, Alaska                                                                            |
| <b>Mr. Randall Hoffbeck</b><br>Commissioner<br>Alaska Department of Revenue                                        | <b>Mr. Jerry Burnett (designee)</b><br>Deputy Commissioner<br>Alaska Department of Revenue<br>Juneau, Alaska                                       |
| <b>Ms. Valerie Davidson</b><br>Commissioner<br>Alaska Department of Health and Social Services                     | <b>Ms. Tara Horton (designee)</b><br>Special Assistant to the Commissioner<br>Alaska Department of Health and Social Services<br>Juneau, Alaska    |
| <b>Mr. Fred Parady</b><br>Acting Commissioner<br>Alaska Department of Commerce, Community and Economic Development | <b>Mr. Jon Bittner (designee)</b><br>Deputy Commissioner<br>Alaska Department of Commerce, Community and Economic Development<br>Anchorage, Alaska |

The following sub-committees of the Board of Directors have been established: Audit Committee, Investment Advisory Committee, Housing Budget and Policy Committee, and the Personnel Committee.

The Corporation's staff consists of employees organized into the following departments: Accounting, Administrative Services, Audit, Budget, Construction, Finance, Governmental Relations and Public Affairs, Human Resources, Information Services, Mortgage, Planning, Public Housing, Research and Rural Development, Risk Management and Sourcing and Contract Compliance. Principal financial officers of the Corporation are as follows:

**Bryan D. Butcher** - Chief Executive Officer/Executive Director. Mr. Butcher rejoined the Corporation on August 7, 2013. Prior to his appointment as Chief Executive

Officer/Executive Director, Mr. Butcher served as Commissioner of the Alaska Department of Revenue from January 2011 to August 2013, as the Corporation's director of governmental relations and public affairs from 2003 to 2011, and as a senior aide to the House and Senate Finance Committees of the Alaska Legislature for 12 years. Mr. Butcher holds a Bachelor of Science degree from the University of Oregon.

**Michael Buller** - Deputy Executive Director. Mr. Buller has been with the Corporation since June 1995, and previously served as Chief Administrative Officer. He previously worked for the North Slope Borough from 1987 through 1993 as Budget Manager and Deputy Director of the Department of Administration & Finance. From August 1993 through June 1995, Mr. Buller was employed as Assistant City Manager for the City of Unalaska. Mr. Buller holds a Master of Business Administration degree from Gonzaga University.

**Michael L. Strand** - Chief Financial Officer/Finance Director. Mr. Strand joined the Corporation in 2001, and previously served as Senior Finance Officer, Finance Officer and Financial Analyst II. Prior to joining the Corporation, he served as a budget analyst for Anchorage Municipal Light and Power and as a financial analyst for VECO Alaska. Mr. Strand is a graduate of the University of Alaska, Anchorage, with Bachelor of Business Administration degrees in finance and economics.

**Peter E. Haines** - Senior Finance Officer. Mr. Haines has been with the Corporation since 1990, and previously served as Finance Officer, Financial Analyst II and Financial Analyst I. Mr. Haines is a certified public accountant, certified cash manager, and a graduate of Brigham Young University with a Bachelor of Science degree.

**Gerard Deta** - Finance Officer. Mr. Deta has been with the Corporation since 2001, and previously served as Financial Analyst II. Prior to joining the Corporation, he served as an auditor with Deloitte & Touche LLP. Mr. Deta is a Certified Treasury Professional and a graduate of Southern Utah University with Bachelor of Science degrees in finance and accounting.

## **Activities of the Corporation**

The principal activity of the Corporation is the purchase of residential mortgage loans. This activity has been supplemented by the merger with the Authority under which the Corporation assumed responsibility for the public housing functions of the Authority and its assumption of the rural housing and residential energy functions of the Department. See "The Corporation — General."

### ***Financing Activities***

The Corporation is authorized by the State Legislature to issue its own bonds, bond anticipation notes and other obligations in such principal amounts as the Corporation deems necessary to provide sufficient funds for carrying out its purpose.

Pursuant to State law, the maximum amount of bonds that the Corporation may issue during any fiscal year (the Corporation's fiscal years end on June 30) is \$1.5 billion. Bonds

issued to refund outstanding bonds and to refinance outstanding obligations of the Corporation are not counted against the maximum annual limit.

Since 1986, implementation of refinancing programs by the Corporation has resulted in the prepayment of outstanding mortgage loans with a corresponding redemption at par of substantial amounts of the Corporation's notes or bonds secured by such mortgage loans.

Since 1997, the Corporation has issued certain Self-Liquidity Bonds, which are variable rate demand obligations with weekly interest rate resets. If these bonds are tendered or deemed tendered, the Corporation has the obligation to purchase any such bonds that cannot be remarketed. This general obligation is not secured by any particular funds or assets, including any assets that may be held under the related indentures. The Corporation may issue additional bonds for which it will provide liquidity support, similar to that which it currently provides for the Self-Liquidity Bonds.

Between July 1, 2008 and October 21, 2008, certain of the Corporation's variable rate demand obligations (including Self-Liquidity Bonds) tendered or deemed tendered were purchased upon remarketing and held by the Alaska Housing Capital Corporation ("AHCC"), a subsidiary of the Corporation. No Corporation obligations are currently held by AHCC.

Other variable rate demand obligations issued by the Corporation are the subject of liquidity facilities provided by third-party liquidity providers in the form of standby bond purchase agreements. If such obligations are tendered or deemed tendered, the related liquidity provider is obligated to purchase any such obligations that cannot be remarketed. Such purchase obligation also arises in connection with the expiration of such facility in the absence of a qualifying substitute therefor. Bonds so purchased and held by third-party liquidity providers will thereupon begin to bear higher rates of interest and be subject to accelerated mandatory redemption by the Corporation, in each case in accordance with and secured by the related indenture.

Between July 1, 2008 and May 26, 2009, certain third-party liquidity providers purchased and held pursuant to the related liquidity facilities certain variable rate demand obligations of the Corporation that were tendered or deemed tendered and not remarketed. No Corporation obligations are currently held by third-party liquidity providers.

The following table sets forth certain information regarding the Corporation's variable rate demand obligations as of December 31, 2014:

| <b><u>Bond Series</u></b>                          | <b><u>Amount<br/>Outstanding</u></b> | <b><u>Liquidity Provider<br/>(or Self-Liquidity)</u></b> | <b><u>Facility<br/>Expiration Date</u></b> |
|----------------------------------------------------|--------------------------------------|----------------------------------------------------------|--------------------------------------------|
| Governmental Purpose Bonds,<br>1997 Series A       | \$ 14,600,000                        | Self-Liquidity                                           | NA <sup>†</sup>                            |
| Governmental Purpose Bonds,<br>2001 Series A and B | 116,200,000                          | Self-Liquidity                                           | NA <sup>†</sup>                            |
| Home Mortgage Revenue<br>Bonds, 2002 Series A      | 96,465,000                           | JPMorgan Chase<br>Bank, N.A.                             | December 9, 2016                           |

| <b><u>Bond Series</u></b>                                   | <b><u>Amount<br/>Outstanding</u></b> | <b><u>Liquidity Provider<br/>(or Self-Liquidity)</u></b> | <b><u>Facility<br/>Expiration Date</u></b> |
|-------------------------------------------------------------|--------------------------------------|----------------------------------------------------------|--------------------------------------------|
| State Capital Project Bonds,<br>2002 Series C               | 48,255,000                           | Self-Liquidity                                           | NA <sup>†</sup>                            |
| Home Mortgage Revenue<br>Bonds, 2007 Series A, B<br>and D   | 239,370,000                          | Landesbank Baden-<br>Wurttemberg                         | May 30, 2017                               |
| Home Mortgage Revenue<br>Bonds, 2009 Series A <sup>††</sup> | 80,880,000                           | The Bank of Tokyo<br>Mitsubishi UFJ, Ltd.                | June 28, 2019                              |
| Home Mortgage Revenue<br>Bonds, 2009 Series B               | 80,880,000                           | Self-Liquidity                                           | NA <sup>†</sup>                            |
| Home Mortgage Revenue<br>Bonds, 2009 Series D               | <u>80,870,000</u>                    | Bank of America,<br>N.A.                                 | August 24, 2017                            |
|                                                             | <u>\$757,520,000</u>                 |                                                          |                                            |

<sup>†</sup> The Corporation's obligation to purchase Self-Liquidity Bonds tendered or deemed tendered remains in effect so long as the related variable rate bonds are outstanding or until a qualifying third-party liquidity facility has replaced it.

<sup>††</sup> Covered by Self-Liquidity prior to July 1, 2014.

The Corporation's financing activities include recurring long-term debt issuances under established bond indentures described below. Such issuances constitute the majority of the Corporation's financing activities.

*Mortgage Revenue Bonds.* The Corporation funds its Tax-Exempt First-Time Homebuyer Program with the proceeds of Mortgage Revenue Bonds. Qualified mortgage loans and/or mortgage-backed securities are pledged as collateral for the Mortgage Revenue Bonds. Mortgage Revenue Bonds are also general obligations of the Corporation.

*Home Mortgage Revenue Bonds.* The Corporation funds its Rural and Taxable Programs with the proceeds of Home Mortgage Revenue Bonds. Mortgage loans and/or mortgage-backed securities are pledged as collateral for the Home Mortgage Revenue Bonds. Home Mortgage Revenue Bonds are also general obligations of the Corporation.

*Collateralized Bonds.* The Corporation funds its Veterans Mortgage Program with the proceeds of State-guaranteed Collateralized Bonds. Qualified mortgage loans and/or mortgage-backed securities are pledged as collateral for the Collateralized Bonds. Collateralized Bonds are also general obligations of the Corporation and general obligations of the State.

*Housing Development Bonds.* The Corporation funds its Multifamily Loan Purchase Program with the proceeds of Housing Development Bonds. Housing Development Bonds are general obligations of the Corporation.

*General Mortgage Revenue Bonds II.* The Corporation issues General Mortgage Revenue Bonds II to finance the purchase of mortgage loans or to refund other obligations of the Corporation. Mortgage loans and other assets are pledged as collateral for the General Mortgage

Revenue Bonds II. General Mortgage Revenue Bonds II are general obligations of the Corporation.

*General Housing Purpose Bonds.* The Corporation issues General Housing Purpose Bonds to finance certain capital expenditures of the State. The Corporation expects that proceeds of future issues of General Housing Purpose Bonds will only be used to refund other obligations of the Corporation. General Housing Purpose Bonds are general obligations of the Corporation.

*Governmental Purpose Bonds.* The Corporation issues Governmental Purpose Bonds to finance capital expenditures of the State for governmental purposes, with certain proceeds available for general corporate purposes. Governmental Purpose Bonds are general obligations of the Corporation.

*State Capital Project Bonds and State Capital Project Bonds II.* The Corporation issues State Capital Project Bonds and State Capital Project Bonds II to finance designated capital projects of State agencies and the Corporation and to refund other obligations of the Corporation. State Capital Project Bonds and State Capital Project Bonds II are also used to finance building purchases that may or may not be secured by lease agreements between the Corporation and the State of Alaska. State Capital Project Bonds and State Capital Project Bonds II are general obligations of the Corporation.

The following tables set forth certain information as of December 31, 2014, regarding bonds issued under the above-described financing programs:

**Bonds Issued and Remaining Outstanding by Program**

| <b><u>Bond Program</u></b>        | <b><u>Issued<br/>through<br/>12/31/2014</u></b> | <b><u>Issued during<br/>Six Months<br/>Ended<br/>12/31/2014</u></b> | <b><u>Outstanding<br/>as of<br/>12/31/2014</u></b> |
|-----------------------------------|-------------------------------------------------|---------------------------------------------------------------------|----------------------------------------------------|
| Home Mortgage Revenue Bonds       | \$1,262,675,000                                 | \$ 0                                                                | \$ 594,620,000                                     |
| Mortgage Revenue Bonds            | 1,449,010,353 <sup>†</sup>                      | 0                                                                   | 294,860,000                                        |
| State Capital Project Bonds       | 680,190,000                                     | 0                                                                   | 288,185,000                                        |
| State Capital Project Bonds II    | 628,630,000                                     | 218,105,000                                                         | 568,615,000                                        |
| General Housing Purpose Bonds     | 811,635,000                                     | 0                                                                   | 120,320,000                                        |
| General Mortgage Revenue Bonds II | 195,890,000                                     | 0                                                                   | 132,825,000                                        |
| Governmental Purpose Bonds        | 973,170,000                                     | 0                                                                   | 130,800,000                                        |
| Veterans Collateralized Bonds     | 1,900,385,000                                   | 0                                                                   | 64,870,000                                         |
| Housing Development Bonds         | 570,290,000                                     | 0                                                                   | 100,000                                            |
| Other Bonds                       | 9,555,248,769                                   | 0                                                                   | 0                                                  |
| Total Bonds                       | <u>\$18,027,124,122</u>                         | <u>\$218,105,000</u>                                                | <u>\$2,195,195,000</u>                             |

<sup>†</sup> Includes release of proceeds of \$193,100,000 Mortgage Revenue Bonds originally issued in 2009.

### Summary of Bonds Issued and Remaining Outstanding

|                                   | Issued<br>through<br><u>12/31/2014</u> | Issued during<br>Six Months Ended<br><u>12/31/2014</u> | Outstanding<br>as of<br><u>12/31/2014</u> |
|-----------------------------------|----------------------------------------|--------------------------------------------------------|-------------------------------------------|
| Tax-Exempt Bonds                  | \$13,201,864,122 <sup>†</sup>          | \$ 78,105,000                                          | \$1,993,505,000                           |
| Taxable Bonds                     | <u>4,825,260,000</u>                   | <u>140,000,000</u>                                     | <u>201,690,000</u>                        |
| Total Bonds                       | <u>\$18,027,124,122</u>                | <u>\$218,105,000</u>                                   | <u>\$2,195,195,000</u>                    |
| Self-Liquidity Bonds <sup>‡</sup> | \$744,620,000                          | \$0                                                    | \$259,935,000                             |

<sup>†</sup> Includes release of proceeds of \$193,100,000 Mortgage Revenue Bonds originally issued in 2009.

<sup>‡</sup> For information only. These amounts are already included in the categories above. Does not include Home Mortgage Revenue Bonds, 2009 Series A, issued and outstanding in the principal amount of \$80,880,000, for which Self-Liquidity by the Corporation was replaced with a third-party liquidity facility effective July 1, 2014.

The Corporation's financing activities also include recurring short-term debt issuances under established programs or agreements. The proceeds of such issuances may be used for any lawful purpose of the Corporation; however, the Corporation has in the past used and intends to continue to use such proceeds to temporarily refund outstanding tax-exempt obligations prior to their permanent refunding through the issuance of tax-exempt bonds.

*Commercial Paper Notes Program.* On June 13, 2007, the Corporation's Board of Directors authorized a domestic Commercial Paper Notes Program with a major dealer under which the maximum principal amount of notes outstanding at any one time shall not exceed \$150,000,000. The Commercial Paper Notes Program is rated "P-1" by Moody's, "A-1+" by S&P, and "F1+" by Fitch.

*Reverse Repurchase Agreements.* The Corporation may enter into reverse repurchase agreements in such amounts as it deems necessary for carrying out its purpose.

#### ***Lending Activities***

The Corporation finances its lending activities with a combination of general operating funds, bond proceeds, and loan prepayments and earnings derived from the permitted spread between borrowing and lending rates. The Corporation acquires mortgage loans after they have been originated and closed by direct lenders, which normally are financial institutions or mortgage companies with operations in the State. Under many of the Corporation's programs, the originating lender continues to service the mortgage loan on behalf of the Corporation. The Corporation also makes available a streamlined refinance option that allows applicants to obtain new financing secured by property that is currently financed by the Corporation without income, credit, or appraisal qualifications.

In addition to the lending programs described below, the Corporation has committed to make a loan of up to \$127,540,000 for the construction and rehabilitation of rental housing on two United States Army bases in the State, Fort Wainwright and Fort Greely, bearing interest at a rate of 8% per annum and amortizing over a 40-year term, of which \$50,000,000 was funded on

November 20, 2013 and the remainder is to be funded in up to two additional stages prior to the end of April 2018.

Following are brief descriptions of the Corporation's lending programs:

*Tax-Exempt First-Time Homebuyer Program.* The Tax-Exempt First-Time Homebuyer Program offers lower interest rates to eligible borrowers who meet income, purchase price, and other requirements of the Code.

*Veterans Mortgage Program.* The Veterans Mortgage Program offers a reduced interest rate to qualified veterans who purchase or construct owner-occupied single-family residences or, with certain restrictions, who purchase a duplex, triplex, or fourplex.

*Taxable First-Time Homebuyer.* The Taxable First-Time Homebuyer Program offers a reduced interest rate to first-time homebuyers whose loans do not meet the Code requirements of the Tax-Exempt First-Time Homebuyer Program.

*Rural Loan Program.* The Rural Loan Program offers financing to purchase, construct, or renovate owner occupied and non-owner occupied housing in small communities. The Rural interest rate is one percent below the calculated cost of funds established for the Corporation's Taxable Program and is applied to the first \$250,000 of the loan only. The balance of the loan is at the Rural interest rate plus 1%.

*Taxable Program.* The Taxable Program is available statewide for applicants or properties not meeting requirements of other Corporation programs. Borrowers and properties must meet the Corporation's general financing requirements. This program also includes non-conforming loans for certain properties for which financing may not be obtained through private, state or federal mortgage programs.

*Multi-Family Loan Purchase Program.* The Corporation participates with approved lenders to provide financing for the acquisition, rehabilitation, and refinancing of multi-family housing (buildings with at least five units and designed principally for residential use) as well as certain special-needs and congregate housing facilities.

The following tables set forth certain information as of December 31, 2014, regarding the mortgage loans financed under the above-described lending programs:

### Mortgage Purchases by Program

| <u>Loan Program</u>             | <b>Original<br/>Principal<br/>Balance of<br/>Mortgage<br/>Loans<br/>Purchased<br/>during<br/>FY 2014</b> | <b>Original<br/>Principal<br/>Balance of<br/>Mortgage<br/>Loans<br/>Purchased<br/>during the<br/>Six Months<br/>Ended<br/>12/31/2014</b> |
|---------------------------------|----------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| Tax-Exempt First-Time Homebuyer | \$110,053,896                                                                                            | \$ 46,759,667                                                                                                                            |
| Taxable Other                   | 180,962,142                                                                                              | 92,329,725                                                                                                                               |
| Rural                           | 56,555,146                                                                                               | 30,208,451                                                                                                                               |
| Multi-Family                    | 77,941,850                                                                                               | 12,622,950                                                                                                                               |
| Taxable First-Time Homebuyer    | 94,931,295                                                                                               | 52,728,460                                                                                                                               |
| Veterans Mortgage Program       | <u>18,086,759</u>                                                                                        | <u>4,280,006</u>                                                                                                                         |
| Total Mortgage Purchases        | <u>\$538,531,088</u>                                                                                     | <u>\$238,929,259</u>                                                                                                                     |

Percentage of Original Principal  
Balance of Total Mortgage Purchases  
during Period Representing Streamline  
Refinance Loans

2.7%

0.9%

### Mortgage Portfolio Summary

|                                                | <b>As of<br/>6/30/2014</b> | <b>As of<br/>12/31/2014</b> |
|------------------------------------------------|----------------------------|-----------------------------|
| Mortgages and Participation Loans              | \$2,516,086,898            | \$2,590,607,739             |
| Real Estate Owned and<br>Insurance Receivables | <u>4,691,698</u>           | <u>3,799,024</u>            |
| Total Mortgage Portfolio                       | <u>\$2,520,778,596</u>     | <u>\$2,594,406,763</u>      |

## Mortgage Insurance Summary<sup>†</sup>

| <b><u>Type</u></b>                        | <b><u>Outstanding<br/>Principal<br/>Balance as of<br/>12/31/2014</u></b> | <b><u>Percentage of Total<br/>Mortgage Loans by<br/>Outstanding<br/>Principal Balance</u></b> |
|-------------------------------------------|--------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| Uninsured <sup>††</sup>                   | \$1,216,866,467                                                          | 47.0%                                                                                         |
| Federally Insured – FHA                   | 383,037,200                                                              | 14.8                                                                                          |
| Private Mortgage Insurance <sup>†††</sup> | 437,418,418                                                              | 16.8                                                                                          |
| Federally Insured – VA                    | 225,555,303                                                              | 8.7                                                                                           |
| Federally Insured – RD                    | 169,835,623                                                              | 6.6                                                                                           |
| Federally Insured – HUD 184               | <u>157,894,727</u>                                                       | <u>6.1</u>                                                                                    |
| TOTAL                                     | <u>\$2,590,607,738</u>                                                   | <u>100.0%</u>                                                                                 |

<sup>†</sup> This table contains information regarding the types of primary mortgage insurance coverage applicable to the Corporation's mortgage loans at their respective originations. No representation is made as to the current status of primary mortgage insurance coverage.

<sup>††</sup> Uninsured Mortgage Loans represent loans for which the original loan-to-value ratio was not in excess of 80% (90% for loans in rural areas) and insurance coverage was therefore not required. No representation is made as to current loan-to-value ratios.

<sup>†††</sup> The following table sets forth information with respect to the providers of such private mortgage insurance. No representation is made as to the amount of private mortgage insurance coverage provided by carriers whose claims-paying ability is rated investment grade or better by Moody's, S&P or Fitch.

| <b><u>PMI Provider</u></b> | <b><u>Outstanding<br/>Principal<br/>Balance as of<br/>12/31/2014</u></b> | <b><u>Percentage of Total<br/>Mortgage Loans by<br/>Outstanding<br/>Principal Balance</u></b> |
|----------------------------|--------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| Radian Guaranty            | \$174,681,405                                                            | 6.7%                                                                                          |
| CMG Mortgage Insurance     | 98,491,469                                                               | 3.8                                                                                           |
| Mortgage Guaranty          | 63,555,942                                                               | 2.5                                                                                           |
| United Guaranty            | 36,667,873                                                               | 1.4                                                                                           |
| Genworth GE                | 21,573,307                                                               | 0.8                                                                                           |
| PMI Mortgage Insurance     | 11,545,345                                                               | 0.4                                                                                           |
| Essent Guaranty            | 29,557,670                                                               | 1.1                                                                                           |
| Commonwealth               | <u>1,345,407</u>                                                         | <u>0.1</u>                                                                                    |
| TOTAL                      | <u>\$437,418,418</u>                                                     | <u>16.8%</u>                                                                                  |

### Mortgage Delinquency and Foreclosure Summary

|                            | <b>As of<br/><u>6/30/2014</u></b> | <b>As of<br/><u>12/31/2014</u></b> |
|----------------------------|-----------------------------------|------------------------------------|
| Delinquent 30 Days         | 2.61%                             | 2.17%                              |
| Delinquent 60 Days         | 0.91                              | 0.72                               |
| Delinquent 90 Days or More | <u>1.36</u>                       | <u>1.18</u>                        |
| Total Mortgage Delinquency | <u>4.88%</u>                      | <u>4.07%</u>                       |

|                    | <b>Twelve<br/>Months<br/>Ended<br/><u>6/30/2014</u></b> | <b>Six Months<br/>Ended<br/><u>12/31/2014</u></b> |
|--------------------|---------------------------------------------------------|---------------------------------------------------|
| Total Foreclosures | \$14,127,019                                            | \$4,905,518                                       |

#### ***Public Housing Activities***

The Corporation performs certain public housing functions in the State through the Division. The Division operates Low Rent and Section 8 New Construction/Additional Assistance housing to serve low-income families, disabled persons and seniors in several communities throughout Alaska. The Division also administers the rent subsidies for numerous families located in private-sector housing through vouchers, certificates, and coupons issued pursuant to Section 8 of the United States Housing Act of 1937. The Division's operating budget is funded primarily through contracts with HUD. The Division is engaged in a number of multifamily renovation and new construction projects throughout the State.

#### **Financial Results of Operations**

The following is a summary of revenues, expenses and changes in net assets of the Corporation for each of its five most recent fiscal years, which have been derived from Note 23 to the Corporation's audited annual financial statements dated June 30, 2014, contained in Appendix A — "Financial Statements of the Corporation."

**Summary of Revenues, Expenses and Changes in Net Assets**  
(000's)

|                                               | <b>Fiscal Year Ended June 30</b> |                          |             |             |             |
|-----------------------------------------------|----------------------------------|--------------------------|-------------|-------------|-------------|
|                                               | <b>2014</b>                      | <b>2013</b>              | <b>2012</b> | <b>2011</b> | <b>2010</b> |
| <b>Total Assets and Deferred Outflows</b>     | \$4,055,203                      | \$3,981,230              | \$4,288,648 | \$4,542,040 | \$4,796,817 |
| <b>Total Liabilities and Deferred Inflows</b> | 2,545,295                        | 2,455,702                | 2,734,505   | 2,948,221   | 3,172,826   |
| <b>Total Fund Equity</b>                      | 1,509,908                        | 1,525,528                | 1,554,143   | 1,593,819   | 1,623,991   |
| <b>Total Operating Revenues</b>               | 308,086                          | 315,325                  | 351,178     | 385,695     | 397,258     |
| <b>Total Operating Expenses</b>               | 311,471                          | 333,220                  | 381,647     | 398,606     | 407,032     |
| <b>Operating Income (Loss)</b>                | (3,385)                          | (17,895)                 | (30,469)    | (12,911)    | (9,774)     |
| <b>Contribution to State or State agency</b>  | (1,380)                          | (10,720)                 | (9,207)     | (20,349)    | (36,772)    |
| <b>Special Item</b>                           | 0                                | 0                        | 0           | 3,088       | 0           |
| <b>Change in Net Assets</b>                   | \$ (4,765)                       | \$ (28,615) <sup>†</sup> | \$ (39,676) | \$ (30,172) | \$ (46,546) |

<sup>†</sup> Does not reflect the FY2014 cumulative effect of accounting change.

## **Legislative Activity/Transfers to the State**

### ***Prior Transfers to the State***

The Board adopted the Dividend Plan in 1991 to transfer one-half of the lesser of its unrestricted net income or total net income to the State. Under the Dividend Plan, in 1991 the Corporation transferred a total of \$114,324,000 to the State. Additionally, in 1995, the Board voted to make a one-time payment to the State in the amount of \$200,000,000. On April 27, 1995, the Corporation agreed to make a one-time transfer of \$50,000,000 to the State and close the Dividend Plan. In 1997, the Corporation transferred to the State's general fund \$20,000,000 made available as a consequence of certain bond retirements.

### ***The Current Transfer Plan***

In the fiscal year 1996 capital appropriation bill (the April 27, 1995 agreement referred to in the immediately preceding paragraph and the 1996 capital appropriation bill, as amended, collectively, the “Transfer Plan”) the Legislature expressed its intent that the Corporation transfer to the State (or expend on its behalf) amounts not to exceed \$127,000,000 in fiscal year 1996 and \$103,000,000 in each fiscal year from 1997 to 2000, but that, “[T]o ensure the prudent management of [the Corporation and] to protect its excellent debt rating ...” in no fiscal year should such amount exceed the Corporation’s net income for the preceding fiscal year.

The 1998 Legislature adopted legislation (the “1998 Act”) authorizing the Corporation to finance state capital projects through the issuance of up to \$224,000,000 in bonds. The 1998 Act also extended the term of the Transfer Plan by stating the Legislature’s intent that the Corporation transfer to the State (or expend on its behalf) an amount not to exceed \$103,000,000 in each fiscal year through fiscal year 2006, again stating that, to protect the Corporation and its bond rating, in no fiscal year should such amount exceed the Corporation’s net income for the preceding fiscal year.

The 2000 Legislature adopted legislation (the “2000 Act”) authorizing the issuance of bonds in sufficient amounts to fund the construction of various State capital projects, and extended the Transfer Plan (as described above) through fiscal year 2008.

The 2002 Legislature adopted legislation (the “2002 Act”) authorizing the issuance of \$60,250,000 in capital project bonds for the renovation and deferred maintenance of the Corporation’s Public Housing facilities.

The 2004 Legislature adopted legislation (the “2004 Act”) authorizing the additional issuance of bonds in sufficient amounts to fund the construction of various State capital projects. The bond proceeds are allocated to agencies and municipalities subject to specific legislative appropriation.

The Corporation has issued \$196,345,000 principal amount of State Capital Project Bonds pursuant to the 1998 Act, \$74,535,000 principal amount of State Capital Project Bonds pursuant to the 2000 Act, \$60,250,000 principal amount of State Capital Project Bonds pursuant to the 2002 Act, and \$45,000,000 principal amount of State Capital Project Bonds pursuant to the 2004 Act, and has completed its issuance authority under the Acts. Payment of principal and interest on these bonds is categorized as a transfer pursuant to the Transfer Plan and is included in the Corporation’s capital budget.

The 2003 Legislature enacted Chapter 76 SLA 2003, subsequently amended by Chapter 120 SLA 2004, Chapter 7 SLA 2006 and Chapter 35 SLA 2010 (as so amended, the “2003 Act”), which modified and incorporated provisions of the Transfer Plan. The Corporation views the 2003 Act as an indefinite, sustainable continuation of the Transfer Plan. The 2003 Act provides that the amount transferred by the Corporation to the State in fiscal years 2004, 2005, and 2006 shall not exceed \$103,000,000 (in each case, less debt service on certain State Capital Project Bonds and any legislative appropriation of the Corporation’s unrestricted, unencumbered funds other than appropriations for the Corporation’s operating budget).

The 2003 Act further provides that the amount transferred by the Corporation to the State in each fiscal year beginning with fiscal year 2007 shall not exceed:

- (i) the lesser of (A) \$103,000,000 and (B) the respective percentage of adjusted change in net assets for the fiscal year two years prior thereto (the “base fiscal year”) for such fiscal year set forth in the table below, less
- (ii) debt service on certain State Capital Project Bonds, less
- (iii) any legislative appropriation of the Corporation’s unrestricted, unencumbered funds other than appropriations for the Corporation’s operating budget.

| <u>Fiscal Year</u>  | <u>Percentage of Adjusted<br/>Change in Net Assets</u> |
|---------------------|--------------------------------------------------------|
| 2007                | 95%                                                    |
| 2008                | 85%                                                    |
| 2009 and thereafter | 75%                                                    |

Under the 2003 Act, “adjusted change in net assets” means the change in net assets for a base fiscal year as reflected in the Corporation’s financial statements, adjusted for capital expenditures incurred during such year and, effective June 20, 2010, temporary market value adjustments to assets and liabilities made during such year.

### ***Dividend to the State of Alaska***

Following are the details of the Corporation’s dividend to the State as of September 30, 2014 (in thousands).

|                                     | <u>Dividend Due<br/>to State</u> | <u>Expenditures</u> | <u>Remaining<br/>Commitments</u> |
|-------------------------------------|----------------------------------|---------------------|----------------------------------|
| State General Fund Transfers        | \$ 788,921                       | \$ (788,921)        | \$ -                             |
| State Capital Projects Debt Service | 412,071                          | (408,223)           | 3,848                            |
| State of Alaska Capital Projects    | 253,761                          | (245,486)           | 8,275                            |
| Corporation Capital Projects        | <u>457,420</u>                   | <u>(425,806)</u>    | <u>31,614</u>                    |
| Total                               | \$1,912,173                      | \$(1,868,436)       | \$43,737                         |

### ***Corporation Budget Legislation***

The Corporation’s fiscal year 2015 operating budget was approved by the Legislature at approximately the amount submitted during the fiscal year 2014 legislative session, including the full level of funding requested by the Corporation for personnel and contractual costs. Consistent with the Transfer Plan, the enacted fiscal year 2015 operating budget estimated that \$7,464,800 would be available from net income for payment of debt service and appropriation for capital projects.

There can be no assurance that the Legislature or the Governor of the State will not seek and/or enact larger dividends or other transfers of Corporation assets by legislative enactment or other means in the future.

## **Litigation**

There are no threatened or pending cases in which the Corporation is or may be a defendant which the Corporation feels have merit and which it feels could give rise to materially negative economic consequences.

## **SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

Certain covenants and security provisions of the Indenture are summarized below. Reference should be made to the Indenture for a full and complete statement of their provisions.

### **Certain Definitions (Section 101)**

“Bond Counsel’s Opinion” means an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by the Corporation.

“Code” means the Internal Revenue Code of 1986, as amended, and United States Treasury regulations promulgated thereunder or applicable thereto.

“Credit Enhancement” means any source of payment of principal or interest with respect to Bonds (including principal and interest payable upon a tendering of the Bonds in accordance with their terms) other than assets and revenues under the Indenture and includes, by example and not limitation, letters of credit, bond insurance, liquidity facilities, surety bonds, and stand-by bond purchase agreements.

“Credit Enhancer” means any entity or entities which provide Credit Enhancement.

“DTC” means The Depository Trust Company, New York, New York.

“Government Obligations” means:

(1) direct obligations of, or obligations guaranteed as to full and timely payment of interest and principal by, the United States of America or any agency or instrumentality of the United States of America the obligations of which are backed by the full faith and credit of the United States of America; or

(2) instruments evidencing direct ownership interests in direct obligations, or specified portions (such as principal or interest) of such obligations, of the United States of America which obligations are held by a custodian in safe keeping on behalf of the holders of such receipts.

“Investment Securities” means any investments selected by the Corporation, if and to the extent the same are at the time legal investments by the Corporation of the funds to be invested therein and in compliance with the Corporation’s then current investment policies.

“Outstanding,” when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under the Indenture except:

(1) any Bond canceled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;

(2) any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Indenture; and

(3) any Bond that has been paid or is deemed to have been paid as described under “Summary of Certain Provisions of the Indenture — Defeasance.”

“Rating Agency” means any national securities rating service requested by the Corporation to rate the Bonds and which, at the time of consideration, provides a published rating for the Bonds.

“Rating Quality” means, with respect to any Series of Bonds, having terms, conditions and/or a credit quality such that the item stated to be of “Rating Quality” will not, as confirmed in writing received by the Trustee from each of the Rating Agencies, impair the ability of the Corporation to obtain the ratings initially from the Rating Agencies anticipated to be received with respect to such Bonds as described in the Supplemental Indenture authorizing such Bonds and, if the Bonds have been rated, will not cause any such Rating Agency to lower or withdraw the rating it has assigned to the Bonds.

“Rebate Amount” means that amount with respect to the Bonds determined by the Corporation to be required to be rebated to the United States government pursuant to the Code.

“Redemption Price” means, with respect to any Bonds that have been designated for redemption, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof.

“Revenues” means, in addition to amounts so identified in the Indenture, such amounts derived from such sources as the Corporation may identify in a Supplemental Indenture authorizing the issuance of a Series of Bonds.

### **Pledge Effected by Indenture; Indenture to Constitute a Contract (Section 201)**

All amounts in the Program Account and the Revenue Account are pledged under the Indenture to secure the payment of the principal of and interest on the Bonds, subject only to the provisions of the Indenture permitting the application thereof for other purposes; provided, however, that the Corporation may direct the Trustee to establish subaccounts for any such accounts to secure all or any portion of a Series or Subseries of Bonds, and, upon the creation of such subaccount, any amounts deposited or held therein may be pledged to secure the payment of principal of and interest on only those Bonds for which such subaccount was created.

In consideration of the purchase and acceptance of the Bonds by those who shall hold the same from time to time, the provisions of the Indenture shall be a part of the contract of the Corporation with the holders of Bonds and shall be deemed to be and shall constitute a contract between the Corporation, the Trustee and the holders from time to time of the Bonds. The pledges and assignments made by the Indenture and the provisions, covenants and agreements set forth in the Indenture to be performed by or on behalf of the Corporation shall be for the equal benefit, protection and security of the holders of any and all of such Bonds, each of which, regardless of the time or times of its issue or maturity, shall be of equal rank without preference, priority or distinction over any other thereof except as expressly provided in the Indenture (and, in particular, except that one or more Series of Bonds may be issued with Credit Enhancement which, as permitted by the Indenture, may be pledged to such Series of Bonds and, at the Corporation's sole discretion, may not benefit any other Series of Bonds).

### **Issuance and Delivery of Bonds (Section 203)**

The Corporation may from time to time issue additional Series of Bonds under the Indenture with such provisions of the Indenture applicable as it determines in an unlimited aggregate principal amount to provide additional funds for any purpose of the Corporation.

Before the Trustee may authenticate an additional Series of Bonds, there must be delivered to the Trustee, among other things, evidence from each Rating Agency that the issuance of such additional Series of Bonds will not, in and of itself, result in the ratings then in effect on any Bonds then Outstanding being reduced or withdrawn.

### **Investment of Certain Funds (Section 403)**

The Corporation shall direct the Trustee to invest amounts in the Accounts in Investment Securities; in the absence of direction from the Corporation, the Trustee shall, to the maximum extent practicable, keep amounts in the Accounts invested in money market funds, secured by obligations with maturities of one year or less, the payment of principal and interest on which is guaranteed by the full faith and credit of the United States of America. Notwithstanding the foregoing, the Corporation shall not direct the investment of, and the Trustee shall hold uninvested, moneys held for the payment of Bonds that may be tendered for purchase, and that have been tendered for purchase, pursuant to the terms of the supplemental indenture authorizing the issuance of such Bonds.

Investment Securities purchased as an investment of moneys in any Account held by the Trustee under the provisions of the Indenture shall be deemed at all times to be a part of such Account, but the income or interest earned (other than accrued interest at the time of purchase of the Investment Securities) and gains realized in excess of losses suffered by an Account due to the investment thereof shall be deposited in the Revenue Account or shall be credited as Revenues to the Revenue Account from time to time and reinvested in accordance with the provisions described in the immediately preceding paragraph.

The Trustee may commingle any of the Accounts established pursuant to the Indenture or any supplemental indenture into a separate fund or funds for investment purposes only; provided, however, that all Accounts held by the Trustee under the Indenture shall be accounted for

separately notwithstanding such commingling. In addition, for investment purposes only, the Trustee may, at its sole discretion, commingle any of the Accounts established under any other indenture, resolution, or agreement of the Corporation with the Trustee, to the extent permitted therein.

#### **Valuation and Sale of Investments (Section 404)**

Except as provided in the Indenture, in computing the amount in any Account, obligations purchased as an investment of moneys therein shall be valued at amortized value. Amortized value means par, if the obligation was purchased at par, or, when used with respect to an obligation purchased at a premium above or a discount below par, means the value as of any given time obtained by dividing the total premium or discount at which such obligation was purchased by the number of interest payments remaining on such obligation after such purchase and deducting the amount thus calculated for each Interest Payment Date after such purchase from the purchase price in the case of an obligation purchased at a premium or adding the amount thus calculated for each Interest Payment Date after such purchase to the purchase price in the case of an obligation purchased at a discount.

#### **Establishment of Accounts (Section 501)**

The Indenture establishes and creates the following Accounts and Subaccounts:

- (1) Program Account and, within the Program Account, Program Subaccounts;
- (2) Revenue Account; and
- (3) Rebate Account.

The Corporation may establish with the Trustee additional accounts and subaccounts in a supplemental indenture for the purpose of creating additional security for a Series of Bonds and may provide in such supplemental indenture that such account is only for the security of such Series of Bonds and not to secure any other bonds of the Corporation, including any other Bonds issued under the Indenture.

#### **Program Account (Section 502)**

The Program Account consists of, and there may be created and established, one or more Program Subaccounts for each Series of Bonds as required by the supplemental indenture authorizing such Series.

#### **Revenue Account (Section 503)**

The Corporation shall pay or cause to be paid to the Trustee, at least two Business Days prior to the due date thereof, assets and revenues of the Corporation as may be available (subject to agreements made with holders of other obligations of the Corporation pledging particular assets and revenues and the exclusion by the Act of a pledge of funds in the Housing Development Fund) as needed to make all payments of principal, interest and premium with respect to the Bonds and any other payments required by the Indenture or by any supplemental

indenture authorizing the issuance of a Series of Bonds. The Trustee shall deposit such amounts in the Revenue Account or, if required under the terms of a supplemental indenture authorizing the issuance of a Series of Bonds, in such subaccount thereof as may be created by such supplemental indenture for such Series of Bonds. There shall also be deposited in the Revenue Account, or subaccount thereof if applicable, any other amounts required to be deposited therein pursuant to the Indenture or a supplemental indenture.

The Revenue Account may consist of, and there may be created and established, one or more Revenue Subaccounts for each Series of Bonds (and subaccounts of such Revenue Subaccounts for any subseries of such Series) as required by the supplemental indenture authorizing such Series. Amounts deposited in a Revenue Subaccount may be used only for the purposes stated in the supplemental indenture creating such Revenue Subaccount.

The Trustee shall pay out of the Revenue Account:

(i) on each Interest Payment Date, the amounts required for the payment of principal due, if any, and interest due on the Bonds on such date; and

(ii) on any Redemption Date or date of purchase, the amounts required for the payment of accrued interest on the Bonds and for the payment of principal and Sinking Fund Payments to become due on the Bonds to be redeemed or purchased on such date, unless the payment of such accrued interest is otherwise provided for, and in each such case, such amounts will be applied by the Trustee to such payments or to reimburse any Credit Enhancer for any such payment made with any such Credit Enhancer's Credit Enhancement. The Trustee shall deliver written notice to the Corporation (which may be by facsimile transmission or otherwise) on the day before any payment required by the preceding sentence if on such date there are not sufficient funds in the Revenue Account to make such required payment, which notice shall include a statement of the amount of such deficiency.

As soon as practicable after the 45th day preceding the due date of any Sinking Fund Payment, the Trustee shall proceed to call for redemption on such due date, Bonds of the Series and maturity for which such Sinking Fund Payment was established in such amount as shall be necessary to complete the retirement of a principal amount of such Bonds of such maturity equal to the unsatisfied balance of such Sinking Fund Payment. The Trustee shall so call such Bonds for redemption whether or not it then has moneys in the Revenue Account sufficient to pay the applicable Redemption Price thereof on the Redemption Date. The Trustee shall pay out of the Revenue Account on the Redemption Date the amount required for the redemption of the Bonds so called for redemption, and such amount shall be applied by the Trustee to such redemption.

Upon written instruction from the Corporation at any time, the Trustee shall apply amounts in the Revenue Account to the purchase of Outstanding Bonds in lieu of any redemption of such Bonds pursuant to the supplemental indenture applicable to such Bonds, and upon such purchase such Bonds shall be canceled. The Corporation shall notify the Trustee three Business Days before any date that the Corporation intends to instruct the Trustee to purchase Bonds, and, on the date of any such purchase, the Trustee shall notify the Credit Enhancer, if any, that has provided Credit Enhancement applicable to such Bonds. Any purchases shall be settled on such dates as the Corporation and the Trustee mutually agree will permit the Trustee to proceed with

the payment of interest on any Bonds remaining Outstanding after such purchase on the applicable Interest Payment Date or with the redemption of any Bonds remaining Outstanding after such purchase on the applicable redemption date. The price paid by the Trustee for any Bond (excluding accrued interest on such Bonds, but including any brokerage and other charges) purchased pursuant to this paragraph shall not exceed the Redemption Price thereof. The Trustee will also pay from the Revenue Account accrued interest on any such Bond. Subject to the above limitations, the Trustee shall, at the written direction of the Corporation, purchase Bonds at such times, for such prices, in such amounts, and in such manner (whether after advertisement for tenders or otherwise) as the Corporation may determine and as may be possible with the amount of money available in the Revenue Account.

On the day following the payment of principal or interest with respect to the Bonds, the Trustee shall make transfers and payments from amounts remaining in the Revenue Account in the manner directed in writing by the Corporation or as provided in a supplemental indenture authorizing the issuance of a Series of Bonds.

#### **Rebate Account (Section 504)**

The Rebate Account is not pledged to secure the payment of principal or Redemption Price, if any, of or any interest on the Bonds.

The Corporation shall determine the Rebate Amount in accordance with the Code. If the Corporation determines that a Rebate Amount is required to be paid, the Corporation shall deposit such amount in the Rebate Account with written instructions to the Trustee to pay such amount to the Federal government. The Trustee shall make such payment in accordance with such written instructions.

If the amount in the Rebate Account exceeds the Rebate Amount, the Corporation may direct the Trustee in writing to withdraw such excess amount and deliver it to the Corporation, and, upon receipt of such written direction, the Trustee shall so withdraw and deliver such excess amounts free and clear of the lien of the Indenture.

#### **Payment of Redeemed Bonds (Section 606)**

Notice having been given by mailing in the manner provided in the Indenture, the Bonds or portion thereof so called for redemption will become due and payable on the Redemption Date so designated at the Redemption Price, plus interest accrued and unpaid to the Redemption Date. If there shall be drawn for redemption less than the entire principal amount of a Bond, the Corporation shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered Bonds of like Series, interest rate and maturity in any of the Authorized Denominations. If, on the Redemption Date, moneys for the redemption of all the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest to the Redemption Date, are held by the Trustee so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the Redemption Date interest on the Bonds or portions thereof of such Series and maturities so called for redemption shall cease to accrue and become payable. If said moneys are not so available on the

Redemption Date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

#### **Payment of Bonds (Section 701)**

The Corporation shall duly and punctually pay or cause to be paid the principal or Redemption Price, if any, of and the interest on every Bond at the dates and places and in the manner stated in the Bonds and in the Indenture according to the true intent and meaning thereof and will duly and punctually pay or cause to be paid all Sinking Fund Payments, if any, becoming payable with respect to any of the Bonds.

#### **Power to Issue Bonds and Pledge Revenues and Other Property (Section 704)**

The Corporation is duly authorized by law to authorize and issue the Bonds and to enter into, execute and deliver the Indenture and to pledge the assets and revenues purported to be pledged by the Indenture in the manner and to the extent provided in the Indenture. Except as provided in the Indenture and in the supplemental indentures authorizing the issuance of any Series of Bonds, the assets and revenues so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon, or with respect thereto prior to, or of equal rank with, the pledge created by the Indenture, and all corporate or other action on the part of the Corporation to that end has been or will be duly and validly taken. The Bonds and the provisions of the Indenture are and will be the valid and legally enforceable obligations of the Corporation in accordance with their terms and the terms of the Indenture. The Corporation directs that the Trustee shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the revenues and other assets, including rights therein pledged under the Indenture and in the supplemental indentures and all the rights of the Bondholders under the Indenture against all claims and demands of all persons whomsoever, and the Corporation shall cooperate in all such matters.

#### **Tax Covenants (Section 706)**

With respect to Bonds, the interest on which was, at the time of initial issuance of the Bonds, intended to be excluded from gross income for Federal income tax purposes, the Corporation shall not knowingly take or cause any action to be taken which will adversely affect such exclusion. The Corporation shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid on such Bonds will, for the purposes of Federal income taxation, be excludable from the gross income of the recipients thereof and exempt from such taxation pursuant to the provisions of Section 103 of the Code, and the Regulations promulgated thereunder.

The Corporation shall not knowingly permit at any time or times any of the proceeds of such Bonds described in the immediately preceding paragraph or any other funds of the Corporation to be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any such Bond to be an “arbitrage bond” as defined in Section 148 of the Code.

## **Accounts and Reports (Section 707)**

The Corporation shall keep, or cause to be kept, proper books and reports in which complete and accurate entries will be made of all transactions relating to any programs for which Bonds are issued and all Accounts established by the Indenture, which books and reports and accountings shall at all reasonable times be subject to inspection by the Trustee, each Credit Enhancer and the holders of an aggregate of not less than 5% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

The Trustee shall advise the Corporation, in writing, on or before the 20th day of each calendar month, of the details of all deposits and Investment Securities held for the credit of each Fund and Account in its custody under the provisions of the Indenture as of the end of the preceding month. The Trustee shall also maintain, at the expense of the Corporation, an electronic access system which the Corporation may use to access the balances and respective investment holdings of each fund or account on a daily basis.

## **Supplemental Indentures (Sections 801, 802 and 803)**

For any one or more of the following purposes and at any time or from time to time, a supplemental indenture may be entered into by and between the Corporation and the Trustee: (a) to provide for the issuance of a Series of Bonds and to fix or modify the terms of the Indenture with respect to a Series of Bonds or the creation of a Subseries of Bonds; (b) to add to the covenants and agreements of the Corporation in the Indenture other covenants and agreements to be observed by the Corporation which are not contrary to or inconsistent with the Indenture as theretofore in effect; (c) to add to the limitations and restrictions in the Indenture other limitations and restrictions to be observed by the Corporation which are not contrary to or inconsistent with the Indenture as theretofore in effect; (d) to surrender any right, power or privilege reserved to or conferred upon the Corporation by the terms of the Indenture, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the Indenture; (e) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture of any revenues or assets; (f) to modify the Indenture in any respect if:

(i) (A) such modification shall be, and be expressed to be, effective only with respect to Bonds issued after the date of the adoption of such supplemental indenture and (B) such supplemental indenture shall be specifically referred to in the text of all Bonds authenticated and delivered after the date of the adoption of such supplemental indenture and of Bonds issued in exchange therefor or in place thereof, or

(ii) such change affects only Bonds which are subject to mandatory tender for purchase and such change is effective as of a date for such mandatory tender; or

(g) to provide for such terms as may be necessary to obtain or maintain the ratings on the Bonds or to provide for Credit Enhancement or other additional security for any Bonds.

At any time or from time to time a supplemental indenture may be entered into, which, upon a finding recited therein by the Corporation and the Trustee (which will be based on

reliance on a Bond Counsel's Opinion) that there is no material adverse effect on the Bondholders, shall be fully effective in accordance with its terms:

- (a) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Indenture;
- (b) to insert such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable and are not contrary to or inconsistent with the Indenture as theretofore in effect;
- (c) to provide additional duties of the Trustee; or
- (d) to make any other changes not materially adverse to the interests of the Bondholders.

At any time or from time to time, a supplemental indenture may be entered into subject to consent by Bondholders in accordance with and subject to the provisions of the Indenture, which supplemental indenture, upon compliance with the provisions of the Indenture, shall become fully effective in accordance with its terms as provided in the Indenture.

#### **Amendment (Sections 902 and 903)**

Any modification of or amendment to the Indenture and of the rights and obligations of the Corporation and of the holders of the Bonds may be made by a supplemental indenture with the written consent given as provided in the Indenture of the holders of at least 60% in principal amount of the Bonds Outstanding at the time such consent is given and in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the holders of at least 60% in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given. If any such modification or amendment will not take effect so long as any Bonds of any specified maturity remain Outstanding, however, the consent of the holders of such Bonds shall not be required and any such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this paragraph. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount of the Redemption Price thereof or in the rate of interest thereon without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds, the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify its written assent thereto. For the purposes of this paragraph, a Series shall be deemed to be affected by a modification or amendment of the Indenture if the same adversely affects or diminishes the rights of the holders of Bonds of such Series. The Trustee may in its sole discretion determine whether or not in accordance with the foregoing powers of amendment Bonds of any particular Series or maturity would be affected by any modification or amendment of the Indenture and any such determination shall be binding and conclusive on the Corporation and all holders of Bonds.

Such supplemental indenture shall not be effective unless and until (a) there shall have been filed with the Trustee (i) the written consents of holders of the percentages of Outstanding Bonds specified in the immediately preceding paragraph and (ii) a Bond Counsel's Opinion

stating that such supplemental indenture has been duly and lawfully entered into by the Corporation and the Trustee in accordance with the provisions of the Indenture, is authorized or permitted thereby and is valid and binding upon the Corporation and enforceable in accordance with its terms and (b) notice shall have been mailed to Bondholders as provided in the Indenture.

#### **Modifications by Unanimous Consent (Section 904)**

The terms and provisions of the Indenture and the rights and obligations of the Corporation and of the holders of the Bonds may be modified or amended in any respect upon the entering into and filing by the Corporation of a supplemental indenture and the consent of the holders of all the Bonds then Outstanding, such consent to be given as provided in the Indenture, except that no notice of any such modification or amendment to Bondholders is required; but no such modification or amendment may change or modify any of the rights or obligations of the Trustee without the filing with the Trustee of the written assent thereto of the Trustee in addition to the consent of the Bondholders.

#### **Events of Default (Section 1001)**

Each of the following is declared an “Event of Default”: (a) the Corporation defaults in the payment of the principal of or Redemption Price, if any, on any Bond when and as the same shall become due, whether at maturity or upon call for redemption or otherwise; (b) payment of any installment of interest on any of the Bonds is not made when and as the same becomes due; (c) the Corporation fails or refuses to comply with any of the provisions of the Indenture, or defaults in the performance or observance of any of the covenants, agreements or conditions on its part contained in the Indenture or in any supplemental indenture or in the Bonds, and such failure, refusal or default continues for a period of 45 days after written notice thereof given to the Corporation by the Trustee or the holders of not less than 25% in principal amount of the Outstanding Bonds; or (d) any event designated an Event of Default by a supplemental indenture has occurred and remains uncured.

#### **Remedies (Section 1002)**

Upon the happening and continuance of an Event of Default described in clauses (a) or (b) under “Summary of Certain Provisions of the Indenture — Events of Default,” the Trustee shall proceed to protect and enforce its rights and the rights of the Bondholders by such of the remedies described herein as the Trustee, being advised by counsel, deems most effectual to protect and enforce such rights. Upon the happening and continuance of any Event of Default described in clauses (c) or (d) under “Summary of Certain Provisions of the Indenture — Events of Default,” the Trustee may proceed to enforce such rights and, upon the written request of the holders of not less than 25% in principal amount of the Outstanding Bonds, shall proceed to enforce such rights in its own name, subject to the provisions of the Indenture. The remedies available to the Trustee under the Indenture are: (a) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders or the Trustee, including the right to require the Corporation to receive and collect the revenues and assets adequate to carry out the covenants and agreements as to, and the pledge of, such revenues and assets and to require the Corporation to carry out any other covenants or agreements with Bondholders and to perform its duties under the Act; (b) by bringing suit upon the Bonds; (c) by action or suit in

equity, to require the Corporation to account as if it were the trustee of an express trust for the holders of the Bonds; (d) by action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds; or (e) by declaring all Bonds due and payable, and if all defaults are cured, then, with the written consent of the holders of not less than 25% in principal amount of the Outstanding Bonds, by annulling such declaration and its consequences; provided, however, that no such declaration with respect to Bonds secured by Credit Enhancement may be annulled, regardless of any consent of Bondholders, unless and until the Credit Enhancer has verified to the Trustee in writing that the Credit Enhancement is in effect with respect to such Bonds to the same extent that it would have been in effect had the declaration not been made.

In the enforcement of any rights and remedies under the Indenture, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming due, and at any time remaining due and unpaid for principal, Redemption Price, interest or otherwise, under any provisions of the Indenture or a supplemental indenture or of the Bonds, with interest on overdue payments at the rate of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings thereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce a judgment or decree for any portion of such amounts remaining unpaid, with interest, costs and expenses (including without limitation pre-trial, trial and appellate attorney fees), and to collect from any assets pledged under the Indenture, in any manner provided by law, the moneys adjudged or decreed to be payable.

Upon the occurrence of any Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bondholders under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the revenues and of the assets pledged under the Indenture, pending such proceedings, with such powers as the court making such appointment shall confer.

A supplemental indenture may contain provisions granting to any Credit Enhancer the power to control the enforcement of remedies described under this heading “Summary of Certain Provisions of the Indenture — Remedies” with respect to the Series of Bonds to which the Credit Enhancement provided by the Credit Enhancer applies.

### **Priority of Payments after Default (Section 1003)**

In the event that upon the happening and continuance of any Event of Default the funds held by the Trustee shall be insufficient for the payment of principal or Redemption Price, if any, and interest then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other amounts received or collected by the Trustee acting pursuant to the Act and the Indenture, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the holders of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee, including those of its attorneys, in the performance of its duties under the Indenture shall be applied as follows:

(i) Unless the principal of all of the Bonds shall have become or have been declared due and payable:

*First*, to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available is not sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installments, to the persons entitled thereto, without any discrimination or preference; and

*Second*, to the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all of the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

(ii) If the principal of all of the Bonds shall have become or shall have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

Whenever moneys are to be applied by the Trustee pursuant to the above-described provisions, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, and the Trustee shall incur no liability whatsoever to the Corporation, to any Bondholder or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of the Indenture as may be applicable at the time of application by the Trustee.

#### **Bondholders' Direction of Proceedings (Section 1005)**

Anything in the Indenture to the contrary notwithstanding, the holders of the majority in principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee under the Indenture, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

#### **Limitation on Rights of Bondholders (Section 1006)**

No holder of any Bond will have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the Indenture, or for the protection or enforcement of any right under the Indenture unless such holder has given to the Trustee written notice of the

Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the holders of not less than 25% in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Indenture or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under the Indenture or for any other remedy under the Indenture or by law. It is understood and intended that no one or more holders of the Bonds shall have any right in any manner whatsoever by his or their action to affect, disturb or prejudice the security of the Indenture, or to enforce any right under the Indenture or under law with respect to the Bonds or the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity will be instituted, and maintained in the manner provided in the Indenture and for the benefit of all holders of the Outstanding Bonds. Nothing contained in the Indenture shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on, or Redemption Price, if any, of his or her Bonds, or the obligation of the Corporation to pay the principal of and interest on, or Redemption Price, if any, of each Bond issued under the Indenture to the holder thereof at the time and place specified in said Bond.

Notwithstanding anything to the contrary contained in the Indenture, each holder of any Bond by his acceptance thereof shall be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under the Indenture or any supplemental indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of any undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions described in this paragraph shall not apply to any suit instituted by the Trustee, to any suit instituted by any Bondholder, or group of Bondholders, holding at least 25% in principal amount of the Bonds Outstanding, or to any suit instituted by any Bondholder for the enforcement of the payment of the principal of or interest on any Bond on or after the respective due date thereof expressed in such Bond.

#### **Trustee (Article XI)**

Except during the existence of an Event of Default, the Corporation shall remove the Trustee, on thirty (30) days' notice, if requested by an instrument or concurrent instruments in writing, filed with the Trustee and the Corporation and signed by the holders of a majority in principal amount of the Bonds then Outstanding or their attorney-in-fact duly authorized, excluding any Bonds held by or for the account of the Corporation. Except during the existence of an Event of Default, the Corporation may remove the Trustee at any time for any such cause as determined in the sole discretion of the Corporation. Any successor to the Trustee must be a trust company or a bank having the powers of a trust company and having a capital, surplus and

undivided profits aggregating at least \$25 million. The Corporation is required to pay to the Trustee from time to time, reasonable compensation for all services rendered under the Indenture and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in the performance of their powers and duties under the Indenture.

### **Defeasance (Section 1201)**

If the Corporation shall pay or cause to be paid to the holders of the Bonds the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Indenture, then the pledge of any revenues and other moneys, securities, funds and property pledged by the Indenture and all other rights granted by the Indenture with respect to such Bonds shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Corporation, execute and deliver to the Corporation all such instruments as may be desirable to evidence such discharge and satisfaction and the Trustee shall pay over or deliver to the Corporation all moneys or securities held by the Trustee pursuant to the Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption. If the Corporation shall pay or cause to be paid, or there shall otherwise be paid, to the holders of all Outstanding Bonds of a particular Series the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, such Bonds shall cease to be entitled to any lien, benefit or security under the Indenture and all covenants, agreements and obligations of the Corporation to the holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid with the effect expressed in the immediately preceding paragraph if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Corporation shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Government Obligations the principal of and the interest on which when due will provide moneys in an amount which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, in the opinion of an Accountant, to pay when due the principal or Redemption Price, if any, of and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof as the case may be, and (iii) in the event said Bonds do not mature and are not by their terms subject to redemption within the next succeeding 60 days, the Corporation shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the holders of such Bonds that the deposit required by (ii) above of this paragraph has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Indenture and stating such maturity or Redemption Date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, on said Bonds. Neither Government Obligations nor moneys deposited with the Trustee nor principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if any, of and interest on said Bonds; but any cash received from such principal or interest payments on such Government Obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent

practicable, be reinvested in Government Obligations maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if any, and interest to become due on said Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Corporation, as received by the Trustee, free and clear of any trust, lien or pledge. There shall also be delivered to the Trustee in connection with the deposit of moneys or Government Obligations a Bond Counsel's Opinion that, with respect to Bonds the interest on which was intended at the time of their initial issuance to be excluded from gross income for Federal income tax purposes, the deposit of moneys does not adversely affect the exclusion of interest on the Bonds from gross income for Federal income tax purposes and such deposit has been made in compliance with the Indenture.

Anything in the Indenture to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for two years after the date when all of the Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the said date when all of the Bonds became due and payable, shall, at the written request of the Corporation, be repaid by the Trustee to the Corporation, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged.

## **TAX MATTERS**

### **Opinions of Bond Counsel and Special Tax Counsel**

In the opinions of Bond Counsel and Special Tax Counsel, to be delivered on the date of issuance of the Offered Bonds, assuming compliance with certain covenants which are designed to meet the requirements of the Code, under existing laws, regulations, rulings and judicial decisions, (i) interest on the Offered Bonds is excluded from gross income for Federal income tax purposes and (ii) interest on the Offered Bonds is not a specific preference item for purposes of the alternative minimum tax provisions imposed on individuals and corporations by the Code; however, interest on the Offered Bonds is included in the adjusted current earnings (i.e., alternative minimum taxable income as adjusted for certain items including those items that would be included in the calculation of a corporation's earnings and profits under Subchapter C of the Code) of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

In the opinion of Bond Counsel, interest on the Offered Bonds is free from taxation by the State under existing law (*except* that no opinion is expressed as to such exemption from State estate and inheritance taxes and taxes of transfers by or in anticipation of death).

### **Compliance**

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for Federal income tax purposes of interest on obligations such as the Offered Bonds, including compliance with restrictions on the yield of investments and

periodic rebate payments to the Federal government. The Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 of the Corporation, which will be delivered concurrently with the delivery of the Offered Bonds, will contain provisions and procedures relating to compliance with such requirements of the Code. The Corporation also has covenanted in the Indenture to do and perform all acts and things permitted by law and necessary or desirable to assure that interest paid on the Offered Bonds shall not be included in gross income for Federal income tax purposes. Failure to comply with these covenants may result in interest on the Offered Bonds being included in gross income for Federal income tax purposes from the date of issuance of the Offered Bonds. The opinions of Bond Counsel and Special Tax Counsel assume the Corporation is in compliance with these covenants. Bond Counsel and Special Tax Counsel are not aware of any reason why the Corporation cannot or will not be in compliance with such covenants. *However*, Bond Counsel and Special Tax Counsel have not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Offered Bonds may affect the tax status of interest on the Offered Bonds.

### **Original Issue Discount**

Offered Bonds sold at an initial public offering price that is less than the stated amount to be paid at maturity constitute “Discount Bonds.” The difference between the initial public offering prices of any such Discount Bond and the stated amount to be paid at maturity constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes to the same extent as interest on such Discount Bond.

The amount of original issue discount which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received upon disposition of such Discount Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days that are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond.

### **Original Issue Premium**

Offered Bonds sold at an initial public offering price that is greater than the stated amount to be paid at maturity constitute “Premium Bonds.” An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of Premium Bonds should consult with their tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

### **Backup Withholding**

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Offered Bonds is subject to information reporting in a manner similar to that with respect to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. This reporting requirement does not in and of itself affect or alter the excludability of interest on the Offered Bonds from gross income for Federal income tax purposes or any other Federal tax consequence of purchasing, holding or selling tax-exempt obligations.

### **Certain Additional Federal Tax Consequences**

The foregoing is a brief discussion of certain Federal and State income tax matters with respect to the Offered Bonds under existing statutes. It does not purport to deal with all aspects of Federal or State taxation that may be relevant to a particular owner of Offered Bonds. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal, State and local tax consequences of owning and disposing of the Offered Bonds.

Although Bond Counsel and Special Tax Counsel will each render an opinion that interest on the Offered Bonds will be excluded from gross income for Federal income tax purposes, the accrual or receipt of interest on the Offered Bonds may otherwise affect the Federal income tax liability of the recipient. The extent of these other tax consequences will

depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel and Special Tax Counsel express no opinion regarding any such consequences. Purchasers of the Offered Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions or recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise entitled to claim the earned income credit and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations, are advised to consult their tax advisors as to the tax consequences of purchasing, holding or selling the Offered Bonds.

### **Changes in Federal and State Tax Law**

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Offered Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Offered Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Offered Bonds or the market value thereof would be impacted thereby. Purchasers of the Offered Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel and Special Tax Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Offered Bonds, and Bond Counsel and Special Tax Counsel have expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

### **CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12**

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule"), the Corporation will execute and deliver a Continuing Disclosure Certificate. The Corporation will undertake to provide the Municipal Securities Rulemaking Board, on an annual basis on or before 135 days after the end of each fiscal year for the Corporation, commencing with the fiscal year ending June 30, 2015, the financial and operating data concerning the Corporation outlined in the Continuing Disclosure Certificate. In addition, the Corporation will undertake, for the benefit of the registered owners and beneficial owners of the Offered Bonds, to provide to the Municipal Securities Rulemaking Board, the notices described in the Continuing Disclosure Certificate by the times set forth therein.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Certificate is an action to compel specific performance of the undertakings of the Corporation, and no person, including a registered owner or beneficial owner of the Offered Bonds, may recover monetary damages thereunder under any circumstances. A breach or default under the Continuing Disclosure Certificate shall not constitute an Event of Default under the Indenture. In addition, if all or any part of the Rule ceases to be in effect for any reason, then the

information required to be provided under the Continuing Disclosure Certificate, insofar as the provision of the Rule no longer in effect required the provision of such information, shall no longer be required to be provided.

The specific nature of the information to be provided is summarized in Appendix D — “Form of Continuing Disclosure Certificate.”

## **RATINGS OF THE OFFERED BONDS**

S&P has assigned the Offered Bonds a rating of “AA+” and Fitch has assigned the Offered Bonds a rating of “AA+”. The Corporation has furnished to each rating agency certain information and materials with respect to the Offered Bonds. Generally, rating agencies base their ratings on such information and materials, and on investigations, studies and assumptions made by the rating agencies. The obligation of the Underwriters to purchase the Offered Bonds is conditioned on the assignment by S&P and Fitch of the respective aforementioned ratings to the Offered Bonds. Each rating reflects only the view of the applicable rating agency at the time such rating was issued and an explanation of the significance of such rating may be obtained from the rating agency. There is no assurance that any such rating will continue for any given period of time or that any such ratings will not be revised downward or withdrawn entirely by the applicable rating agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of any such rating can be expected to have an adverse effect on the market price of the Offered Bonds.

## **FINANCIAL STATEMENTS**

The unaudited financial statements of the Corporation as of and for the three months ended September 30, 2014, included in Appendix A to this Official Statement, appear without review or audit by an independent accountant.

The Corporation’s financial statements as of and for the year ended June 30, 2014, included in Appendix A to this Official Statement, have been audited by BDO USA, LLP, independent auditors, as stated in their report appearing herein.

## **LITIGATION**

There is no controversy or litigation of any material nature now pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Offered Bonds, or in any way contesting or affecting the validity of the Offered Bonds or any proceedings of the Corporation taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Offered Bonds or the existence or powers of the Corporation.

## **LEGAL MATTERS**

All legal matters incident to the authorization, sale and delivery of the Offered Bonds and certain Federal and state tax matters are subject to the approval of the Law Office of Kenneth E. Vassar, LLC, Bond Counsel. Certain Federal tax matters will be passed upon for the Corporation by Kutak Rock LLP, Special Tax Counsel. Certain legal matters will be passed on for the Underwriters by their counsel, Hawkins Delafield & Wood LLP.

## **STATE NOT LIABLE ON BONDS**

The Bonds do not constitute a debt, liability or obligation of the State or of any political subdivision thereof or a pledge of the faith and credit of the State or of any political subdivision thereof, but are payable solely from the revenue or assets of the Corporation.

## **LEGALITY FOR INVESTMENT**

Subject to any applicable federal requirements or limitations, the Offered Bonds are eligible for investment by all public officers and public bodies of the State and its political subdivisions, and, to the extent controlled by State law, all insurance companies, trust companies, banking associations, investment companies, executors, administrators, trustees and other fiduciaries may properly and legally invest funds, including capital in their control or belonging to them, in the Offered Bonds.

## **UNDERWRITING**

The Offered Bonds are being purchased by the Underwriters. The Underwriters have jointly and severally agreed to purchase the Offered Bonds at the price of \$129,906,717.20 (equal to the principal amount of the Offered Bonds, plus original issue premium of \$18,371,717.20), plus accrued interest, if any. The Underwriters will be paid a fee of \$289,991 with respect to the Offered Bonds. The Bond Purchase Agreement with respect to the Offered Bonds provides that the Underwriters will purchase all of such Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such Bond Purchase Agreement, the receipt of certain legal opinions, and certain other conditions. The initial public offering prices and yields of the Offered Bonds may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Offered Bonds to certain dealers (including dealers depositing such Bonds into unit investment trusts, certain of which may be sponsored or managed by an Underwriter) and others at prices lower or yields higher than the public offering prices and yields of the Offered Bonds set forth on the inside cover page.

The following paragraph has been provided by Citigroup Global Markets Inc.:

Citigroup Global Markets Inc., one of the Underwriters of the Offered Bonds, has entered into a retail distribution agreement with UBS Financial Services Inc. ("UBSFS"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal services to retail investors through the financial advisor network of UBSFS. As part of this arrangement,

Citigroup Global Markets Inc. may compensate UBSFS for its selling efforts with respect to the Offered Bonds.

The following paragraph has been provided by J.P. Morgan Securities LLC:

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the Offered Bonds, has entered into a negotiated dealer agreement (the “Dealer Agreement”) with Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings, including the Offered Bonds, at the original issue prices. Pursuant to the Dealer Agreement, CS&Co. will purchase Offered Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Offered Bonds that CS&Co. sells.

The following paragraph has been provided by Morgan Stanley & Co. LLC:

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, one of the Underwriters of the Offered Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Offered Bonds.

The following two paragraphs have been provided by the Underwriters:

Purchasers of the Offered Bonds should be aware that the delivery date of the Offered Bonds is anticipated to be March 19, 2015. The Underwriters are obligated to purchase the Offered Bonds from the Corporation on or about March 19, 2015, subject to certain terms and conditions included in the Bond Purchase Agreement. Purchasers of the Offered Bonds should evaluate any risk that the Offered Bonds may not be delivered on the delivery date, due to the extended period between pricing and delivery of the Offered Bonds and the conditions related to the Underwriters’ purchase of the Offered Bonds.

Each of the Underwriters and its affiliates is a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Each of the Underwriters and its affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the Corporation, for which they may have received or will receive customary fees and expenses. In the ordinary course of their various business activities, each of the Underwriters and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Corporation. Each of the Underwriters and its affiliates may hold bonds that the Corporation is refunding through the issuance of the Offered Bonds and as a result may receive proceeds from such refunding.

## **FINANCIAL ADVISOR**

First Southwest Company, LLC is employed as Financial Advisor to the Corporation in connection with the issuance of the Offered Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Offered Bonds is contingent upon the issuance and delivery of the Offered Bonds. First Southwest Company, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Offered Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the Corporation has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Corporation and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

## **FORWARD-LOOKING STATEMENTS**

The following statements are made as contemplated by the provisions of the Private Securities Litigation Reform Act of 1995: If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties include, among others, general economic and business conditions relating to the Corporation and the housing industry in general, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the Corporation. These forward-looking statements speak only as of the date of this Official Statement. The Corporation disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the Corporation's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

## **ADDITIONAL INFORMATION**

The summaries and references herein to the Act, the Offered Bonds, the Indenture and other documents and materials are brief outlines of certain provisions contained therein and do not purport to summarize or describe all the provisions thereof. For further information, reference is hereby made to the Act, the Indenture and such other documents and materials for the complete provisions thereof, copies of which will be furnished by the Corporation upon request. See "The Corporation — General" for the address and telephone number of the Corporation's main office.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Corporation and the owner of any Offered Bonds.

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## **APPENDIX A**

### **FINANCIAL STATEMENTS OF THE CORPORATION**

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*a component unit of the State of Alaska*

**Quarterly Unaudited  
Financial Statements  
September 30, 2014**

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This is a publication of Alaska Housing Finance Corporation. For comments or questions:

Website: <http://www.ahfc.us/pros/investors/financials-history/> or

E-Mail: [dboyce@ahfc.us](mailto:dboyce@ahfc.us)

**ALASKA HOUSING FINANCE CORPORATION**

(A Component Unit of the State of Alaska)

**STATEMENT OF NET POSITION**

As of September 30, 2014

(in thousands of dollars)

|                                                   | Administrative<br>Fund | Grant<br>Programs | Mortgage<br>or Bond<br>Funds | Other<br>Funds or<br>Programs |
|---------------------------------------------------|------------------------|-------------------|------------------------------|-------------------------------|
| <b>ASSETS</b>                                     |                        |                   |                              |                               |
| Cash                                              | 30,100                 | 9,248             | 48                           | 30,208                        |
| Investments                                       | 668,532                | -                 | 386,486                      | 11,118                        |
| Accrued interest receivable                       | 2,078                  | -                 | 10,415                       | 55                            |
| Inter-fund due to/from                            | (8,296)                | (10,588)          | 35,574                       | (14,084)                      |
| Mortgage loans, notes and other loans             | 142,607                | -                 | 2,437,481                    | -                             |
| Net investment in direct financing lease          | -                      | -                 | 43,159                       | -                             |
| Capital assets - non-depreciable                  | 139                    | -                 | 2,400                        | 13,685                        |
| Capital assets - depreciable, net                 | 3,757                  | 50                | 10,183                       | 84,004                        |
| Other assets                                      | 7,864                  | 11,655            | -                            | 536                           |
| Derivative instrument - interest rate swaps       | -                      | -                 | -                            | -                             |
| Intergovernmental receivable                      | 463                    | 9,697             | -                            | 7                             |
| <b>Total Assets</b>                               | <b>847,244</b>         | <b>20,062</b>     | <b>2,925,746</b>             | <b>125,529</b>                |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>              |                        |                   |                              |                               |
|                                                   | -                      | -                 | 156,414                      | -                             |
| <b>LIABILITIES</b>                                |                        |                   |                              |                               |
| Bonds payable                                     | -                      | -                 | 2,321,434                    | -                             |
| Short term debt                                   | 67,497                 | -                 | -                            | -                             |
| Accrued interest payable                          | 1,978                  | -                 | 27,345                       | -                             |
| Other liabilities                                 | 8,319                  | 2,021             | 1,610                        | 1,740                         |
| Derivative instrument - interest rate swaps       | -                      | -                 | 139,764                      | -                             |
| Intergovernmental payable                         | -                      | -                 | 47                           | -                             |
| <b>Total Liabilities</b>                          | <b>77,794</b>          | <b>2,021</b>      | <b>2,490,200</b>             | <b>1,740</b>                  |
| <b>DEFERRED INFLOW OF RESOURCES</b>               |                        |                   |                              |                               |
|                                                   | -                      | -                 | -                            | -                             |
| <b>NET POSITION</b>                               |                        |                   |                              |                               |
| Net investment in capital assets                  | 3,896                  | 50                | 12,583                       | 97,689                        |
| Restricted by bond resolutions                    | -                      | -                 | 572,417                      | -                             |
| Restricted by contractual or statutory agreements | 56,099                 | 19,557            | 28,733                       | 26,592                        |
| Unrestricted or (deficit)                         | 709,455                | (1,566)           | (21,773)                     | (492)                         |
| <b>Total Net Position</b>                         | <b>769,450</b>         | <b>18,041</b>     | <b>591,960</b>               | <b>123,789</b>                |

See accompanying notes to the financial statements.

Exhibit A

| Total<br>Programs and<br>Funds | Alaska<br>Corporation<br>for Affordable<br>Housing | Total<br>September 30,<br>2014 |
|--------------------------------|----------------------------------------------------|--------------------------------|
| 69,604                         | 860                                                | 70,464                         |
| 1,066,136                      | -                                                  | 1,066,136                      |
| 12,548                         | -                                                  | 12,548                         |
| 2,606                          | (2,606)                                            | -                              |
| 2,580,088                      | -                                                  | 2,580,088                      |
| 43,159                         | -                                                  | 43,159                         |
| 16,224                         | 4,600                                              | 20,824                         |
| 97,994                         | -                                                  | 97,994                         |
| 20,055                         | 1,378                                              | 21,433                         |
| -                              | -                                                  | -                              |
| 10,167                         | -                                                  | 10,167                         |
| 3,918,581                      | 4,232                                              | 3,922,813                      |
| 156,414                        | -                                                  | 156,414                        |

|           |   |           |
|-----------|---|-----------|
| 2,321,434 | - | 2,321,434 |
| 67,497    | - | 67,497    |
| 29,323    | - | 29,323    |
| 13,690    | 1 | 13,691    |
| 139,764   | - | 139,764   |
| 47        | - | 47        |
| 2,571,755 | 1 | 2,571,756 |
| -         | - | -         |

|           |         |           |
|-----------|---------|-----------|
| 114,218   | 4,600   | 118,818   |
| 572,417   | -       | 572,417   |
| 130,981   | 1,378   | 132,359   |
| 685,624   | (1,747) | 683,877   |
| 1,503,240 | 4,231   | 1,507,471 |

# ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Three Months Ended September 30, 2014

(in thousands of dollars)

|                                                                | Administrative<br>Fund | Grant<br>Programs | Mortgage<br>or Bond<br>Funds | Other<br>Funds or<br>Programs |
|----------------------------------------------------------------|------------------------|-------------------|------------------------------|-------------------------------|
| <b>OPERATING REVENUES</b>                                      |                        |                   |                              |                               |
| Mortgage and loans revenue                                     | 1,980                  | -                 | 29,422                       | -                             |
| Investment interest                                            | 46                     | 3                 | 733                          | 55                            |
| Net change in the fair value of investments                    | 95                     | -                 | (24)                         | (54)                          |
| Net change of hedge termination                                | -                      | -                 | 82                           | -                             |
| Total Investment Revenue                                       | 141                    | 3                 | 791                          | 1                             |
| Externally funded programs                                     | 320                    | 25,112            | -                            | 3,273                         |
| Rental                                                         | -                      | -                 | -                            | 2,182                         |
| Other                                                          | 2,371                  | 219               | -                            | 10                            |
| <b>Total Operating Revenues</b>                                | <b>4,812</b>           | <b>25,334</b>     | <b>30,213</b>                | <b>5,466</b>                  |
| <b>OPERATING EXPENSES</b>                                      |                        |                   |                              |                               |
| Interest                                                       | 26                     | -                 | 20,914                       | -                             |
| Mortgage and loan costs                                        | 251                    | -                 | 2,230                        | -                             |
| Financing expenses                                             | 168                    | -                 | 1,183                        | -                             |
| Provision for loan loss                                        | 697                    | -                 | (2,236)                      | -                             |
| Operations and administration                                  | 6,149                  | 2,744             | 1,088                        | 4,289                         |
| Rental housing operating expenses                              | 5                      | 422               | -                            | 4,239                         |
| Housing grants and subsidies                                   | -                      | 26,021            | -                            | 10                            |
| <b>Total Operating Expenses</b>                                | <b>7,296</b>           | <b>29,187</b>     | <b>23,179</b>                | <b>8,538</b>                  |
| <b>Operating Income (Loss)</b>                                 | <b>(2,484)</b>         | <b>(3,853)</b>    | <b>7,034</b>                 | <b>(3,072)</b>                |
| <b>NONOPERATING EXPENSES,<br/>SPECIAL ITEM &amp; TRANSFERS</b> |                        |                   |                              |                               |
| Contributions to the State of Alaska or other State agencies   | (50)                   | -                 | -                            | -                             |
| Special Item                                                   | -                      | -                 | -                            | -                             |
| Transfers - Internal                                           | (7,028)                | 4,994             | (1,332)                      | 2,415                         |
| Change in Net Position                                         | (9,562)                | 1,141             | 5,702                        | (657)                         |
| Net position at beginning of year                              | 779,012                | 16,900            | 586,258                      | 124,446                       |
| Cumulative effect of accounting change                         | -                      | -                 | -                            | -                             |
| Revised net position at beginning of year                      | 779,012                | 16,900            | 586,258                      | 124,446                       |
| <b>Net Position at End of Period</b>                           | <b>769,450</b>         | <b>18,041</b>     | <b>591,960</b>               | <b>123,789</b>                |

See accompanying notes to the financial statements.

Exhibit B

| Total<br>Programs and<br>Funds | Alaska<br>Corporation<br>for Affordable<br>Housing | Total<br>September 30,<br>2014 |
|--------------------------------|----------------------------------------------------|--------------------------------|
| 31,402                         | -                                                  | 31,402                         |
| 837                            | -                                                  | 837                            |
| 17                             | -                                                  | 17                             |
| 82                             | -                                                  | 82                             |
| 936                            | -                                                  | 936                            |
| 28,705                         | -                                                  | 28,705                         |
| 2,182                          | -                                                  | 2,182                          |
| 2,600                          | -                                                  | 2,600                          |
| 65,825                         | -                                                  | 65,825                         |
| 20,940                         | -                                                  | 20,940                         |
| 2,481                          | -                                                  | 2,481                          |
| 1,351                          | -                                                  | 1,351                          |
| (1,539)                        | -                                                  | (1,539)                        |
| 14,270                         | 12                                                 | 14,282                         |
| 4,666                          | -                                                  | 4,666                          |
| 26,031                         | -                                                  | 26,031                         |
| 68,200                         | 12                                                 | 68,212                         |
| (2,375)                        | (12)                                               | (2,387)                        |
| (50)                           | -                                                  | (50)                           |
| -                              | -                                                  | -                              |
| (951)                          | 951                                                | -                              |
| (3,376)                        | 939                                                | (2,437)                        |
| 1,506,616                      | 3,292                                              | 1,509,908                      |
| -                              | -                                                  | -                              |
| 1,506,616                      | 3,292                                              | 1,509,908                      |
| 1,503,240                      | 4,231                                              | 1,507,471                      |

# ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

## STATEMENT OF CASH FLOWS

For the Three Months Ended September 30, 2014

(in thousands of dollars)

|                                                                                                          | Administrative<br>Fund | Grant<br>Programs | Mortgage<br>or Bond<br>Funds | Other<br>Funds or<br>Programs |
|----------------------------------------------------------------------------------------------------------|------------------------|-------------------|------------------------------|-------------------------------|
| <b>Cash flows from operating activities:</b>                                                             |                        |                   |                              |                               |
| Interest income on mortgages and loans                                                                   | 1,125                  | -                 | 26,993                       | -                             |
| Principal payments received on mortgages and loans                                                       | 1,326                  | -                 | 78,413                       | -                             |
| Purchases of mortgages and loans                                                                         | (126,224)              | -                 | -                            | -                             |
| Receipt (payment) for loan transfers between funds                                                       | 75,367                 | -                 | (75,367)                     | -                             |
| Mortgage and loan proceeds                                                                               | 107,249                | -                 | -                            | -                             |
| Payment of mortgage and loan proceeds to funds                                                           | (104,752)              | -                 | -                            | -                             |
| Payments to employees and other payroll disbursements                                                    | (7,041)                | (1,179)           | -                            | (2,203)                       |
| Payments for goods and services                                                                          | (4,552)                | (665)             | (400)                        | (1,844)                       |
| Cash received for externally funded programs                                                             | 176                    | 25,336            | -                            | 4,052                         |
| Cash received for Federal HAP subsidies                                                                  | -                      | 7,597             | -                            | -                             |
| Payments for Federal HAP subsidies                                                                       | -                      | (8,292)           | -                            | -                             |
| Interfund receipts (payments)                                                                            | (1,118)                | (1,807)           | -                            | 2,006                         |
| Grant payments to other agencies                                                                         | (3,934)                | (20,608)          | -                            | -                             |
| Other operating cash receipts                                                                            | 9,869                  | 501               | 48                           | 2,194                         |
| Other operating cash payments                                                                            | (432)                  | (66)              | (227)                        | (19)                          |
| <b>Net cash provided by (used for) operating activities</b>                                              | <b>(52,941)</b>        | <b>817</b>        | <b>29,460</b>                | <b>4,186</b>                  |
| <b>Cash flows from noncapital financing activities:</b>                                                  |                        |                   |                              |                               |
| Proceeds from the issuance of bonds                                                                      | -                      | -                 | 140,000                      | -                             |
| Principal paid on bonds                                                                                  | -                      | -                 | (124,800)                    | -                             |
| Payment to defease bonds                                                                                 | -                      | -                 | -                            | -                             |
| Payment of bond issuance costs                                                                           | (218)                  | -                 | -                            | -                             |
| Interest paid                                                                                            | (18)                   | -                 | (600)                        | -                             |
| Proceeds from issuance of short term debt                                                                | 126,278                | -                 | -                            | -                             |
| Payment of short term debt                                                                               | (123,782)              | -                 | -                            | -                             |
| Contributions to the State of Alaska or other State agencies                                             | (207)                  | -                 | -                            | -                             |
| Transfers (to) from other funds                                                                          | 3,865                  | 61                | (3,926)                      | -                             |
| Other cash payments                                                                                      | -                      | -                 | -                            | -                             |
| <b>Net cash provided by (used for) noncapital financing activities</b>                                   | <b>5,918</b>           | <b>61</b>         | <b>10,674</b>                | <b>-</b>                      |
| <b>Cash flows from capital financing activities:</b>                                                     |                        |                   |                              |                               |
| Acquisition of capital assets                                                                            | (257)                  | (27)              | -                            | (74)                          |
| Proceeds from the disposal of capital assets                                                             | -                      | -                 | -                            | 10                            |
| Proceeds from the issuance of capital notes                                                              | -                      | -                 | -                            | -                             |
| Principal paid on capital notes                                                                          | -                      | -                 | (2,330)                      | -                             |
| Payment of bond issuance costs                                                                           | -                      | -                 | -                            | -                             |
| Interest paid on capital notes                                                                           | -                      | -                 | (977)                        | -                             |
| Proceeds from direct financing leases                                                                    | -                      | -                 | 1,734                        | -                             |
| Other cash payments                                                                                      | -                      | -                 | -                            | -                             |
| <b>Net cash provided by (used for) capital financing activities</b>                                      | <b>(257)</b>           | <b>(27)</b>       | <b>(1,573)</b>               | <b>(64)</b>                   |
| <b>Cash flows from investing activities:</b>                                                             |                        |                   |                              |                               |
| Purchase of investments                                                                                  | (1,152,993)            | -                 | (467,386)                    | (7,400)                       |
| Proceeds from maturity of investments                                                                    | 1,189,239              | -                 | 428,315                      | 7,306                         |
| Interest received from investments                                                                       | 102                    | 3                 | 331                          | 94                            |
| <b>Net cash provided by (used for) investing activities</b>                                              | <b>36,348</b>          | <b>3</b>          | <b>(38,740)</b>              | <b>-</b>                      |
| <b>Net Increase (decrease) in cash</b>                                                                   | <b>(10,932)</b>        | <b>854</b>        | <b>(179)</b>                 | <b>4,122</b>                  |
| <b>Cash at the beginning of year</b>                                                                     | <b>41,032</b>          | <b>8,394</b>      | <b>227</b>                   | <b>26,086</b>                 |
| <b>Cash at the end of period</b>                                                                         | <b>30,100</b>          | <b>9,248</b>      | <b>48</b>                    | <b>30,208</b>                 |
| <b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b> |                        |                   |                              |                               |
| Operating income (loss)                                                                                  | (2,484)                | (3,853)           | 7,034                        | (3,072)                       |
| <i>Adjustments:</i>                                                                                      |                        |                   |                              |                               |
| Depreciation expense                                                                                     | 117                    | 4                 | 119                          | 1,647                         |
| Provision for loan losses                                                                                | 697                    | -                 | (2,236)                      | -                             |
| Net change in the fair value of investments                                                              | (95)                   | -                 | 24                           | 54                            |
| Transfers between funds for operating activity                                                           | (9,470)                | 4,933             | 1,312                        | 2,274                         |
| Interest received from investments                                                                       | (102)                  | (3)               | (331)                        | (94)                          |
| Interest paid                                                                                            | 18                     | -                 | 1,577                        | -                             |
| <i>Changes in assets, liabilities and deferred resources:</i>                                            |                        |                   |                              |                               |
| Net increase (decrease) in mortgages and loans                                                           | (49,531)               | -                 | 3,046                        | -                             |
| Net increase (decrease) in assets, liabilities, and deferred resources                                   | 7,909                  | (264)             | 18,915                       | 3,377                         |
| <b>Net cash provided by (used for) operating activities</b>                                              | <b>(52,941)</b>        | <b>817</b>        | <b>29,460</b>                | <b>4,186</b>                  |
| <b>Noncash investing, capital and financing activities:</b>                                              |                        |                   |                              |                               |
| Deferred outflow of resources-derivatives                                                                |                        |                   | (142)                        |                               |
| Derivative instruments liability                                                                         |                        |                   | 60                           |                               |
| Net change of hedge termination                                                                          |                        |                   | 82                           |                               |

See accompanying notes to the financial statements.

**Exhibit C**

| <b>Total<br/>Programs and<br/>Funds</b> | <b>Alaska<br/>Corporation<br/>for Affordable<br/>Housing</b> | <b>Total<br/>September 30,<br/>2014</b> |
|-----------------------------------------|--------------------------------------------------------------|-----------------------------------------|
| 28,118                                  | -                                                            | 28,118                                  |
| 79,739                                  | -                                                            | 79,739                                  |
| (126,224)                               | -                                                            | (126,224)                               |
| -                                       | -                                                            | -                                       |
| 107,249                                 | -                                                            | 107,249                                 |
| (104,752)                               | -                                                            | (104,752)                               |
| (10,423)                                | -                                                            | (10,423)                                |
| (7,461)                                 | -                                                            | (7,461)                                 |
| 29,564                                  | -                                                            | 29,564                                  |
| 7,597                                   | -                                                            | 7,597                                   |
| (8,292)                                 | -                                                            | (8,292)                                 |
| (919)                                   | 919                                                          | -                                       |
| (24,542)                                | -                                                            | (24,542)                                |
| 12,612                                  | -                                                            | 12,612                                  |
| (744)                                   | (1,346)                                                      | (2,090)                                 |
| (18,478)                                | (427)                                                        | (18,905)                                |
| 140,000                                 | -                                                            | 140,000                                 |
| (124,800)                               | -                                                            | (124,800)                               |
| -                                       | -                                                            | -                                       |
| (218)                                   | -                                                            | (218)                                   |
| (618)                                   | -                                                            | (618)                                   |
| 126,278                                 | -                                                            | 126,278                                 |
| (123,782)                               | -                                                            | (123,782)                               |
| (207)                                   | -                                                            | (207)                                   |
| -                                       | -                                                            | -                                       |
| -                                       | -                                                            | -                                       |
| 16,653                                  | -                                                            | 16,653                                  |
| (358)                                   | -                                                            | (358)                                   |
| 10                                      | -                                                            | 10                                      |
| -                                       | -                                                            | -                                       |
| (2,330)                                 | -                                                            | (2,330)                                 |
| -                                       | -                                                            | -                                       |
| (977)                                   | -                                                            | (977)                                   |
| 1,734                                   | -                                                            | 1,734                                   |
| -                                       | -                                                            | -                                       |
| (1,921)                                 | -                                                            | (1,921)                                 |
| (1,627,779)                             | -                                                            | (1,627,779)                             |
| 1,624,860                               | -                                                            | 1,624,860                               |
| 530                                     | -                                                            | 530                                     |
| (2,389)                                 | -                                                            | (2,389)                                 |
| (6,135)                                 | (427)                                                        | (6,562)                                 |
| 75,739                                  | 1,287                                                        | 77,026                                  |
| 69,604                                  | 860                                                          | 70,464                                  |
| (2,375)                                 | (12)                                                         | (2,387)                                 |
| 1,887                                   | -                                                            | 1,887                                   |
| (1,539)                                 | -                                                            | (1,539)                                 |
| (17)                                    | -                                                            | (17)                                    |
| (951)                                   | 951                                                          | -                                       |
| (530)                                   | -                                                            | (530)                                   |
| 1,595                                   | -                                                            | 1,595                                   |
| (46,485)                                | -                                                            | (46,485)                                |
| 29,937                                  | (1,366)                                                      | 28,571                                  |
| (18,478)                                | (427)                                                        | (18,905)                                |

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## NOTES TO FINANCIAL STATEMENTS

**FOOTNOTE INDEX**

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## NOTES TO FINANCIAL STATEMENTS

**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014****1 AUTHORIZING LEGISLATION AND FUNDING**

The Alaska Housing Finance Corporation (the "Corporation"), a public corporation and government instrumentality of the State of Alaska (the "State"), was created in 1971, and substantially modified in 1992, by acts of the Alaska State Legislature (the "Legislature") to assist in the financing, development and sale of dwelling units, operate the State's public housing, offer various home loan programs emphasizing housing for low and moderate-income and rural residents, and administer energy efficiency and weatherization programs within Alaska. The Corporation is a component unit of the State and is discretely presented in the State's financial statements.

Generally, the Corporation accomplishes its mortgage-related objectives by functioning as a secondary market for qualified real estate loans originated by financial institutions. The Corporation is authorized by the Legislature to issue its own bonds, bond anticipation notes and other obligations in such principal amounts as, in the opinion of the Corporation, will be necessary to provide sufficient funds for carrying out its purpose. Certain bonds issued to finance residences for qualified veterans are unconditionally guaranteed by the State. No other obligations constitute a debt of the State.

The non-mortgage related programs of the Corporation are funded through various grant and program agreements with the federal government's departments of Housing and Urban Development ("HUD"), Energy ("DOE"), and Health and Human Services ("HHS"), funding from the State of Alaska, as well as capital and operating subsidies from the Corporation's own funds.

The Corporation has subsidiaries incorporated under the Alaska Nonprofit Corporation Act (AS 10.20) and provisions of the Alaska Housing Finance Corporation Act (AS 18.56), as amended. The subsidiaries are as follows:

- Northern Tobacco Securitization Corporation ("NTSC") incorporated on September 29, 2000, pursuant to House Bill No. 281 of the 2000 Legislature.
- Alaska Housing Capital Corporation ("AHCC") incorporated on May 23, 2006, pursuant to Senate Bill 232 of the 2006 Legislature.
- Alaska Corporation for Affordable Housing ("ACAH") incorporated on February 1, 2012, pursuant to House Bill 119 of the 2011 Legislature.

The subsidiaries issue annual stand-alone audited financial statements. Please contact AHFC to obtain a copy.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Financial Reporting Entity**

The financial reporting entity consists of AHFC and the blended component unit ACAH. The entities are closely related and financially integrated. The board of directors for AHFC and ACAH are the same and both entities have similar mission statements. ACAH is a legally separate entity from AHFC but is considered a blended component unit of AHFC due to AHFC's operational responsibility for ACAH and the potential financial benefit or financial burden between AHFC and ACAH. AHFC is financially accountable for ACAH.

The other subsidiaries of AHFC are not closely related, nor financially integrated with AHFC. There is no financial accountability for the other subsidiaries by AHFC. They are not component units of AHFC, thus not included in these financial statements. Those subsidiaries are component units of the State.

Neither AHFC nor the State is liable for any debt issued by the subsidiaries of AHFC. They are government instrumentalities of, but have a legal existence separate and apart from, the State.

**Basis of Accounting**

The financial reporting entity utilizes the economic resource measurement focus and full accrual basis of accounting wherein revenues are recognized when earned and expenses when incurred. The financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB"). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles as set forth in GASB's pronouncements.

## NOTES TO FINANCIAL STATEMENTS

### **Basis of Presentation**

The financial reporting entity is engaged in business-type activities that utilize enterprise funds. The basic fund financial statements are comprised of: Statement of Net Position (Exhibit A), Statement of Revenues, Expenses and Changes in Net Position (Exhibit B), Cash Flow Statement (Exhibit C) and the accompanying notes. The supplemental section contains combining financial statements by program, purpose, or bond indenture.

The basic financial statements include a Total Funds and Programs column representing an aggregate of AHFC amounts and a Total column for the financial reporting entity, an aggregation of both AHFC and ACAH amounts.

### **Major Funds and Component Unit**

The basic fund financial statements present the major funds of AHFC and the major component unit ACAH.

*Administrative Fund:* This is the Corporation's primary operating fund. It accounts for all financial resources of the Corporation, except those accounted for in other funds.

*Grant Programs:* Resources provided to other agencies and individuals to develop and improve affordable housing units for lower income families, to assist in improving the energy efficiency of Alaska homes, and to provide tenant-based rental assistance programs for families in the private market (administered by the Corporation under contract with HUD).

*Mortgage or Bond Funds:* Provide resources to assist in the financing of loan programs or to fund Legislature appropriations.

*Other Funds or Programs:* AHFC owned housing for low income families managed under contract with HUD.

*Component unit ACAH:* A non-profit public benefit corporation that develops and operates affordable housing for Alaskans, utilizing various funding sources. ACAH is reported as a major component unit for the benefit of users of the financial statements.

### **Restricted Net Position**

The restricted net position of the Administrative Fund consists of the Corporation's remaining commitments to the State (refer to Footnote No. 17, State Authorizations and Commitments, for further details). The remaining resources of the Administrative Fund are unrestricted.

The other financial activities of the Corporation are restricted by the Corporation's bond resolutions, requirements from the Legislature, and statutory requirements or third-party agreements that restrict the use of resources. These restricted resources are recorded in various special purpose funds and accounts. Restricted funds with a net deficit balance are shown as having an unrestricted net position balance pursuant to reporting requirements.

When both restricted and unrestricted resources are available in a fund, it is the Corporation's policy to spend restricted funds to the extent allowed and only spend unrestricted funds when needed.

### **Use of Estimates**

The preparation of 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 and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. The significant estimate for the Corporation is the allowance for loan losses.

### **Investments**

All investments are stated at fair value, except for nonparticipating investment agreements, which are stated at cost.

### **Accrued Interest Receivable on Loans and Real Estate Owned**

Interest is accrued based upon the principal amount outstanding. Accrual of interest income is discontinued on loans when, in the opinion of management, collection of such interest becomes doubtful. When payment of interest is provided for pursuant to the terms of loan insurance or guarantees, accrual of interest on delinquent loans and real estate owned is continued.

### **Loans and Allowances for Estimated Loan Losses**

Mortgage loans are carried at their unpaid principal balances net of allowance for estimated loan losses. Once monies have been disbursed the mortgage loans are recorded.

## NOTES TO FINANCIAL STATEMENTS

The Corporation provides for possible losses on loans on which foreclosure is anticipated. A potential loss is recorded when the net realizable value, or fair value, of the related collateral or security interest is estimated to be less than the Corporation's investment in the property less anticipated recoveries from private mortgage insurance, private credit insurance, and various other loan guarantees. In providing for losses, through a charge to operations, consideration is given to the costs of holding real estate, including interest costs. The loan portfolio, property holding periods and property holding costs are reviewed periodically. While management uses the best information available to make evaluations, future adjustments to the allowances may be necessary if there are significant changes in economic conditions or property disposal programs.

**Real Estate Owned**

Real estate owned consists principally of properties acquired through foreclosure or repossession and is carried at the lower of cost or estimated net realizable value. These amounts are included in other assets.

**Depreciation**

Depreciation and amortization of buildings, equipment, and leasehold improvements are computed on a straight-line basis over the estimated useful lives of the related assets. Estimated useful lives range from 3 to 40 years. The capitalization floor is \$5,000.

**Bonds**

The Corporation issues bonds to provide capital for its mortgage programs and other uses consistent with its mission. The bonds are recorded at cost plus accreted interest and premiums, less discounts. Discounts and premiums are amortized using the straight-line method.

**Deferred Debt Refunding Expenses**

Deferred debt refunding expenses occur when new debt is issued to replace existing debt. The differences between the carrying value of the old debt and the resources used to redeem it are called deferred debt refunding expenses. The unamortized balances of these expenses are recorded as deferred outflows of resources. These expenses are amortized over the shorter of the remaining life of the old debt or the remaining life of the new debt.

**Derivative Instruments-Interest Rate Swaps**

The Corporation's Fiscal Policies allow, with certain restrictions, the Corporation to enter into certain derivative financial instruments called interest rate swap agreements, or swaps. The Corporation enters into these swaps with various counter-parties to achieve a lower overall cost of funds for certain bond issuances. These agreements can be negotiated whereby the Corporation pays the counter-party a fixed interest rate in exchange for a variable interest rate payment from the counter-party, or vice-versa. The swap agreements are negotiated to achieve the financing objectives of the Corporation. The swaps are stated at fair value. The change in the fair value of the swaps is recorded as deferred inflows of resources or deferred outflows of resources or as investment revenue.

**Operating Revenues and Expenses**

The Corporation was created with the authority to issue bonds to the investing public in order to create a flow of private capital through the Corporation into mortgage loans to qualified housing sponsors and to certain individuals. The Corporation's primary purpose is to borrow funds in the bond market and to use those funds to make single-family and multi-family mortgages and loans. Its primary operating revenue is derived from the interest income and fees from those mortgages and loans and on the invested proceeds from the bond issues. Additionally, the Corporation's statutory purpose includes providing financial assistance programs for rental subsidies to tenants of various housing developments. The Corporation records all revenues from mortgages and loans, investments, rental activities, and externally funded programs as operating revenues. The primary costs of providing these programs are recorded as operating expenses.

**Income Taxes**

The Corporation is exempt from federal and state income taxes.

**New Accounting Pronouncements**

The GASB's statement 68, Accounting and Financial Reporting for Pensions, is effective for AHFC's fiscal year 2015. This statement changes how employers measure and report the costs and obligations associated with pensions in their financial statements. The effect from the adoption of the provisions of this statement will be a liability recognized as employees earn their pensions benefits. This will be the first time that the Corporation will recognize its proportionate share of the collective pension amounts for all benefits provided through the plan. The pension amounts to be recognized in the financial statements include the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense. The Corporation's proportionate share of the collective pension amounts is not available at this time.

NOTES TO FINANCIAL STATEMENTS

### 3 CASH AND INVESTMENTS

Cash consists of demand deposits, time deposits, and cash held in trust. The carrying amount of the Corporation's cash is restricted by bond resolutions, contractual agreements, and statutory agreements. A summary of the Corporation's cash is shown below (in thousands):

|                 | September 30, 2014 |
|-----------------|--------------------|
| Restricted cash | \$ 40,364          |
| Unrestricted    | 30,100             |
| Carrying amount | <u>\$ 70,464</u>   |
| Bank Balance    | <u>\$ 71,611</u>   |

The fair value of debt security investments by contractual maturity is shown below (in thousands). Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalty.

|                                                             | Investment Maturities (In Years) |                  |              |                 |           |                    |
|-------------------------------------------------------------|----------------------------------|------------------|--------------|-----------------|-----------|--------------------|
|                                                             | Less Than<br>1                   | 1-5              | 6-10         | More Than<br>10 |           | September 30, 2014 |
| Bank investment contracts                                   | \$ -                             | \$ 16,707        | \$ -         | \$ -            | \$        | 16,707             |
| U. S. Treasury securities                                   | 1,566                            | 866              | -            | -               | -         | 2,432              |
| Securities of U. S. Government<br>agencies and corporations | 726                              | 239              | 39           | -               | -         | 1,004              |
| Certificates of deposit                                     | -                                | 1,000            | -            | -               | -         | 1,000              |
| Commercial paper & medium-<br>term notes                    | 233,547                          | 3,204            | -            | -               | -         | 236,751            |
| Money market funds                                          | 136,812                          | -                | -            | -               | -         | 136,812            |
| Subtotal                                                    | <u>\$ 372,651</u>                | <u>\$ 22,016</u> | <u>\$ 39</u> | <u>\$ -</u>     |           | <u>394,706</u>     |
| GeFONSI pool                                                |                                  |                  |              |                 |           | 671,430            |
| Total AHFC Portfolio                                        |                                  |                  |              |                 | <u>\$</u> | <u>1,066,136</u>   |

#### Restricted Investments

A large portion of the Corporation's investments, \$441,343,000, are restricted by bond resolutions, contractual agreements, and statutory agreements and the remainder, \$624,793,000, is unrestricted.

#### Realized Gains and Losses

The calculation of realized gains and losses is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current period may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net increase in the fair value of investments included in the table below takes into account all changes in fair value (including purchases and sales) that occurred during the period. A summary of the gains and losses is shown below (in thousands):

|                                       | September 30, 2014 |
|---------------------------------------|--------------------|
| Ending unrealized holding gain        | \$ 25,730          |
| Beginning unrealized holding gain     | 25,310             |
| Net change in unrealized holding gain | 420                |
| Net realized gain (loss)              | (403)              |
| Net increase (decrease) in fair value | <u>\$ 17</u>       |

## NOTES TO FINANCIAL STATEMENTS

**Deposit and Investment Policies**

The Corporation utilizes different investment strategies depending upon the nature and intended use of the assets being invested. All funds are classified as trusted or non-trusted, and this classification determines the applicable investment guidelines used by staff when making investment decisions. Trusted funds are invested in accordance with their respective indentures or governing agreements. Non-trusted funds are governed by the terms outlined in the Corporation's Fiscal Policies and are typically invested to meet the projected need for use of such funds.

The following securities are eligible for investment under the Corporation's Fiscal Policies:

- Obligations backed by the full faith and credit of the United States;
- Obligations of U.S. government-sponsored enterprises ("GSEs") and federal agencies not backed by the full faith and credit of the United States;
- Obligations of the World Bank rated at least "AA" by S&P or "Aa2" by Moody's or "AA" by Fitch if maturing in excess of one year or "A-1" by S&P or "P-1" by Moody's or "F1" by Fitch if maturing in one year or less;
- Money market funds rated at least "AAm" by S&P or "Aa-mf" by Moody's or "AAMmf" by Fitch;
- Banker's acceptances and negotiable certificates of deposit of any bank, the unsecured short-term obligations of which are rated at least "A-1" by S&P or "P-1" by Moody's or "F-1" by Fitch and which is incorporated under the laws of the United States of America or any state thereof and subject to supervision and examination by federal or state banking authorities, or which is a foreign bank with a branch or agency licensed under the laws of the United States of America or any state thereof and subject to supervision and examination by federal or state banking authorities, or which is a foreign bank having a long-term issuer rating of at least "AA" from S&P or "Aa2" from Moody's or "AA" from Fitch;
- Commercial paper, including asset-backed commercial paper, rated at least "A-1" by S&P or "P-1" by Moody's or "F1" by Fitch;
- Repurchase agreements ("repos") where: the counterparty is designated as a primary dealer by the Federal Reserve and has a long-term debt rating of at least "A" by S&P or "A" by Moody's or "A" by Fitch or a short-term rating of at least "A-1" by S&P or "P-1" by Moody's or "F-1" by Fitch; collateral is pledged at a minimum level of 102%, valued on a daily basis with a one-business-day cure period; the term of such repurchase agreement is one week or less; a third-party custodian acting as the Corporation's agent has possession of the collateral and holds such collateral in the Corporation's name; the agreement is evidenced by standard documents published by the Securities Industry and Financial Markets Association ("SIFMA"); and the securities to be repurchased are obligations backed by the full faith and credit of the United States or obligations of U.S. government-sponsored enterprises and federal agencies not backed by the full faith and credit of the United States or obligations of the World Bank rated at least "AA" by S&P or "Aa2" by Moody's or "AA" by Fitch if maturing in excess of one year or "A-1" by S&P or "P-1" by Moody's or "F1" by Fitch if maturing in one year or less;
- Guaranteed investment contracts with a financial institution having outstanding unsecured long-term obligations rated, or an investment agreement rating of, at least "AA" by S&P or "Aa2" by Moody's or "AA" by Fitch, or, if the term is one year or less, at least "A-1" by S&P or "P-1" by Moody's or "F-1" by Fitch;
- Fixed and floating-rate notes and bonds, other than commercial paper, issued by corporate or municipal obligors and rated at least "AA" by S&P or "Aa2" by Moody's or "AA" by Fitch if maturing in excess of one year, or at least "A-1" by S&P or "P-1" by Moody's or "F1" by Fitch if maturing, or with a provision for investor withdrawal or put at par, in one year or less;
- Asset-backed securities, other than asset-backed commercial paper, rated at least "AA+" by S&P or "Aa1" by Moody's or "AA+" by Fitch; and
- Investment pools managed by the State of Alaska, including the General Fund and Other Non-Segregated Investments ("GeFONSI") pool.

NOTES TO FINANCIAL STATEMENTS

**Credit Risk**

Credit risk is the risk of loss due to the failure of the security or backer. The Corporation mitigates its credit risk by limiting investments to those permitted in its Fiscal Policies and relevant governing agreements, diversifying the investment portfolio, and pre-qualifying firms with which the Corporation administers its investment activities.

The credit quality ratings for the Corporation's investment in the GeFONSI pool are not available at this time.

The credit quality ratings of the Corporation's investments as of September 30, 2014, as determined by nationally recognized statistical rating organizations, are shown below (in thousands). The Corporation's investments included \$2,432,000 of U.S. Treasury securities and securities of agencies and corporations which are explicitly guaranteed by the U.S. Government are not considered to have credit risk and therefore, are not included in the summary.

|                                                           | Moody's | S & P | Investment<br>Fair Value |
|-----------------------------------------------------------|---------|-------|--------------------------|
| Securities of U. S. Government agencies and Corporations: |         |       |                          |
|                                                           | Aaa     | AA+   | \$ 1,004                 |
| Certificates of deposit:                                  |         |       |                          |
|                                                           | Aa2     | A+    | 1,000                    |
| Commercial paper, medium-term notes:                      |         |       |                          |
|                                                           | A1      | A+    | 3,596                    |
|                                                           | A1      | A     | 2,508                    |
|                                                           | A1      | AA+   | 2,035                    |
|                                                           | A2      | A     | 5,750                    |
|                                                           | A2      | A+    | 1,212                    |
|                                                           | A3      | A     | 101                      |
|                                                           | Aa2     | AA    | 507                      |
|                                                           | Aa2     | AA-   | 3,325                    |
|                                                           | Aa3     | AA-   | 2,172                    |
|                                                           | Aaa     | AAA   | 101                      |
|                                                           | Baa1    | A     | 2,044                    |
|                                                           | Baa1    | A-    | 1,532                    |
|                                                           | Baa1    | BBB   | 756                      |
|                                                           | Baa1    | BBB+  | 760                      |
|                                                           | Baa2    | A-    | 3,803                    |
|                                                           | Baa3    | BBB   | 486                      |
|                                                           | --      | A1+   | 28,124                   |
|                                                           | P-1     | A-1   | 54,512                   |
|                                                           | P-1     | A-1+  | 113,404                  |
|                                                           | P-1     | A-2   | 8,724                    |
|                                                           | P-2     | A-1   | 1,299                    |
|                                                           |         |       | <u>236,751</u>           |
| Money market funds:                                       |         |       |                          |
|                                                           | --      | AAAm  | 136,812                  |
| Unrated investments:                                      |         |       |                          |
| Bank investment contracts                                 |         |       | 16,707                   |
|                                                           |         |       | <u>\$ 392,274</u>        |

## NOTES TO FINANCIAL STATEMENTS

**Concentration Risk**

Concentration risk is the risk of loss attributed to the magnitude of the Corporation's investments in a single issuer. Concentration limits are not established in the bond indentures and governing agreements for trust investments. The following table details the maximum concentration limits for non-trust investments as outlined in the Corporation's Fiscal Policies. Under certain conditions, the Fiscal Policies permit investments in excess of these limits. For more information, please see the Corporation's Fiscal Policies at: <http://www.ahfc.us/pros/investors/fiscal-policies>

| Investment Category                     | Category Limit as %<br>of Total Portfolio | Issuer Limit as % of<br>Total Portfolio |
|-----------------------------------------|-------------------------------------------|-----------------------------------------|
| U.S. government obligations             | n/a                                       | n/a                                     |
| U.S. GSEs and agencies                  | n/a                                       | 35%                                     |
| World Bank obligations                  | n/a                                       | 35%                                     |
| Money market funds                      | n/a                                       | n/a                                     |
| Banker's acceptances, negotiable CDs    | n/a                                       | 5%                                      |
| Commercial paper                        | n/a                                       | 5%                                      |
| Repurchase agreements                   | n/a                                       | 25%                                     |
| Guaranteed investment contracts         | n/a                                       | 5%                                      |
| Corporate and municipal notes and bonds | n/a                                       | 5%                                      |
| Asset-backed securities                 | 20%                                       | 5%                                      |
| State of Alaska investment pools        | n/a                                       | n/a                                     |

**Investment Holdings Greater than Five Percent of Total Portfolio**

The following investment holdings, summarized by issuer, include both investments that are governed by the maximum concentration limits of the Corporation's Fiscal Policies and trusted investments which have no established concentration limits. As of September 30, 2014, the Corporation had investment balances greater than 5 percent of the Corporation's total investments with the following issuers (in thousands).

| Issuer        | Investment<br>Fair Value | Percentage<br>of Total<br>Portfolio |
|---------------|--------------------------|-------------------------------------|
| GeFONSI Pool  | \$ 671,430               | 62.98                               |
| Goldman Sachs | 136,368                  | 12.79                               |
| Standard      | 62,378                   | 5.85                                |

**Custodial Credit Risk**

The Corporation assumes levels of custodial credit risk for its deposits with financial institutions, bank investment agreements, and investments. For deposits, custodial credit risk is the risk that, in the event of a bank failure, the Corporation's deposits may not be returned. For bank investment agreements and investments, custodial credit risk is the risk that, in the event of failure of the custodian or counterparty holding the investment, the Corporation will not be able to recover the value of the investment. The Corporation has not established a formal custodial credit risk policy for its investments.

Of the Corporation's \$71,611,000 bank balance at September 30, 2014, cash deposits in the amount of \$6,000 were uninsured and uncollateralized. Additional cash deposits in the amount of \$40,855,000 were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Corporation's name.

**Interest Rate Risk**

Interest rate risk is the risk that the market value of investments will decline as a result of changes in general interest rates. For non-trust investments, the Corporation mitigates interest rate risk by structuring its investment maturities to meet cash requirements (including corporate operations), thereby avoiding the need to sell securities in the open market prior to maturity. For investments held in trust, investment maturities are structured to meet cash requirements as outlined in the bond indentures and contractual and statutory agreements.

The GeFONSI pool investment interest rate risk details are not available at this time.

NOTES TO FINANCIAL STATEMENTS

**Modified Duration**

Modified duration estimates the sensitivity of an investment to interest rate changes. The following table shows the Corporation's trusted and non-trusted investments (in thousands) with their modified duration as of September 30, 2014:

|                                                           | Investment<br>Fair Value | Modified<br>Duration |
|-----------------------------------------------------------|--------------------------|----------------------|
| Bank investment contracts                                 | \$ 16,707                | 0.000                |
| U. S. Treasury securities:                                |                          |                      |
| Treasury coupon securities                                | 2,432                    | 1.063                |
| Securities of U. S. Government agencies and corporations: |                          |                      |
| Federal agency coupon securities                          | 876                      | 0.607                |
| Federal agency pass through securities                    | 128                      | 1.786                |
| Certificates of deposit                                   | 1,000                    | 3.960                |
| Commercial paper & medium-term notes:                     |                          |                      |
| Commercial paper discounts                                | 204,047                  | 0.105                |
| Corporate bonds                                           | 102                      | 0.526                |
| Medium-term notes                                         | 31,602                   | 0.535                |
| Interest bearing                                          | 1,000                    | 0.690                |
| Money market funds                                        | 136,812                  | 0.000                |
|                                                           | <u>\$ 394,706</u>        |                      |
| Portfolio modified duration                               |                          | 0.045                |

**4 INTERFUND RECEIVABLE/PAYABLE**

A summary of the interfund receivable/payable balance is shown below (in thousands):

|                                              | Due From               |                   |                                 |                               |                                                    | Total            |
|----------------------------------------------|------------------------|-------------------|---------------------------------|-------------------------------|----------------------------------------------------|------------------|
|                                              | Administrative<br>Fund | Grant<br>Programs | Mortgage or<br>Bond<br>Programs | Other<br>Funds or<br>Programs | Alaska<br>Corporation for<br>Affordable<br>Housing |                  |
| Administrative Fund                          | \$ -                   | \$ 12,013         | \$ -                            | \$ 14,084                     | \$ 1,181                                           | \$ 27,278        |
| Grant Programs                               |                        | -                 | -                               | -                             | 1,425                                              | 1,425            |
| Mortgage or Bond Programs                    | 35,574                 | -                 | -                               | -                             | -                                                  | 35,574           |
| Other Funds or Programs                      | -                      | -                 | -                               | -                             | -                                                  | -                |
| Alaska Corporation for<br>Affordable Housing | -                      | -                 | -                               | -                             | -                                                  | -                |
| Total                                        | <u>\$ 35,574</u>       | <u>\$ 12,013</u>  | <u>\$ -</u>                     | <u>\$ 14,084</u>              | <u>\$ 2,606</u>                                    | <u>\$ 64,277</u> |

The balance of \$35,574,000 due to the Mortgage or Bond programs from the Administrative Fund resulted primarily from monies belonging to these funds being deposited in an Administrative Fund account to obtain a greater rate of return.

The balances of \$12,013,000 and \$14,084,000 due to the Administrative Fund from the Grant Programs and the Other Funds or Programs respectively resulted primarily from expenditures paid by the Administrative Fund on behalf of those programs, as well as an allocation of management and bookkeeping fees mandated by HUD.

The balance of \$1,181,000 due to the Administrative Fund from ACAH resulted primarily from cash advanced by the Administrative Fund to ACAH.

The balance of \$1,425,000 due to the Grant Programs from ACAH resulted from the reimbursable grant paid by the Grant Programs to ACAH.

## NOTES TO FINANCIAL STATEMENTS

**5 MORTGAGE LOANS, NOTES AND OTHER LOANS**

A summary of mortgage loans, notes and other loans is shown below (in thousands):

|                                           | <b>September 30, 2014</b> |
|-------------------------------------------|---------------------------|
| Mortgage loans                            | \$ 2,242,663              |
| Multifamily loans                         | 316,739                   |
| Other notes receivable                    | 96,900                    |
|                                           | <u>2,656,302</u>          |
| Less:                                     |                           |
| Allowance for losses                      | (76,214)                  |
| Net Mortgage loans, notes and other loans | <u>\$ 2,580,088</u>       |

Other notes receivable include monies due to AHFC for various unconventional loan programs and for monies that weren't expended by grant recipients.

Other supplemental loan information is summarized in the following table (in thousands):

|                                        | <b>September 30, 2014</b> |
|----------------------------------------|---------------------------|
| <u>Delinquencies and foreclosures:</u> |                           |
| Loans delinquent 30 days or more       | \$ 131,416                |
| Foreclosures during period             | 3,005                     |
| Loans in foreclosure process           | 16,852                    |
| <u>Mortgage-related commitments:</u>   |                           |
| To purchase mortgage loans             | 86,316                    |

**6 INSURANCE AGREEMENTS**

The Corporation has obtained private mortgage insurance, credit insurance, or guarantees on certain mortgages and loans. The agreements protect the Corporation to varying degrees against losses arising from the disposition of the related collateral obtained through foreclosure or repossession, as well as the costs of obtaining title to, maintaining, and liquidating the collateral. The Corporation is exposed to losses on disposition in the event the insurers or guarantors are unable or refuse to meet their obligations under these agreements.

**7 DIRECT FINANCING LEASES**

In July 1997, the Corporation purchased an office building in downtown Anchorage with its Administrative Fund assets for approximately \$26 million. The building is part of the Corporation's State Building Lease Program and has been leased to the State of Alaska for occupancy by its departments and agencies located in Anchorage. The State has the option to purchase the building for \$1 in 2017 which is the end of the lease. In May 2005, the Corporation issued the General Housing Purpose Bonds, 2005 Series C, to refund the State Building Lease Bonds, Series 1999, which were originally issued in 1999 to finance the purchase of the office building. The lease of the building to the State has been recorded as a direct financing lease.

In fiscal year 2007, the Corporation began constructing a parking garage in downtown Anchorage with its Administrative Fund assets. The cost of the garage at September 30, 2014, was \$43,973,000. The garage was placed in service in September 2008. The garage has been leased to the State of Alaska for use by its departments and agencies located in Anchorage. The State has the option to purchase the garage for \$1 in 2027 which is the end of the lease. In September 2007, the Corporation issued the State Capital Project Bonds, 2007 Series A, to finance the purchase of the parking garage. The lease of the garage to the State has been recorded as a direct financing lease.

NOTES TO FINANCIAL STATEMENTS

The following table lists the components of the net investment in direct financing leases and shows the future minimum payments under the lease for the next five years and thereafter (in thousands):

| 12 Months Ending September 30            | Future Minimum Payments Due |          |           |
|------------------------------------------|-----------------------------|----------|-----------|
|                                          | Parking<br>Garage           | Building | Total     |
| 2015                                     | \$ 3,304                    | \$ 3,467 | \$ 6,771  |
| 2016                                     | 3,304                       | 3,467    | 6,771     |
| 2017                                     | 3,304                       | 1,733    | 5,037     |
| 2018                                     | 3,304                       | -        | 3,304     |
| 2019                                     | 3,304                       | -        | 3,304     |
| Thereafter                               | 29,729                      | -        | 29,729    |
| Gross payments due                       | \$ 46,249                   | \$ 8,667 | \$ 54,916 |
| Less: Unearned revenue                   | (11,200)                    | (557)    | (11,757)  |
| Net investment in direct financing lease | \$ 35,049                   | \$ 8,110 | \$ 43,159 |

## 8 CAPITAL ASSETS

Capital assets activity for the three months ended September 30, 2014, and a summary of balances are shown below (in thousands):

|                                        | June 30, 2014     | Additions         | Reductions      | September 30, 2014 |
|----------------------------------------|-------------------|-------------------|-----------------|--------------------|
| <b>Non-Depreciable Capital Assets:</b> |                   |                   |                 |                    |
| Land                                   | \$ 19,687         | \$ -              | \$ -            | \$ 19,687          |
| Construction in progress               | 1,068             | 249               | (180)           | 1,137              |
| Total Non-Depreciable                  | 20,755            | 249               | (180)           | 20,824             |
| <b>Depreciable Capital Assets:</b>     |                   |                   |                 |                    |
| Buildings                              | 238,476           | 280               | -               | 238,756            |
| Computers & Equipment                  | 2,147             | 6                 | -               | 2,153              |
| Vehicles                               | 2,017             | 102               | (70)            | 2,049              |
| Less: Accumulated depreciation         |                   |                   |                 |                    |
| Buildings                              | (139,806)         | (1,783)           | -               | (141,589)          |
| Computers & Equipment                  | (1,572)           | (80)              | -               | (1,652)            |
| Vehicles                               | (1,769)           | (24)              | 70              | (1,723)            |
| Total Depreciable, Net                 | 99,493            | (1,499)           | -               | 97,994             |
| <b>Total Capital Assets, Net</b>       | <b>\$ 120,248</b> | <b>\$ (1,250)</b> | <b>\$ (180)</b> | <b>\$ 118,818</b>  |

The above capital assets include \$3,533,000 of land and \$1,067,000 of construction in progress that belong to ACAH.

The depreciation expense charged by the Corporation was \$1,887,000 for the three months ended September 30, 2014. The Corporation is obligated under contracts and other commitments to purchase and/or modernize certain fixed assets. The total commitment, including amounts to be funded by third parties, was \$5,801,000 at September 30, 2014.

## 9 DEFERRED OUTFLOWS OF RESOURCES

GASB has defined deferred outflows of resources as the consumption of resources that are applicable to a future period. AHFC's deferred outflows of resources at September 30, 2014, were interest rate swap derivatives of \$137,318,000 and deferred debt refunding expense of \$19,096,000.

## 10 BONDS PAYABLE

The Corporation's obligations are not a debt of the State, and the State is not directly liable thereon except for the Veterans Mortgage Program Bonds. The Veterans Mortgage Program Bonds are backed by the full faith and credit of the State. In the event that the Corporation cannot make the Veterans Mortgage Program Bond payments, the State will pay the principal and interest payments.

## NOTES TO FINANCIAL STATEMENTS

All of the bonds are secured, as described in the applicable agreements, by the revenues, monies, investments, mortgage loans, and other assets in the funds and accounts established by the respective security agreements. A substantial portion of the assets of the Corporation are pledged to the outstanding obligations of the Corporation.

The Corporation has authorization to issue Draw Down bonds in the amount of \$900,000,000 for the purpose of preserving private activity bond volume capacity and to refund certain outstanding obligations of the Corporation. Only \$300,000,000 of these bonds can be outstanding at any one time. As of September 30, 2014, there are no draw down bonds outstanding, and the Corporation does not anticipate issuing any additional draw down bonds in the future.

Bonds outstanding are shown below (in thousands):

|                                                                              | Original<br>Amount | September 30, 2014 |
|------------------------------------------------------------------------------|--------------------|--------------------|
| <b>First-Time Home Buyer Program</b>                                         |                    |                    |
| <b><i>Mortgage Revenue Bonds, Tax-Exempt:</i></b>                            |                    |                    |
| • 2009 Series A-1; 3.07%, due 2027-2041                                      | \$ 64,350          | \$ 57,610          |
| • 2009 Series A-2; 2.32%, due 2026-2041                                      | 128,750            | 107,630            |
| • 2010 Series A; 1.50% to 4.00%, due 2014-2027                               | 43,130             | 35,190             |
| Unamortized discount                                                         |                    | (174)              |
| • 2010 Series B; 1.50% to 4.625%, due 2014-2040                              | 35,680             | 33,035             |
| • 2011 Series B; 1.20% to 4.05%, due 2014-2026                               | 71,360             | 61,180             |
| <b><i>Mortgage Revenue Bonds, Taxable:</i></b>                               |                    |                    |
| • 2011 Series A; 2.80% due 2015-2026                                         | 28,945             | 14,210             |
| Total Mortgage Revenue Bonds                                                 | 372,215            | 308,681            |
| <b><i>Home Mortgage Revenue Bonds, Tax-Exempt:</i></b>                       |                    |                    |
| • 2002 Series A; Floating Rate*; 0.05% at September 30, 2014, due 2032, 2036 | 170,000            | 97,705             |
| Unamortized swap termination penalty                                         |                    | (6,265)            |
| • 2006 Series A; 4.25% to 5.00%, due 2014-2036                               | 98,675             | 19,865             |
| Unamortized premium                                                          |                    | 68                 |
| • 2007 Series A; Floating Rate*; 0.14% at September 30, 2014, due 2017-2041  | 75,000             | 75,000             |
| • 2007 Series B; Floating Rate*; 0.15% at September 30, 2014, due 2017-2041  | 75,000             | 75,000             |
| • 2007 Series D; Floating Rate*; 0.14% at September 30, 2014, due 2017-2041  | 89,370             | 89,370             |
| • 2009 Series A; Floating Rate*; 0.06% at September 30, 2014, due 2020-2040  | 80,880             | 80,880             |
| • 2009 Series B; Floating Rate*, 0.03% at September 30, 2014, due 2020-2040  | 80,880             | 80,880             |
| • 2009 Series D; Floating Rate*; 0.04% at September 30, 2014, due 2020-2040  | 80,870             | 80,870             |
| Total Home Mortgage Revenue Bonds                                            | 750,675            | 593,373            |
| <b>Veterans Mortgage Program Bonds:</b>                                      |                    |                    |
| <b><i>Collateralized State Guaranteed Bonds, Tax-Exempt:</i></b>             |                    |                    |
| • 2006 First Series; 4.05% to 4.90%, due 2014-2037                           | 190,000            | 51,845             |
| • 2007 & 2008 First Series; 3.75% to 5.25%, due 2015-2038                    | 57,885             | 16,985             |
| Total Veterans Mortgage Program Bonds                                        | 247,885            | 68,830             |
| <b>Other Housing Bonds:</b>                                                  |                    |                    |
| <b><i>Housing Development Bonds, Tax-Exempt:</i></b>                         |                    |                    |
| • 2004 Series A; 4.80%, due 2024-2026                                        | 33,060             | 50                 |
| • 2004 Series B; 4.75%, due 2027-2032                                        | 52,025             | 50                 |
| Sub-Total Housing Development Bonds                                          | 85,085             | 100                |

NOTES TO FINANCIAL STATEMENTS

|                                                                                                    | Original<br>Amount  | September 30, 2014  |
|----------------------------------------------------------------------------------------------------|---------------------|---------------------|
| <b>General Mortgage Revenue Bonds, Tax-Exempt:</b>                                                 |                     |                     |
| • 2012 Series A; 0.80% to 4.30%, due 2014-2040                                                     | 145,890             | 136,495             |
| Unamortized discount                                                                               |                     | (687)               |
| Unamortized premium                                                                                |                     | 940                 |
| <b>Governmental Purpose Bonds, Tax-Exempt:</b>                                                     |                     |                     |
| • 1997 Series A; Floating Rate*, monthly payments,<br>0.03% at September 30, 2014, due 2027        | 33,000              | 14,600              |
| • 2001 Series A; Floating Rate*; 0.03% at September 30, 2014, due 2014-2030                        | 76,580              | 53,455              |
| Unamortized swap termination penalty                                                               |                     | (6,420)             |
| • 2001 Series B; Floating Rate*; 0.03% at September 30, 2014, due 2014-2030                        | 93,590              | 65,320              |
| Total Other Housing Bonds                                                                          | 434,145             | 263,803             |
| <b>Non-Housing Bonds:</b>                                                                          |                     |                     |
| <b>State Capital Project Bonds, Tax-Exempt:</b>                                                    |                     |                     |
| • 2002 Series C; Floating Rate*, 0.04% at September 30, 2014, due 2015-2022                        | 60,250              | 48,255              |
| • 2006 Series A; 3.50% to 5.00%, due 2015-2040                                                     | 100,890             | 88,585              |
| Unamortized discount                                                                               |                     | (1,086)             |
| Unamortized premium                                                                                |                     | 933                 |
| • 2007 Series A & B; 4.00% to 5.25%, due 2014-2029                                                 | 95,525              | 77,995              |
| Unamortized discount                                                                               |                     | (43)                |
| Unamortized premium                                                                                |                     | 1,488               |
| • 2011 Series A; 4.25% to 5.00%, due 2014-2027                                                     | 105,185             | 78,975              |
| Unamortized discount                                                                               |                     | (86)                |
| Unamortized premium                                                                                |                     | 1,499               |
| • 2012 Series A; 2.00% to 5.00%, due 2014-2032                                                     | 99,360              | 91,270              |
| Unamortized discount                                                                               |                     | (123)               |
| Unamortized premium                                                                                |                     | 10,170              |
| • 2013 Series A; 4.00% to 5.00%, due 2017-2032                                                     | 86,765              | 86,765              |
| Unamortized premium                                                                                |                     | 11,100              |
| • 2014 Series A; 3.00% to 5.00%, due 2016-2033                                                     | 95,115              | 95,115              |
| Unamortized discount                                                                               |                     | (70)                |
| Unamortized premium                                                                                |                     | 9,208               |
| • 2014 Series B; 2.00% to 5.00%, due 2015-2029                                                     | 29,285              | 29,285              |
| Unamortized premium                                                                                |                     | 4,587               |
| <b>State Capital Project Bonds, Taxable:</b>                                                       |                     |                     |
| • 2013 Series B; Indexed Floating Rate*, monthly payments<br>0.95% at September 30, 2014, due 2043 | 50,000              | 50,000              |
| • 2014 Series C; Indexed Floating Rate*,<br>0.66% at September 30, 2014, due 2029                  | 140,000             | 140,000             |
| <b>General Housing Purpose Bonds, Tax-Exempt:</b>                                                  |                     |                     |
| • 2005 Series A; 3.75% to 5.25%, due 2014-2041                                                     | 143,235             | 133,870             |
| Unamortized premium                                                                                |                     | 2,642               |
| • 2005 Series B; 4.00% to 5.25%, due 2014-2030                                                     | 147,610             | 114,460             |
| Unamortized premium                                                                                |                     | 2,338               |
| • 2005 Series C; 5.00%, due 2014-2017                                                              | 16,885              | 9,615               |
| Total Non-Housing Bonds                                                                            | 1,170,105           | 1,086,747           |
| <b>Total Bonds Payable</b>                                                                         | <b>\$ 2,975,025</b> | <b>\$ 2,321,434</b> |

Note: Debt service payments on the above mentioned bonds are semi-annual unless otherwise mentioned.

\*Interest rates on the annotated variable-rate bonds are established by the Remarketing Agents on each Rate Determination Date.

## NOTES TO FINANCIAL STATEMENTS

**Redemption Provisions**

The bonds are generally subject to certain early-redemption provisions, both mandatory and at the option of the Corporation. The Corporation redeems debt, pursuant to the provisions of the related agreements which permit surplus revenues, resulting primarily from mortgage loan prepayments, to be used to retire the obligations at par. The Corporation also issues new debt whose proceeds are used to redeem previously issued debt, called current refundings. The related discounts and costs of issuance of the old debt are classified as a deferred outflow of resources and amortized as interest expense. The Corporation may call some bonds at a premium using any monies once bonds reach a certain age and may also use a clean-up call to redeem certain bonds once the outstanding amount falls below 15% of the total issuance.

During the three months ended September 30, 2014, the Corporation made \$24,625,000 special revenue redemptions and \$100,000,000 current refundings.

**Debt Service Requirements\*\***

For all bonds in the preceding schedules, the Corporation's debt service requirements through 2019 and in five year increments thereafter to maturity are shown below (in thousands):

| 12 Months Ending September 30 | Total Debt Service  |                     |                     |
|-------------------------------|---------------------|---------------------|---------------------|
|                               | Principal           | Interest*           | Total               |
| 2015                          | \$ 45,335           | \$ 84,968           | \$ 130,303          |
| 2016                          | 47,410              | 83,677              | 131,087             |
| 2017                          | 61,045              | 81,877              | 142,922             |
| 2018                          | 61,035              | 79,538              | 140,573             |
| 2019                          | 62,840              | 77,112              | 139,952             |
| 2020-2024                     | 404,135             | 335,585             | 739,720             |
| 2025-2029                     | 496,005             | 244,305             | 740,310             |
| 2030-2034                     | 617,905             | 135,508             | 753,413             |
| 2035-2039                     | 338,240             | 55,483              | 393,723             |
| 2040-2043                     | 157,465             | 6,841               | 164,306             |
|                               | <u>\$ 2,291,415</u> | <u>\$ 1,184,894</u> | <u>\$ 3,476,309</u> |

\* Interest requirements for variable-rate bonds have been computed using the effective interest rate at September 30, 2014

\*\* Also see Note 11 – Derivatives

**Conduit Debt**

From time to time, the Corporation has issued debt to assist private-sector entities in the acquisition or construction of facilities that help the Corporation fulfill its mission of making housing affordable for all Alaskans. The bonds are secured by the properties financed and are payable solely from rents and payments received on the underlying mortgage loans. Neither the Corporation nor the State is obligated in any manner for repayment of the bonds. Accordingly, the bonds and any related assets are not reported as assets or liabilities in the accompanying financial statements. The Corporation has made the commitment to issue up to \$5,000,000 of Revenue Bonds 2014 (Eklutna Estates II Senior Housing Projects). As of September 30, 2014, there are \$50,001 bonds outstanding.

**11 DERIVATIVES**

The Corporation entered into derivatives to reduce the overall cost of borrowing long-term capital and protect against the risk of rising interest rates. The Corporation's derivatives consist of interest rate swap agreements entered into in connection with its long-term variable rate bonds. The interest rate swaps are pay-fixed, receive-variable agreements, and were entered into at a cost less than what the Corporation would have paid to issue conventional fixed-rate debt.

The swaps are recorded and disclosed as either hedging derivatives or investment derivatives. The synthetic instrument method was used to determine whether the derivative was hedgeable or not. The fair values of the hedgeable derivatives and investment derivatives are presented in the Statement of Net Position, either as a derivative liability (negative fair value amount) or as a derivative asset (positive fair value amount). If a swap changes from a hedgeable derivative to an investment derivative, the hedge is considered terminated and the accumulated change in fair value is no longer deferred but recognized as a revenue item.

The fair value amounts, obtained from mark to market statements from the respective counterparties and reconciled to present value calculations done by the Corporation, represent mid-market valuations that approximate the current economic value using market averages, reference rates, and/or mathematical models. Actual trade prices may vary significantly from these estimates as a result of various factors, which may include (but are not limited to) portfolio composition, current trading intentions, prevailing credit spreads, market liquidity, hedging costs and risks, position size, transaction and financing costs, and the use of capital profit. The fair value represents the current price to settle swap assets or liabilities in the marketplace if a swap were to be terminated.

NOTES TO FINANCIAL STATEMENTS

The Corporation's interest rate swaps require that if the ratings on the associated bonds fall to BBB+/Baa1, the Corporation would have to post collateral of up to 100 percent of the swap's fair value. As of September 30, 2014, the Corporation has not posted any collateral and is not required to post any collateral.

### Hedging Derivatives

The significant terms and credit ratings of the Corporation's hedging derivatives as of September 30, 2014, are shown below:

| Related<br>Bond Issue | Effective<br>Date | Fixed Rate<br>Paid | Variable Rate<br>Received    | Swap<br>Termination<br>Date | Counterparty<br>Credit Rating <sup>7</sup> |
|-----------------------|-------------------|--------------------|------------------------------|-----------------------------|--------------------------------------------|
| GP01A <sup>1</sup>    | 12/01/08          | 2.4530             | 67% of 1M LIBOR <sup>4</sup> | 12/01/30                    | A/A2                                       |
| GP01B                 | 08/02/01          | 4.1427             | 67% of 1M LIBOR              | 12/01/30                    | A+/Aa3                                     |
| E021A1 <sup>2</sup>   | 10/09/08          | 2.9800             | 70% of 3M LIBOR <sup>5</sup> | 06/01/32                    | AAA/Aa2                                    |
| E021A2                | 10/09/08          | 3.4480             | 70% of 1M LIBOR              | 12/01/36                    | A+/Aa3                                     |
| SC02C <sup>3</sup>    | 12/05/02          | 4.3030             | SIFMA <sup>6</sup> +0.115%   | 07/01/22                    | A+/Aa3                                     |
| E071AB                | 05/31/07          | 3.7345             | 70% of 3M LIBOR              | 12/01/41                    | AAA/Aa2                                    |
| E071BD                | 05/31/07          | 3.7200             | 70% of 3M LIBOR              | 12/01/41                    | A+/Aa3                                     |
| E091A                 | 05/28/09          | 3.7610             | 70% of 3M LIBOR              | 12/01/40                    | A/A2                                       |
| E091B                 | 05/28/09          | 3.7610             | 70% of 3M LIBOR              | 12/01/40                    | AAA/Aa2                                    |
| E091ABD               | 05/28/09          | 3.7400             | 70% of 3M LIBOR              | 12/01/40                    | A+/Aa3                                     |

1. Governmental Purpose Bonds

2. Home Mortgage Revenue Bonds

3. State Capital Project Bonds

4. London Interbank Offered Rate ("LIBOR") 1 month

5. London Interbank Offered Rate 3 month

6. Securities Industry and Financial Markets Municipal Swap Index

7. Standard & Poor's/Moody's

The change in fair value and ending balance of the hedging derivatives as of September 30, 2014, is shown below (in thousands). The fair value is reported as a deferred outflow / inflow of resources in the Statement of Net Position.

| Related<br>Bond<br>Issue | Notional<br>Amounts | Present<br>Values | Fair Values        |               | Change in<br>Fair Value |
|--------------------------|---------------------|-------------------|--------------------|---------------|-------------------------|
|                          |                     |                   | September 30, 2014 | June 30, 2014 |                         |
| GP01A                    | \$ 53,455           | \$ 56,741         | \$ (3,286)         | \$ (3,353)    | \$ 67                   |
| GP01B                    | 65,320              | 78,085            | (12,765)           | (13,103)      | 338                     |
| E021A1                   | 41,920              | 46,022            | (4,102)            | (4,195)       | 93                      |
| E021A2                   | 55,785              | 59,019            | (3,234)            | (4,091)       | 857                     |
| SC02C                    | 48,255              | 53,736            | (5,481)            | (5,981)       | 500                     |
| E071AB                   | 143,622             | 175,588           | (31,966)           | (31,412)      | (554)                   |
| E071BD                   | 95,748              | 116,707           | (20,959)           | (20,577)      | (382)                   |
| E091A                    | 72,789              | 89,624            | (16,835)           | (16,520)      | (315)                   |
| E091B                    | 72,789              | 89,564            | (16,775)           | (16,461)      | (314)                   |
| E091ABD                  | 97,052              | 118,967           | (21,915)           | (21,483)      | (432)                   |
| Total                    | \$ 746,735          | \$ 884,053        | \$ (137,318)       | \$ (137,176)  | \$ (142)                |

As of September 30, 2014, debt service requirements of the Corporation's outstanding variable-rate debt and net swap payments are displayed in the following schedule (in thousands). As interest rates vary, variable-rate bond interest payments and net swap payments will also vary.

| Fiscal Year<br>Ending June 30 | VRDO<br>Principal | VRDO<br>Interest | Swap Net<br>Payment | Total<br>Payments |
|-------------------------------|-------------------|------------------|---------------------|-------------------|
| 2015                          | \$ 10,265         | \$ 531           | \$ 25,111           | \$ 35,907         |
| 2016                          | 13,325            | 537              | 25,702              | 39,564            |
| 2017                          | 16,325            | 532              | 25,221              | 42,078            |
| 2018                          | 19,585            | 522              | 24,587              | 44,694            |
| 2019                          | 20,475            | 509              | 23,879              | 44,863            |
| 220-2024                      | 140,590           | 2,308            | 105,516             | 248,414           |
| 2025-2029                     | 153,415           | 1,852            | 80,577              | 235,844           |
| 2030-2034                     | 152,120           | 1,312            | 53,356              | 206,788           |
| 2035-2039                     | 154,585           | 708              | 26,908              | 182,201           |
| 2040-2043                     | 66,050            | 97               | 3,102               | 69,249            |
|                               | \$ 746,735        | \$ 8,908         | \$ 393,959          | \$ 1,149,602      |

## NOTES TO FINANCIAL STATEMENTS

**Credit Risk**

As of September 30, 2014, the Corporation is not exposed to credit risk on any of the swaps because the swaps all have negative fair values. If interest rates rise and the fair value of the swaps becomes positive, the Corporation would be exposed to credit risk in the amount of the swaps' fair value. The swap agreements contain varying collateral agreements with the counterparties and require full collateralization of the fair value amount of the swap should the counterparty's rating fall to "BBB+/Baa1". The Corporation currently has swap agreements with five separate counterparties. Approximately 34.6% of the total notional amount of the swaps is held with one counterparty rated "AAA/Aa2". Another 32.3% of the total notional amount of the swaps is held with another counterparty rated "A+/Aa3". Of the remaining swaps, another counterparty is also rated "A+/Aa3", another counterparty is rated "A/A2", and the remaining counterparty is also rated "A/A2", approximating 16.2%, 9.7%, and 7.2% respectively, of the total notional amount of the swaps.

**Interest Rate Risk**

The Corporation is exposed to interest rate risk on all of its interest rate swaps. As LIBOR or the SIFMA index decreases, the Corporation's net payment on the swaps increases.

**Basis Risk**

All of the Corporation's variable-rate bond interest payments related to interest rate swaps are based on the tax-exempt SIFMA index. Therefore, the Corporation is exposed to basis risk on swaps where the variable payment received on the swaps is based on a taxable LIBOR index and does not fully offset the variable rate paid on the bonds, which is based on the SIFMA index. The SC02C swap is based on the SIFMA index and thus is not exposed to any basis risk. As of September 30, 2014, SIFMA was 0.04% and 1-month LIBOR was 0.1565%, resulting in a SIFMA/LIBOR ratio of 25.6%. The 3-month LIBOR was 0.2351%, resulting in a SIFMA/LIBOR ratio of 17%. The SIFMA/LIBOR ratios have fluctuated since the agreements became effective but the anticipated cost savings from the swaps increases as the ratios decrease.

**Termination Risk**

Termination risk is the risk of an unscheduled termination of a swap prior to its planned maturity. If any of the swaps are terminated, the associated floating rate bonds would no longer carry synthetic fixed interest rates and the Corporation would be exposed to interest rate risk on the bond. This risk is mitigated by the fact that the termination payment could be used to enter into an identical swap at the termination date of the existing swap. Further, if any of the swaps have a negative fair value at termination, the Corporation would be liable to the counterparty for payments equal to the swaps' fair value. The Corporation or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the agreement, including downgrades and events of default.

In fiscal year 2009, three swaps were terminated because of bankruptcy events with the counterparties, resulting in the Corporation making termination payments totaling \$22,181,000 to the counterparties. The Corporation replaced the swaps with new swaps that had provisions that resulted in a lower cost overall on the underlying debt. The termination payments were deferred and are being amortized to interest expense over the life of the bonds related to those terminated swaps. An additional payment of \$150,000 was made to a former counterparty in fiscal year 2013 as settlement of any and all claims relating to that counterparty's swap termination. This payment was expensed as insurance and financing expense in fiscal year 2013.

**Rollover Risk**

Rollover risk occurs when there is a mismatch in the amortization of the swap versus the amortization of the floating rate bonds. The Corporation has structured the swaps to amortize at the same rate as scheduled or anticipated reductions in the associated floating rate bonds outstanding. The Home Mortgage Revenue Bonds, 2002 Series A swaps were set up in several tranches of various sizes that can be cancelled to parallel the redemption of debt from mortgage prepayments. In addition, the Governmental Purpose Bonds, 2001 Series A and B swaps cover only a portion of the total debt issuance, allowing any increase in the speed of mortgage prepayments to be directed to the unswapped portion of the debt.

NOTES TO FINANCIAL STATEMENTS

### Investment Derivative

The State Capital Project Bonds, 2002 Series B, were fully redeemed in fiscal year 2009, so the associated interest rate swap was no longer a hedging derivative and is accounted for as an investment derivative.

The significant terms and credit ratings of the Corporation's investment derivative as of September 30, 2014, is shown below:

| Related<br>Bond<br>Issue | Effective<br>Date | Fixed Rate<br>Paid | Variable Rate<br>Received | Swap<br>Termination<br>Date | Counterparty<br>Credit Rating |
|--------------------------|-------------------|--------------------|---------------------------|-----------------------------|-------------------------------|
| SC02B                    | 12/05/02          | 3.77%              | 70% of 1M LIBOR           | 07/01/24                    | A+/Aa3                        |

The change in fair value of the investment derivatives as of September 30, 2014, is shown below (in thousands) and is presented on the net change of hedge termination line in the Statement of Revenues, Expenses, and Changes in Net Position.

| Related<br>Bond<br>Issue | Notional<br>Amounts | Present<br>Values | Fair Values        |               | Change in<br>Fair Value |
|--------------------------|---------------------|-------------------|--------------------|---------------|-------------------------|
|                          |                     |                   | September 30, 2014 | June 30, 2014 |                         |
| SC02B                    | \$ 14,555           | \$ 17,001         | \$ (2,446)         | \$ (2,528)    | \$ 82                   |

### Credit Risk

As of September 30, 2014, the Corporation was not exposed to credit risk on this outstanding swap because the swap had a negative fair value. If interest rates rise and the fair value of the swap becomes positive, the Corporation would be exposed to credit risk in the amount of the swaps' fair value. The swap agreement requires the counterparty to fully collateralize the fair value amount of the swap should the counterparty's rating fall to "BBB+/Baa1". The counterparty on this swap is rated "A+/Aa3".

## 12 LONG TERM LIABILITIES

The activity for the three months ended September 30, 2014, is summarized in the following schedule (in thousands):

|                               | June 30, 2014 | Additions  | Reductions   | September 30, 2014 | Due Within One<br>Year |
|-------------------------------|---------------|------------|--------------|--------------------|------------------------|
| Total bonds and notes payable | \$ 2,308,710  | \$ 140,000 | \$ (127,276) | \$ 2,321,434       | \$ 45,335              |
| Compensated absences          | 5,285         | 688        | (948)        | 5,025              | 2,588                  |
| Other liabilities             | 837           | -          | (77)         | 760                | -                      |
| Total long-term liabilities   | \$ 2,314,832  | \$ 140,688 | \$ (128,301) | \$ 2,327,219       | \$ 47,923              |

## 13 SHORT TERM DEBT

The Corporation has a taxable commercial paper program. Commercial paper is used to refund certain tax-exempt debt until new debt replaces it. Individual maturities range up to 270 days from date of issuance. The maximum aggregate outstanding principal balance authorized by the Corporation's Board of Directors is \$150,000,000. The lowest yield during the three months ended September 30, 2014, was 0.13% and the highest was 0.16%.

Short term debt activity for the three months ended September 30, 2014, is summarized in the following schedule (in thousands):

|                       | June 30, 2014 | Additions  | Reductions   | September 30, 2014 |
|-----------------------|---------------|------------|--------------|--------------------|
| Commercial paper      | \$ 65,000     | \$ 126,300 | \$ (123,800) | \$ 67,500          |
| Unamortized discount  | (7)           | (22)       | 26           | (3)                |
| Commercial paper, net | \$ 64,993     | \$ 126,278 | \$ (123,774) | \$ 67,497          |

## NOTES TO FINANCIAL STATEMENTS

**14 TRANSFERS**

Transfers for the three months ended September 30, 2014, are summarized in the following schedule (in thousands):

|          |                           | Due From       |           |             |          |                 |            |
|----------|---------------------------|----------------|-----------|-------------|----------|-----------------|------------|
|          |                           | Administrative | Grant     | Mortgage or | Other    | Alaska          |            |
|          |                           | Fund           | Programs  | Bond        | Funds or | Corporation for | Total      |
|          |                           |                |           | Programs    | Programs | Affordable      |            |
|          |                           |                |           |             |          | Housing         |            |
| <b>D</b> | Administrative Fund       | \$ -           | \$ 21,602 | \$ 55,873   | \$ 98    | \$ 443          | \$ 78,016  |
| <b>u</b> | Grant Programs            | 26,606         | -         | -           | -        | -               | 26,606     |
| <b>e</b> | Mortgage or Bond Programs | 54,541         | -         | 100,000     | -        | -               | 154,541    |
|          | Other Funds or Programs   | 2,503          | 10        | -           | -        | -               | 2,513      |
| <b>T</b> | Alaska Corporation for    |                |           |             |          |                 |            |
| <b>o</b> | Affordable Housing        | 1,394          | -         | -           | -        | -               | 1,394      |
|          | Total                     | \$ 85,044      | \$ 21,612 | \$ 155,873  | \$ 98    | \$ 443          | \$ 263,070 |

Transfers are used to:

- (1) move cash between the Administrative Fund and the Mortgage or Bond Programs to subsidize debt service payments or satisfy bond indenture requirements,
- (2) move mortgages between the Administrative Fund and the Mortgage or Bond Programs,
- (3) record expenditures paid on behalf of the Grant Programs, the Mortgage or Bond Programs, and the Other Funds or Programs by the Administrative Fund,
- (4) move cash and mortgages between various Mortgage or Bond Programs,
- (5) record land purchased by the Grant programs and gifted to ACAH and various unreimbursable expenditures paid on behalf by the Administrative Fund on behalf of ACAH.

**15 OTHER CREDIT ARRANGEMENTS**

The Corporation currently has outstanding certain debt obligations with respect to which it has entered into standby bond purchase agreements to provide liquidity in the event of unremarketed tenders and/or bond insurance contracts to guarantee the payment of debt service. At September 30, 2014, the Corporation had unused standby bond purchase agreements of \$498,825,000 and bond insurance of \$444,490,000.

**16 YIELD RESTRICTION AND ARBITRAGE REBATE**

Most mortgages purchased with the proceeds of tax-exempt mortgage revenue bonds issued by the Corporation are subject to interest-rate yield restrictions of 1.125% to 1.500% over the yield of the bonds. These restrictions are in effect over the lives of the bonds. Most of the non-mortgage investments made under the Corporation's tax-exempt mortgage revenue bond programs are subject to rebate provisions or restricted as to yields. The rebate provisions require that a calculation be performed every five years and upon full retirement of the bonds to determine the amount, if any, of excess yield earned and owed to the Internal Revenue Service. The amount of excess earning arbitrage expensed for the three months ended September 30, 2014 was (\$77,000). No arbitrage was paid for the three months ended September 30, 2014.

**17 STATE AUTHORIZATIONS AND COMMITMENTS**

The Corporation uses its assets to fund certain housing and non-housing capital projects identified by the State. The aggregate amount expected to be funded by the Corporation was expressed by the following language of legislative intent included in the fiscal year 1996 capital appropriation bill, enacted in 1995.

NOTES TO FINANCIAL STATEMENTS

"The Legislature intends to ensure the prudent management of the Alaska Housing Finance Corporation to protect its excellent debt rating by the nation's financial community and to preserve its valuable assets of the State. To accomplish its goal, the sum of withdrawals for transfer to the general fund and for expenditure on corporate funded capital projects should not exceed the Corporation's net income for the preceding fiscal year."

The projected amounts stated in the legislative intent language were based on the Corporation's financial operating plan and represent the total amount of anticipated State transfers and capital expenditures rather than projected "net income". Following are the details of AHFC's dividend to the State as of September 30, 2014, (in thousands):

|                                     | Dividend Due<br>to State | Expenditures          | Remaining<br>Commitments |
|-------------------------------------|--------------------------|-----------------------|--------------------------|
| State General Fund Transfers        | \$ 788,921               | \$ (788,921)          | \$ -                     |
| State Capital Projects Debt Service | 412,071                  | (408,223)             | 3,848                    |
| State of Alaska Capital Projects    | 253,761                  | (245,486)             | 8,275                    |
| AHFC Capital Projects               | 457,420                  | (425,806)             | 31,614                   |
| Total                               | <u>\$ 1,912,173</u>      | <u>\$ (1,868,436)</u> | <u>\$ 43,737</u>         |

**Transfer Plan with the State**

The 1998 Legislature authorized the Corporation to finance state capital projects through the issuance of up to \$224,000,000 in bonds. Debt service payments on such bonds are categorized as transfers pursuant to the Transfer Plan. That legislation also extended the term of the Transfer Plan by stating the Legislature's intent that the Corporation transfer to the State (or expend on its behalf) an amount not to exceed \$103,000,000 in each fiscal year through fiscal year 2006, again stating that, to protect the Corporation and its bond rating, in no fiscal year should such amount exceed the Corporation's net income for the preceding fiscal year. The bond proceeds are allocated to agencies and municipalities subject to specific legislative appropriation.

The 2000 Legislature adopted legislation authorizing the issuance of bonds in sufficient amounts to fund the construction of various State capital projects, and extended the Transfer Plan (as described above) through fiscal year 2008. The 2002 Legislature authorized the issuance of capital project bonds for the renovation and deferred maintenance of the Corporation's Public Housing facilities. The 2004 Legislature adopted legislation authorizing the additional issuance of bonds in sufficient amounts to fund the construction of various State capital projects. The bond proceeds are allocated to agencies and municipalities subject to specific legislative appropriation.

The Corporation has issued \$196,345,000 principal amount of State Capital Project Bonds pursuant to the 1998 Act, \$74,535,000 principal amount of State Capital Project Bonds pursuant to the 2000 Act, \$60,250,000 principal amount of State Capital Project Bonds pursuant to the 2002 Act, and \$45,000,000 principal amount of bonds under the State Capital Project agreement pursuant to the 2004 Act, and has completed its issuance authority under the Acts. The payment of principal and interest on these bonds will be included in future capital budgets of the Corporation. Debt service payments on such bonds are categorized as transfers pursuant to the Transfer Plan.

The Twenty-Third Legislature in 2003 enacted SCS HB 256 (the "2003 Act") which added language to the Alaska Statutes to modify and incorporate the Transfer Plan. The Corporation and the State view the 2003 Act as an indefinite, sustainable continuation of the Transfer Plan. As approved and signed into law by the Governor and modified by the Twenty-Fourth Legislature in 2006 with SB 236, the 2003 Transfer Plan calls for annual transfers that will not exceed the lesser of 75% of the adjusted change in net position for the fiscal year two years prior to the current fiscal year or \$103,000,000 less debt service on certain State Capital Project Bonds, less any legislative appropriation of the Corporation's unrestricted, unencumbered funds other than appropriations of the Corporation's operating budget.

## NOTES TO FINANCIAL STATEMENTS

**18 HOUSING GRANTS AND SUBSIDIES EXPENSES**

The grant programs are funded from HUD, federal, State and Corporate proceeds. The Corporation paid grants to third parties for the following programs (in thousands):

|                                                    | <b>September 30, 2014</b> |
|----------------------------------------------------|---------------------------|
| ▪ Beneficiaries and Special Needs Housing          | 118                       |
| ▪ Continuum of Care Homeless Assistance            | 446                       |
| ▪ Domestic Violence                                | 396                       |
| ▪ Drug Elimination                                 | 14                        |
| ▪ Emergency Shelter Grant (ESG)                    | 72                        |
| ▪ Energy Efficiency Monitoring Research            | 99                        |
| ▪ Energy Efficient Home Program                    | 4,153                     |
| ▪ HOME Investment Partnership                      | 1,933                     |
| ▪ Homeless Assistance Program                      | 1,068                     |
| ▪ Housing Choice Vouchers                          | 7,186                     |
| ▪ Housing Loan Program                             | 795                       |
| ▪ Housing Opportunities for Persons with AIDS      | 133                       |
| ▪ Low Income Weatherization Assistance             | 6,937                     |
| ▪ Neighborhood Stabilization Program (NSP)         | 25                        |
| ▪ Non-Elderly Disabled (NED)                       | 69                        |
| ▪ Parolees (TBRA)                                  | 106                       |
| ▪ Section 8 Rehabilitaton                          | 107                       |
| ▪ Senior Citizen Housing Development Grant         | 675                       |
| ▪ Supplemental Housing Grant                       | 1,312                     |
| ▪ Veterans Affairs Supportive Housing              | 330                       |
| ▪ Youth (TBRA)                                     | 47                        |
| ▪ Utility Allowance Payments for Low Rent          | 10                        |
| <b>Total Housing Grants and Subsidies Expenses</b> | <b>\$ 26,031</b>          |

In addition to grant payments made, the Corporation has advanced grant funds of \$10,480,000 and committed to third parties a sum of \$111,729,000 in grant awards at September 30, 2014.

**19 OTHER FUNDS OR PROGRAMS**

Other Funds and Programs include public-housing and other activities not reported elsewhere. These programs are funded from a combination of corporate receipts and external sources.

**Other Funds and Programs**

Low Rent includes the following programs for various low-income housing facilities administered by the Corporation under contract with HUD:

- Low Rent Management
- Modernization/Capital Fund Programs

Market Rate Rental Housing Programs consist of Corporate owned low-income housing facilities at various locations.

- Project Based Section 8
- Market Rate Rental

Home Ownership Fund includes the following program that provided assistance to borrowers for monthly mortgage payments. This fund is maintained due to statutory requirements. No borrowers are currently receiving assistance:

- Homeowner Assistance Program

**20 ENERGY AND WEATHERIZATION ENERGY EFFICIENCY PROGRAMS**

The 2008 Legislature authorized funding for the Corporation to expand the existing Weatherization program by \$200,000,000 and create the new Energy Rebate Program with \$160,000,000 to help Alaskans make their homes more energy efficient. The 2011, 2012, 2013 and 2014 Legislatures authorized additional funding for the Weatherization program of \$62,500,000, \$30,000,000, \$30,000,000, and \$27,500,000, respectively, and for the Energy Rebate Program of \$37,500,000, \$20,000,000, \$20,000,000 and \$15,000,000, respectively.

## NOTES TO FINANCIAL STATEMENTS

The Weatherization program helps homeowners with low-to-moderate incomes, living in owner-occupied homes or rental units, qualify for free weatherization upgrades performed through various providers or regional housing authorities. The Weatherization program is funded by federal, State and Corporate monies.

The Home Energy Rebate Program has no income limits and provides homeowners with reimbursements for specific energy-efficiency improvements. The more the home's energy efficiency improves, the greater the potential rebate. As of September 30, 2014, the Corporation had outstanding commitments of \$34,731,000 and had paid out \$176,919,000 in the rebate program to homeowners since the inception of the program. The \$34,731,000 commitment amount represents the maximum amount each homeowner could be reimbursed, not necessarily the actual amount of each homeowner's reimbursement.

## 21 PENSION AND POST EMPLOYMENT HEALTHCARE PLANS

### Plan Description

As of September 30, 2014, all regular employees of the Corporation who work more than fifteen hours per week participate in the Alaska Public Employees' Retirement System ("PERS"). PERS administers the State of Alaska Public Employees' Retirement System Defined Benefit Retirement Plan which includes both pension and post employment healthcare plans for all employees hired prior to July 1, 2006. The defined benefit plan was an agent multiple-employer, statewide plan until July 1, 2008, when Senate Bill 125 converted the plan to a multiple-employer cost-sharing plan. PERS also administers the State of Alaska Public Employees' Retirement System Defined Contribution Retirement Plan which includes both pension and post-employment healthcare plans for all employees hired on or after July 1, 2006.

PERS is administered by the State. Benefits and contributions provisions are established by Chapter 35 of Alaska Statute Title 39, and may be amended only by state legislature. Amendments do not affect existing employees. A publicly available financial report that includes financial statements and required supplementary information is issued annually by PERS. That report may be obtained by writing to State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska 99811-0202.

#### *Defined Benefit Plans (Employees hired prior to July 1, 2006):*

Employees hired prior to July 1, 1986, with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 55 or early retirement age 50. The normal pension benefit is equal to 2% of the member's three-year highest average monthly compensation for the first ten years of service and for all service prior to July 1, 1986, 2¼% for the second ten years of service and 2½% for all remaining years of service. Employees with 30 or more years of credited service may retire at any age and receive a normal benefit. The plan pays the retiree medical plan premium and also provides death and disability benefits.

Employees hired between July 1, 1986, and June 30, 1996, with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 60 or early retirement age 55. The normal pension benefit is equal to 2% of the member's three-year highest average monthly compensation for the first ten years of service, 2¼% for the second ten years of service and 2½% for all remaining years of service. Employees with 30 or more years of credited service may retire at any age and receive a normal benefit. The plan does not pay the retiree medical plan premium for retirees under the age of 60 unless the retiree has 30 years of credited service. The employee may elect to pay the full premium cost for medical coverage.

Employees hired between July 1, 1996, and June 30, 2006, with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 60 or early retirement age 55. The normal pension benefit is equal to 2% of the member's five-year highest average monthly compensation for the first ten years of service, 2¼% for the second ten years of service and 2½% for all remaining years of service. Employees with 30 or more years of credited service may retire at any age and receive a normal benefit. The plan does not pay the retiree medical plan premium for retirees with less than 10 years of service at age 60. The employee may elect to pay the full premium cost for medical coverage.

#### *Defined Contribution Plan (Employees hired on or after July 1, 2006):*

There is no retirement age set, however taxes and penalties may apply if withdrawn prior to age 59 ½. Retirement benefits are equal to the Defined Contribution account balance plus interest. The employee may direct the investment of the account if so desired. The account balance is 100% of the employee's contribution plus 25% of the Corporation's contribution after two years of service, 50% of the Corporation's contribution after three years of service, 75% of the Corporation's contribution after four years of service, and 100% of the Corporation's contribution after 5 years of service. The plan pays a portion of the retiree medical plan premium if the retiree retires directly from the plan and is eligible for Medicare. The portion of premium paid by the plan is determined by years of service. Disability benefits are also provided.

## NOTES TO FINANCIAL STATEMENTS

**Funding Policy***Defined Benefit Plans:*

Under State law, covered employees are required to contribute 6¾% of their annual covered salary to the pension plan and are not required to contribute to the Post Employment Healthcare Plan.

Under State law the Corporation is required to contribute 22% of annual covered salary. For the fiscal year 2015, 12.54% of covered salary is for the pension plan and 9.46% of covered salary is for the Post Employment Healthcare Plan.

Under AS39.35.255, the difference between the actuarial required contribution of 44.03% for the fiscal year 2015 and the employer rate of 22% will be funded by the State. For the fiscal year 2015 the State is contributing 42.41%. This is more than the difference between the actuarial rate and the employer rate. This reflects the additional \$1,000,000,000 contribution to the pension plan required by SB 119.

The State contribution to the pension plan for the Corporation for the three months ended September 30, 2014, was \$2,322,000.

The Corporation's contributions to the pension plan for the three months ended September 30, 2014, totaled \$528,000 and for the years ended June 30, 2014, and June 30, 2013, totaled \$1,829,000 and \$1,723,000, respectively.

The Corporation's contributions to the post employment healthcare plan for the three months ended September 30, 2014, totaled \$398,000 and for the years ended June 30, 2014, and June 30, 2013, totaled \$1,953,000 and \$2,197,000, respectively.

*Defined Contribution Plans:*

Under State law, covered employees are required to contribute 8% of their annual covered salary. For the fiscal year 2015, the Corporation is required to contribute 5.22% of the annual covered salary to the pension plan.

Under State law, covered employees are not required to contribute to the post employment healthcare plan. For the fiscal year 2015, the Corporation is required to contribute 1.66% of the annual covered salary plus an annual flat dollar amount of \$1,900 for each covered employee.

If the total amount that the Corporation has contributed for the defined contribution pension and post employment healthcare plans is less than 22% of covered payroll, the Corporation must pay that additional amount. This additional amount is used to reduce the Plan's unfunded liability. For the three months ended September 30, 2014, the Corporation paid additional contributions of \$149,000. These contributions equal \$85,000 for pension and 64,000 for post-employment healthcare plans.

The contributions to the pension plan for the three months ended September 30, 2014, by the employees totaled \$101,000 and by the Corporation totaled \$66,000.

The Corporation contributed \$62,000 to a health reimbursement arrangement for the three months ended September 30, 2014.

**22 OTHER COMMITMENTS AND CONTINGENCIES****Medical Self Insurance**

During the fiscal year ended June 30, 1998, the Corporation began a program of self-insurance for employee medical benefits. Costs are billed directly to the Corporation by an Administrative Services Provider that processes all of the claims from the employees and their dependents. The Corporation has purchased a stop-loss policy that limits its liability to \$175,000 per employee per year. The Corporation has provided for an estimate of the Incurred But Not Reported (IBNR) liability in the amount of \$1,170,000 as of September 30, 2014.

**Litigation**

The Corporation, in the normal course of its activities, is involved in various claims and pending litigation, the outcome of which is not presently determinable. In the opinion of management, the disposition of these matters is not presently expected to have a material adverse effect on the Corporation's financial statements.

**Contingent Liabilities**

The Corporation participates in several federally assisted programs. These programs are subject to program compliance audits and adjustment by the grantor agencies or their representatives. Any disallowed claims, including amounts already collected, would become a liability of the Administrative Fund. In management's opinion, disallowance, if any, will be immaterial.

NOTES TO FINANCIAL STATEMENTS

**Subsequent Events**

In November 2014, the Corporation issued \$78,105,000 State Capital Project Bonds II, 2014 Series D with \$14,865,000 of additional premium. The bonds are general obligations of the Corporation. The 2014 Series D bonds are tax exempt and bear interest at fixed rates between 2% and 5% payable each June 1 and December 1 with a final maturity of June 1, 2029.

In October 2014, the Corporation made the commitment to issue up to \$14,682,000 of Tax Exempt Direct Purchase Bonds, Series 2014 (ANC MV Phase I Limited Partnership Project) with \$100,002 being issued at that time. The Corporation issued this debt to assist ANC MV Phase I Limited Partnership with the construction of facilities that will help the Corporation fulfill its mission of making housing affordable for all Alaskans. AHFC's component unit, ACAH, is a partner of ANC MV Phase I Limited Partnership. Neither the Corporation nor the State is obligated in any manner for repayment of the bonds. Accordingly, the bonds and any related assets are not reported as assets or liabilities in the accompanying financial statements.

**23 RISK MANAGEMENT**

The Corporation is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by various commercial insurance policies and contractual risk transfers. When the Corporation enters into agreements, contracts or grants, it requires insurance from the party the Corporation is doing business with. This ensures that the party can adequately sustain any loss exposure, so the Corporation is not first-in-line in case of a loss. There have been no significant reductions in insurance coverage from the prior year, and settlements have not exceeded insurance coverage during the past three years.

## NOTES TO FINANCIAL STATEMENTS

**24 FIVE YEAR FINANCIAL INFORMATION**

Entity-wide amounts at year-end are presented below for informational purposes (in thousands):

|                                             | June 30,            |                     |                       |                     |                     |
|---------------------------------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|
|                                             | 2014                | 2013                | 2012                  | 2011                | 2010                |
| <b>Assets</b>                               |                     |                     |                       |                     |                     |
| Cash                                        | \$ 77,026           | \$ 59,207           | \$ 64,631             | \$ 73,411           | \$ 59,218           |
| Investments                                 | 1,063,200           | 1,218,693           | 1,231,890             | 1,362,107           | 1,389,605           |
| Accrued interest receivable                 | 12,357              | 11,559              | 12,423                | 13,305              | 14,647              |
| Mortgage loans, notes and other loans       | 2,536,596           | 2,305,667           | 2,525,004             | 2,759,511           | 2,971,253           |
| Net investment in direct financing lease    | 44,664              | 48,777              | 53,192                | 57,476              | 61,222              |
| Unamortized bond issuance costs             | -                   | 10,855              | 14,110                | 16,880              | 19,751              |
| Capital assets, net                         | 120,248             | 125,483             | 125,366               | 121,968             | 112,759             |
| Other assets                                | 44,533              | 64,919              | 46,275                | 36,446              | 40,463              |
| Derivative instrument - interest rate swaps | -                   | -                   | -                     | -                   | -                   |
| <b>Total Assets</b>                         | <b>3,898,624</b>    | <b>3,845,160</b>    | <b>4,072,891</b>      | <b>4,441,104</b>    | <b>4,668,918</b>    |
| <b>Deferred Outflow of Resources</b>        | <b>156,579</b>      | <b>136,070</b>      | <b>215,757</b>        | <b>100,936</b>      | <b>127,899</b>      |
| <b>Liabilities</b>                          |                     |                     |                       |                     |                     |
| Bonds and notes payable                     | 2,308,710           | 2,257,875           | 2,407,864             | 2,721,113           | 2,832,647           |
| Short term debt                             | 64,993              | 28,388              | 68,685                | 86,976              | 149,890             |
| Accrued interest payable                    | 10,147              | 9,947               | 11,323                | 12,688              | 12,770              |
| Other liabilities                           | 21,079              | 20,857              | 27,153                | 24,549              | 47,252              |
| Derivative instrument - interest rate swaps | 140,366             | 138,635             | 219,480               | 102,895             | 130,267             |
| <b>Total Liabilities</b>                    | <b>2,545,295</b>    | <b>2,455,702</b>    | <b>2,734,505</b>      | <b>2,948,221</b>    | <b>3,172,826</b>    |
| <b>Deferred Inflow of Resources</b>         | <b>-</b>            | <b>-</b>            | <b>-</b>              | <b>-</b>            | <b>-</b>            |
| <b>Total Net Position</b>                   | <b>\$ 1,509,908</b> | <b>\$ 1,525,528</b> | <b>* \$ 1,554,143</b> | <b>\$ 1,593,819</b> | <b>\$ 1,623,991</b> |
| <b>Operating Revenues</b>                   |                     |                     |                       |                     |                     |
| Mortgage and loans revenue                  | \$ 120,740          | \$ 125,059          | \$ 147,078            | \$ 164,242          | \$ 177,855          |
| Investment interest                         | 6,532               | 6,385               | 6,793                 | 8,454               | 11,605              |
| Net change in fair value of investments     | 2,450               | 1,545               | 7,667                 | 7,766               | 6,317               |
| Net change of hedge termination             | 37                  | 1,158               | (1,765)               | 410                 | (794)               |
| Total Investment Revenue                    | 9,019               | 9,088               | 12,695                | 16,630              | 17,128              |
| Externally funded programs                  | 163,739             | 168,152             | 179,704               | 194,411             | 191,968             |
| Rental                                      | 8,951               | 8,701               | 8,554                 | 7,996               | 8,697               |
| Other                                       | 5,637               | 4,325               | 3,147                 | 2,416               | 1,610               |
| <b>Total Operating Revenues</b>             | <b>308,086</b>      | <b>315,325</b>      | <b>351,178</b>        | <b>385,695</b>      | <b>397,258</b>      |
| <b>Operating Expenses</b>                   |                     |                     |                       |                     |                     |
| Interest                                    | 81,184              | 94,409              | 111,558               | 122,138             | 130,789             |
| Mortgage and loan costs                     | 9,442               | 10,098              | 11,131                | 11,587              | 12,709              |
| Operations and administration               | 58,771              | 56,663              | 57,126                | 54,100              | 49,678              |
| Financing expenses                          | 4,415               | 12,419              | 7,807                 | 8,692               | 7,456               |
| Provision for loan loss                     | (5,688)             | (4,753)             | (1,542)               | (6,673)             | 515                 |
| Housing grants and subsidies                | 149,188             | 150,460             | 179,194               | 196,168             | 194,883             |
| Rental housing operating expenses           | 14,159              | 13,924              | 16,373                | 12,594              | 11,002              |
| <b>Total Operating Expenses</b>             | <b>311,471</b>      | <b>333,220</b>      | <b>381,647</b>        | <b>398,606</b>      | <b>407,032</b>      |
| <b>Operating Income (Loss)</b>              | <b>(3,385)</b>      | <b>(17,895)</b>     | <b>(30,469)</b>       | <b>(12,911)</b>     | <b>(9,774)</b>      |
| <b>Non-Operating &amp; Special Item</b>     |                     |                     |                       |                     |                     |
| Contribution to State or State agency       | (1,380)             | (10,720)            | (9,207)               | (20,349)            | (36,772)            |
| Special item                                | -                   | -                   | -                     | 3,088               | -                   |
| <b>Change in Net Position</b>               | <b>\$ (4,765)</b>   | <b>\$ (28,615)</b>  | <b>\$ (39,676)</b>    | <b>\$ (30,172)</b>  | <b>\$ (46,546)</b>  |

\*Does not reflect the FY14 cumulative effect of accounting change.

# ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

## STATEMENT OF NET POSITION

COMBINED - ALL FUNDS

As of September 30, 2014

(in thousands of dollars)

|                                                   | Combined<br>Revolving<br>Funds | Combined<br>Mortgage<br>Revenue<br>Bonds | Combined<br>Home<br>Mortgage<br>Revenue<br>Bonds | Combined<br>Veterans<br>Mortgage<br>Program<br>Bonds |
|---------------------------------------------------|--------------------------------|------------------------------------------|--------------------------------------------------|------------------------------------------------------|
| <b>ASSETS</b>                                     |                                |                                          |                                                  |                                                      |
| Cash                                              | 30,483                         | -                                        | -                                                | -                                                    |
| Investments                                       | 679,650                        | 37,407                                   | 32,345                                           | 8,867                                                |
| Accrued interest receivable                       | 2,133                          | 1,009                                    | 3,109                                            | 533                                                  |
| Inter-fund due to/from                            | (8,296)                        | 3,832                                    | 12,922                                           | 1,031                                                |
| Mortgage loans, notes and other loans             | 142,607                        | 320,358                                  | 799,292                                          | 91,530                                               |
| Net investment in direct financing lease          | -                              | -                                        | -                                                | -                                                    |
| Capital assets, non-depreciable                   | 139                            | -                                        | -                                                | -                                                    |
| Capital assets - depreciable, net                 | 3,757                          | -                                        | -                                                | -                                                    |
| Other assets                                      | 7,864                          | -                                        | -                                                | -                                                    |
| Derivative instrument - interest rate swaps       | -                              | -                                        | -                                                | -                                                    |
| Intergovernmental receivable                      | 463                            | -                                        | -                                                | -                                                    |
| <b>Total Assets</b>                               | <b>858,800</b>                 | <b>362,606</b>                           | <b>847,668</b>                                   | <b>101,961</b>                                       |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>              |                                |                                          |                                                  |                                                      |
|                                                   | -                              | -                                        | 124,245                                          | -                                                    |
| <b>LIABILITIES</b>                                |                                |                                          |                                                  |                                                      |
| Bonds payable                                     | -                              | 308,681                                  | 593,373                                          | 68,830                                               |
| Short term debt                                   | 67,497                         | -                                        | -                                                | -                                                    |
| Accrued interest payable                          | 1,978                          | 3,005                                    | 7,271                                            | 1,099                                                |
| Other liabilities                                 | 8,319                          | 93                                       | 336                                              | 40                                                   |
| Derivative instrument - interest rate swaps       | -                              | -                                        | 115,786                                          | -                                                    |
| Intergovernmental payable                         | -                              | -                                        | -                                                | -                                                    |
| <b>Total Liabilities</b>                          | <b>77,794</b>                  | <b>311,779</b>                           | <b>716,766</b>                                   | <b>69,969</b>                                        |
| <b>DEFERRED INFLOW OF RESOURCES</b>               |                                |                                          |                                                  |                                                      |
|                                                   | -                              | -                                        | -                                                | -                                                    |
| <b>NET POSITION</b>                               |                                |                                          |                                                  |                                                      |
| Net investment in capital assets                  | 3,896                          | -                                        | -                                                | -                                                    |
| Restricted by bond resolutions                    | -                              | 50,827                                   | 255,147                                          | 31,992                                               |
| Restricted by contractual or statutory agreements | 67,655                         | -                                        | -                                                | -                                                    |
| Unrestricted or (deficit)                         | 709,455                        | -                                        | -                                                | -                                                    |
| <b>Total Net Position</b>                         | <b>781,006</b>                 | <b>50,827</b>                            | <b>255,147</b>                                   | <b>31,992</b>                                        |

Schedule 1

| Combined<br>Other<br>Housing<br>Bonds | Combined<br>Non-Housing<br>Bonds | Combined<br>Other<br>Programs | Combined<br>Total |
|---------------------------------------|----------------------------------|-------------------------------|-------------------|
| -                                     | 48                               | 39,933                        | 70,464            |
| 75,233                                | 232,634                          | -                             | 1,066,136         |
| 1,879                                 | 3,885                            | -                             | 12,548            |
| 5,756                                 | 12,033                           | (27,278)                      | -                 |
| 446,211                               | 780,090                          | -                             | 2,580,088         |
| -                                     | 43,159                           | -                             | 43,159            |
| -                                     | 2,400                            | 18,285                        | 20,824            |
| -                                     | 10,183                           | 84,054                        | 97,994            |
| -                                     | -                                | 13,569                        | 21,433            |
| -                                     | -                                | -                             | -                 |
| -                                     | -                                | 9,704                         | 10,167            |
| 529,079                               | 1,084,432                        | 138,267                       | 3,922,813         |
| 17,400                                | 14,769                           | -                             | 156,414           |
| 263,803                               | 1,086,747                        | -                             | 2,321,434         |
| -                                     | -                                | -                             | 67,497            |
| 2,887                                 | 13,083                           | -                             | 29,323            |
| 553                                   | 588                              | 3,762                         | 13,691            |
| 16,052                                | 7,926                            | -                             | 139,764           |
| -                                     | 47                               | -                             | 47                |
| 283,295                               | 1,108,391                        | 3,762                         | 2,571,756         |
| -                                     | -                                | -                             | -                 |
| -                                     | 12,583                           | 102,339                       | 118,818           |
| 234,451                               | -                                | -                             | 572,417           |
| 28,733                                | -                                | 35,971                        | 132,359           |
| -                                     | (21,773)                         | (3,805)                       | 683,877           |
| 263,184                               | (9,190)                          | 134,505                       | 1,507,471         |

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**ALASKA HOUSING FINANCE CORPORATION**

Schedule 2

(A Component Unit of the State of Alaska)

**STATEMENT OF NET POSITION****REVOLVING FUNDS**

As of September 30, 2014

(in thousands of dollars)

|                                                   | <b>Administrative<br/>Fund</b> | <b>Home<br/>Ownership<br/>Fund</b> | <b>Combined<br/>Total</b> |
|---------------------------------------------------|--------------------------------|------------------------------------|---------------------------|
| <b>ASSETS</b>                                     |                                |                                    |                           |
| Cash                                              | 30,100                         | 383                                | 30,483                    |
| Investments                                       | 668,532                        | 11,118                             | 679,650                   |
| Accrued interest receivable                       | 2,078                          | 55                                 | 2,133                     |
| Inter-fund due to/from                            | (8,296)                        | -                                  | (8,296)                   |
| Mortgage loans, notes and other loans             | 142,607                        | -                                  | 142,607                   |
| Net investment in direct financing lease          | -                              | -                                  | -                         |
| Capital assets - non-depreciable                  | 139                            | -                                  | 139                       |
| Capital assets - depreciable, net                 | 3,757                          | -                                  | 3,757                     |
| Other assets                                      | 7,864                          | -                                  | 7,864                     |
| Derivative instrument - interest rate swaps       | -                              | -                                  | -                         |
| Intergovernmental receivable                      | 463                            | -                                  | 463                       |
| <b>Total Assets</b>                               | <b>847,244</b>                 | <b>11,556</b>                      | <b>858,800</b>            |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>              |                                |                                    |                           |
|                                                   | -                              | -                                  | -                         |
| <b>LIABILITIES</b>                                |                                |                                    |                           |
| Bonds payable                                     | -                              | -                                  | -                         |
| Short term debt                                   | 67,497                         | -                                  | 67,497                    |
| Accrued interest payable                          | 1,978                          | -                                  | 1,978                     |
| Other liabilities                                 | 8,319                          | -                                  | 8,319                     |
| Derivative instrument - interest rate swaps       | -                              | -                                  | -                         |
| Intergovernmental payable                         | -                              | -                                  | -                         |
| <b>Total Liabilities</b>                          | <b>77,794</b>                  | <b>-</b>                           | <b>77,794</b>             |
| <b>DEFERRED INFLOW OF RESOURCES</b>               |                                |                                    |                           |
|                                                   | -                              | -                                  | -                         |
| <b>NET POSITION</b>                               |                                |                                    |                           |
| Net investment in capital assets                  | 3,896                          | -                                  | 3,896                     |
| Restricted by bond resolutions                    | -                              | -                                  | -                         |
| Restricted by contractual or statutory agreements | 56,099                         | 11,556                             | 67,655                    |
| Unrestricted or (deficit)                         | 709,455                        | -                                  | 709,455                   |
| <b>Total Net Position</b>                         | <b>769,450</b>                 | <b>11,556</b>                      | <b>781,006</b>            |

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**ALASKA HOUSING FINANCE CORPORATION**

Schedule 3

(A Component Unit of the State of Alaska)

**STATEMENT OF NET POSITION**

FIRST TIME HOMEBUYERS PROGRAM

MORTGAGE REVENUE BONDS

As of September 30, 2014

(in thousands of dollars)

|                                                   | <b>Bonds<br/>2009 A-1<br/>2010 A, B</b> | <b>Bonds<br/>2009 A-2<br/>2011 A, B</b> | <b>Mortgage<br/>Revenue<br/>Bonds<br/>Combined<br/>Total</b> |
|---------------------------------------------------|-----------------------------------------|-----------------------------------------|--------------------------------------------------------------|
| <b>ASSETS</b>                                     |                                         |                                         |                                                              |
| Cash                                              | -                                       | -                                       | -                                                            |
| Investments                                       | 16,050                                  | 21,357                                  | 37,407                                                       |
| Accrued interest receivable                       | 402                                     | 607                                     | 1,009                                                        |
| Inter-fund due to/from                            | 1,604                                   | 2,228                                   | 3,832                                                        |
| Mortgage loans, notes and other loans             | 118,115                                 | 202,243                                 | 320,358                                                      |
| Net investment in direct financing lease          | -                                       | -                                       | -                                                            |
| Capital assets - non-depreciable                  | -                                       | -                                       | -                                                            |
| Capital assets - depreciable, net                 | -                                       | -                                       | -                                                            |
| Other assets                                      | -                                       | -                                       | -                                                            |
| Derivative instrument - interest rate swaps       | -                                       | -                                       | -                                                            |
| Intergovernmental receivable                      | -                                       | -                                       | -                                                            |
| <b>Total Assets</b>                               | <b>136,171</b>                          | <b>226,435</b>                          | <b>362,606</b>                                               |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>              |                                         |                                         |                                                              |
|                                                   | -                                       | -                                       | -                                                            |
| <b>LIABILITIES</b>                                |                                         |                                         |                                                              |
| Bonds payable                                     | 125,661                                 | 183,020                                 | 308,681                                                      |
| Short term debt                                   | -                                       | -                                       | -                                                            |
| Accrued interest payable                          | 1,425                                   | 1,580                                   | 3,005                                                        |
| Other liabilities                                 | 36                                      | 57                                      | 93                                                           |
| Derivative instrument - interest rate swaps       | -                                       | -                                       | -                                                            |
| Intergovernmental payable                         | -                                       | -                                       | -                                                            |
| <b>Total Liabilities</b>                          | <b>127,122</b>                          | <b>184,657</b>                          | <b>311,779</b>                                               |
| <b>DEFERRED INFLOW OF RESOURCES</b>               |                                         |                                         |                                                              |
|                                                   | -                                       | -                                       | -                                                            |
| <b>NET POSITION</b>                               |                                         |                                         |                                                              |
| Net investment in capital assets                  | -                                       | -                                       | -                                                            |
| Restricted by bond resolutions                    | 9,049                                   | 41,778                                  | 50,827                                                       |
| Restricted by contractual or statutory agreements | -                                       | -                                       | -                                                            |
| Unrestricted or (deficit)                         | -                                       | -                                       | -                                                            |
| <b>Total Net Position</b>                         | <b>9,049</b>                            | <b>41,778</b>                           | <b>50,827</b>                                                |

# ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

## STATEMENT OF NET POSITION

FIRST TIME HOMEBUYERS PROGRAM

HOME MORTGAGE REVENUE BONDS

As of September 30, 2014

(in thousands of dollars)

|                                                   | Bonds<br>2002 A,B | Bonds<br>2006 A | Bonds<br>2007 A | Bonds<br>2007 B |
|---------------------------------------------------|-------------------|-----------------|-----------------|-----------------|
| <b>ASSETS</b>                                     |                   |                 |                 |                 |
| Cash                                              | -                 | -               | -               | -               |
| Investments                                       | 3,986             | 3,274           | 3,727           | 3,622           |
| Accrued interest receivable                       | 571               | 104             | 310             | 384             |
| Inter-fund due to/from                            | 2,666             | 1,216           | 1,371           | 1,386           |
| Mortgage loans, notes and other loans             | 126,877           | 21,294          | 84,529          | 84,750          |
| Net investment in direct financing lease          | -                 | -               | -               | -               |
| Capital assets - non-depreciable                  | -                 | -               | -               | -               |
| Capital assets - depreciable, net                 | -                 | -               | -               | -               |
| Other assets                                      | -                 | -               | -               | -               |
| Derivative instrument - interest rate swaps       | -                 | -               | -               | -               |
| Intergovernmental receivable                      | -                 | -               | -               | -               |
| <b>Total Assets</b>                               | <b>134,100</b>    | <b>25,888</b>   | <b>89,937</b>   | <b>90,142</b>   |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>              |                   |                 |                 |                 |
|                                                   | 7,337             | -               | 18,215          | 18,191          |
| <b>LIABILITIES</b>                                |                   |                 |                 |                 |
| Bonds payable                                     | 91,440            | 19,933          | 75,000          | 75,000          |
| Short term debt                                   | -                 | -               | -               | -               |
| Accrued interest payable                          | 1,035             | 313             | 931             | 933             |
| Other liabilities                                 | 49                | 7               | 27              | 42              |
| Derivative instrument - interest rate swaps       | 7,337             | -               | 16,693          | 16,669          |
| Intergovernmental payable                         | -                 | -               | -               | -               |
| <b>Total Liabilities</b>                          | <b>99,861</b>     | <b>20,253</b>   | <b>92,651</b>   | <b>92,644</b>   |
| <b>DEFERRED INFLOW OF RESOURCES</b>               |                   |                 |                 |                 |
|                                                   | -                 | -               | -               | -               |
| <b>NET POSITION</b>                               |                   |                 |                 |                 |
| Net investment in capital assets                  | -                 | -               | -               | -               |
| Restricted by bond resolutions                    | 41,576            | 5,635           | 15,501          | 15,689          |
| Restricted by contractual or statutory agreements | -                 | -               | -               | -               |
| Unrestricted or (deficit)                         | -                 | -               | -               | -               |
| <b>Total Net Position</b>                         | <b>41,576</b>     | <b>5,635</b>    | <b>15,501</b>   | <b>15,689</b>   |

Schedule 4

| Bonds<br>2007 D | Bonds<br>2009 A | Bonds<br>2009 B | Bonds<br>2009 D | Home<br>Mortgage<br>Revenue<br>Bonds<br>Combined<br>Total |
|-----------------|-----------------|-----------------|-----------------|-----------------------------------------------------------|
| -               | -               | -               | -               | -                                                         |
| 4,180           | 4,455           | 4,453           | 4,648           | 32,345                                                    |
| 428             | 379             | 398             | 535             | 3,109                                                     |
| 1,366           | 1,721           | 1,377           | 1,819           | 12,922                                                    |
| 108,412         | 117,481         | 126,476         | 129,473         | 799,292                                                   |
| -               | -               | -               | -               | -                                                         |
| -               | -               | -               | -               | -                                                         |
| -               | -               | -               | -               | -                                                         |
| -               | -               | -               | -               | -                                                         |
| -               | -               | -               | -               | -                                                         |
| 114,386         | 124,036         | 132,704         | 136,475         | 847,668                                                   |
| 21,428          | 19,860          | 19,800          | 19,414          | 124,245                                                   |
| 89,370          | 80,880          | 80,880          | 80,870          | 593,373                                                   |
| -               | -               | -               | -               | -                                                         |
| 1,116           | 885             | 882             | 1,176           | 7,271                                                     |
| 51              | 66              | 31              | 63              | 336                                                       |
| 19,562          | 18,662          | 18,602          | 18,261          | 115,786                                                   |
| -               | -               | -               | -               | -                                                         |
| 110,099         | 100,493         | 100,395         | 100,370         | 716,766                                                   |
| -               | -               | -               | -               | -                                                         |
| -               | -               | -               | -               | -                                                         |
| 25,715          | 43,403          | 52,109          | 55,519          | 255,147                                                   |
| -               | -               | -               | -               | -                                                         |
| -               | -               | -               | -               | -                                                         |
| 25,715          | 43,403          | 52,109          | 55,519          | 255,147                                                   |

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**ALASKA HOUSING FINANCE CORPORATION**

Schedule 5

(A Component Unit of the State of Alaska)

**STATEMENT OF NET POSITION**

VETERANS MORTGAGE PROGRAM BONDS - STATE GUARANTEED

As of September 30, 2014

(in thousands of dollars)

|                                                   | <b>Collateralized<br/>Bonds<br/>2006 First<br/>Series</b> | <b>Collateralized<br/>Bonds<br/>2007 &amp; 2008<br/>First Series</b> | <b>Combined<br/>Total</b> |
|---------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------------------------|---------------------------|
| <b>ASSETS</b>                                     |                                                           |                                                                      |                           |
| Cash                                              | -                                                         | -                                                                    | -                         |
| Investments                                       | 7,067                                                     | 1,800                                                                | 8,867                     |
| Accrued interest receivable                       | 426                                                       | 107                                                                  | 533                       |
| Inter-fund due to/from                            | 642                                                       | 389                                                                  | 1,031                     |
| Mortgage loans, notes and other loans             | 70,632                                                    | 20,898                                                               | 91,530                    |
| Net investment in direct financing lease          | -                                                         | -                                                                    | -                         |
| Capital assets - non-depreciable                  | -                                                         | -                                                                    | -                         |
| Capital assets - depreciable, net                 | -                                                         | -                                                                    | -                         |
| Other assets                                      | -                                                         | -                                                                    | -                         |
| Derivative instrument - interest rate swaps       | -                                                         | -                                                                    | -                         |
| Intergovernmental receivable                      | -                                                         | -                                                                    | -                         |
| <b>Total Assets</b>                               | <b>78,767</b>                                             | <b>23,194</b>                                                        | <b>101,961</b>            |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>              |                                                           |                                                                      |                           |
|                                                   | -                                                         | -                                                                    | -                         |
| <b>LIABILITIES</b>                                |                                                           |                                                                      |                           |
| Bonds payable                                     | 51,845                                                    | 16,985                                                               | 68,830                    |
| Short term debt                                   | -                                                         | -                                                                    | -                         |
| Accrued interest payable                          | 815                                                       | 284                                                                  | 1,099                     |
| Other liabilities                                 | 32                                                        | 8                                                                    | 40                        |
| Derivative instrument - interest rate swaps       | -                                                         | -                                                                    | -                         |
| Intergovernmental payable                         | -                                                         | -                                                                    | -                         |
| <b>Total Liabilities</b>                          | <b>52,692</b>                                             | <b>17,277</b>                                                        | <b>69,969</b>             |
| <b>DEFERRED INFLOW OF RESOURCES</b>               |                                                           |                                                                      |                           |
|                                                   | -                                                         | -                                                                    | -                         |
| <b>NET POSITION</b>                               |                                                           |                                                                      |                           |
| Net investment in capital assets                  | -                                                         | -                                                                    | -                         |
| Restricted by bond resolutions                    | 26,075                                                    | 5,917                                                                | 31,992                    |
| Restricted by contractual or statutory agreements | -                                                         | -                                                                    | -                         |
| Unrestricted or (deficit)                         | -                                                         | -                                                                    | -                         |
| <b>Total Net Position</b>                         | <b>26,075</b>                                             | <b>5,917</b>                                                         | <b>31,992</b>             |

# ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

## STATEMENT OF NET POSITION

### OTHER HOUSING BONDS

As of September 30, 2014

(in thousands of dollars)

|                                                   | Senior<br>Housing<br>Revolving<br>Loan<br>Fund | Housing<br>Development<br>Bonds | General<br>Mortgage<br>Revenue<br>Bonds II<br>2012 A & B | Governmental<br>Purpose<br>Bonds<br>1997 A |
|---------------------------------------------------|------------------------------------------------|---------------------------------|----------------------------------------------------------|--------------------------------------------|
| <b>ASSETS</b>                                     |                                                |                                 |                                                          |                                            |
| Cash                                              | -                                              | -                               | -                                                        | -                                          |
| Investments                                       | 22,096                                         | 3,368                           | 15,618                                                   | 9,017                                      |
| Accrued interest receivable                       | 191                                            | 125                             | 473                                                      | 20                                         |
| Inter-fund due to/from                            | 191                                            | 206                             | 2,928                                                    | -                                          |
| Mortgage loans, notes and other loans             | 6,256                                          | 24,146                          | 194,901                                                  | 13,029                                     |
| Net investment in direct financing lease          | -                                              | -                               | -                                                        | -                                          |
| Capital assets - non-depreciable                  | -                                              | -                               | -                                                        | -                                          |
| Capital assets - depreciable, net                 | -                                              | -                               | -                                                        | -                                          |
| Other assets                                      | -                                              | -                               | -                                                        | -                                          |
| Derivative instrument - interest rate swaps       | -                                              | -                               | -                                                        | -                                          |
| Intergovernmental receivable                      | -                                              | -                               | -                                                        | -                                          |
| <b>Total Assets</b>                               | <b>28,734</b>                                  | <b>27,845</b>                   | <b>213,920</b>                                           | <b>22,066</b>                              |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>              |                                                |                                 |                                                          |                                            |
|                                                   | -                                              | -                               | 1,348                                                    | -                                          |
| <b>LIABILITIES</b>                                |                                                |                                 |                                                          |                                            |
| Bonds payable                                     | -                                              | 100                             | 136,748                                                  | 14,600                                     |
| Short term debt                                   | -                                              | -                               | -                                                        | -                                          |
| Accrued interest payable                          | -                                              | 2                               | 1,569                                                    | -                                          |
| Other liabilities                                 | 1                                              | 2                               | 43                                                       | 3                                          |
| Derivative instrument - interest rate swaps       | -                                              | -                               | -                                                        | -                                          |
| Intergovernmental payable                         | -                                              | -                               | -                                                        | -                                          |
| <b>Total Liabilities</b>                          | <b>1</b>                                       | <b>104</b>                      | <b>138,360</b>                                           | <b>14,603</b>                              |
| <b>DEFERRED INFLOW OF RESOURCES</b>               |                                                |                                 |                                                          |                                            |
|                                                   | -                                              | -                               | -                                                        | -                                          |
| <b>NET POSITION</b>                               |                                                |                                 |                                                          |                                            |
| Net investment in capital assets                  | -                                              | -                               | -                                                        | -                                          |
| Restricted by bond resolutions                    | -                                              | 27,741                          | 76,908                                                   | 7,463                                      |
| Restricted by contractual or statutory agreements | 28,733                                         | -                               | -                                                        | -                                          |
| Unrestricted or (deficit)                         | -                                              | -                               | -                                                        | -                                          |
| <b>Total Net Position</b>                         | <b>28,733</b>                                  | <b>27,741</b>                   | <b>76,908</b>                                            | <b>7,463</b>                               |

**Schedule 6**

| <b>Governmental<br/>Purpose<br/>Bonds<br/>2001 A-D</b> | <b>Combined<br/>Total</b> |
|--------------------------------------------------------|---------------------------|
| -                                                      | -                         |
| 25,134                                                 | 75,233                    |
| 1,070                                                  | 1,879                     |
| 2,431                                                  | 5,756                     |
| 207,879                                                | 446,211                   |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| 236,514                                                | 529,079                   |
| 16,052                                                 | 17,400                    |
| 112,355                                                | 263,803                   |
| -                                                      | -                         |
| 1,316                                                  | 2,887                     |
| 504                                                    | 553                       |
| 16,052                                                 | 16,052                    |
| -                                                      | -                         |
| 130,227                                                | 283,295                   |
| -                                                      | -                         |
| -                                                      | -                         |
| 122,339                                                | 234,451                   |
| -                                                      | 28,733                    |
| -                                                      | -                         |
| 122,339                                                | 263,184                   |

# ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

## STATEMENT OF NET POSITION

### NON-HOUSING BONDS

As of September 30, 2014

(in thousands of dollars)

|                                                   | State<br>Capital<br>Project<br>Bonds<br>2002 A, B, C | State<br>Capital<br>Project<br>Bonds<br>2006 A | State<br>Capital<br>Project<br>Bonds<br>2007 A & B | State<br>Capital<br>Project<br>Bonds<br>2011 A |
|---------------------------------------------------|------------------------------------------------------|------------------------------------------------|----------------------------------------------------|------------------------------------------------|
| <b>ASSETS</b>                                     |                                                      |                                                |                                                    |                                                |
| Cash                                              | -                                                    | -                                              | 28                                                 | -                                              |
| Investments                                       | 2,263                                                | 7,580                                          | 2,340                                              | 7,250                                          |
| Accrued interest receivable                       | 249                                                  | 380                                            | 239                                                | 287                                            |
| Inter-fund due to/from                            | 611                                                  | 1,678                                          | 1,065                                              | 1,062                                          |
| Mortgage loans, notes and other loans             | 50,105                                               | 82,570                                         | 45,801                                             | 61,509                                         |
| Net investment in direct financing lease          | -                                                    | -                                              | 35,049                                             | -                                              |
| Capital assets - non-depreciable                  | -                                                    | -                                              | -                                                  | 2,400                                          |
| Capital assets - depreciable, net                 | -                                                    | -                                              | -                                                  | 10,183                                         |
| Other assets                                      | -                                                    | -                                              | -                                                  | -                                              |
| Derivative instrument - interest rate swaps       | -                                                    | -                                              | -                                                  | -                                              |
| Intergovernmental receivable                      | -                                                    | -                                              | -                                                  | -                                              |
| <b>Total Assets</b>                               | <b>53,228</b>                                        | <b>92,208</b>                                  | <b>84,522</b>                                      | <b>82,691</b>                                  |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>              |                                                      |                                                |                                                    |                                                |
|                                                   | 5,482                                                | -                                              | 2,166                                              | -                                              |
| <b>LIABILITIES</b>                                |                                                      |                                                |                                                    |                                                |
| Bonds payable                                     | 48,255                                               | 88,432                                         | 79,440                                             | 80,388                                         |
| Short term debt                                   | -                                                    | -                                              | -                                                  | -                                              |
| Accrued interest payable                          | 6                                                    | 1,333                                          | 1,249                                              | 1,297                                          |
| Other liabilities                                 | 27                                                   | 28                                             | 16                                                 | 22                                             |
| Derivative instrument - interest rate swaps       | 7,926                                                | -                                              | -                                                  | -                                              |
| Intergovernmental payable                         | -                                                    | -                                              | 28                                                 | -                                              |
| <b>Total Liabilities</b>                          | <b>56,214</b>                                        | <b>89,793</b>                                  | <b>80,733</b>                                      | <b>81,707</b>                                  |
| <b>DEFERRED INFLOW OF RESOURCES</b>               |                                                      |                                                |                                                    |                                                |
|                                                   | -                                                    | -                                              | -                                                  | -                                              |
| <b>NET POSITION</b>                               |                                                      |                                                |                                                    |                                                |
| Net investment in capital assets                  | -                                                    | -                                              | -                                                  | 12,583                                         |
| Restricted by bond resolutions                    | -                                                    | -                                              | -                                                  | -                                              |
| Restricted by contractual or statutory agreements | -                                                    | -                                              | -                                                  | -                                              |
| Unrestricted or (deficit)                         | 2,496                                                | 2,415                                          | 5,955                                              | (11,599)                                       |
| <b>Total Net Position</b>                         | <b>2,496</b>                                         | <b>2,415</b>                                   | <b>5,955</b>                                       | <b>984</b>                                     |

## Schedule 7

| State<br>Capital<br>Project<br>Bonds II<br>2012 A & B | State<br>Capital<br>Project<br>Bonds II<br>2013 A & B | State<br>Capital<br>Project<br>Bonds II<br>2014 A | State<br>Capital<br>Project<br>Bonds II<br>2014 B | State<br>Capital<br>Project<br>Bonds II<br>2014 C | General<br>Housing<br>Purpose<br>Bonds<br>2005 A | General<br>Housing<br>Purpose<br>Bonds<br>2005 B & C | Combined<br>Total |
|-------------------------------------------------------|-------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|---------------------------------------------------|--------------------------------------------------|------------------------------------------------------|-------------------|
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | 20                                                   | 48                |
| 6,860                                                 | 7,452                                                 | 102,888                                           | 34,094                                            | 40,005                                            | 5,602                                            | 16,300                                               | 232,634           |
| 408                                                   | 709                                                   | -                                                 | -                                                 | 271                                               | 922                                              | 420                                                  | 3,885             |
| 1,040                                                 | 1,008                                                 | -                                                 | -                                                 | 1,024                                             | 2,994                                            | 1,551                                                | 12,033            |
| 88,339                                                | 130,387                                               | -                                                 | -                                                 | 97,503                                            | 119,949                                          | 103,927                                              | 780,090           |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | 8,110                                                | 43,159            |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | 2,400             |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | 10,183            |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| 96,647                                                | 139,556                                               | 102,888                                           | 34,094                                            | 138,803                                           | 129,467                                          | 130,328                                              | 1,084,432         |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | 7,121                                                | 14,769            |
| 101,317                                               | 147,865                                               | 104,253                                           | 33,872                                            | 140,000                                           | 136,512                                          | 126,413                                              | 1,086,747         |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| 1,354                                                 | 1,372                                                 | 1,531                                             | 440                                               | 87                                                | 2,281                                            | 2,133                                                | 13,083            |
| 19                                                    | 17                                                    | 16                                                | 4                                                 | 28                                                | 37                                               | 374                                                  | 588               |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | 7,926             |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | 19                                                   | 47                |
| 102,690                                               | 149,254                                               | 105,800                                           | 34,316                                            | 140,115                                           | 138,830                                          | 128,939                                              | 1,108,391         |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | 12,583            |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| (6,043)                                               | (9,698)                                               | (2,912)                                           | (222)                                             | (1,312)                                           | (9,363)                                          | 8,510                                                | (21,773)          |
| (6,043)                                               | (9,698)                                               | (2,912)                                           | (222)                                             | (1,312)                                           | (9,363)                                          | 8,510                                                | (9,190)           |

# ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

## STATEMENT OF NET POSITION

OTHER PROGRAM FUNDS

As of September 30, 2014

(in thousands of dollars)

|                                                   | Energy<br>Programs | Low Rent<br>Program | Market Rate<br>Rental<br>Housing<br>Programs | Section 8<br>Vouchers<br>Programs |
|---------------------------------------------------|--------------------|---------------------|----------------------------------------------|-----------------------------------|
| <b>ASSETS</b>                                     |                    |                     |                                              |                                   |
| Cash                                              | 1,332              | 20,285              | 9,540                                        | 7,913                             |
| Investments                                       | -                  | -                   | -                                            | -                                 |
| Accrued interest receivable                       | -                  | -                   | -                                            | -                                 |
| Inter-fund due to/from                            | (4,921)            | (13,921)            | (163)                                        | (5,222)                           |
| Mortgage loans, notes and other loans             | -                  | -                   | -                                            | -                                 |
| Net investment in direct financing lease          | -                  | -                   | -                                            | -                                 |
| Capital assets - non-depreciable                  | -                  | 12,556              | 1,129                                        | -                                 |
| Capital assets - depreciable, net                 | -                  | 64,172              | 19,832                                       | 50                                |
| Other assets                                      | 4,739              | 516                 | 20                                           | 281                               |
| Derivative instrument - interest rate swaps       | -                  | -                   | -                                            | -                                 |
| Intergovernmental receivable                      | 5,197              | 7                   | -                                            | 109                               |
| <b>Total Assets</b>                               | <b>6,347</b>       | <b>83,615</b>       | <b>30,358</b>                                | <b>3,131</b>                      |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>              |                    |                     |                                              |                                   |
|                                                   | -                  | -                   | -                                            | -                                 |
| <b>LIABILITIES</b>                                |                    |                     |                                              |                                   |
| Bonds payable                                     | -                  | -                   | -                                            | -                                 |
| Short term debt                                   | -                  | -                   | -                                            | -                                 |
| Accrued interest payable                          | -                  | -                   | -                                            | -                                 |
| Other liabilities                                 | 1,663              | 1,491               | 249                                          | 210                               |
| Derivative instrument - interest rate swaps       | -                  | -                   | -                                            | -                                 |
| Intergovernmental payable                         | -                  | -                   | -                                            | -                                 |
| <b>Total Liabilities</b>                          | <b>1,663</b>       | <b>1,491</b>        | <b>249</b>                                   | <b>210</b>                        |
| <b>DEFERRED INFLOW OF RESOURCES</b>               |                    |                     |                                              |                                   |
|                                                   | -                  | -                   | -                                            | -                                 |
| <b>NET POSITION</b>                               |                    |                     |                                              |                                   |
| Net investment in capital assets                  | -                  | 76,728              | 20,961                                       | 50                                |
| Restricted by bond resolutions                    | -                  | -                   | -                                            | -                                 |
| Restricted by contractual or statutory agreements | 6,065              | 5,887               | 9,149                                        | 2,950                             |
| Unrestricted or (deficit)                         | (1,381)            | (491)               | (1)                                          | (79)                              |
| <b>Total Net Position</b>                         | <b>4,684</b>       | <b>82,124</b>       | <b>30,109</b>                                | <b>2,921</b>                      |

Schedule 8

| Other<br>Grants | Alaska<br>Corporation<br>for Affordable<br>Housing | Combined<br>Total |
|-----------------|----------------------------------------------------|-------------------|
| 3               | 860                                                | 39,933            |
| -               | -                                                  | -                 |
| -               | -                                                  | -                 |
| (445)           | (2,606)                                            | (27,278)          |
| -               | -                                                  | -                 |
| -               | -                                                  | -                 |
| -               | 4,600                                              | 18,285            |
| -               | -                                                  | 84,054            |
| 6,635           | 1,378                                              | 13,569            |
| -               | -                                                  | -                 |
| 4,391           | -                                                  | 9,704             |
| 10,584          | 4,232                                              | 138,267           |
| -               | -                                                  | -                 |
| -               | -                                                  | -                 |
| -               | -                                                  | -                 |
| -               | -                                                  | -                 |
| 148             | 1                                                  | 3,762             |
| -               | -                                                  | -                 |
| -               | -                                                  | -                 |
| 148             | 1                                                  | 3,762             |
| -               | -                                                  | -                 |
| -               | 4,600                                              | 102,339           |
| -               | -                                                  | -                 |
| 10,542          | 1,378                                              | 35,971            |
| (106)           | (1,747)                                            | (3,805)           |
| 10,436          | 4,231                                              | 134,505           |

# ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

COMBINED - ALL FUNDS

For the Three Months Ended September 30, 2014

(in thousands of dollars)

|                                                                 | Combined<br>Revolving<br>Funds | Combined<br>Mortgage<br>Revenue<br>Bonds | Combined<br>Home<br>Mortgage<br>Revenue<br>Bonds | Combined<br>Veterans<br>Mortgage<br>Program<br>Bonds |
|-----------------------------------------------------------------|--------------------------------|------------------------------------------|--------------------------------------------------|------------------------------------------------------|
| <b>OPERATING REVENUES</b>                                       |                                |                                          |                                                  |                                                      |
| Mortgage and loans revenue                                      | 1,980                          | 3,432                                    | 9,048                                            | 1,315                                                |
| Investment interest                                             | 101                            | 21                                       | 46                                               | 7                                                    |
| Net change in the fair value of investments                     | 41                             | 12                                       | 15                                               | 1                                                    |
| Net change of hedge termination                                 | -                              | -                                        | -                                                | -                                                    |
| Total Investment Revenue                                        | 142                            | 33                                       | 61                                               | 8                                                    |
| Externally funded program                                       | 320                            | -                                        | -                                                | -                                                    |
| Rental                                                          | -                              | -                                        | -                                                | -                                                    |
| Other                                                           | 2,371                          | -                                        | -                                                | -                                                    |
| <b>Total Operating Revenues</b>                                 | <b>4,813</b>                   | <b>3,465</b>                             | <b>9,109</b>                                     | <b>1,323</b>                                         |
| <b>OPERATING EXPENSES</b>                                       |                                |                                          |                                                  |                                                      |
| Interest                                                        | 26                             | 2,258                                    | 6,822                                            | 845                                                  |
| Mortgage and loan costs                                         | 251                            | 321                                      | 754                                              | 102                                                  |
| Financing expenses                                              | 168                            | 10                                       | 1,003                                            | 3                                                    |
| Provision for loan loss                                         | 697                            | (450)                                    | (447)                                            | (170)                                                |
| Operations and administration                                   | 6,149                          | 122                                      | 300                                              | 35                                                   |
| Rental housing operating expenses                               | 5                              | -                                        | -                                                | -                                                    |
| Housing grants and subsidies                                    | -                              | -                                        | -                                                | -                                                    |
| <b>Total Operating Expenses</b>                                 | <b>7,296</b>                   | <b>2,261</b>                             | <b>8,432</b>                                     | <b>815</b>                                           |
| <b>Operating Income (Loss)</b>                                  | <b>(2,483)</b>                 | <b>1,204</b>                             | <b>677</b>                                       | <b>508</b>                                           |
| <b>NONOPERATING EXPENSES,<br/>SPECIAL ITEMS &amp; TRANSFERS</b> |                                |                                          |                                                  |                                                      |
| Contributions to the State of Alaska or other State agencies    | (50)                           | -                                        | -                                                | -                                                    |
| Special Items                                                   | -                              | -                                        | -                                                | -                                                    |
| Transfers - Internal                                            | (7,028)                        | 132                                      | 99                                               | 38                                                   |
| Change in Net Position                                          | (9,561)                        | 1,336                                    | 776                                              | 546                                                  |
| Net position at beginning of year                               | 790,567                        | 49,491                                   | 254,371                                          | 31,446                                               |
| Cumulative effect of accounting change                          | -                              | -                                        | -                                                | -                                                    |
| Revised net position at beginning of year                       | 790,567                        | 49,491                                   | 254,371                                          | 31,446                                               |
| <b>Net Position at End of Period</b>                            | <b>781,006</b>                 | <b>50,827</b>                            | <b>255,147</b>                                   | <b>31,992</b>                                        |

**Schedule 9**

| <b>Combined<br/>Other<br/>Housing<br/>Bonds</b> | <b>Combined<br/>Non-Housing<br/>Bonds</b> | <b>Combined<br/>Other<br/>Programs</b> | <b>Combined<br/>Total</b> |
|-------------------------------------------------|-------------------------------------------|----------------------------------------|---------------------------|
| 5,096                                           | 10,531                                    | -                                      | 31,402                    |
| 391                                             | 268                                       | 3                                      | 837                       |
| (124)                                           | 72                                        | -                                      | 17                        |
| -                                               | 82                                        | -                                      | 82                        |
| 267                                             | 422                                       | 3                                      | 936                       |
| -                                               | -                                         | 28,385                                 | 28,705                    |
| -                                               | -                                         | 2,182                                  | 2,182                     |
| -                                               | -                                         | 229                                    | 2,600                     |
| 5,363                                           | 10,953                                    | 30,799                                 | 65,825                    |
| 2,284                                           | 8,705                                     | -                                      | 20,940                    |
| 405                                             | 648                                       | -                                      | 2,481                     |
| 26                                              | 141                                       | -                                      | 1,351                     |
| (326)                                           | (843)                                     | -                                      | (1,539)                   |
| 170                                             | 461                                       | 7,045                                  | 14,282                    |
| -                                               | -                                         | 4,661                                  | 4,666                     |
| -                                               | -                                         | 26,031                                 | 26,031                    |
| 2,559                                           | 9,112                                     | 37,737                                 | 68,212                    |
| 2,804                                           | 1,841                                     | (6,938)                                | (2,387)                   |
| -                                               | -                                         | -                                      | (50)                      |
| -                                               | -                                         | -                                      | -                         |
| (1,111)                                         | (490)                                     | 8,360                                  | -                         |
| 1,693                                           | 1,351                                     | 1,422                                  | (2,437)                   |
| 261,491                                         | (10,541)                                  | 133,083                                | 1,509,908                 |
| -                                               | -                                         | -                                      | -                         |
| 261,491                                         | (10,541)                                  | 133,083                                | 1,509,908                 |
| 263,184                                         | (9,190)                                   | 134,505                                | 1,507,471                 |

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**ALASKA HOUSING FINANCE CORPORATION**

Schedule 10

(A Component Unit of the State of Alaska)

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION****REVOLVING FUNDS**

For the Three Months Ended September 30, 2014

(in thousands of dollars)

|                                                                 | <b>Administrative<br/>Fund</b> | <b>Home<br/>Ownership<br/>Fund</b> | <b>Combined<br/>Total</b> |
|-----------------------------------------------------------------|--------------------------------|------------------------------------|---------------------------|
| <b>OPERATING REVENUES</b>                                       |                                |                                    |                           |
| Mortgage and loans revenue                                      | 1,980                          | -                                  | 1,980                     |
| Investment interest                                             | 46                             | 55                                 | 101                       |
| Net change in the fair value of investments                     | 95                             | (54)                               | 41                        |
| Net change of hedge termination                                 | -                              | -                                  | -                         |
| Total Investment Revenue                                        | 141                            | 1                                  | 142                       |
| Externally funded program                                       | 320                            | -                                  | 320                       |
| Rental                                                          | -                              | -                                  | -                         |
| Other                                                           | 2,371                          | -                                  | 2,371                     |
| <b>Total Operating Revenues</b>                                 | <b>4,812</b>                   | <b>1</b>                           | <b>4,813</b>              |
| <b>OPERATING EXPENSES</b>                                       |                                |                                    |                           |
| Interest                                                        | 26                             | -                                  | 26                        |
| Mortgage and loan costs                                         | 251                            | -                                  | 251                       |
| Financing expenses                                              | 168                            | -                                  | 168                       |
| Provision for loan loss                                         | 697                            | -                                  | 697                       |
| Operations and administration                                   | 6,149                          | -                                  | 6,149                     |
| Rental housing operating expenses                               | 5                              | -                                  | 5                         |
| Housing grants and subsidies                                    | -                              | -                                  | -                         |
| <b>Total Operating Expenses</b>                                 | <b>7,296</b>                   | <b>-</b>                           | <b>7,296</b>              |
| <b>Operating Income (Loss)</b>                                  | <b>(2,484)</b>                 | <b>1</b>                           | <b>(2,483)</b>            |
| <b>NONOPERATING EXPENSES,<br/>SPECIAL ITEMS &amp; TRANSFERS</b> |                                |                                    |                           |
| Contributions to the State of Alaska or other State agencies    | (50)                           | -                                  | (50)                      |
| Special Items                                                   | -                              | -                                  | -                         |
| Transfers - Internal                                            | (7,028)                        | -                                  | (7,028)                   |
| Change in Net Position                                          | (9,562)                        | 1                                  | (9,561)                   |
| Net position at beginning of year                               | 779,012                        | 11,555                             | 790,567                   |
| Cumulative effect of accounting change                          | -                              | -                                  | -                         |
| Revised net position at beginning of year                       | 779,012                        | 11,555                             | 790,567                   |
| <b>Net Position at End of Period</b>                            | <b>769,450</b>                 | <b>11,556</b>                      | <b>781,006</b>            |

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**ALASKA HOUSING FINANCE CORPORATION**

Schedule 11

(A Component Unit of the State of Alaska)

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

FIRST TIME HOMEBUYERS PROGRAM

MORTGAGE REVENUE BONDS

For the Three Months Ended September 30, 2014

(in thousands of dollars)

|                                                                 | <b>Bonds<br/>2009 A-1<br/>2010 A, B</b> | <b>Bonds<br/>2009 A-2<br/>2011 A, B</b> | <b>Mortgage<br/>Revenue<br/>Bonds<br/>Combined<br/>Total</b> |
|-----------------------------------------------------------------|-----------------------------------------|-----------------------------------------|--------------------------------------------------------------|
| <b>OPERATING REVENUES</b>                                       |                                         |                                         |                                                              |
| Mortgage and loans revenue                                      | 1,384                                   | 2,048                                   | 3,432                                                        |
| Investment interest                                             | 10                                      | 11                                      | 21                                                           |
| Net change in the fair value of investments                     | 5                                       | 7                                       | 12                                                           |
| Net change of hedge termination                                 | -                                       | -                                       | -                                                            |
| Total Investment Revenue                                        | 15                                      | 18                                      | 33                                                           |
| Externally funded program                                       | -                                       | -                                       | -                                                            |
| Rental                                                          | -                                       | -                                       | -                                                            |
| Other                                                           | -                                       | -                                       | -                                                            |
| <b>Total Operating Revenues</b>                                 | <b>1,399</b>                            | <b>2,066</b>                            | <b>3,465</b>                                                 |
| <b>OPERATING EXPENSES</b>                                       |                                         |                                         |                                                              |
| Interest                                                        | 1,073                                   | 1,185                                   | 2,258                                                        |
| Mortgage and loan costs                                         | 126                                     | 195                                     | 321                                                          |
| Financing expenses                                              | 4                                       | 6                                       | 10                                                           |
| Provision for loan loss                                         | (190)                                   | (260)                                   | (450)                                                        |
| Operations and administration                                   | 45                                      | 77                                      | 122                                                          |
| Rental housing operating expenses                               | -                                       | -                                       | -                                                            |
| Housing grants and subsidies                                    | -                                       | -                                       | -                                                            |
| <b>Total Operating Expenses</b>                                 | <b>1,058</b>                            | <b>1,203</b>                            | <b>2,261</b>                                                 |
| <b>Operating Income (Loss)</b>                                  | <b>341</b>                              | <b>863</b>                              | <b>1,204</b>                                                 |
| <b>NONOPERATING EXPENSES,<br/>SPECIAL ITEMS &amp; TRANSFERS</b> |                                         |                                         |                                                              |
| Contributions to the State of Alaska or other State agencies    | -                                       | -                                       | -                                                            |
| Special Items                                                   | -                                       | -                                       | -                                                            |
| Transfers - Internal                                            | 49                                      | 83                                      | 132                                                          |
| Change in Net Position                                          | 390                                     | 946                                     | 1,336                                                        |
| Net position at beginning of year                               | 8,659                                   | 40,832                                  | 49,491                                                       |
| Cumulative effect of accounting change                          | -                                       | -                                       | -                                                            |
| Revised net position at beginning of year                       | 8,659                                   | 40,832                                  | 49,491                                                       |
| <b>Net Position at End of Period</b>                            | <b>9,049</b>                            | <b>41,778</b>                           | <b>50,827</b>                                                |

# ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FIRST TIME HOMEBUYERS PROGRAM

HOME MORTGAGE REVENUE BONDS

For the Three Months Ended September 30, 2014

(in thousands of dollars)

|                                                                 | Bonds<br>2002 A,B | Bonds<br>2006 A | Bonds<br>2007 A | Bonds<br>2007 B |
|-----------------------------------------------------------------|-------------------|-----------------|-----------------|-----------------|
| <b>OPERATING REVENUES</b>                                       |                   |                 |                 |                 |
| Mortgage and loans revenue                                      | 1,790             | 310             | 982             | 1,008           |
| Investment interest                                             | 6                 | 2               | 4               | 6               |
| Net change in the fair value of investments                     | 1                 | 1               | 2               | 2               |
| Net change of hedge termination                                 | -                 | -               | -               | -               |
| Total Investment Revenue                                        | 7                 | 3               | 6               | 8               |
| Externally funded program                                       | -                 | -               | -               | -               |
| Rental                                                          | -                 | -               | -               | -               |
| Other                                                           | -                 | -               | -               | -               |
| <b>Total Operating Revenues</b>                                 | <b>1,797</b>      | <b>313</b>      | <b>988</b>      | <b>1,016</b>    |
| <b>OPERATING EXPENSES</b>                                       |                   |                 |                 |                 |
| Interest                                                        | 2,064             | 235             | 713             | 715             |
| Mortgage and loan costs                                         | 160               | 21              | 85              | 84              |
| Financing expenses                                              | 558               | 1               | 36              | 47              |
| Provision for loan loss                                         | (126)             | (52)            | (41)            | (26)            |
| Operations and administration                                   | 48                | 8               | 32              | 32              |
| Rental housing operating expenses                               | -                 | -               | -               | -               |
| Housing grants and subsidies                                    | -                 | -               | -               | -               |
| <b>Total Operating Expenses</b>                                 | <b>2,704</b>      | <b>213</b>      | <b>825</b>      | <b>852</b>      |
| <b>Operating Income (Loss)</b>                                  | <b>(907)</b>      | <b>100</b>      | <b>163</b>      | <b>164</b>      |
| <b>NONOPERATING EXPENSES,<br/>SPECIAL ITEMS &amp; TRANSFERS</b> |                   |                 |                 |                 |
| Contributions to the State of Alaska or other State agencies    | -                 | -               | -               | -               |
| Special Items                                                   | -                 | -               | -               | -               |
| Transfers - Internal                                            | (400)             | 9               | (5)             | 92              |
| Change in Net Position                                          | (1,307)           | 109             | 158             | 256             |
| Net position at beginning of year                               | 42,883            | 5,526           | 15,343          | 15,433          |
| Cumulative effect of accounting change                          | -                 | -               | -               | -               |
| Revised net position at beginning of year                       | 42,883            | 5,526           | 15,343          | 15,433          |
| <b>Net Position at End of Period</b>                            | <b>41,576</b>     | <b>5,635</b>    | <b>15,501</b>   | <b>15,689</b>   |

Schedule 12

| Bonds<br>2007 D | Bonds<br>2009 A | Bonds<br>2009 B | Bonds<br>2009 D | Home<br>Mortgage<br>Revenue<br>Bonds<br>Combined<br>Total |
|-----------------|-----------------|-----------------|-----------------|-----------------------------------------------------------|
| 1,271           | 1,118           | 1,200           | 1,369           | 9,048                                                     |
| 7               | 5               | 7               | 9               | 46                                                        |
| 2               | 2               | 2               | 3               | 15                                                        |
| -               | -               | -               | -               | -                                                         |
| 9               | 7               | 9               | 12              | 61                                                        |
| -               | -               | -               | -               | -                                                         |
| -               | -               | -               | -               | -                                                         |
| -               | -               | -               | -               | -                                                         |
| 1,280           | 1,125           | 1,209           | 1,381           | 9,109                                                     |
| 855             | 675             | 673             | 892             | 6,822                                                     |
| 106             | 90              | 97              | 111             | 754                                                       |
| 58              | 212             | 51              | 40              | 1,003                                                     |
| (59)            | (29)            | (27)            | (87)            | (447)                                                     |
| 41              | 43              | 47              | 49              | 300                                                       |
| -               | -               | -               | -               | -                                                         |
| -               | -               | -               | -               | -                                                         |
| 1,001           | 991             | 841             | 1,005           | 8,432                                                     |
| 279             | 134             | 368             | 376             | 677                                                       |
| -               | -               | -               | -               | -                                                         |
| -               | -               | -               | -               | -                                                         |
| 122             | (88)            | 135             | 234             | 99                                                        |
| 401             | 46              | 503             | 610             | 776                                                       |
| 25,314          | 43,357          | 51,606          | 54,909          | 254,371                                                   |
| -               | -               | -               | -               | -                                                         |
| 25,314          | 43,357          | 51,606          | 54,909          | 254,371                                                   |
| 25,715          | 43,403          | 52,109          | 55,519          | 255,147                                                   |

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**ALASKA HOUSING FINANCE CORPORATION**

Schedule 13

(A Component Unit of the State of Alaska)

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

VETERANS MORTGAGE PROGRAM BONDS - STATE GUARANTEED

For the Three Months Ended September 30, 2014

(in thousands of dollars)

|                                                                 | Collateralized<br>Bonds<br>2006 First<br>Series | Collateralized<br>Bonds<br>2007 & 2008<br>First Series | Combined<br>Total |
|-----------------------------------------------------------------|-------------------------------------------------|--------------------------------------------------------|-------------------|
| <b>OPERATING REVENUES</b>                                       |                                                 |                                                        |                   |
| Mortgage and loans revenue                                      | 1,003                                           | 312                                                    | 1,315             |
| Investment interest                                             | 6                                               | 1                                                      | 7                 |
| Net change in the fair value of investments                     | 1                                               | -                                                      | 1                 |
| Net change of hedge termination                                 | -                                               | -                                                      | -                 |
| Total Investment Revenue                                        | 7                                               | 1                                                      | 8                 |
| Externally funded program                                       | -                                               | -                                                      | -                 |
| Rental                                                          | -                                               | -                                                      | -                 |
| Other                                                           | -                                               | -                                                      | -                 |
| <b>Total Operating Revenues</b>                                 | <b>1,010</b>                                    | <b>313</b>                                             | <b>1,323</b>      |
| <b>OPERATING EXPENSES</b>                                       |                                                 |                                                        |                   |
| Interest                                                        | 629                                             | 216                                                    | 845               |
| Mortgage and loan costs                                         | 78                                              | 24                                                     | 102               |
| Financing expenses                                              | 2                                               | 1                                                      | 3                 |
| Provision for loan loss                                         | (133)                                           | (37)                                                   | (170)             |
| Operations and administration                                   | 27                                              | 8                                                      | 35                |
| Rental housing operating expenses                               | -                                               | -                                                      | -                 |
| Housing grants and subsidies                                    | -                                               | -                                                      | -                 |
| <b>Total Operating Expenses</b>                                 | <b>603</b>                                      | <b>212</b>                                             | <b>815</b>        |
| <b>Operating Income (Loss)</b>                                  | <b>407</b>                                      | <b>101</b>                                             | <b>508</b>        |
| <b>NONOPERATING EXPENSES,<br/>SPECIAL ITEMS &amp; TRANSFERS</b> |                                                 |                                                        |                   |
| Contributions to the State of Alaska or other State agencies    | -                                               | -                                                      | -                 |
| Special Items                                                   | -                                               | -                                                      | -                 |
| Transfers - Internal                                            | 29                                              | 9                                                      | 38                |
| Change in Net Position                                          | 436                                             | 110                                                    | 546               |
| Net position at beginning of year                               | 25,639                                          | 5,807                                                  | 31,446            |
| Cumulative effect of accounting change                          | -                                               | -                                                      | -                 |
| Revised net position at beginning of year                       | 25,639                                          | 5,807                                                  | 31,446            |
| <b>Net Position at End of Period</b>                            | <b>26,075</b>                                   | <b>5,917</b>                                           | <b>31,992</b>     |

# ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

### OTHER HOUSING BONDS

For the Three Months Ended September 30, 2014

(in thousands of dollars)

|                                                                 | Senior<br>Housing<br>Revolving<br>Loan<br>Fund | Housing<br>Development<br>Bonds | General<br>Mortgage<br>Revenue<br>Bonds II<br>2012 A & B | Governmental<br>Purpose<br>Bonds<br>1997 A |
|-----------------------------------------------------------------|------------------------------------------------|---------------------------------|----------------------------------------------------------|--------------------------------------------|
| <b>OPERATING REVENUES</b>                                       |                                                |                                 |                                                          |                                            |
| Mortgage and loans revenue                                      | 104                                            | 394                             | 2,175                                                    | 41                                         |
| Investment interest                                             | 149                                            | 3                               | 10                                                       | -                                          |
| Net change in the fair value of investments                     | (135)                                          | -                               | 5                                                        | 5                                          |
| Net change of hedge termination                                 | -                                              | -                               | -                                                        | -                                          |
| Total Investment Revenue                                        | 14                                             | 3                               | 15                                                       | 5                                          |
| Externally funded program                                       | -                                              | -                               | -                                                        | -                                          |
| Rental                                                          | -                                              | -                               | -                                                        | -                                          |
| Other                                                           | -                                              | -                               | -                                                        | -                                          |
| <b>Total Operating Revenues</b>                                 | <b>118</b>                                     | <b>397</b>                      | <b>2,190</b>                                             | <b>46</b>                                  |
| <b>OPERATING EXPENSES</b>                                       |                                                |                                 |                                                          |                                            |
| Interest                                                        | -                                              | 1                               | 1,196                                                    | 2                                          |
| Mortgage and loan costs                                         | 5                                              | 7                               | 184                                                      | -                                          |
| Financing expenses                                              | -                                              | -                               | 20                                                       | 23                                         |
| Provision for loan loss                                         | (8)                                            | (66)                            | (209)                                                    | -                                          |
| Operations and administration                                   | 2                                              | 9                               | 74                                                       | 6                                          |
| Rental housing operating expenses                               | -                                              | -                               | -                                                        | -                                          |
| Housing grants and subsidies                                    | -                                              | -                               | -                                                        | -                                          |
| <b>Total Operating Expenses</b>                                 | <b>(1)</b>                                     | <b>(49)</b>                     | <b>1,265</b>                                             | <b>31</b>                                  |
| <b>Operating Income (Loss)</b>                                  | <b>119</b>                                     | <b>446</b>                      | <b>925</b>                                               | <b>15</b>                                  |
| <b>NONOPERATING EXPENSES,<br/>SPECIAL ITEMS &amp; TRANSFERS</b> |                                                |                                 |                                                          |                                            |
| Contributions to the State of Alaska or other State agencies    | -                                              | -                               | -                                                        | -                                          |
| Special Items                                                   | -                                              | -                               | -                                                        | -                                          |
| Transfers - Internal                                            | 2                                              | (826)                           | (200)                                                    | 26                                         |
| Change in Net Position                                          | 121                                            | (380)                           | 725                                                      | 41                                         |
| Net position at beginning of year                               | 28,612                                         | 28,121                          | 76,183                                                   | 7,422                                      |
| Cumulative effect of accounting change                          | -                                              | -                               | -                                                        | -                                          |
| Revised net position at beginning of year                       | 28,612                                         | 28,121                          | 76,183                                                   | 7,422                                      |
| <b>Net Position at End of Period</b>                            | <b>28,733</b>                                  | <b>27,741</b>                   | <b>76,908</b>                                            | <b>7,463</b>                               |

**Schedule 14**

| <b>Governmental<br/>Purpose<br/>Bonds<br/>2001 A-D</b> | <b>Combined<br/>Total</b> |
|--------------------------------------------------------|---------------------------|
| 2,382                                                  | 5,096                     |
| 229                                                    | 391                       |
| 1                                                      | (124)                     |
| -                                                      | -                         |
| 230                                                    | 267                       |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| 2,612                                                  | 5,363                     |
| 1,085                                                  | 2,284                     |
| 209                                                    | 405                       |
| (17)                                                   | 26                        |
| (43)                                                   | (326)                     |
| 79                                                     | 170                       |
| -                                                      | -                         |
| -                                                      | -                         |
| 1,313                                                  | 2,559                     |
| 1,299                                                  | 2,804                     |
| -                                                      | -                         |
| -                                                      | -                         |
| (113)                                                  | (1,111)                   |
| 1,186                                                  | 1,693                     |
| 121,153                                                | 261,491                   |
| -                                                      | -                         |
| 121,153                                                | 261,491                   |
| 122,339                                                | 263,184                   |

# ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

### NON-HOUSING BONDS

For the Three Months Ended September 30, 2014

(in thousands of dollars)

|                                                                 | State<br>Capital<br>Project<br>Bonds<br>2002 A, B, C | State<br>Capital<br>Project<br>Bonds<br>2006 A | State<br>Capital<br>Project<br>Bonds<br>2007 A & B | State<br>Capital<br>Project<br>Bonds<br>2011 A |
|-----------------------------------------------------------------|------------------------------------------------------|------------------------------------------------|----------------------------------------------------|------------------------------------------------|
| <b>OPERATING REVENUES</b>                                       |                                                      |                                                |                                                    |                                                |
| Mortgage and loans revenue                                      | 652                                                  | 1,133                                          | 675                                                | 879                                            |
| Investment interest                                             | 2                                                    | 6                                              | 2                                                  | 6                                              |
| Net change in the fair value of investments                     | 1                                                    | 2                                              | 1                                                  | 2                                              |
| Net change of hedge termination                                 | 82                                                   | -                                              | -                                                  | -                                              |
| Total Investment Revenue                                        | 85                                                   | 8                                              | 3                                                  | 8                                              |
| Externally funded program                                       | -                                                    | -                                              | -                                                  | -                                              |
| Rental                                                          | -                                                    | -                                              | -                                                  | -                                              |
| Other                                                           | -                                                    | -                                              | -                                                  | -                                              |
| <b>Total Operating Revenues</b>                                 | <b>737</b>                                           | <b>1,141</b>                                   | <b>678</b>                                         | <b>887</b>                                     |
| <b>OPERATING EXPENSES</b>                                       |                                                      |                                                |                                                    |                                                |
| Interest                                                        | 1                                                    | 998                                            | 914                                                | 886                                            |
| Mortgage and loan costs                                         | 52                                                   | 90                                             | 48                                                 | 67                                             |
| Financing expenses                                              | 19                                                   | 2                                              | 2                                                  | 2                                              |
| Provision for loan loss                                         | (26)                                                 | (109)                                          | (46)                                               | (67)                                           |
| Operations and administration                                   | 19                                                   | 31                                             | 17                                                 | 142                                            |
| Rental housing operating expenses                               | -                                                    | -                                              | -                                                  | -                                              |
| Housing grants and subsidies                                    | -                                                    | -                                              | -                                                  | -                                              |
| <b>Total Operating Expenses</b>                                 | <b>65</b>                                            | <b>1,012</b>                                   | <b>935</b>                                         | <b>1,030</b>                                   |
| <b>Operating Income (Loss)</b>                                  | <b>672</b>                                           | <b>129</b>                                     | <b>(257)</b>                                       | <b>(143)</b>                                   |
| <b>NONOPERATING EXPENSES,<br/>SPECIAL ITEMS &amp; TRANSFERS</b> |                                                      |                                                |                                                    |                                                |
| Contributions to the State of Alaska or other State agencies    | -                                                    | -                                              | -                                                  | -                                              |
| Special Items                                                   | -                                                    | -                                              | -                                                  | -                                              |
| Transfers - Internal                                            | 5,717                                                | 549                                            | 2,994                                              | (129)                                          |
| Change in Net Position                                          | 6,389                                                | 678                                            | 2,737                                              | (272)                                          |
| Net position at beginning of year                               | (3,893)                                              | 1,737                                          | 3,218                                              | 1,256                                          |
| Cumulative effect of accounting change                          | -                                                    | -                                              | -                                                  | -                                              |
| Revised net position at beginning of year                       | (3,893)                                              | 1,737                                          | 3,218                                              | 1,256                                          |
| <b>Net Position at End of Period</b>                            | <b>2,496</b>                                         | <b>2,415</b>                                   | <b>5,955</b>                                       | <b>984</b>                                     |

Schedule 15

| State<br>Capital<br>Project<br>Bonds II<br>2012 A & B | State<br>Capital<br>Project<br>Bonds II<br>2013 A & B | State<br>Capital<br>Project<br>Bonds II<br>2014 A | State<br>Capital<br>Project<br>Bonds II<br>2014 B | State<br>Capital<br>Project<br>Bonds II<br>2014 C | General<br>Housing<br>Purpose<br>Bonds<br>2005 A | General<br>Housing<br>Purpose<br>Bonds<br>2005 B & C | Combined<br>Total |
|-------------------------------------------------------|-------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|---------------------------------------------------|--------------------------------------------------|------------------------------------------------------|-------------------|
| 1,990                                                 | 2,013                                                 | -                                                 | -                                                 | 233                                               | 1,644                                            | 1,312                                                | 10,531            |
| 6                                                     | 4                                                     | -                                                 | -                                                 | 1                                                 | 6                                                | 235                                                  | 268               |
| 1                                                     | 2                                                     | 38                                                | 13                                                | 5                                                 | 1                                                | 6                                                    | 72                |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | 82                |
| 7                                                     | 6                                                     | 38                                                | 13                                                | 6                                                 | 7                                                | 241                                                  | 422               |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| 1,997                                                 | 2,019                                                 | 38                                                | 13                                                | 239                                               | 1,651                                            | 1,553                                                | 10,953            |
| 653                                                   | 764                                                   | 824                                               | 209                                               | 86                                                | 1,672                                            | 1,698                                                | 8,705             |
| 85                                                    | 46                                                    | -                                                 | -                                                 | 21                                                | 128                                              | 111                                                  | 648               |
| 4                                                     | 4                                                     | 18                                                | 46                                                | 37                                                | 3                                                | 4                                                    | 141               |
| (288)                                                 | (197)                                                 | -                                                 | -                                                 | 180                                               | (225)                                            | (65)                                                 | (843)             |
| 34                                                    | 50                                                    | 35                                                | 11                                                | 37                                                | 46                                               | 39                                                   | 461               |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| 488                                                   | 667                                                   | 877                                               | 266                                               | 361                                               | 1,624                                            | 1,787                                                | 9,112             |
| 1,509                                                 | 1,352                                                 | (839)                                             | (253)                                             | (122)                                             | 27                                               | (234)                                                | 1,841             |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| 2,384                                                 | (12,858)                                              | 37                                                | 103                                               | (1,190)                                           | (13,637)                                         | 15,540                                               | (490)             |
| 3,893                                                 | (11,506)                                              | (802)                                             | (150)                                             | (1,312)                                           | (13,610)                                         | 15,306                                               | 1,351             |
| (9,936)                                               | 1,808                                                 | (2,110)                                           | (72)                                              | -                                                 | 4,247                                            | (6,796)                                              | (10,541)          |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| (9,936)                                               | 1,808                                                 | (2,110)                                           | (72)                                              | -                                                 | 4,247                                            | (6,796)                                              | (10,541)          |
| (6,043)                                               | (9,698)                                               | (2,912)                                           | (222)                                             | (1,312)                                           | (9,363)                                          | 8,510                                                | (9,190)           |

# ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

### OTHER PROGRAM FUNDS

For the Three Months Ended September 30, 2014

(in thousands of dollars)

|                                                                 | Energy<br>Programs | Low Rent<br>Program | Market Rate<br>Rental<br>Housing<br>Programs | Section 8<br>Vouchers<br>Programs |
|-----------------------------------------------------------------|--------------------|---------------------|----------------------------------------------|-----------------------------------|
| <b>OPERATING REVENUES</b>                                       |                    |                     |                                              |                                   |
| Mortgage and loans revenue                                      | -                  | -                   | -                                            | -                                 |
| Investment interest                                             | -                  | -                   | -                                            | 3                                 |
| Net change in the fair value of investments                     | -                  | -                   | -                                            | -                                 |
| Net change of hedge termination                                 | -                  | -                   | -                                            | -                                 |
| Total Investment Revenue                                        | -                  | -                   | -                                            | 3                                 |
| Externally funded program                                       | 11,707             | 2,727               | 546                                          | 8,949                             |
| Rental                                                          | -                  | 1,618               | 564                                          | -                                 |
| Other                                                           | -                  | 2                   | 8                                            | 5                                 |
| <b>Total Operating Revenues</b>                                 | <b>11,707</b>      | <b>4,347</b>        | <b>1,118</b>                                 | <b>8,957</b>                      |
| <b>OPERATING EXPENSES</b>                                       |                    |                     |                                              |                                   |
| Interest                                                        | -                  | -                   | -                                            | -                                 |
| Mortgage and loan costs                                         | -                  | -                   | -                                            | -                                 |
| Financing expenses                                              | -                  | -                   | -                                            | -                                 |
| Provision for loan loss                                         | -                  | -                   | -                                            | -                                 |
| Operations and administration                                   | 677                | 3,492               | 797                                          | 1,217                             |
| Rental housing operating expenses                               | 371                | 3,600               | 639                                          | 46                                |
| Housing grants and subsidies                                    | 11,188             | 10                  | -                                            | 8,242                             |
| <b>Total Operating Expenses</b>                                 | <b>12,236</b>      | <b>7,102</b>        | <b>1,436</b>                                 | <b>9,505</b>                      |
| <b>Operating Income (Loss)</b>                                  | <b>(529)</b>       | <b>(2,755)</b>      | <b>(318)</b>                                 | <b>(548)</b>                      |
| <b>NONOPERATING EXPENSES,<br/>SPECIAL ITEMS &amp; TRANSFERS</b> |                    |                     |                                              |                                   |
| Contributions to the State of Alaska or other State agencies    | -                  | -                   | -                                            | -                                 |
| Special Items                                                   | -                  | -                   | -                                            | -                                 |
| Transfers - Internal                                            | 1,659              | 1,933               | 482                                          | 248                               |
| Change in Net Position                                          | 1,130              | (822)               | 164                                          | (300)                             |
| Net position at beginning of year                               | 3,554              | 82,946              | 29,945                                       | 3,221                             |
| Cumulative effect of accounting change                          | -                  | -                   | -                                            | -                                 |
| Revised net position at beginning of year                       | 3,554              | 82,946              | 29,945                                       | 3,221                             |
| <b>Net Position at End of Period</b>                            | <b>4,684</b>       | <b>82,124</b>       | <b>30,109</b>                                | <b>2,921</b>                      |

**Schedule 16**

| <b>Other<br/>Grants</b> | <b>Alaska<br/>Corporation<br/>for Affordable<br/>Housing</b> | <b>Combined<br/>Total</b> |
|-------------------------|--------------------------------------------------------------|---------------------------|
| -                       | -                                                            | -                         |
| -                       | -                                                            | 3                         |
| -                       | -                                                            | -                         |
| -                       | -                                                            | 3                         |
| 4,456                   | -                                                            | 28,385                    |
| -                       | -                                                            | 2,182                     |
| 214                     | -                                                            | 229                       |
| 4,670                   | -                                                            | 30,799                    |
| -                       | -                                                            | -                         |
| -                       | -                                                            | -                         |
| -                       | -                                                            | -                         |
| -                       | -                                                            | -                         |
| 850                     | 12                                                           | 7,045                     |
| 5                       | -                                                            | 4,661                     |
| 6,591                   | -                                                            | 26,031                    |
| 7,446                   | 12                                                           | 37,737                    |
| (2,776)                 | (12)                                                         | (6,938)                   |
| -                       | -                                                            | -                         |
| -                       | -                                                            | -                         |
| 3,087                   | 951                                                          | 8,360                     |
| 311                     | 939                                                          | 1,422                     |
| 10,125                  | 3,292                                                        | 133,083                   |
| -                       | -                                                            | -                         |
| 10,125                  | 3,292                                                        | 133,083                   |
| 10,436                  | 4,231                                                        | 134,505                   |

# ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

## STATEMENT OF CASH FLOWS

COMBINED - ALL FUNDS

For the Three Months Ended September 30, 2014

(in thousands of dollars)

|                                                                                                          | Combined<br>Revolving<br>Funds | Combined<br>Mortgage<br>Revenue<br>Bonds | Combined<br>Home<br>Mortgage<br>Revenue<br>Bonds | Combined<br>Veterans<br>Mortgage<br>Program<br>Bonds |
|----------------------------------------------------------------------------------------------------------|--------------------------------|------------------------------------------|--------------------------------------------------|------------------------------------------------------|
| <b><u>Cash flows from operating activities:</u></b>                                                      |                                |                                          |                                                  |                                                      |
| Interest income on mortgages and loans                                                                   | 1,125                          | 3,143                                    | 8,370                                            | 1,197                                                |
| Principal payments received on mortgages and loans                                                       | 1,326                          | 12,255                                   | 28,952                                           | 5,501                                                |
| Purchases of mortgages and loans                                                                         | (126,224)                      | -                                        | -                                                | -                                                    |
| Receipt (payment) for loan transfers between funds                                                       | 75,367                         | 128                                      | (32,621)                                         | 828                                                  |
| Mortgage and loan proceeds                                                                               | 107,249                        | -                                        | -                                                | -                                                    |
| Payment of mortgage and loan proceeds to funds                                                           | (104,752)                      | -                                        | -                                                | -                                                    |
| Payments to employees and other payroll disbursements                                                    | (7,041)                        | -                                        | -                                                | -                                                    |
| Payments for goods and services                                                                          | (4,552)                        | -                                        | (400)                                            | -                                                    |
| Cash received for externally funded programs                                                             | 176                            | -                                        | -                                                | -                                                    |
| Cash received for Federal HAP subsidies                                                                  | -                              | -                                        | -                                                | -                                                    |
| Payments for Federal HAP subsidies                                                                       | -                              | -                                        | -                                                | -                                                    |
| Interfund receipts (payments)                                                                            | (1,118)                        | -                                        | -                                                | -                                                    |
| Grant payments to other agencies                                                                         | (3,934)                        | -                                        | -                                                | -                                                    |
| Other operating cash receipts                                                                            | 9,869                          | -                                        | -                                                | -                                                    |
| Other operating cash payments                                                                            | (432)                          | -                                        | -                                                | -                                                    |
| <b>Net cash provided by (used for) operating activities</b>                                              | <b>(52,941)</b>                | <b>15,526</b>                            | <b>4,301</b>                                     | <b>7,526</b>                                         |
| <b><u>Cash flows from noncapital financing activities:</u></b>                                           |                                |                                          |                                                  |                                                      |
| Proceeds from the issuance of bonds                                                                      | -                              | -                                        | -                                                | -                                                    |
| Principal paid on bonds                                                                                  | -                              | -                                        | (20,000)                                         | (4,625)                                              |
| Payment to defease bonds                                                                                 | -                              | -                                        | -                                                | -                                                    |
| Payment of bond issuance costs                                                                           | (218)                          | -                                        | -                                                | -                                                    |
| Interest paid                                                                                            | (18)                           | -                                        | (74)                                             | (38)                                                 |
| Proceeds from issuance of short term debt                                                                | 126,278                        | -                                        | -                                                | -                                                    |
| Payment of short term debt                                                                               | (123,782)                      | -                                        | -                                                | -                                                    |
| Contributions to the State of Alaska or other State agencies                                             | (207)                          | -                                        | -                                                | -                                                    |
| Transfers (to) from other funds                                                                          | 3,865                          | -                                        | (3,984)                                          | -                                                    |
| Other cash payments                                                                                      | -                              | -                                        | -                                                | -                                                    |
| <b>Net cash provided by (used for) noncapital financing activities</b>                                   | <b>5,918</b>                   | <b>-</b>                                 | <b>(24,058)</b>                                  | <b>(4,663)</b>                                       |
| <b><u>Cash flows from capital financing activities:</u></b>                                              |                                |                                          |                                                  |                                                      |
| Acquisition of capital assets                                                                            | (257)                          | -                                        | -                                                | -                                                    |
| Proceeds from the disposal of capital assets                                                             | -                              | -                                        | -                                                | -                                                    |
| Proceeds from the issuance of capital notes                                                              | -                              | -                                        | -                                                | -                                                    |
| Principal paid on capital notes                                                                          | -                              | -                                        | -                                                | -                                                    |
| Payment of bond issuance costs                                                                           | -                              | -                                        | -                                                | -                                                    |
| Interest paid on capital notes                                                                           | -                              | -                                        | -                                                | -                                                    |
| Proceeds from direct financing leases                                                                    | -                              | -                                        | -                                                | -                                                    |
| Other cash payments                                                                                      | -                              | -                                        | -                                                | -                                                    |
| <b>Net cash provided by (used for) capital financing activities</b>                                      | <b>(257)</b>                   | <b>-</b>                                 | <b>-</b>                                         | <b>-</b>                                             |
| <b><u>Cash flows from investing activities:</u></b>                                                      |                                |                                          |                                                  |                                                      |
| Purchase of investments                                                                                  | (1,160,393)                    | (39,971)                                 | (93,269)                                         | (14,338)                                             |
| Proceeds from maturity of investments                                                                    | 1,196,545                      | 24,425                                   | 112,983                                          | 11,468                                               |
| Interest received from investments                                                                       | 196                            | 20                                       | 43                                               | 7                                                    |
| <b>Net cash provided by (used for) investing activities</b>                                              | <b>36,348</b>                  | <b>(15,526)</b>                          | <b>19,757</b>                                    | <b>(2,863)</b>                                       |
| Net Increase (decrease) in cash                                                                          | (10,932)                       | -                                        | -                                                | -                                                    |
| Cash at the beginning of year                                                                            | 41,415                         | -                                        | -                                                | -                                                    |
| <b>Cash at the end of period</b>                                                                         | <b>30,483</b>                  | <b>-</b>                                 | <b>-</b>                                         | <b>-</b>                                             |
| <b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b> |                                |                                          |                                                  |                                                      |
| Operating income (loss)                                                                                  | (2,483)                        | 1,204                                    | 677                                              | 508                                                  |
| <i>Adjustments:</i>                                                                                      |                                |                                          |                                                  |                                                      |
| Depreciation expense                                                                                     | 117                            | -                                        | -                                                | -                                                    |
| Provision for loan losses                                                                                | 697                            | (450)                                    | (447)                                            | (170)                                                |
| Net change in the fair value of investments                                                              | (41)                           | (12)                                     | (15)                                             | (1)                                                  |
| Transfers between funds for operating activity                                                           | (9,470)                        | 131                                      | 1,078                                            | (1)                                                  |
| Interest received from investments                                                                       | (196)                          | (20)                                     | (43)                                             | (7)                                                  |
| Interest paid                                                                                            | 18                             | -                                        | 74                                               | 38                                                   |
| <i>Changes in assets, liabilities and deferred resources:</i>                                            |                                |                                          |                                                  |                                                      |
| Net increase (decrease) in mortgages and loans                                                           | (49,531)                       | 12,383                                   | (3,669)                                          | 6,329                                                |
| Net increase (decrease) in assets, liabilities and deferred resources                                    | 7,948                          | 2,290                                    | 6,646                                            | 830                                                  |
| <b>Net cash provided by (used for) operating activities</b>                                              | <b>(52,941)</b>                | <b>15,526</b>                            | <b>4,301</b>                                     | <b>7,526</b>                                         |

**Schedule 17**

| <b>Combined<br/>Other<br/>Housing<br/>Bonds</b> | <b>Combined<br/>Non-Housing<br/>Bonds</b> | <b>Combined<br/>Other<br/>Programs</b> | <b>Combined<br/>Total</b> |
|-------------------------------------------------|-------------------------------------------|----------------------------------------|---------------------------|
| 4,620                                           | 9,663                                     | -                                      | 28,118                    |
| 11,058                                          | 20,647                                    | -                                      | 79,739                    |
| -                                               | -                                         | -                                      | (126,224)                 |
| (43,702)                                        | -                                         | -                                      | -                         |
| -                                               | -                                         | -                                      | 107,249                   |
| -                                               | -                                         | -                                      | (104,752)                 |
| -                                               | -                                         | (3,382)                                | (10,423)                  |
| -                                               | -                                         | (2,509)                                | (7,461)                   |
| -                                               | -                                         | 29,388                                 | 29,564                    |
| -                                               | -                                         | 7,597                                  | 7,597                     |
| -                                               | -                                         | (8,292)                                | (8,292)                   |
| -                                               | -                                         | 1,118                                  | -                         |
| -                                               | -                                         | (20,608)                               | (24,542)                  |
| -                                               | 48                                        | 2,695                                  | 12,612                    |
| -                                               | (227)                                     | (1,431)                                | (2,090)                   |
| (28,024)                                        | 30,131                                    | 4,576                                  | (18,905)                  |
| <hr/>                                           |                                           |                                        |                           |
| -                                               | 140,000                                   | -                                      | 140,000                   |
| (50,000)                                        | (50,175)                                  | -                                      | (124,800)                 |
| -                                               | -                                         | -                                      | -                         |
| -                                               | -                                         | -                                      | (218)                     |
| (10)                                            | (478)                                     | -                                      | (618)                     |
| -                                               | -                                         | -                                      | 126,278                   |
| -                                               | -                                         | -                                      | (123,782)                 |
| -                                               | -                                         | -                                      | (207)                     |
| 50,000                                          | (49,942)                                  | 61                                     | -                         |
| -                                               | -                                         | -                                      | -                         |
| (10)                                            | 39,405                                    | 61                                     | 16,653                    |
| <hr/>                                           |                                           |                                        |                           |
| -                                               | -                                         | (101)                                  | (358)                     |
| -                                               | -                                         | 10                                     | 10                        |
| -                                               | -                                         | -                                      | -                         |
| -                                               | (2,330)                                   | -                                      | (2,330)                   |
| -                                               | -                                         | -                                      | -                         |
| -                                               | (977)                                     | -                                      | (977)                     |
| -                                               | 1,734                                     | -                                      | 1,734                     |
| -                                               | -                                         | -                                      | -                         |
| -                                               | (1,573)                                   | (91)                                   | (1,921)                   |
| <hr/>                                           |                                           |                                        |                           |
| (144,529)                                       | (175,279)                                 | -                                      | (1,627,779)               |
| 172,337                                         | 107,102                                   | -                                      | 1,624,860                 |
| 226                                             | 35                                        | 3                                      | 530                       |
| 28,034                                          | (68,142)                                  | 3                                      | (2,389)                   |
| <hr/>                                           |                                           |                                        |                           |
| -                                               | (179)                                     | 4,549                                  | (6,562)                   |
| -                                               | 227                                       | 35,384                                 | 77,026                    |
| -                                               | 48                                        | 39,933                                 | 70,464                    |
| <hr/>                                           |                                           |                                        |                           |
| 2,804                                           | 1,841                                     | (6,938)                                | (2,387)                   |
| -                                               | 119                                       | 1,651                                  | 1,887                     |
| (326)                                           | (843)                                     | -                                      | (1,539)                   |
| 124                                             | (72)                                      | -                                      | (17)                      |
| (8)                                             | 112                                       | 8,158                                  | -                         |
| (226)                                           | (35)                                      | (3)                                    | (530)                     |
| 10                                              | 1,455                                     | -                                      | 1,595                     |
| (32,644)                                        | 20,647                                    | -                                      | (46,485)                  |
| 2,242                                           | 6,907                                     | 1,708                                  | 28,571                    |
| (28,024)                                        | 30,131                                    | 4,576                                  | (18,905)                  |

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**ALASKA HOUSING FINANCE CORPORATION**

(A Component Unit of the State of Alaska)

**STATEMENT OF CASH FLOWS**
**REVOLVING FUNDS**

For the Three Months Ended September 30, 2014

(in thousands of dollars)

**Schedule 18**

|                                                                                                                 | Administrative<br>Fund | Home<br>Ownership<br>Fund | Combined<br>Total |
|-----------------------------------------------------------------------------------------------------------------|------------------------|---------------------------|-------------------|
| <b><u>Cash flows from operating activities:</u></b>                                                             |                        |                           |                   |
| Interest income on mortgages and loans                                                                          | 1,125                  | -                         | 1,125             |
| Principal payments received on mortgages and loans                                                              | 1,326                  | -                         | 1,326             |
| Purchases of mortgages and loans                                                                                | (126,224)              | -                         | (126,224)         |
| Receipt (payment) for loan transfers between funds                                                              | 75,367                 | -                         | 75,367            |
| Mortgage and loan proceeds                                                                                      | 107,249                | -                         | 107,249           |
| Payment of mortgage and loan proceeds to funds                                                                  | (104,752)              | -                         | (104,752)         |
| Payments to employees and other payroll disbursements                                                           | (7,041)                | -                         | (7,041)           |
| Payments for goods and services                                                                                 | (4,552)                | -                         | (4,552)           |
| Cash received for externally funded programs                                                                    | 176                    | -                         | 176               |
| Cash received for Federal HAP subsidies                                                                         | -                      | -                         | -                 |
| Payments for Federal HAP subsidies                                                                              | -                      | -                         | -                 |
| Interfund receipts (payments)                                                                                   | (1,118)                | -                         | (1,118)           |
| Grant payments to other agencies                                                                                | (3,934)                | -                         | (3,934)           |
| Other operating cash receipts                                                                                   | 9,869                  | -                         | 9,869             |
| Other operating cash payments                                                                                   | (432)                  | -                         | (432)             |
| <b>Net cash provided by (used for) operating activities</b>                                                     | <b>(52,941)</b>        | <b>-</b>                  | <b>(52,941)</b>   |
| <b><u>Cash flows from noncapital financing activities:</u></b>                                                  |                        |                           |                   |
| Proceeds from the issuance of bonds                                                                             | -                      | -                         | -                 |
| Principal paid on bonds                                                                                         | -                      | -                         | -                 |
| Payment to defease bonds                                                                                        | -                      | -                         | -                 |
| Payment of bond issuance costs                                                                                  | (218)                  | -                         | (218)             |
| Interest paid                                                                                                   | (18)                   | -                         | (18)              |
| Proceeds from issuance of short term debt                                                                       | 126,278                | -                         | 126,278           |
| Payment of short term debt                                                                                      | (123,782)              | -                         | (123,782)         |
| Contributions to the State of Alaska or other State agencies                                                    | (207)                  | -                         | (207)             |
| Transfers (to) from other funds                                                                                 | 3,865                  | -                         | 3,865             |
| Other cash payments                                                                                             | -                      | -                         | -                 |
| <b>Net cash provided by (used for) noncapital financing activities</b>                                          | <b>5,918</b>           | <b>-</b>                  | <b>5,918</b>      |
| <b><u>Cash flows from capital financing activities:</u></b>                                                     |                        |                           |                   |
| Acquisition of capital assets                                                                                   | (257)                  | -                         | (257)             |
| Proceeds from the disposal of capital assets                                                                    | -                      | -                         | -                 |
| Proceeds from the issuance of capital notes                                                                     | -                      | -                         | -                 |
| Principal paid on capital notes                                                                                 | -                      | -                         | -                 |
| Payment of bond issuance costs                                                                                  | -                      | -                         | -                 |
| Interest paid on capital notes                                                                                  | -                      | -                         | -                 |
| Proceeds from direct financing leases                                                                           | -                      | -                         | -                 |
| Other cash payments                                                                                             | -                      | -                         | -                 |
| <b>Net cash provided by (used for) capital financing activities</b>                                             | <b>(257)</b>           | <b>-</b>                  | <b>(257)</b>      |
| <b><u>Cash flows from investing activities:</u></b>                                                             |                        |                           |                   |
| Purchase of investments                                                                                         | (1,152,993)            | (7,400)                   | (1,160,393)       |
| Proceeds from maturity of investments                                                                           | 1,189,239              | 7,306                     | 1,196,545         |
| Interest received from investments                                                                              | 102                    | 94                        | 196               |
| <b>Net cash provided by (used for) investing activities</b>                                                     | <b>36,348</b>          | <b>-</b>                  | <b>36,348</b>     |
| Net Increase (decrease) in cash                                                                                 | (10,932)               | -                         | (10,932)          |
| Cash at the beginning of year                                                                                   | 41,032                 | 383                       | 41,415            |
| <b>Cash at the end of period</b>                                                                                | <b>30,100</b>          | <b>383</b>                | <b>30,483</b>     |
| <b><u>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</u></b> |                        |                           |                   |
| Operating income (loss)                                                                                         | (2,484)                | 1                         | (2,483)           |
| <b><u>Adjustments:</u></b>                                                                                      |                        |                           |                   |
| Depreciation expense                                                                                            | 117                    | -                         | 117               |
| Provision for loan losses                                                                                       | 697                    | -                         | 697               |
| Net change in the fair value of investments                                                                     | (95)                   | 54                        | (41)              |
| Transfers between funds for operating activity                                                                  | (9,470)                | -                         | (9,470)           |
| Interest received from investments                                                                              | (102)                  | (94)                      | (196)             |
| Interest paid                                                                                                   | 18                     | -                         | 18                |
| <b><u>Changes in assets, liabilities and deferred resources:</u></b>                                            |                        |                           |                   |
| Net increase (decrease) in mortgages and loans                                                                  | (49,531)               | -                         | (49,531)          |
| Net increase (decrease) in assets, liabilities and deferred resources                                           | 7,909                  | 39                        | 7,948             |
| <b>Net cash provided by (used for) operating activities</b>                                                     | <b>(52,941)</b>        | <b>-</b>                  | <b>(52,941)</b>   |

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**ALASKA HOUSING FINANCE CORPORATION**
**Schedule 19**

(A Component Unit of the State of Alaska)

**STATEMENT OF CASH FLOWS**

FIRST TIME HOMEBUYERS PROGRAM

MORTGAGE REVENUE BONDS

For the Three Months Ended September 30, 2014

(in thousands of dollars)

|                                                                                                          | Bonds<br>2009 A-1<br>2010 A, B | Bonds<br>2009 A-2<br>2011 A, B | Mortgage<br>Revenue<br>Bonds<br>Combined<br>Total |
|----------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|---------------------------------------------------|
| <b><u>Cash flows from operating activities:</u></b>                                                      |                                |                                |                                                   |
| Interest income on mortgages and loans                                                                   | 1,276                          | 1,867                          | 3,143                                             |
| Principal payments received on mortgages and loans                                                       | 5,772                          | 6,483                          | 12,255                                            |
| Purchases of mortgages and loans                                                                         | -                              | -                              | -                                                 |
| Receipt (payment) for loan transfers between funds                                                       | -                              | 128                            | 128                                               |
| Mortgage and loan proceeds                                                                               | -                              | -                              | -                                                 |
| Payment of mortgage and loan proceeds to funds                                                           | -                              | -                              | -                                                 |
| Payments to employees and other payroll disbursements                                                    | -                              | -                              | -                                                 |
| Payments for goods and services                                                                          | -                              | -                              | -                                                 |
| Cash received for externally funded programs                                                             | -                              | -                              | -                                                 |
| Cash received for Federal HAP subsidies                                                                  | -                              | -                              | -                                                 |
| Payments for Federal HAP subsidies                                                                       | -                              | -                              | -                                                 |
| Interfund receipts (payments)                                                                            | -                              | -                              | -                                                 |
| Grant payments to other agencies                                                                         | -                              | -                              | -                                                 |
| Other operating cash receipts                                                                            | -                              | -                              | -                                                 |
| Other operating cash payments                                                                            | -                              | -                              | -                                                 |
| <b>Net cash provided by (used for) operating activities</b>                                              | <b>7,048</b>                   | <b>8,478</b>                   | <b>15,526</b>                                     |
| <b><u>Cash flows from noncapital financing activities:</u></b>                                           |                                |                                |                                                   |
| Proceeds from the issuance of bonds                                                                      | -                              | -                              | -                                                 |
| Principal paid on bonds                                                                                  | -                              | -                              | -                                                 |
| Payment to defease bonds                                                                                 | -                              | -                              | -                                                 |
| Payment of bond issuance costs                                                                           | -                              | -                              | -                                                 |
| Interest paid                                                                                            | -                              | -                              | -                                                 |
| Proceeds from issuance of short term debt                                                                | -                              | -                              | -                                                 |
| Payment of short term debt                                                                               | -                              | -                              | -                                                 |
| Contributions to the State of Alaska or other State agencies                                             | -                              | -                              | -                                                 |
| Transfers (to) from other funds                                                                          | -                              | -                              | -                                                 |
| Other cash payments                                                                                      | -                              | -                              | -                                                 |
| <b>Net cash provided by (used for) noncapital financing activities</b>                                   | <b>-</b>                       | <b>-</b>                       | <b>-</b>                                          |
| <b><u>Cash flows from capital financing activities:</u></b>                                              |                                |                                |                                                   |
| Acquisition of capital assets                                                                            | -                              | -                              | -                                                 |
| Proceeds from the disposal of capital assets                                                             | -                              | -                              | -                                                 |
| Proceeds from the issuance of capital notes                                                              | -                              | -                              | -                                                 |
| Principal paid on capital notes                                                                          | -                              | -                              | -                                                 |
| Payment of bond issuance costs                                                                           | -                              | -                              | -                                                 |
| Interest paid on capital notes                                                                           | -                              | -                              | -                                                 |
| Proceeds from direct financing leases                                                                    | -                              | -                              | -                                                 |
| Other cash payments                                                                                      | -                              | -                              | -                                                 |
| <b>Net cash provided by (used for) capital financing activities</b>                                      | <b>-</b>                       | <b>-</b>                       | <b>-</b>                                          |
| <b><u>Cash flows from investing activities:</u></b>                                                      |                                |                                |                                                   |
| Purchase of investments                                                                                  | (20,192)                       | (19,779)                       | (39,971)                                          |
| Proceeds from maturity of investments                                                                    | 13,134                         | 11,291                         | 24,425                                            |
| Interest received from investments                                                                       | 10                             | 10                             | 20                                                |
| <b>Net cash provided by (used for) investing activities</b>                                              | <b>(7,048)</b>                 | <b>(8,478)</b>                 | <b>(15,526)</b>                                   |
| Net Increase (decrease) in cash                                                                          | -                              | -                              | -                                                 |
| Cash at the beginning of year                                                                            | -                              | -                              | -                                                 |
| <b>Cash at the end of period</b>                                                                         | <b>-</b>                       | <b>-</b>                       | <b>-</b>                                          |
| <b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b> |                                |                                |                                                   |
| Operating income (loss)                                                                                  | 341                            | 863                            | 1,204                                             |
| <b>Adjustments:</b>                                                                                      |                                |                                |                                                   |
| Depreciation expense                                                                                     | -                              | -                              | -                                                 |
| Provision for loan losses                                                                                | (190)                          | (260)                          | (450)                                             |
| Net change in the fair value of investments                                                              | (5)                            | (7)                            | (12)                                              |
| Transfers between funds for operating activity                                                           | 49                             | 82                             | 131                                               |
| Interest received from investments                                                                       | (10)                           | (10)                           | (20)                                              |
| Interest paid                                                                                            | -                              | -                              | -                                                 |
| <b>Changes in assets, liabilities and deferred resources:</b>                                            |                                |                                |                                                   |
| Net increase (decrease) in mortgages and loans                                                           | 5,772                          | 6,611                          | 12,383                                            |
| Net increase (decrease) in assets, liabilities and deferred resources                                    | 1,091                          | 1,199                          | 2,290                                             |
| <b>Net cash provided by (used for) operating activities</b>                                              | <b>7,048</b>                   | <b>8,478</b>                   | <b>15,526</b>                                     |

# ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

## STATEMENT OF CASH FLOWS

FIRST TIME HOMEBUYERS PROGRAM

HOME MORTGAGE REVENUE BONDS

For the Three Months Ended September 30, 2014

(in thousands of dollars)

|                                                                                                          | Bonds<br>2002 A,B | Bonds<br>2006 A | Bonds<br>2007 A | Bonds<br>2007 B |
|----------------------------------------------------------------------------------------------------------|-------------------|-----------------|-----------------|-----------------|
| <b><u>Cash flows from operating activities:</u></b>                                                      |                   |                 |                 |                 |
| Interest income on mortgages and loans                                                                   | 1,631             | 298             | 901             | 945             |
| Principal payments received on mortgages and loans                                                       | 3,772             | 1,371           | 2,453           | 3,263           |
| Purchases of mortgages and loans                                                                         | -                 | -               | -               | -               |
| Receipt (payment) for loan transfers between funds                                                       | (1,420)           | 309             | (3,507)         | (4,154)         |
| Mortgage and loan proceeds                                                                               | -                 | -               | -               | -               |
| Payment of mortgage and loan proceeds to funds                                                           | -                 | -               | -               | -               |
| Payments to employees and other payroll disbursements                                                    | -                 | -               | -               | -               |
| Payments for goods and services                                                                          | (400)             | -               | -               | -               |
| Cash received for externally funded programs                                                             | -                 | -               | -               | -               |
| Cash received for Federal HAP subsidies                                                                  | -                 | -               | -               | -               |
| Payments for Federal HAP subsidies                                                                       | -                 | -               | -               | -               |
| Interfund receipts (payments)                                                                            | -                 | -               | -               | -               |
| Grant payments to other agencies                                                                         | -                 | -               | -               | -               |
| Other operating cash receipts                                                                            | -                 | -               | -               | -               |
| Other operating cash payments                                                                            | -                 | -               | -               | -               |
| <b>Net cash provided by (used for) operating activities</b>                                              | <b>3,583</b>      | <b>1,978</b>    | <b>(153)</b>    | <b>54</b>       |
| <b><u>Cash flows from noncapital financing activities:</u></b>                                           |                   |                 |                 |                 |
| Proceeds from the issuance of bonds                                                                      | -                 | -               | -               | -               |
| Principal paid on bonds                                                                                  | (20,000)          | -               | -               | -               |
| Payment to defease bonds                                                                                 | -                 | -               | -               | -               |
| Payment of bond issuance costs                                                                           | -                 | -               | -               | -               |
| Interest paid                                                                                            | (74)              | -               | -               | -               |
| Proceeds from issuance of short term debt                                                                | -                 | -               | -               | -               |
| Payment of short term debt                                                                               | -                 | -               | -               | -               |
| Contributions to the State of Alaska or other State agencies                                             | -                 | -               | -               | -               |
| Transfers (to) from other funds                                                                          | (471)             | -               | (104)           | (577)           |
| Other cash payments                                                                                      | -                 | -               | -               | -               |
| <b>Net cash provided by (used for) noncapital financing activities</b>                                   | <b>(20,545)</b>   | <b>-</b>        | <b>(104)</b>    | <b>(577)</b>    |
| <b><u>Cash flows from capital financing activities:</u></b>                                              |                   |                 |                 |                 |
| Acquisition of capital assets                                                                            | -                 | -               | -               | -               |
| Proceeds from the disposal of capital assets                                                             | -                 | -               | -               | -               |
| Proceeds from the issuance of capital notes                                                              | -                 | -               | -               | -               |
| Principal paid on capital notes                                                                          | -                 | -               | -               | -               |
| Payment of bond issuance costs                                                                           | -                 | -               | -               | -               |
| Interest paid on capital notes                                                                           | -                 | -               | -               | -               |
| Proceeds from direct financing leases                                                                    | -                 | -               | -               | -               |
| Other cash payments                                                                                      | -                 | -               | -               | -               |
| <b>Net cash provided by (used for) capital financing activities</b>                                      | <b>-</b>          | <b>-</b>        | <b>-</b>        | <b>-</b>        |
| <b><u>Cash flows from investing activities:</u></b>                                                      |                   |                 |                 |                 |
| Purchase of investments                                                                                  | (9,016)           | (3,079)         | (9,469)         | (10,712)        |
| Proceeds from maturity of investments                                                                    | 25,973            | 1,100           | 9,722           | 11,230          |
| Interest received from investments                                                                       | 5                 | 1               | 4               | 5               |
| <b>Net cash provided by (used for) investing activities</b>                                              | <b>16,962</b>     | <b>(1,978)</b>  | <b>257</b>      | <b>523</b>      |
| Net Increase (decrease) in cash                                                                          | -                 | -               | -               | -               |
| Cash at the beginning of year                                                                            | -                 | -               | -               | -               |
| <b>Cash at the end of period</b>                                                                         | <b>-</b>          | <b>-</b>        | <b>-</b>        | <b>-</b>        |
| <b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b> |                   |                 |                 |                 |
| Operating income (loss)                                                                                  | (907)             | 100             | 163             | 164             |
| <i>Adjustments:</i>                                                                                      |                   |                 |                 |                 |
| Depreciation expense                                                                                     | -                 | -               | -               | -               |
| Provision for loan losses                                                                                | (126)             | (52)            | (41)            | (26)            |
| Net change in the fair value of investments                                                              | (1)               | (1)             | (2)             | (2)             |
| Transfers between funds for operating activity                                                           | 198               | 9               | 99              | 92              |
| Interest received from investments                                                                       | (5)               | (1)             | (4)             | (5)             |
| Interest paid                                                                                            | 74                | -               | -               | -               |
| <i>Changes in assets, liabilities and deferred resources:</i>                                            |                   |                 |                 |                 |
| Net increase (decrease) in mortgages and loans                                                           | 2,352             | 1,680           | (1,054)         | (891)           |
| Net increase (decrease) in assets, liabilities and deferred resources                                    | 1,998             | 243             | 686             | 722             |
| <b>Net cash provided by (used for) operating activities</b>                                              | <b>3,583</b>      | <b>1,978</b>    | <b>(153)</b>    | <b>54</b>       |

**Schedule 20**

| Bonds<br>2007 D | Bonds<br>2009 A | Bonds<br>2009 B | Bonds<br>2009 D | Home<br>Mortgage<br>Revenue<br>Bonds<br>Combined<br>Total |
|-----------------|-----------------|-----------------|-----------------|-----------------------------------------------------------|
| 1,175           | 1,046           | 1,111           | 1,263           | 8,370                                                     |
| 3,821           | 3,908           | 4,441           | 5,923           | 28,952                                                    |
| -               | -               | -               | -               | -                                                         |
| (5,233)         | (5,103)         | (6,074)         | (7,439)         | (32,621)                                                  |
| -               | -               | -               | -               | -                                                         |
| -               | -               | -               | -               | -                                                         |
| -               | -               | -               | -               | -                                                         |
| -               | -               | -               | -               | (400)                                                     |
| -               | -               | -               | -               | -                                                         |
| -               | -               | -               | -               | -                                                         |
| -               | -               | -               | -               | -                                                         |
| -               | -               | -               | -               | -                                                         |
| -               | -               | -               | -               | -                                                         |
| -               | -               | -               | -               | -                                                         |
| (237)           | (149)           | (522)           | (253)           | 4,301                                                     |
| -               | -               | -               | -               | -                                                         |
| -               | -               | -               | -               | (20,000)                                                  |
| -               | -               | -               | -               | -                                                         |
| -               | -               | -               | -               | -                                                         |
| -               | -               | -               | -               | (74)                                                      |
| -               | -               | -               | -               | -                                                         |
| -               | -               | -               | -               | -                                                         |
| (863)           | (319)           | (565)           | (1,085)         | (3,984)                                                   |
| -               | -               | -               | -               | -                                                         |
| (863)           | (319)           | (565)           | (1,085)         | (24,058)                                                  |
| -               | -               | -               | -               | -                                                         |
| -               | -               | -               | -               | -                                                         |
| -               | -               | -               | -               | -                                                         |
| -               | -               | -               | -               | -                                                         |
| -               | -               | -               | -               | -                                                         |
| -               | -               | -               | -               | -                                                         |
| -               | -               | -               | -               | -                                                         |
| (13,259)        | (12,679)        | (15,446)        | (19,609)        | (93,269)                                                  |
| 14,352          | 13,142          | 16,526          | 20,938          | 112,983                                                   |
| 7               | 5               | 7               | 9               | 43                                                        |
| 1,100           | 468             | 1,087           | 1,338           | 19,757                                                    |
| -               | -               | -               | -               | -                                                         |
| -               | -               | -               | -               | -                                                         |
| -               | -               | -               | -               | -                                                         |
| 279             | 134             | 368             | 376             | 677                                                       |
| -               | -               | -               | -               | -                                                         |
| (59)            | (29)            | (27)            | (87)            | (447)                                                     |
| (2)             | (2)             | (2)             | (3)             | (15)                                                      |
| 122             | 189             | 135             | 234             | 1,078                                                     |
| (7)             | (5)             | (7)             | (9)             | (43)                                                      |
| -               | -               | -               | -               | 74                                                        |
| (1,412)         | (1,195)         | (1,633)         | (1,516)         | (3,669)                                                   |
| 842             | 759             | 644             | 752             | 6,646                                                     |
| (237)           | (149)           | (522)           | (253)           | 4,301                                                     |

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**ALASKA HOUSING FINANCE CORPORATION**

(A Component Unit of the State of Alaska)

**Schedule 21****STATEMENT OF CASH FLOWS**

VETERANS MORTGAGE PROGRAM BONDS - STATE GUARANTEED

For the Three Months Ended September 30, 2014

(in thousands of dollars)

|                                                                                                          | Collateralized<br>Bonds<br>2006 First<br>Series | Collateralized<br>Bonds<br>2007 & 2008<br>First Series | Combined<br>Total |
|----------------------------------------------------------------------------------------------------------|-------------------------------------------------|--------------------------------------------------------|-------------------|
| <b><u>Cash flows from operating activities:</u></b>                                                      |                                                 |                                                        |                   |
| Interest income on mortgages and loans                                                                   | 916                                             | 281                                                    | 1,197             |
| Principal payments received on mortgages and loans                                                       | 4,629                                           | 872                                                    | 5,501             |
| Purchases of mortgages and loans                                                                         | -                                               | -                                                      | -                 |
| Receipt (payment) for loan transfers between funds                                                       | 625                                             | 203                                                    | 828               |
| Mortgage and loan proceeds                                                                               | -                                               | -                                                      | -                 |
| Payment of mortgage and loan proceeds to funds                                                           | -                                               | -                                                      | -                 |
| Payments to employees and other payroll disbursements                                                    | -                                               | -                                                      | -                 |
| Payments for goods and services                                                                          | -                                               | -                                                      | -                 |
| Cash received for externally funded programs                                                             | -                                               | -                                                      | -                 |
| Cash received for Federal HAP subsidies                                                                  | -                                               | -                                                      | -                 |
| Payments for Federal HAP subsidies                                                                       | -                                               | -                                                      | -                 |
| Interfund receipts (payments)                                                                            | -                                               | -                                                      | -                 |
| Grant payments to other agencies                                                                         | -                                               | -                                                      | -                 |
| Other operating cash receipts                                                                            | -                                               | -                                                      | -                 |
| Other operating cash payments                                                                            | -                                               | -                                                      | -                 |
| <b>Net cash provided by (used for) operating activities</b>                                              | <b>6,170</b>                                    | <b>1,356</b>                                           | <b>7,526</b>      |
| <b><u>Cash flows from noncapital financing activities:</u></b>                                           |                                                 |                                                        |                   |
| Proceeds from the issuance of bonds                                                                      | -                                               | -                                                      | -                 |
| Principal paid on bonds                                                                                  | (4,375)                                         | (250)                                                  | (4,625)           |
| Payment to defease bonds                                                                                 | -                                               | -                                                      | -                 |
| Payment of bond issuance costs                                                                           | -                                               | -                                                      | -                 |
| Interest paid                                                                                            | (35)                                            | (3)                                                    | (38)              |
| Proceeds from issuance of short term debt                                                                | -                                               | -                                                      | -                 |
| Payment of short term debt                                                                               | -                                               | -                                                      | -                 |
| Contributions to the State of Alaska or other State agencies                                             | -                                               | -                                                      | -                 |
| Transfers (to) from other funds                                                                          | -                                               | -                                                      | -                 |
| Other cash payments                                                                                      | -                                               | -                                                      | -                 |
| <b>Net cash provided by (used for) noncapital financing activities</b>                                   | <b>(4,410)</b>                                  | <b>(253)</b>                                           | <b>(4,663)</b>    |
| <b><u>Cash flows from capital financing activities:</u></b>                                              |                                                 |                                                        |                   |
| Acquisition of capital assets                                                                            | -                                               | -                                                      | -                 |
| Proceeds from the disposal of capital assets                                                             | -                                               | -                                                      | -                 |
| Proceeds from the issuance of capital notes                                                              | -                                               | -                                                      | -                 |
| Principal paid on capital notes                                                                          | -                                               | -                                                      | -                 |
| Payment of bond issuance costs                                                                           | -                                               | -                                                      | -                 |
| Interest paid on capital notes                                                                           | -                                               | -                                                      | -                 |
| Proceeds from direct financing leases                                                                    | -                                               | -                                                      | -                 |
| Other cash payments                                                                                      | -                                               | -                                                      | -                 |
| <b>Net cash provided by (used for) capital financing activities</b>                                      | <b>-</b>                                        | <b>-</b>                                               | <b>-</b>          |
| <b><u>Cash flows from investing activities:</u></b>                                                      |                                                 |                                                        |                   |
| Purchase of investments                                                                                  | (11,950)                                        | (2,388)                                                | (14,338)          |
| Proceeds from maturity of investments                                                                    | 10,184                                          | 1,284                                                  | 11,468            |
| Interest received from investments                                                                       | 6                                               | 1                                                      | 7                 |
| <b>Net cash provided by (used for) investing activities</b>                                              | <b>(1,760)</b>                                  | <b>(1,103)</b>                                         | <b>(2,863)</b>    |
| Net Increase (decrease) in cash                                                                          | -                                               | -                                                      | -                 |
| Cash at the beginning of year                                                                            | -                                               | -                                                      | -                 |
| <b>Cash at the end of period</b>                                                                         | <b>-</b>                                        | <b>-</b>                                               | <b>-</b>          |
| <b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b> |                                                 |                                                        |                   |
| Operating income (loss)                                                                                  | 407                                             | 101                                                    | 508               |
| <i>Adjustments:</i>                                                                                      |                                                 |                                                        |                   |
| Depreciation expense                                                                                     | -                                               | -                                                      | -                 |
| Provision for loan losses                                                                                | (133)                                           | (37)                                                   | (170)             |
| Net change in the fair value of investments                                                              | (1)                                             | -                                                      | (1)               |
| Transfers between funds for operating activity                                                           | (10)                                            | 9                                                      | (1)               |
| Interest received from investments                                                                       | (6)                                             | (1)                                                    | (7)               |
| Interest paid                                                                                            | 35                                              | 3                                                      | 38                |
| <i>Changes in assets, liabilities and deferred resources:</i>                                            |                                                 |                                                        |                   |
| Net increase (decrease) in mortgages and loans                                                           | 5,254                                           | 1,075                                                  | 6,329             |
| Net increase (decrease) in assets, liabilities and deferred resources                                    | 624                                             | 206                                                    | 830               |
| <b>Net cash provided by (used for) operating activities</b>                                              | <b>6,170</b>                                    | <b>1,356</b>                                           | <b>7,526</b>      |

# ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

## STATEMENT OF CASH FLOWS

OTHER HOUSING BONDS

For the Three Months Ended September 30, 2014

(in thousands of dollars)

|                                                                                                          | Senior<br>Housing<br>Revolving<br>Loan<br>Fund | Housing<br>Development<br>Bonds | General<br>Mortgage<br>Revenue<br>Bonds II<br>2012 A, B | Governmental<br>Purpose<br>Bonds<br>1997 A |
|----------------------------------------------------------------------------------------------------------|------------------------------------------------|---------------------------------|---------------------------------------------------------|--------------------------------------------|
| <b><u>Cash flows from operating activities:</u></b>                                                      |                                                |                                 |                                                         |                                            |
| Interest income on mortgages and loans                                                                   | 100                                            | 397                             | 1,853                                                   | 125                                        |
| Principal payments received on mortgages and loans                                                       | 327                                            | 750                             | 5,104                                                   | 625                                        |
| Purchases of mortgages and loans                                                                         | -                                              | -                               | -                                                       | -                                          |
| Receipt (payment) for loan transfers between funds                                                       | -                                              | -                               | 27                                                      | -                                          |
| Mortgage and loan proceeds                                                                               | -                                              | -                               | -                                                       | -                                          |
| Payment of mortgage and loan proceeds to funds                                                           | -                                              | -                               | -                                                       | -                                          |
| Payments to employees and other payroll disbursements                                                    | -                                              | -                               | -                                                       | -                                          |
| Payments for goods and services                                                                          | -                                              | -                               | -                                                       | -                                          |
| Cash received for externally funded programs                                                             | -                                              | -                               | -                                                       | -                                          |
| Cash received for Federal HAP subsidies                                                                  | -                                              | -                               | -                                                       | -                                          |
| Payments for Federal HAP subsidies                                                                       | -                                              | -                               | -                                                       | -                                          |
| Interfund receipts (payments)                                                                            | -                                              | -                               | -                                                       | -                                          |
| Grant payments to other agencies                                                                         | -                                              | -                               | -                                                       | -                                          |
| Other operating cash receipts                                                                            | -                                              | -                               | -                                                       | -                                          |
| Other operating cash payments                                                                            | -                                              | -                               | -                                                       | -                                          |
| <b>Net cash provided by (used for) operating activities</b>                                              | <b>427</b>                                     | <b>1,147</b>                    | <b>6,984</b>                                            | <b>750</b>                                 |
| <b><u>Cash flows from noncapital financing activities:</u></b>                                           |                                                |                                 |                                                         |                                            |
| Proceeds from the issuance of bonds                                                                      | -                                              | -                               | -                                                       | -                                          |
| Principal paid on bonds                                                                                  | -                                              | -                               | (50,000)                                                | -                                          |
| Payment to defease bonds                                                                                 | -                                              | -                               | -                                                       | -                                          |
| Payment of bond issuance costs                                                                           | -                                              | -                               | -                                                       | -                                          |
| Interest paid                                                                                            | -                                              | -                               | (8)                                                     | (2)                                        |
| Proceeds from issuance of short term debt                                                                | -                                              | -                               | -                                                       | -                                          |
| Payment of short term debt                                                                               | -                                              | -                               | -                                                       | -                                          |
| Contributions to the State of Alaska or other State agencies                                             | -                                              | -                               | -                                                       | -                                          |
| Transfers (to) from other funds                                                                          | -                                              | -                               | 50,000                                                  | -                                          |
| Other cash payments                                                                                      | -                                              | -                               | -                                                       | -                                          |
| <b>Net cash provided by (used for) noncapital financing activities</b>                                   | <b>-</b>                                       | <b>-</b>                        | <b>(8)</b>                                              | <b>(2)</b>                                 |
| <b><u>Cash flows from capital financing activities:</u></b>                                              |                                                |                                 |                                                         |                                            |
| Acquisition of capital assets                                                                            | -                                              | -                               | -                                                       | -                                          |
| Proceeds from the disposal of capital assets                                                             | -                                              | -                               | -                                                       | -                                          |
| Proceeds from the issuance of capital notes                                                              | -                                              | -                               | -                                                       | -                                          |
| Principal paid on capital notes                                                                          | -                                              | -                               | -                                                       | -                                          |
| Payment of bond issuance costs                                                                           | -                                              | -                               | -                                                       | -                                          |
| Interest paid on capital notes                                                                           | -                                              | -                               | -                                                       | -                                          |
| Proceeds from direct financing leases                                                                    | -                                              | -                               | -                                                       | -                                          |
| Other cash payments                                                                                      | -                                              | -                               | -                                                       | -                                          |
| <b>Net cash provided by (used for) capital financing activities</b>                                      | <b>-</b>                                       | <b>-</b>                        | <b>-</b>                                                | <b>-</b>                                   |
| <b><u>Cash flows from investing activities:</u></b>                                                      |                                                |                                 |                                                         |                                            |
| Purchase of investments                                                                                  | (9,041)                                        | (4,998)                         | (115,890)                                               | (1,550)                                    |
| Proceeds from maturity of investments                                                                    | 8,411                                          | 3,848                           | 108,904                                                 | 802                                        |
| Interest received from investments                                                                       | 203                                            | 3                               | 10                                                      | -                                          |
| <b>Net cash provided by (used for) investing activities</b>                                              | <b>(427)</b>                                   | <b>(1,147)</b>                  | <b>(6,976)</b>                                          | <b>(748)</b>                               |
| Net Increase (decrease) in cash                                                                          | -                                              | -                               | -                                                       | -                                          |
| Cash at the beginning of year                                                                            | -                                              | -                               | -                                                       | -                                          |
| <b>Cash at the end of period</b>                                                                         | <b>-</b>                                       | <b>-</b>                        | <b>-</b>                                                | <b>-</b>                                   |
| <b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b> |                                                |                                 |                                                         |                                            |
| Operating income (loss)                                                                                  | 119                                            | 446                             | 925                                                     | 15                                         |
| <b>Adjustments:</b>                                                                                      |                                                |                                 |                                                         |                                            |
| Depreciation expense                                                                                     | -                                              | -                               | -                                                       | -                                          |
| Provision for loan losses                                                                                | (8)                                            | (66)                            | (209)                                                   | -                                          |
| Net change in the fair value of investments                                                              | 135                                            | -                               | (5)                                                     | (5)                                        |
| Transfers between funds for operating activity                                                           | 2                                              | 1                               | (344)                                                   | 26                                         |
| Interest received from investments                                                                       | (203)                                          | (3)                             | (10)                                                    | -                                          |
| Interest paid                                                                                            | -                                              | -                               | 8                                                       | 2                                          |
| <b>Changes in assets, liabilities and deferred resources:</b>                                            |                                                |                                 |                                                         |                                            |
| Net increase (decrease) in mortgages and loans                                                           | 327                                            | 750                             | 5,131                                                   | 625                                        |
| Net increase (decrease) in assets, liabilities and deferred resources                                    | 55                                             | 19                              | 1,488                                                   | 87                                         |
| <b>Net cash provided by (used for) operating activities</b>                                              | <b>427</b>                                     | <b>1,147</b>                    | <b>6,984</b>                                            | <b>750</b>                                 |

**Schedule 22**

| <b>Governmental<br/>Purpose<br/>Bonds<br/>2001 A-D</b> | <b>Combined<br/>Total</b> |
|--------------------------------------------------------|---------------------------|
| 2,145                                                  | 4,620                     |
| 4,252                                                  | 11,058                    |
| -                                                      | -                         |
| (43,729)                                               | (43,702)                  |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| (37,332)                                               | (28,024)                  |
| -                                                      | -                         |
| -                                                      | (50,000)                  |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | (10)                      |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | 50,000                    |
| -                                                      | -                         |
| -                                                      | (10)                      |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| (13,050)                                               | (144,529)                 |
| 50,372                                                 | 172,337                   |
| 10                                                     | 226                       |
| 37,332                                                 | 28,034                    |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| 1,299                                                  | 2,804                     |
| -                                                      | -                         |
| (43)                                                   | (326)                     |
| (1)                                                    | 124                       |
| 307                                                    | (8)                       |
| (10)                                                   | (226)                     |
| -                                                      | 10                        |
| (39,477)                                               | (32,644)                  |
| 593                                                    | 2,242                     |
| (37,332)                                               | (28,024)                  |

# ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

## STATEMENT OF CASH FLOWS

NON-HOUSING BONDS

For the Three Months Ended September 30, 2014

(in thousands of dollars)

|                                                                                                          | State<br>Capital<br>Project<br>Bonds<br>2002 A,B,C | State<br>Capital<br>Project<br>Bonds<br>2006 A | State<br>Capital<br>Project<br>Bonds<br>2007 A & B | State<br>Capital<br>Project<br>Bonds<br>2011 A |
|----------------------------------------------------------------------------------------------------------|----------------------------------------------------|------------------------------------------------|----------------------------------------------------|------------------------------------------------|
| <b><u>Cash flows from operating activities:</u></b>                                                      |                                                    |                                                |                                                    |                                                |
| Interest income on mortgages and loans                                                                   | 587                                                | 1,053                                          | 593                                                | 841                                            |
| Principal payments received on mortgages and loans                                                       | 1,475                                              | 3,740                                          | 790                                                | 2,745                                          |
| Purchases of mortgages and loans                                                                         | -                                                  | -                                              | -                                                  | -                                              |
| Receipt (payment) for loan transfers between funds                                                       | -                                                  | -                                              | -                                                  | -                                              |
| Mortgage and loan proceeds                                                                               | -                                                  | -                                              | -                                                  | -                                              |
| Payment of mortgage and loan proceeds to funds                                                           | -                                                  | -                                              | -                                                  | -                                              |
| Payments to employees and other payroll disbursements                                                    | -                                                  | -                                              | -                                                  | -                                              |
| Payments for goods and services                                                                          | -                                                  | -                                              | -                                                  | -                                              |
| Cash received for externally funded programs                                                             | -                                                  | -                                              | -                                                  | -                                              |
| Cash received for Federal HAP subsidies                                                                  | -                                                  | -                                              | -                                                  | -                                              |
| Payments for Federal HAP subsidies                                                                       | -                                                  | -                                              | -                                                  | -                                              |
| Interfund receipts (payments)                                                                            | -                                                  | -                                              | -                                                  | -                                              |
| Grant payments to other agencies                                                                         | -                                                  | -                                              | -                                                  | -                                              |
| Other operating cash receipts                                                                            | -                                                  | -                                              | 28                                                 | -                                              |
| Other operating cash payments                                                                            | -                                                  | -                                              | (136)                                              | -                                              |
| <b>Net cash provided by (used for) operating activities</b>                                              | <b>2,062</b>                                       | <b>4,793</b>                                   | <b>1,275</b>                                       | <b>3,586</b>                                   |
| <b><u>Cash flows from noncapital financing activities:</u></b>                                           |                                                    |                                                |                                                    |                                                |
| Proceeds from the issuance of bonds                                                                      | -                                                  | -                                              | -                                                  | -                                              |
| Principal paid on bonds                                                                                  | (175)                                              | -                                              | -                                                  | -                                              |
| Payment to defease bonds                                                                                 | -                                                  | -                                              | -                                                  | -                                              |
| Payment of bond issuance costs                                                                           | -                                                  | -                                              | -                                                  | -                                              |
| Interest paid                                                                                            | (346)                                              | -                                              | -                                                  | -                                              |
| Proceeds from issuance of short term debt                                                                | -                                                  | -                                              | -                                                  | -                                              |
| Payment of short term debt                                                                               | -                                                  | -                                              | -                                                  | -                                              |
| Contributions to the State of Alaska or other State agencies                                             | -                                                  | -                                              | -                                                  | -                                              |
| Transfers (to) from other funds                                                                          | -                                                  | -                                              | -                                                  | -                                              |
| Other cash payments                                                                                      | -                                                  | -                                              | -                                                  | -                                              |
| <b>Net cash provided by (used for) noncapital financing activities</b>                                   | <b>(521)</b>                                       | <b>-</b>                                       | <b>-</b>                                           | <b>-</b>                                       |
| <b><u>Cash flows from capital financing activities:</u></b>                                              |                                                    |                                                |                                                    |                                                |
| Acquisition of capital assets                                                                            | -                                                  | -                                              | -                                                  | -                                              |
| Proceeds from the disposal of capital assets                                                             | -                                                  | -                                              | -                                                  | -                                              |
| Proceeds from the issuance of capital notes                                                              | -                                                  | -                                              | -                                                  | -                                              |
| Principal paid on capital notes                                                                          | (2,330)                                            | -                                              | -                                                  | -                                              |
| Payment of bond issuance costs                                                                           | -                                                  | -                                              | -                                                  | -                                              |
| Interest paid on capital notes                                                                           | (977)                                              | -                                              | -                                                  | -                                              |
| Proceeds from direct financing leases                                                                    | -                                                  | -                                              | -                                                  | -                                              |
| Other cash payments                                                                                      | -                                                  | -                                              | -                                                  | -                                              |
| <b>Net cash provided by (used for) capital financing activities</b>                                      | <b>(3,307)</b>                                     | <b>-</b>                                       | <b>-</b>                                           | <b>-</b>                                       |
| <b><u>Cash flows from investing activities:</u></b>                                                      |                                                    |                                                |                                                    |                                                |
| Purchase of investments                                                                                  | (4,319)                                            | (12,996)                                       | (3,649)                                            | (15,153)                                       |
| Proceeds from maturity of investments                                                                    | 6,083                                              | 8,197                                          | 2,264                                              | 11,562                                         |
| Interest received from investments                                                                       | 2                                                  | 6                                              | 2                                                  | 5                                              |
| <b>Net cash provided by (used for) investing activities</b>                                              | <b>1,766</b>                                       | <b>(4,793)</b>                                 | <b>(1,383)</b>                                     | <b>(3,586)</b>                                 |
| Net Increase (decrease) in cash                                                                          | -                                                  | -                                              | (108)                                              | -                                              |
| Cash at the beginning of year                                                                            | -                                                  | -                                              | 136                                                | -                                              |
| <b>Cash at the end of period</b>                                                                         | <b>-</b>                                           | <b>-</b>                                       | <b>28</b>                                          | <b>-</b>                                       |
| <b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b> |                                                    |                                                |                                                    |                                                |
| Operating income (loss)                                                                                  | 672                                                | 129                                            | (257)                                              | (143)                                          |
| <i>Adjustments:</i>                                                                                      |                                                    |                                                |                                                    |                                                |
| Depreciation expense                                                                                     | -                                                  | -                                              | -                                                  | 119                                            |
| Provision for loan losses                                                                                | (26)                                               | (109)                                          | (46)                                               | (67)                                           |
| Net change in the fair value of investments                                                              | (1)                                                | (2)                                            | (1)                                                | (2)                                            |
| Transfers between funds for operating activity                                                           | 100                                                | 124                                            | 142                                                | (1)                                            |
| Interest received from investments                                                                       | (2)                                                | (6)                                            | (2)                                                | (5)                                            |
| Interest paid                                                                                            | 1,323                                              | -                                              | -                                                  | -                                              |
| <i>Changes in assets, liabilities and deferred resources:</i>                                            |                                                    |                                                |                                                    |                                                |
| Net increase (decrease) in mortgages and loans                                                           | 1,475                                              | 3,740                                          | 790                                                | 2,745                                          |
| Net increase (decrease) in assets, liabilities and deferred resources                                    | (1,479)                                            | 917                                            | 649                                                | 940                                            |
| <b>Net cash provided by (used for) operating activities</b>                                              | <b>2,062</b>                                       | <b>4,793</b>                                   | <b>1,275</b>                                       | <b>3,586</b>                                   |

| State<br>Capital<br>Project<br>Bonds II<br>2012 A & B | State<br>Capital<br>Project<br>Bonds II<br>2013 A & B | State<br>Capital<br>Project<br>Bonds II<br>2014 A | State<br>Capital<br>Project<br>Bonds II<br>2014 B | State<br>Capital<br>Project<br>Bonds II<br>2014 C | General<br>Housing<br>Purpose<br>Bonds<br>2005 A | General<br>Housing<br>Purpose<br>Bonds<br>2005 B & C | Combined<br>Total |
|-------------------------------------------------------|-------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|---------------------------------------------------|--------------------------------------------------|------------------------------------------------------|-------------------|
| 2,098                                                 | 1,797                                                 | -                                                 | -                                                 | -                                                 | 1,484                                            | 1,210                                                | 9,663             |
| 2,177                                                 | 1,190                                                 | -                                                 | -                                                 | -                                                 | 4,083                                            | 4,447                                                | 20,647            |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | 20                                                   | 48                |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | (91)                                                 | (227)             |
| 4,275                                                 | 2,987                                                 | -                                                 | -                                                 | -                                                 | 5,567                                            | 5,586                                                | 30,131            |
| -                                                     | -                                                     | -                                                 | -                                                 | 140,000                                           | -                                                | -                                                    | 140,000           |
| (50,000)                                              | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | (50,175)          |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| (10)                                                  | (122)                                                 | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | (478)             |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| 50,005                                                | 53                                                    | -                                                 | -                                                 | (100,000)                                         | -                                                | -                                                    | (49,942)          |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| (5)                                                   | (69)                                                  | -                                                 | -                                                 | 40,000                                            | -                                                | -                                                    | 39,405            |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | (2,330)           |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | (977)             |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | 1,734                                                | 1,734             |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | 1,734                                                | (1,573)           |
| (65,207)                                              | (12,402)                                              | -                                                 | -                                                 | (40,000)                                          | (9,495)                                          | (12,058)                                             | (175,279)         |
| 60,932                                                | 9,480                                                 | -                                                 | -                                                 | -                                                 | 3,923                                            | 4,661                                                | 107,102           |
| 5                                                     | 4                                                     | -                                                 | -                                                 | -                                                 | 5                                                | 6                                                    | 35                |
| (4,270)                                               | (2,918)                                               | -                                                 | -                                                 | (40,000)                                          | (5,567)                                          | (7,391)                                              | (68,142)          |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | (71)                                                 | (179)             |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | 91                                                   | 227               |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | 20                                                   | 48                |
| 1,509                                                 | 1,352                                                 | (839)                                             | (253)                                             | (122)                                             | 27                                               | (234)                                                | 1,841             |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | 119               |
| (288)                                                 | (197)                                                 | -                                                 | -                                                 | 180                                               | (225)                                            | (65)                                                 | (843)             |
| (1)                                                   | (2)                                                   | (38)                                              | (13)                                              | (5)                                               | (1)                                              | (6)                                                  | (72)              |
| (704)                                                 | (70)                                                  | 37                                                | 11                                                | 359                                               | (48)                                             | 162                                                  | 112               |
| (5)                                                   | (4)                                                   | -                                                 | -                                                 | -                                                 | (5)                                              | (6)                                                  | (35)              |
| 10                                                    | 122                                                   | -                                                 | -                                                 | -                                                 | -                                                | -                                                    | 1,455             |
| 2,177                                                 | 1,190                                                 | -                                                 | -                                                 | -                                                 | 4,083                                            | 4,447                                                | 20,647            |
| 1,577                                                 | 596                                                   | 840                                               | 255                                               | (412)                                             | 1,736                                            | 1,288                                                | 6,907             |
| 4,275                                                 | 2,987                                                 | -                                                 | -                                                 | -                                                 | 5,567                                            | 5,586                                                | 30,131            |

# ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

## STATEMENT OF CASH FLOWS

OTHER PROGRAM FUNDS

For the Three Months Ended September 30, 2014

(in thousands of dollars)

|                                                                                                          | Energy<br>Programs | Low Rent<br>Program | Market Rate<br>Rental<br>Housing<br>Programs | Section 8<br>Vouchers<br>Programs |
|----------------------------------------------------------------------------------------------------------|--------------------|---------------------|----------------------------------------------|-----------------------------------|
| <b><u>Cash flows from operating activities:</u></b>                                                      |                    |                     |                                              |                                   |
| Interest income on mortgages and loans                                                                   | -                  | -                   | -                                            | -                                 |
| Principal payments received on mortgages and loans                                                       | -                  | -                   | -                                            | -                                 |
| Purchases of mortgages and loans                                                                         | -                  | -                   | -                                            | -                                 |
| Receipt (payment) for loan transfers between funds                                                       | -                  | -                   | -                                            | -                                 |
| Mortgage and loan proceeds                                                                               | -                  | -                   | -                                            | -                                 |
| Payment of mortgage and loan proceeds to funds                                                           | -                  | -                   | -                                            | -                                 |
| Payments to employees and other payroll disbursements                                                    | (292)              | (1,790)             | (413)                                        | (720)                             |
| Payments for goods and services                                                                          | (353)              | (1,567)             | (277)                                        | (105)                             |
| Cash received for externally funded programs                                                             | 17,033             | 3,506               | 546                                          | 1,292                             |
| Cash received for Federal HAP subsidies                                                                  | -                  | -                   | -                                            | 7,597                             |
| Payments for Federal HAP subsidies                                                                       | -                  | -                   | -                                            | (8,292)                           |
| Interfund receipts (payments)                                                                            | (1,754)            | 2,185               | (179)                                        | 883                               |
| Grant payments to other agencies                                                                         | (14,694)           | -                   | -                                            | (5)                               |
| Other operating cash receipts                                                                            | 31                 | 1,620               | 574                                          | 206                               |
| Other operating cash payments                                                                            | -                  | (18)                | (1)                                          | (66)                              |
| <b>Net cash provided by (used for) operating activities</b>                                              | <b>(29)</b>        | <b>3,936</b>        | <b>250</b>                                   | <b>790</b>                        |
| <b><u>Cash flows from noncapital financing activities:</u></b>                                           |                    |                     |                                              |                                   |
| Proceeds from the issuance of bonds                                                                      | -                  | -                   | -                                            | -                                 |
| Principal paid on bonds                                                                                  | -                  | -                   | -                                            | -                                 |
| Payment to defease bonds                                                                                 | -                  | -                   | -                                            | -                                 |
| Payment of bond issuance costs                                                                           | -                  | -                   | -                                            | -                                 |
| Interest paid                                                                                            | -                  | -                   | -                                            | -                                 |
| Proceeds from issuance of short term debt                                                                | -                  | -                   | -                                            | -                                 |
| Payment of short term debt                                                                               | -                  | -                   | -                                            | -                                 |
| Contributions to the State of Alaska or other State agencies                                             | -                  | -                   | -                                            | -                                 |
| Transfers (to) from other funds                                                                          | -                  | 1                   | (1)                                          | 117                               |
| Other cash payments                                                                                      | -                  | -                   | -                                            | -                                 |
| <b>Net cash provided by (used for) noncapital financing activities</b>                                   | <b>-</b>           | <b>1</b>            | <b>(1)</b>                                   | <b>117</b>                        |
| <b><u>Cash flows from capital financing activities:</u></b>                                              |                    |                     |                                              |                                   |
| Acquisition of capital assets                                                                            | -                  | (40)                | (34)                                         | (27)                              |
| Proceeds from the disposal of capital assets                                                             | -                  | 2                   | 8                                            | -                                 |
| Proceeds from the issuance of capital notes                                                              | -                  | -                   | -                                            | -                                 |
| Principal paid on capital notes                                                                          | -                  | -                   | -                                            | -                                 |
| Payment of bond issuance costs                                                                           | -                  | -                   | -                                            | -                                 |
| Interest paid on capital notes                                                                           | -                  | -                   | -                                            | -                                 |
| Proceeds from direct financing leases                                                                    | -                  | -                   | -                                            | -                                 |
| Other cash payments                                                                                      | -                  | -                   | -                                            | -                                 |
| <b>Net cash provided by (used for) capital financing activities</b>                                      | <b>-</b>           | <b>(38)</b>         | <b>(26)</b>                                  | <b>(27)</b>                       |
| <b><u>Cash flows from investing activities:</u></b>                                                      |                    |                     |                                              |                                   |
| Purchase of investments                                                                                  | -                  | -                   | -                                            | -                                 |
| Proceeds from maturity of investments                                                                    | -                  | -                   | -                                            | -                                 |
| Interest received from investments                                                                       | -                  | -                   | -                                            | 3                                 |
| <b>Net cash provided by (used for) investing activities</b>                                              | <b>-</b>           | <b>-</b>            | <b>-</b>                                     | <b>3</b>                          |
| Net Increase (decrease) in cash                                                                          | (29)               | 3,899               | 223                                          | 883                               |
| Cash at the beginning of year                                                                            | 1,361              | 16,386              | 9,317                                        | 7,030                             |
| <b>Cash at the end of period</b>                                                                         | <b>1,332</b>       | <b>20,285</b>       | <b>9,540</b>                                 | <b>7,913</b>                      |
| <b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b> |                    |                     |                                              |                                   |
| Operating income (loss)                                                                                  | (529)              | (2,755)             | (318)                                        | (548)                             |
| <i>Adjustments:</i>                                                                                      |                    |                     |                                              |                                   |
| Depreciation expense                                                                                     | -                  | 1,342               | 305                                          | 4                                 |
| Provision for loan losses                                                                                | -                  | -                   | -                                            | -                                 |
| Net change in the fair value of investments                                                              | -                  | -                   | -                                            | -                                 |
| Transfers between funds for operating activity                                                           | 1,659              | 1,925               | 349                                          | 131                               |
| Interest received from investments                                                                       | -                  | -                   | -                                            | (3)                               |
| Interest paid                                                                                            | -                  | -                   | -                                            | -                                 |
| <i>Changes in assets, liabilities and deferred resources:</i>                                            |                    |                     |                                              |                                   |
| Net increase (decrease) in mortgages and loans                                                           | -                  | -                   | -                                            | -                                 |
| Net increase (decrease) in assets, liabilities and deferred resources                                    | (1,159)            | 3,424               | (86)                                         | 1,206                             |
| <b>Net cash provided by (used for) operating activities</b>                                              | <b>(29)</b>        | <b>3,936</b>        | <b>250</b>                                   | <b>790</b>                        |

**Schedule 24**

| Other<br>Grants | Alaska<br>Corporation<br>for Affordable<br>Housing | Combined<br>Total |
|-----------------|----------------------------------------------------|-------------------|
| -               | -                                                  | -                 |
| -               | -                                                  | -                 |
| -               | -                                                  | -                 |
| -               | -                                                  | -                 |
| -               | -                                                  | -                 |
| (167)           | -                                                  | (3,382)           |
| (207)           | -                                                  | (2,509)           |
| 7,011           | -                                                  | 29,388            |
| -               | -                                                  | 7,597             |
| -               | -                                                  | (8,292)           |
| (936)           | 919                                                | 1,118             |
| (5,909)         | -                                                  | (20,608)          |
| 264             | -                                                  | 2,695             |
| -               | (1,346)                                            | (1,431)           |
| 56              | (427)                                              | 4,576             |

|      |   |    |
|------|---|----|
| -    | - | -  |
| -    | - | -  |
| -    | - | -  |
| -    | - | -  |
| -    | - | -  |
| -    | - | -  |
| -    | - | -  |
| (56) | - | 61 |
| -    | - | -  |
| (56) | - | 61 |

|   |   |       |
|---|---|-------|
| - | - | (101) |
| - | - | 10    |
| - | - | -     |
| - | - | -     |
| - | - | -     |
| - | - | -     |
| - | - | -     |
| - | - | -     |
| - | - | (91)  |

|   |   |   |
|---|---|---|
| - | - | - |
| - | - | - |
| - | - | 3 |
| - | - | 3 |

|   |       |        |
|---|-------|--------|
| - | (427) | 4,549  |
| 3 | 1,287 | 35,384 |
| 3 | 860   | 39,933 |

|         |         |         |
|---------|---------|---------|
| (2,776) | (12)    | (6,938) |
| -       | -       | 1,651   |
| -       | -       | -       |
| -       | -       | -       |
| 3,143   | 951     | 8,158   |
| -       | -       | (3)     |
| -       | -       | -       |
| -       | -       | -       |
| (311)   | (1,366) | 1,708   |
| 56      | (427)   | 4,576   |

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*a component unit of the State of Alaska*

**Financial Statements**  
**And Independent Auditor's Report**

**June 30, 2014**

**With Summarized Financial Information for**  
**June 30, 2013**

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3601 C Street, Suite 600  
Anchorage, AK 99503

## **Independent Auditor's Report**

Board of Directors  
Alaska Housing Finance Corporation  
Anchorage, Alaska

### **Report on the Financial Statements**

We have audited the accompanying statements of net position, revenues, expenses and change in net position and cash flows of each major fund and the aggregate remaining fund information of the Alaska Housing Finance Corporation (Corporation), a component unit of the State of Alaska, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Corporation'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the 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.

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## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Alaska Housing Finance Corporation, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As discussed in Note 24 to the financial statements for fiscal year 2014, the Corporation adopted the provisions of Governmental Accounting Standards Board (GASB) Statement number 65, *Items Previously Reported as Assets and Liabilities*. Adoption of this statement resulted in the restatement of net position as of June 30, 2013 in the amount of \$10,855,000. Our opinion is not modified with respect to this matter.

## ***Other Matters***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 10 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alaska Housing Finance Corporation's basic financial statements. The accompanying information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2014 on our consideration of the Alaska Housing Finance Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alaska Housing Finance Corporation's internal control over financial reporting and compliance.

*BDO USA, LLP*

Anchorage, Alaska  
September 26 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

## OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report of the Alaska Housing Finance Corporation (the "Corporation") consists of three sections: management's discussion and analysis, the basic financial statements, and supplementary schedules. The Corporation's operations are business type activities and follow enterprise fund accounting. The Corporation is a component unit of the State of Alaska (the "State") and is discretely presented in the State's financial statements. The Corporation's basic financial statements include: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; the Statement of Cash Flows, and the Notes to Financial Statements. These statements are presented for all of the Corporation's operations and grouped by program or function. Summarized financial information for FY 2013 is also presented in Management's Discussion and Analysis to facilitate and enhance the understanding of the Corporation's financial position and the results of operations for the current fiscal year in comparison to the prior fiscal year.

### Management's Discussion and Analysis

This section of the Corporation's annual financial report presents management's discussion and analysis of the financial position and results of operations at and for the fiscal year ended June 30, 2014. This information is being presented to assist the reader in identifying significant financial issues and to provide additional information regarding the activities of the Corporation. This information should be read in conjunction with the Independent Auditors' Report, the audited financial statements and accompanying notes.

### Basic Financial Statements

The *Statement of Net Position (Exhibit A)* helps answer the question: "How is our financial health at the end of the year?" The *Statement of Net Position* includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Corporation, both financial and capital, short-term and long-term. It uses the accrual basis of accounting and economic resources measurement focus. The accrual basis of accounting is used by most private-sector companies. The resulting net position presented in the *Statement of Net Position* is characterized as restricted and/or unrestricted. Assets are restricted when their use is subject to external limits such as bond resolutions, legal agreements, or statutes. Assets not included in this category are characterized as unrestricted. Over time, changes in net position may serve as a useful indicator of whether the financial position of the Corporation is improving or declining.

The *Statement of Revenues, Expenses and Changes in Net Position (Exhibit B)* measures the activities of the Corporation's operations over the past year and presents the operating income (loss) and change in net position. It can be used to determine whether the Corporation has successfully recovered all of its costs through mortgage and loan interest, investment interest, externally funded programs and other revenue sources. The *Statement of Revenues, Expenses and Changes in Net Position* helps answer the question: "Is the Corporation as a whole better off or worse off as a result of the year's activities?"

The primary purpose of the *Statement of Cash Flows (Exhibit C)* is to provide information about the sources and uses of the Corporation's cash and the components of the change in cash balance during the reporting period. This statement reports cash receipts, cash payments, and net changes resulting from operations, non-capital financing, capital financing and investing activities. It provides answers to such questions as: "Where did cash come from?"; "What was cash used for?"; and "What was the change in cash balance during the reporting period?"

The *Notes to Financial Statements* provide additional information that is essential to a full understanding of the data provided in the entity-wide financial statements. The *Notes to Financial Statements* follow *Exhibit C*.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Major Funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. For fiscal year 2014, the Corporation reports the following major funds:

The *Administrative Fund* is the main operating fund of the Corporation. It represents all of the Corporation's activity not presented in other funds. The resources in this fund:

- provide for general working capital requirements of the Corporation
- fund program requirements
- are available to meet outstanding obligations and to fund continuing appropriations
- are available to absorb future loan foreclosure losses, and
- are the source of legislatively authorized transfers to and from the State and debt service payments for debt issued on behalf of the State for state capital projects

As of June 30, 2014, the Administrative Fund reported net position of \$779 million, a decrease of \$41 million from June 30, 2013. The decrease in net position is the net result of an operating loss of \$13 million along with net internal transfers out of \$27 million. Transfers were primarily to the Grant Programs Fund. Contributions were made to the State of Alaska of \$1 million. Approximately \$4 million, or 1%, of the Administrative Fund's net position is invested in capital assets; \$87 million, or 11%, is restricted by contractual or statutory agreements; and \$688 million, or 88%, is unrestricted and may be used for operations and to meet the continuing obligations of the Corporation.

The *Grant Program Funds*: resources provided to other agencies and individuals to develop and improve affordable housing units for lower income families and to assist in improving the energy efficiency of Alaska homes, as well as tenant-based rental assistance programs for families in the private market that are administered by the Corporation under contract with HUD. These programs include the Other Grants Programs, the Energy Programs and the Section 8 Vouchers Programs. As of June 30, 2014, the net position for these three programs was \$17 million, an increase of \$22 million from June 30, 2013. Despite an operating loss of \$15 million for fiscal year 2014, there were \$37 million in transfers from other funds, which generated the increase in net position. The operating loss for fiscal year 2014 was \$8 million more than fiscal year 2013 almost entirely due to less revenue in the Grant Programs.

The *Mortgage or Bond Funds*: resources used to assist in the financing of loan programs or to fund legislature appropriations. These funds include the First Time Homebuyer Program Bonds, Veterans Mortgage Program Bonds, Other Housing Bonds, and Non-Housing Bonds.

As of June 30, 2014, the Mortgage or Bond Funds reported net position of \$586 million, an increase of \$17 million, or 3%, from June 30, 2013. The increase in net position is the net result of an operating income of \$30 million offset by transfers to the Grant Program Funds of \$2 million. Expenses in the Mortgage or Bond Funds decreased by \$20 million, or 18%, primarily due to lower interest costs. Approximately \$13 million of the Mortgage or Bond Fund's net position is invested in capital assets, \$568 million is restricted by bond resolutions, \$29 million is restricted by contractual or statutory agreements and a deficit of \$23 million is unrestricted compared to a deficit in unrestricted net position as of June 30, 2013 of \$37 million.

The *Other Funds or Programs*: AHFC-owned housing for low income families that is managed under contract with HUD. These programs include the Low Rent programs, the Market Rental Housing Programs, and the inactive Homeowner Assistance Program. As of June 30, 2014, there was a 10% decrease in net position due to transfers out to other funds of \$8 million.

The *Alaska Corporation for Affordable Housing (ACAH)*: A non-profit public benefit corporation that develops and operates affordable housing for Alaskans, utilizing various funding sources. ACAH is reported as a major component unit for the benefit of users of the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The fiscal year ended June 30, 2014 was ACAH's first full year of operations. ACAH's net position at June 30, 2014 was \$3 million, unchanged from net position as of June 30, 2013. The net position is primarily the result of land transferred to ACAH from the Grant Programs in the fiscal year ended June 30, 2013.

**FINANCIAL HIGHLIGHTS**

- As a result of this year's operations, the Corporation's operating loss was \$3 million whereas in FY 2013 the operating loss was \$18 million.
- The Corporation's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources, as of June 30, 2014, by \$1.5 billion (net position).
- During the fiscal year ended June 30, 2014, the investment portfolio earned approximately 0.54% overall, as compared with .43% for fiscal year ended June 30, 2013.
- The Corporation's mortgage loan portfolio is one of its primary assets. During the fiscal year ended June 30, 2014, mortgage loans increased by 10%, and the bond portfolio used to finance the loans increased by 2%.
- As of June 30, 2014, the net interest margin was 1.16%, the mortgage weighted average interest rate was 4.93% and the bond weighted average interest rate was 3.77%.
- During the fiscal year ended June 30, 2014, the Corporation's total assets increased by \$53 million and total liabilities increased by \$90 million.
- During the fiscal year ended June 30, 2014, new bonds were issued on January 15, 2014 (\$95,115,000 State Capital Project Bonds II, 2014 Series A) and also on June 12, 2014 (\$29,285,000 State Capital Project Bonds II, 2014 Series B). Both bond issues are tax-exempt and mature in 2033 and 2029, respectively.
- At the beginning of the fiscal year ended June 30, 2014, the Corporation implemented GASB Statement 65. Accordingly, the amount of unamortized bond costs of issuance as of June 30, 2013, was reported as a re-statement of beginning net position. At June 30, 2013, the amount of unamortized costs of issuance was \$10,855,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CONDENSED STATEMENT OF NET POSITION**

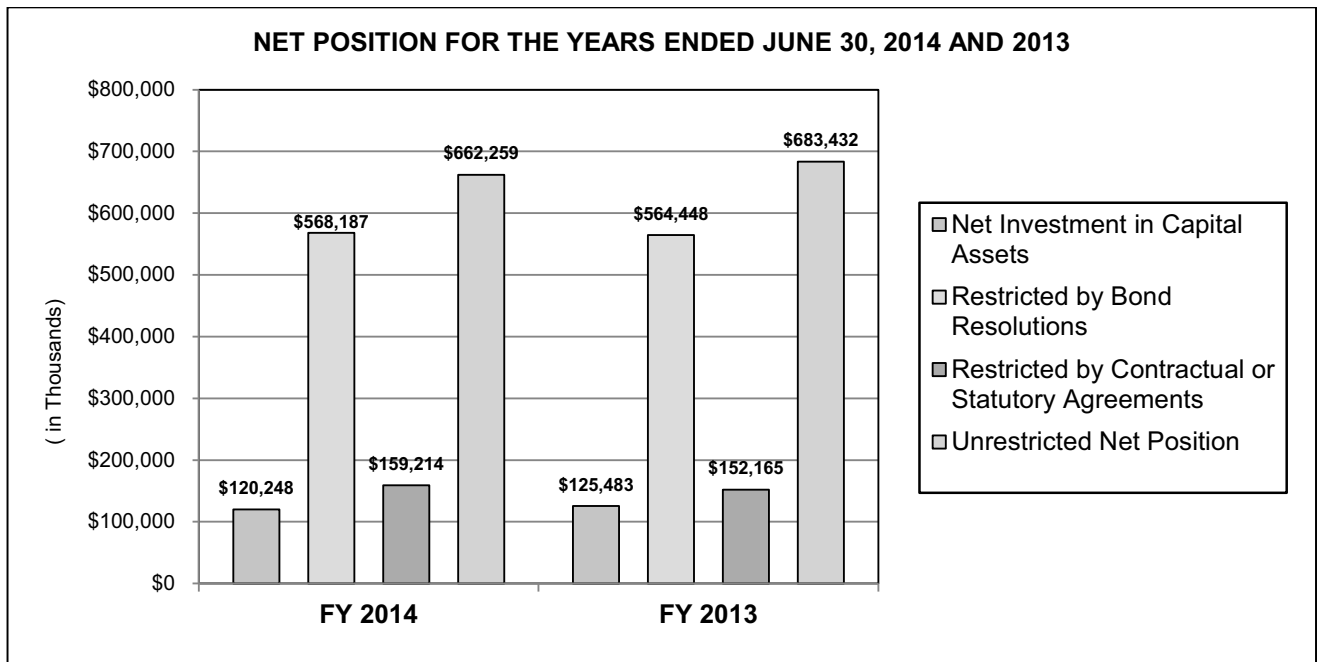
The following table presents condensed information about the financial position of the Corporation as of June 30, 2014 and 2013, and changes in the balances of selected items during the fiscal year ended June 30, 2014 (in thousands):

|                                            | 2014      | 2013      | Increase/(Decrease) |          |
|--------------------------------------------|-----------|-----------|---------------------|----------|
| Investments                                | 1,063,200 | 1,218,693 | (155,493)           | (12.8) % |
| Mortgage loans, notes and other loans, net | 2,536,596 | 2,305,667 | 230,929             | 10.0 %   |
| Capital assets, net                        | 120,248   | 125,483   | (5,235)             | (4.2) %  |
| Total assets                               | 3,898,624 | 3,845,160 | 53,464              | 1.4 %    |
| Bonds and notes, net                       | 2,308,710 | 2,257,875 | 50,835              | 2.3 %    |
| Short term debt                            | 64,993    | 28,388    | 36,605              | 128.9 %  |
| Derivatives                                | 139,704   | 138,635   | 1,069               | 0.8 %    |
| Total liabilities                          | 2,545,295 | 2,455,702 | 89,593              | 3.6 %    |
| Total net position                         | 1,509,908 | 1,525,528 | (15,620)            | (1.0) %  |

The increase in total assets during FY 2014 can be primarily attributed to increases in mortgage loans. The increase in mortgage loans was largely caused by a reduction in loan payoffs caused by a raising rate environment. The Corporation also benefited from increased outreach and education to industry partners, more competitive interest rates, and expanded loan parameters.

The increase in total liabilities is primarily attributed to increases in bond debt, short-term debt and derivatives.

The chart below represents the classification of unrestricted and restricted net position and net investment in capital assets for FY 2014 and FY 2013.

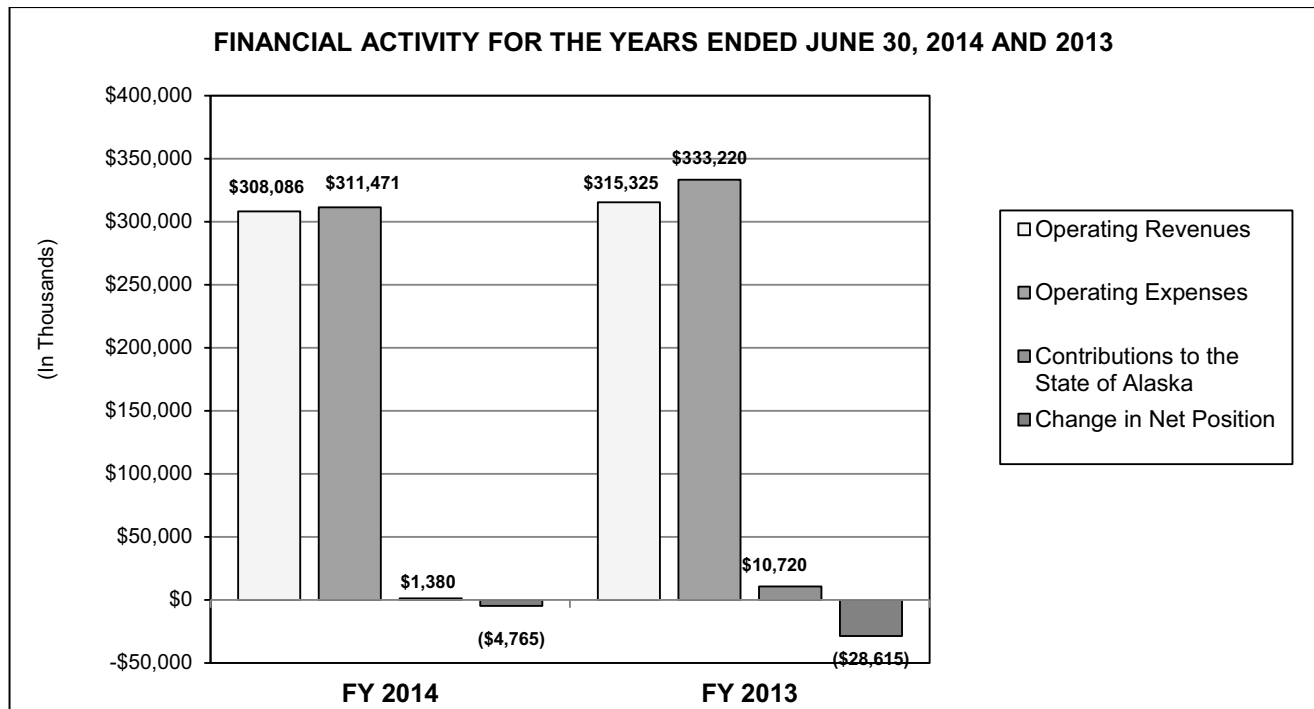


MANAGEMENT'S DISCUSSION AND ANALYSIS

**CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

The following table presents condensed information about the revenues, expenses and changes in net position for the fiscal years ended June 30, 2014 and 2013, and the variances from the prior fiscal year (in thousands):

|                                                  | 2014    | 2013     | Increase/(Decrease) |          |
|--------------------------------------------------|---------|----------|---------------------|----------|
| Mortgage and loan revenue                        | 120,740 | 125,059  | (4,319)             | (3.5) %  |
| Investment interest income                       | 6,532   | 6,385    | 147                 | 2.3 %    |
| Net change in the fair value of investments      | 2,450   | 1,545    | 905                 | 58.6 %   |
| Externally funded programs                       | 163,739 | 168,152  | (4,413)             | (2.6) %  |
| Total operating revenues                         | 308,086 | 315,325  | (7,239)             | (2.3) %  |
| Interest expense                                 | 81,184  | 94,409   | (13,225)            | (14.0) % |
| Operations and administration                    | 58,771  | 56,663   | 2,108               | 3.7 %    |
| Housing grants and subsidies                     | 149,188 | 150,460  | (1,272)             | (0.8) %  |
| Total operating expenses                         | 311,471 | 333,220  | (21,749)            | (6.5) %  |
| Operating loss                                   | (3,385) | (17,895) | (14,510)            | (81.1) % |
| Contributions to the SOA or other State agencies | (1,380) | (10,720) | (9,340)             | (87.1) % |
| Change in net position                           | (4,765) | (28,615) | (23,850)            | (83.3) % |



MANAGEMENT'S DISCUSSION AND ANALYSIS

Total operating revenues decreased by \$7 million, or 2%, during FY 2014 primarily due to decreases in mortgage and loan revenue and externally funded program revenue.

Total operating expenses decreased by \$22 million, or 7%, during FY 2014 primarily due to decreases in interest expense and financing expenses.

The net effect of changes in operating revenues and expenses was a \$15 million or 81% increase in operating income compared to FY 2013.

Net position decreased by \$16 million during FY2014. The majority of the decrease was the direct result of implementing GASB 65. The amount of June 30, 2013 unamortized costs of bond issuance reduced beginning net position by approximately \$11 million as previously mentioned in the Financial Highlights section of this report.

The Corporation continued its series of annual payments to the State of Alaska and State agencies. As a result of a modification to the Transfer Plan (explained in more detail in the Footnotes to the Financial Statements) during the 2004 Legislative Session, transfers to the State for FY 2014 were approximately \$1 million and for FY 2013 were approximately \$11 million. See footnote 17 for details about the Transfer Plan calculation for FY 2014.

**DEBT ADMINISTRATION**

As of June 30, 2014, the Corporation had \$2.3 billion of bonds and notes payable secured by assets held and the general obligation pledge of the Corporation. The Corporation's credit is rated by three major rating agencies. The ratings assigned to the Corporation by each of those agencies are:

| Rating Category     | Fitch Ratings | Moody's Investors Service | Standard & Poor's |
|---------------------|---------------|---------------------------|-------------------|
| General Obligation: |               |                           |                   |
| Long Term           | AA+           | Aa2                       | AA+               |
| Short Term          | F1+           | P-1                       | A-1+              |

Significant debt activity during the year included the following:

- Issued \$124 million in Tax-Exempt State Capital Projects bonds;
- Redeemed bonds through special revenue redemption provisions of their respective indentures in the amount of \$54.8 million.

Additional information on the Corporation's long-term debt can be found in the Notes to Financial Statements.

**ECONOMIC FACTORS AND OTHER FINANCIAL INFORMATION**

The primary business activity of the Corporation is providing a secondary market for the purchase of single-family and multi-family mortgage loans. The Corporation's mortgage financing activities are sensitive to changes in interest rates, the spread between the rate on the Corporation's loans and those available in the conventional mortgage markets, and the availability of affordable housing in the State. The availability of long-term tax-exempt financing on favorable terms is a key element in providing the funding necessary for the Corporation to continue its mortgage financing activities.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS

The Corporation's main sources of revenues include mortgage loan activity, investment interest income and externally funded grants and subsidies. Market interest rates have an effect on both the mortgage program and investment income revenues. If interest rates rise, mortgage and investment income should increase as new loans are originated and new investments are purchased at the higher rates. If interest rates fall, mortgage and investment income will decrease as new loans are originated and new investments are purchased at the lower rates.

Any decrease in interest rates could also cause an increase in prepayments on higher rate mortgages. The Corporation uses many of these prepayments to call the corresponding bond series, which lowers the interest expense incurred on the Corporation's overall bonds outstanding, or to recycle mortgages to obtain the maximum allowable spread.

Large federal deficits or changes in programs or funding levels could have a negative impact on externally funded program revenues.

#### **CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives during the periods reported. If you have questions about this report or need additional financial information, please visit the Corporation's website at [www.ahfc.us](http://www.ahfc.us).

# ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

## STATEMENT OF NET POSITION

As of June 30, 2014

(in thousands of dollars)

|                                                   | Administrative<br>Fund | Grant<br>Programs | Mortgage<br>or Bond<br>Funds | Other<br>Funds or<br>Programs |
|---------------------------------------------------|------------------------|-------------------|------------------------------|-------------------------------|
| <b>ASSETS</b>                                     |                        |                   |                              |                               |
| Cash                                              | 41,032                 | 8,394             | 227                          | 26,086                        |
| Investments                                       | 704,682                | -                 | 347,440                      | 11,078                        |
| Accrued interest receivable                       | 1,892                  | -                 | 10,371                       | 94                            |
| Inter-fund due to/from                            | (9,551)                | (12,290)          | 34,946                       | (10,514)                      |
| Mortgage loans, notes and other loans             | 98,713                 | -                 | 2,437,883                    | -                             |
| Net investment in direct financing lease          | -                      | -                 | 44,664                       | -                             |
| Capital assets - non-depreciable                  | 139                    | -                 | 2,401                        | 13,615                        |
| Capital assets - depreciable, net                 | 3,770                  | 26                | 10,301                       | 85,396                        |
| Other assets                                      | 9,543                  | 9,850             | -                            | 629                           |
| Derivative instrument - interest rate swaps       | -                      | -                 | -                            | -                             |
| Intergovernmental receivable                      | 5,659                  | 17,699            | -                            | -                             |
| <b>Total Assets</b>                               | <b>855,879</b>         | <b>23,679</b>     | <b>2,888,233</b>             | <b>126,384</b>                |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>              |                        |                   |                              |                               |
|                                                   | -                      | -                 | 156,579                      | -                             |
| <b>LIABILITIES</b>                                |                        |                   |                              |                               |
| Bonds payable                                     | -                      | -                 | 2,308,710                    | -                             |
| Short term debt                                   | 64,993                 | -                 | -                            | -                             |
| Accrued interest payable                          | 1,978                  | -                 | 8,169                        | -                             |
| Other liabilities                                 | 9,739                  | 6,779             | 1,744                        | 1,660                         |
| Derivative instrument - interest rate swaps       | -                      | -                 | 139,704                      | -                             |
| Intergovernmental payable                         | 157                    | -                 | 227                          | 278                           |
| <b>Total Liabilities</b>                          | <b>76,867</b>          | <b>6,779</b>      | <b>2,458,554</b>             | <b>1,938</b>                  |
| <b>DEFERRED INFLOW OF RESOURCES</b>               |                        |                   |                              |                               |
|                                                   | -                      | -                 | -                            | -                             |
| <b>NET POSITION</b>                               |                        |                   |                              |                               |
| Net investment in capital assets                  | 3,909                  | 26                | 12,702                       | 99,011                        |
| Restricted by bond resolutions                    | -                      | -                 | 568,187                      | -                             |
| Restricted by contractual or statutory agreements | 86,714                 | 18,135            | 28,612                       | 25,753                        |
| Unrestricted or (deficit)                         | 688,389                | (1,261)           | (23,243)                     | (318)                         |
| <b>Total Net Position</b>                         | <b>779,012</b>         | <b>16,900</b>     | <b>586,258</b>               | <b>124,446</b>                |

See accompanying notes to the financial statements.

Exhibit A

| Total<br>Programs and<br>Funds | Alaska<br>Corporation<br>for Affordable<br>Housing | Total<br>June 30,<br>2014 |
|--------------------------------|----------------------------------------------------|---------------------------|
| 75,739                         | 1,287                                              | 77,026                    |
| 1,063,200                      | -                                                  | 1,063,200                 |
| 12,357                         | -                                                  | 12,357                    |
| 2,591                          | (2,591)                                            | -                         |
| 2,536,596                      | -                                                  | 2,536,596                 |
| 44,664                         | -                                                  | 44,664                    |
| 16,155                         | 4,600                                              | 20,755                    |
| 99,493                         | -                                                  | 99,493                    |
| 20,022                         | 1,153                                              | 21,175                    |
| -                              | -                                                  | -                         |
| 23,358                         | -                                                  | 23,358                    |
| 3,894,175                      | 4,449                                              | 3,898,624                 |
| 156,579                        | -                                                  | 156,579                   |
| 2,308,710                      | -                                                  | 2,308,710                 |
| 64,993                         | -                                                  | 64,993                    |
| 10,147                         | -                                                  | 10,147                    |
| 19,922                         | 1,157                                              | 21,079                    |
| 139,704                        | -                                                  | 139,704                   |
| 662                            | -                                                  | 662                       |
| 2,544,138                      | 1,157                                              | 2,545,295                 |
| -                              | -                                                  | -                         |
| 115,648                        | 4,600                                              | 120,248                   |
| 568,187                        | -                                                  | 568,187                   |
| 159,214                        | -                                                  | 159,214                   |
| 663,567                        | (1,308)                                            | 662,259                   |
| 1,506,616                      | 3,292                                              | 1,509,908                 |

# ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended June 30, 2014

(in thousands of dollars)

|                                                                | Administrative<br>Fund | Grant<br>Programs | Mortgage<br>or Bond<br>Funds | Other<br>Funds or<br>Programs |
|----------------------------------------------------------------|------------------------|-------------------|------------------------------|-------------------------------|
| <b>OPERATING REVENUES</b>                                      |                        |                   |                              |                               |
| Mortgage and loans revenue                                     | 6,688                  | -                 | 114,052                      | -                             |
| Investment interest                                            | 327                    | 10                | 5,950                        | 244                           |
| Net change in the fair value of investments                    | 2,833                  | -                 | (169)                        | (214)                         |
| Net change of hedge termination                                | -                      | -                 | 37                           | -                             |
| Total Investment Revenue                                       | 3,160                  | 10                | 5,818                        | 30                            |
| Externally funded programs                                     | 1,242                  | 148,205           | -                            | 14,292                        |
| Rental                                                         | 50                     | -                 | -                            | 8,901                         |
| Other                                                          | 5,090                  | 531               | -                            | 16                            |
| <b>Total Operating Revenues</b>                                | <b>16,230</b>          | <b>148,746</b>    | <b>119,870</b>               | <b>23,239</b>                 |
| <b>OPERATING EXPENSES</b>                                      |                        |                   |                              |                               |
| Interest                                                       | 61                     | -                 | 81,123                       | -                             |
| Mortgage and loan costs                                        | 706                    | -                 | 8,736                        | -                             |
| Financing expenses                                             | 428                    | -                 | 3,986                        | 1                             |
| Provision for loan loss                                        | 2,966                  | -                 | (8,654)                      | -                             |
| Operations and administration                                  | 24,469                 | 13,472            | 4,353                        | 16,407                        |
| Rental housing operating expenses                              | 209                    | 1,306             | -                            | 12,644                        |
| Housing grants and subsidies                                   | 32                     | 149,113           | -                            | 43                            |
| <b>Total Operating Expenses</b>                                | <b>28,871</b>          | <b>163,891</b>    | <b>89,544</b>                | <b>29,095</b>                 |
| <b>Operating Income (Loss)</b>                                 | <b>(12,641)</b>        | <b>(15,145)</b>   | <b>30,326</b>                | <b>(5,856)</b>                |
| <b>NONOPERATING EXPENSES,<br/>SPECIAL ITEM &amp; TRANSFERS</b> |                        |                   |                              |                               |
| Contributions to the State of Alaska or other State agencies   | (1,380)                | -                 | -                            | -                             |
| Special Item                                                   | -                      | -                 | -                            | -                             |
| Transfers - Internal                                           | (27,241)               | 37,096            | (2,276)                      | (7,739)                       |
| Change in Net Position                                         | (41,262)               | 21,951            | 28,050                       | (13,595)                      |
| Net position at beginning of year                              | 820,274                | (5,051)           | 569,063                      | 138,041                       |
| Cumulative effect of accounting change                         | -                      | -                 | (10,855)                     | -                             |
| Revised net position at beginning of year                      | 820,274                | (5,051)           | 558,208                      | 138,041                       |
| <b>Net Position at End of Period</b>                           | <b>779,012</b>         | <b>16,900</b>     | <b>586,258</b>               | <b>124,446</b>                |

See accompanying notes to the financial statements.

**Exhibit B**

| <b>Total<br/>Programs and<br/>Funds</b> | <b>Alaska<br/>Corporation<br/>for Affordable<br/>Housing</b> | <b>Total<br/>June 30,<br/>2014</b> |
|-----------------------------------------|--------------------------------------------------------------|------------------------------------|
| 120,740                                 | -                                                            | 120,740                            |
| 6,531                                   | 1                                                            | 6,532                              |
| 2,450                                   | -                                                            | 2,450                              |
| 37                                      | -                                                            | 37                                 |
| 9,018                                   | 1                                                            | 9,019                              |
| 163,739                                 | -                                                            | 163,739                            |
| 8,951                                   | -                                                            | 8,951                              |
| 5,637                                   | -                                                            | 5,637                              |
| 308,085                                 | 1                                                            | 308,086                            |
| 81,184                                  | -                                                            | 81,184                             |
| 9,442                                   | -                                                            | 9,442                              |
| 4,415                                   | -                                                            | 4,415                              |
| (5,688)                                 | -                                                            | (5,688)                            |
| 58,701                                  | 70                                                           | 58,771                             |
| 14,159                                  | -                                                            | 14,159                             |
| 149,188                                 | -                                                            | 149,188                            |
| 311,401                                 | 70                                                           | 311,471                            |
| (3,316)                                 | (69)                                                         | (3,385)                            |
| (1,380)                                 | -                                                            | (1,380)                            |
| -                                       | -                                                            | -                                  |
| (160)                                   | 160                                                          | -                                  |
| (4,856)                                 | 91                                                           | (4,765)                            |
| 1,522,327                               | 3,201                                                        | 1,525,528                          |
| (10,855)                                | -                                                            | (10,855)                           |
| 1,511,472                               | 3,201                                                        | 1,514,673                          |
| 1,506,616                               | 3,292                                                        | 1,509,908                          |

**ALASKA HOUSING FINANCE CORPORATION**

(A Component Unit of the State of Alaska)

**STATEMENT OF CASH FLOWS**

For the Year Ended June 30, 2014

(in thousands of dollars)

|                                                                                                          | Administrative<br>Fund | Grant<br>Programs | Mortgage<br>or Bond<br>Funds | Other<br>Funds or<br>Programs |
|----------------------------------------------------------------------------------------------------------|------------------------|-------------------|------------------------------|-------------------------------|
| <b>Cash flows from operating activities:</b>                                                             |                        |                   |                              |                               |
| Interest income on mortgages and loans                                                                   | 2,194                  | -                 | 105,930                      | -                             |
| Principal payments received on mortgages and loans                                                       | 7,218                  | -                 | 309,155                      | -                             |
| Purchases of mortgages and loans                                                                         | (550,284)              | -                 | -                            | -                             |
| Receipt (payment) for loan transfers between funds                                                       | 477,858                | -                 | (477,858)                    | -                             |
| Mortgage and loan proceeds                                                                               | 407,455                | -                 | -                            | -                             |
| Payment of mortgage and loan proceeds to funds                                                           | (413,994)              | -                 | -                            | -                             |
| Payments to employees and other payroll disbursements                                                    | (24,490)               | (5,065)           | -                            | (9,131)                       |
| Payments for goods and services                                                                          | (13,734)               | (4,010)           | -                            | (8,483)                       |
| Cash received for externally funded programs                                                             | 798                    | 132,742           | -                            | 16,568                        |
| Cash received for Federal HAP subsidies                                                                  | -                      | 32,946            | -                            | 1                             |
| Payments for Federal HAP subsidies                                                                       | -                      | (32,666)          | -                            | -                             |
| Interfund receipts (payments)                                                                            | 21,075                 | (19,307)          | -                            | (3,768)                       |
| Grant payments to other agencies                                                                         | (12,313)               | (103,268)         | -                            | -                             |
| Other operating cash receipts                                                                            | 44,374                 | 2,232             | 227                          | 8,898                         |
| Other operating cash payments                                                                            | (25,789)               | (437)             | (211)                        | (27)                          |
| <b>Net cash provided by (used for) operating activities</b>                                              | <b>(79,632)</b>        | <b>3,167</b>      | <b>(62,757)</b>              | <b>4,058</b>                  |
| <b>Cash flows from noncapital financing activities:</b>                                                  |                        |                   |                              |                               |
| Proceeds from the issuance of bonds                                                                      | -                      | -                 | 139,229                      | -                             |
| Principal paid on bonds                                                                                  | -                      | -                 | (99,405)                     | -                             |
| Payment to defease bonds                                                                                 | -                      | -                 | -                            | -                             |
| Payment of bond issuance costs                                                                           | (666)                  | -                 | -                            | -                             |
| Interest paid                                                                                            | (1,456)                | -                 | (80,353)                     | -                             |
| Proceeds from issuance of short term debt                                                                | 452,023                | -                 | -                            | -                             |
| Payment of short term debt                                                                               | (415,422)              | -                 | -                            | -                             |
| Contributions to the State of Alaska or other State agencies                                             | (1,223)                | -                 | -                            | -                             |
| Transfers (to) from other funds                                                                          | 55,097                 | (19)              | (54,671)                     | (407)                         |
| Other cash payments                                                                                      | -                      | -                 | -                            | -                             |
| <b>Net cash provided by (used for) noncapital financing activities</b>                                   | <b>88,353</b>          | <b>(19)</b>       | <b>(95,200)</b>              | <b>(407)</b>                  |
| <b>Cash flows from capital financing activities:</b>                                                     |                        |                   |                              |                               |
| Acquisition of capital assets                                                                            | (1,170)                | (155)             | -                            | (62)                          |
| Proceeds from the disposal of capital assets                                                             | 1                      | -                 | -                            | 8                             |
| Proceeds from the issuance of capital notes                                                              | -                      | -                 | -                            | -                             |
| Principal paid on capital notes                                                                          | -                      | -                 | (5,567)                      | -                             |
| Payment of bond issuance costs                                                                           | -                      | -                 | -                            | -                             |
| Interest paid on capital notes                                                                           | -                      | -                 | (2,251)                      | -                             |
| Proceeds from direct financing leases                                                                    | -                      | -                 | 6,771                        | -                             |
| Other cash payments                                                                                      | (645)                  | -                 | -                            | -                             |
| <b>Net cash provided by (used for) capital financing activities</b>                                      | <b>(1,814)</b>         | <b>(155)</b>      | <b>(1,047)</b>               | <b>(54)</b>                   |
| <b>Cash flows from investing activities:</b>                                                             |                        |                   |                              |                               |
| Purchase of investments                                                                                  | (3,199,017)            | -                 | (2,182,072)                  | (37,517)                      |
| Proceeds from maturity of investments                                                                    | 3,201,907              | -                 | 2,337,275                    | 37,369                        |
| Interest received from investments                                                                       | 291                    | 10                | 3,817                        | 150                           |
| <b>Net cash provided by (used for) investing activities</b>                                              | <b>3,181</b>           | <b>10</b>         | <b>159,020</b>               | <b>2</b>                      |
| <b>Net Increase (decrease) in cash</b>                                                                   | <b>10,088</b>          | <b>3,003</b>      | <b>16</b>                    | <b>3,599</b>                  |
| <b>Cash at the beginning of year</b>                                                                     | <b>30,944</b>          | <b>5,391</b>      | <b>211</b>                   | <b>22,487</b>                 |
| <b>Cash at the end of period</b>                                                                         | <b>41,032</b>          | <b>8,394</b>      | <b>227</b>                   | <b>26,086</b>                 |
| <b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b> |                        |                   |                              |                               |
| Operating income (loss)                                                                                  | (12,641)               | (15,145)          | 30,326                       | (5,856)                       |
| <i>Adjustments:</i>                                                                                      |                        |                   |                              |                               |
| Depreciation expense                                                                                     | 392                    | 19                | 475                          | 6,690                         |
| Provision for loan losses                                                                                | 2,966                  | -                 | (8,654)                      | -                             |
| Net change in the fair value of investments                                                              | (2,833)                | -                 | 169                          | 214                           |
| Transfers between funds for operating activity                                                           | (38,119)               | 37,301            | 9,046                        | (8,353)                       |
| Interest received from investments                                                                       | (291)                  | (10)              | (3,817)                      | (150)                         |
| Interest paid                                                                                            | 1,456                  | -                 | 82,604                       | -                             |
| <i>Changes in assets, liabilities and deferred resources:</i>                                            |                        |                   |                              |                               |
| Net increase (decrease) in mortgages and loans                                                           | (65,208)               | -                 | (168,703)                    | -                             |
| Net increase (decrease) in assets, liabilities, and deferred resources                                   | 34,646                 | (18,998)          | (4,203)                      | 11,513                        |
| <b>Net cash provided by (used for) operating activities</b>                                              | <b>(79,632)</b>        | <b>3,167</b>      | <b>(62,757)</b>              | <b>4,058</b>                  |
| <b>Noncash investing, capital and financing activities:</b>                                              |                        |                   |                              |                               |
| Deferred outflow of resources-derivatives                                                                |                        |                   | (1,106)                      |                               |
| Derivative instruments liability                                                                         |                        |                   | 1,069                        |                               |
| Net change of hedge termination                                                                          |                        |                   | 37                           |                               |
| Cumulative effect of accounting change                                                                   |                        |                   | 10,855                       |                               |
| Transfer of Investments                                                                                  | (2,581)                |                   | 2,581                        |                               |

See accompanying notes to the financial statements.

**Exhibit C**

| <b>Total<br/>Programs and<br/>Funds</b> | <b>Alaska<br/>Corporation<br/>for Affordable<br/>Housing</b> | <b>Total<br/>June 30,<br/>2014</b> |
|-----------------------------------------|--------------------------------------------------------------|------------------------------------|
| 108,124                                 | -                                                            | 108,124                            |
| 316,373                                 | -                                                            | 316,373                            |
| (550,284)                               | -                                                            | (550,284)                          |
| -                                       | -                                                            | -                                  |
| 407,455                                 | -                                                            | 407,455                            |
| (413,994)                               | -                                                            | (413,994)                          |
| (38,686)                                | -                                                            | (38,686)                           |
| (26,227)                                | (15)                                                         | (26,242)                           |
| 150,108                                 | -                                                            | 150,108                            |
| 32,947                                  | -                                                            | 32,947                             |
| (32,666)                                | -                                                            | (32,666)                           |
| (2,000)                                 | 2,000                                                        | -                                  |
| (115,581)                               | -                                                            | (115,581)                          |
| 55,731                                  | 160                                                          | 55,891                             |
| (26,464)                                | -                                                            | (26,464)                           |
| (135,164)                               | 2,145                                                        | (133,019)                          |
| <hr/>                                   |                                                              |                                    |
| 139,229                                 | -                                                            | 139,229                            |
| (99,405)                                | -                                                            | (99,405)                           |
| -                                       | -                                                            | -                                  |
| (666)                                   | -                                                            | (666)                              |
| (81,809)                                | -                                                            | (81,809)                           |
| 452,023                                 | -                                                            | 452,023                            |
| (415,422)                               | -                                                            | (415,422)                          |
| (1,223)                                 | -                                                            | (1,223)                            |
| -                                       | -                                                            | -                                  |
| -                                       | -                                                            | -                                  |
| (7,273)                                 | -                                                            | (7,273)                            |
| <hr/>                                   |                                                              |                                    |
| (1,387)                                 | (1,033)                                                      | (2,420)                            |
| 9                                       | -                                                            | 9                                  |
| -                                       | -                                                            | -                                  |
| (5,567)                                 | -                                                            | (5,567)                            |
| -                                       | -                                                            | -                                  |
| (2,251)                                 | -                                                            | (2,251)                            |
| 6,771                                   | -                                                            | 6,771                              |
| (645)                                   | -                                                            | (645)                              |
| (3,070)                                 | (1,033)                                                      | (4,103)                            |
| <hr/>                                   |                                                              |                                    |
| (5,418,606)                             | -                                                            | (5,418,606)                        |
| 5,576,551                               | -                                                            | 5,576,551                          |
| 4,268                                   | 1                                                            | 4,269                              |
| 162,213                                 | 1                                                            | 162,214                            |
| <hr/>                                   |                                                              |                                    |
| 16,706                                  | 1,113                                                        | 17,819                             |
| 59,033                                  | 174                                                          | 59,207                             |
| 75,739                                  | 1,287                                                        | 77,026                             |
| <hr/>                                   |                                                              |                                    |
| <hr/>                                   |                                                              |                                    |
| (3,316)                                 | (69)                                                         | (3,385)                            |
| <hr/>                                   |                                                              |                                    |
| 7,576                                   | -                                                            | 7,576                              |
| (5,688)                                 | -                                                            | (5,688)                            |
| (2,450)                                 | -                                                            | (2,450)                            |
| (125)                                   | 125                                                          | -                                  |
| (4,268)                                 | (1)                                                          | (4,269)                            |
| 84,060                                  | -                                                            | 84,060                             |
| <hr/>                                   |                                                              |                                    |
| (233,911)                               | -                                                            | (233,911)                          |
| 22,958                                  | 2,090                                                        | 25,048                             |
| (135,164)                               | 2,145                                                        | (133,019)                          |
| <hr/>                                   |                                                              |                                    |

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## NOTES TO FINANCIAL STATEMENTS

**FOOTNOTE INDEX**

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## NOTES TO FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2014****1 AUTHORIZING LEGISLATION AND FUNDING**

The Alaska Housing Finance Corporation (the "Corporation"), a public corporation and government instrumentality of the State of Alaska (the "State"), was created in 1971, and substantially modified in 1992, by acts of the Alaska State Legislature (the "Legislature") to assist in the financing, development and sale of dwelling units, operate the State's public housing, offer various home loan programs emphasizing housing for low and moderate-income and rural residents, and administer energy efficiency and weatherization programs within Alaska. The Corporation is a component unit of the State and is discretely presented in the State's financial statements.

Generally, the Corporation accomplishes its mortgage-related objectives by functioning as a secondary market for qualified real estate loans originated by financial institutions. The Corporation is authorized by the Legislature to issue its own bonds, bond anticipation notes and other obligations in such principal amounts as, in the opinion of the Corporation, will be necessary to provide sufficient funds for carrying out its purpose. Certain bonds issued to finance residences for qualified veterans are unconditionally guaranteed by the State. No other obligations constitute a debt of the State.

The non-mortgage related programs of the Corporation are funded through various grant and program agreements with the federal government's departments of Housing and Urban Development (HUD), Energy (DOE), and Health and Human Services (HHS), funding from the State of Alaska, as well as capital and operating subsidies from the Corporation's own funds.

The Corporation has subsidiaries incorporated under the Alaska Nonprofit Corporation Act (AS 10.20) and provisions of the Alaska Housing Finance Corporation Act (AS 18.56), as amended. The subsidiaries are as follows:

- Northern Tobacco Securitization Corporation ("NTSC") incorporated on September 29, 2000 pursuant to House Bill No. 281 of the 2000 Legislature.
- Alaska Housing Capital Corporation ("AHCC") incorporated on May 23, 2006, pursuant to Senate Bill 232 of the 2006 Legislature.
- Alaska Corporation for Affordable Housing ("ACAH") incorporated on February 1, 2012, pursuant to House Bill 119 of the 2011 Legislature.

The subsidiaries issue annual stand-alone audited financial statements. Please contact AHFC to obtain a copy.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Financial Reporting Entity**

The financial reporting entity consists of AHFC and the blended component unit ACAH. The entities are closely related and financially integrated. The board of directors for AHFC and ACAH are the same, and both entities have similar mission statements. ACAH is a legally separate entity from AHFC but is considered a blended component unit of AHFC due to AHFC's operational responsibility for ACAH and the potential financial benefit or financial burden between AHFC and ACAH. AHFC is financially accountable for ACAH.

The other subsidiaries of AHFC are not closely related, nor financially integrated with AHFC. There is no financial accountability for the other subsidiaries by AHFC. They are not component units of AHFC, thus not included in these financial statements. Those subsidiaries are component units of the State.

Neither AHFC nor the State is liable for any debt issued by the subsidiaries of AHFC. They are government instrumentalities of, but have a legal existence separate and apart from, the State.

**Basis of Accounting**

The financial reporting entity utilizes the economic resource measurement focus and full accrual basis of accounting wherein revenues are recognized when earned and expenses when incurred. The financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB"). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles as set forth in GASB's pronouncements.

## NOTES TO FINANCIAL STATEMENTS

### **Basis of Presentation**

The financial reporting entity is engaged in business-type activities that utilize enterprise funds. The basic fund financial statements are comprised of: Statement of Net Position (Exhibit A), Statement of Revenues, Expenses and Changes in Net Position (Exhibit B), Cash Flow Statement (Exhibit C) and the accompanying notes. The supplemental section contains combining financial statements by program, purpose or bond indenture.

The basic financial statements include a Total Funds and Programs column representing an aggregate of AHFC amounts and a Total column for the financial reporting entity, an aggregation of both AHFC and ACAH amounts.

### **Major Funds and Component Unit**

The basic fund financial statements present the major funds of AHFC and the major component unit ACAH.

*Administrative Fund:* This is the Corporation's primary operating fund. It accounts for all financial resources of the Corporation, except those accounted for in other funds.

*Grant Programs:* Resources provided to other agencies and individuals to develop and improve affordable housing units for lower income families, to assist in improving the energy efficiency of Alaska homes, and to provide tenant-based rental assistance programs for families in the private market (administered by the Corporation under contract with HUD).

*Mortgage or Bond Funds:* Provide resources to assist in the financing of loan programs or to fund Legislature appropriations.

*Other Funds or Programs:* AHFC owned housing for low income families managed under contract with HUD.

*Component unit ACAH:* A non-profit public benefit corporation that develops and operates affordable housing for Alaskans, utilizing various funding sources. ACAH is reported as a major component unit for the benefit of users of the financial statements.

### **Restricted Net Position**

The restricted net position of the Administrative Fund consists of the Corporation's remaining commitments to the State (refer to Footnote No. 17, State Authorizations and Commitments, for further details). The remaining resources of the Administrative Fund are unrestricted.

The other financial activities of the Corporation are restricted by the Corporation's bond resolutions, requirements from the Legislature, and statutory requirements or third-party agreements that restrict the use of resources. These restricted resources are recorded in various special purpose funds and accounts. Restricted funds with a net deficit balance are shown as having an unrestricted net position balance pursuant to reporting requirements.

When both restricted and unrestricted resources are available in a fund, it is the Corporation's policy to spend restricted funds to the extent allowed and only spend unrestricted funds when needed.

### **Use of Estimates**

The preparation of 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 and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. The significant estimate for the Corporation is the allowance for loan losses.

### **Investments**

All investments are stated at fair value, except for nonparticipating investment agreements, which are stated at cost.

### **Accrued Interest Receivable on Loans and Real Estate Owned**

Interest is accrued based upon the principal amount outstanding. Accrual of interest income is discontinued on loans when, in the opinion of management, collection of such interest becomes doubtful. When payment of interest is provided for pursuant to the terms of loan insurance or guarantees, accrual of interest on delinquent loans and real estate owned is continued.

### **Loans and Allowances for Estimated Loan Losses**

Mortgage loans are carried at their unpaid principal balances net of allowance for estimated loan losses. Once monies have been disbursed the mortgage loans are recorded.

## NOTES TO FINANCIAL STATEMENTS

The Corporation provides for possible losses on loans on which foreclosure is anticipated. A potential loss is recorded when the net realizable value, or fair value, of the related collateral or security interest is estimated to be less than the Corporation's investment in the property less anticipated recoveries from private mortgage insurance, private credit insurance, and various other loan guarantees. In providing for losses, through a charge to operations, consideration is given to the costs of holding real estate, including interest costs. The loan portfolio, property holding periods and property holding costs are reviewed periodically. While management uses the best information available to make evaluations, future adjustments to the allowances may be necessary if there are significant changes in economic conditions or property disposal programs.

**Real Estate Owned**

Real estate owned consists principally of properties acquired through foreclosure or repossession and is carried at the lower of cost or estimated net realizable value. These amounts are included in other assets.

**Depreciation**

Depreciation and amortization of buildings, equipment and leasehold improvements are computed on a straight-line basis over the estimated useful lives of the related assets. Estimated useful lives range from 3 to 40 years. The capitalization floor is \$5,000.

**Bonds**

The Corporation issues bonds to provide capital for its mortgage programs and other uses consistent with its mission. The bonds are recorded at cost plus accreted interest and premiums, less discounts. Discounts and premiums are amortized using the straight-line method.

**Deferred Debt Refunding Expenses**

Deferred debt refunding expenses occur when new debt is issued to replace existing debt. The differences between the carrying value of the old debt and the resources used to redeem it are called deferred debt refunding expenses. The unamortized balances of these expenses are recorded as deferred outflows of resources. These expenses are amortized over the shorter of the remaining life of the old debt or the remaining life of the new debt.

**Derivative Instruments-Interest Rate Swaps**

The Corporation's Fiscal Policies allow, with certain restrictions, the Corporation to enter into certain derivative financial instruments called interest rate swap agreements, or swaps. The Corporation enters into these swaps with various counter-parties to achieve a lower overall cost of funds for certain bond issuances. These agreements can be negotiated whereby the Corporation pays the counter-party a fixed interest rate in exchange for a variable interest rate payment from the counter-party, or vice-versa. The swap agreements are negotiated to achieve the financing objectives of the Corporation. The swaps are stated at fair value. The change in the fair value of the swaps is recorded as deferred inflows of resources or deferred outflows of resources or as investment revenue.

**Operating Revenues and Expenses**

The Corporation was created with the authority to issue bonds to the investing public in order to create a flow of private capital through the Corporation into mortgage loans to qualified housing sponsors and to certain individuals. The Corporation's primary purpose is to borrow funds in the bond market and to use those funds to make single-family and multi-family mortgages and loans. Its primary operating revenue is derived from the interest income and fees from those mortgages and loans and on the invested proceeds from the bond issues. Additionally, the Corporation's statutory purpose includes providing financial assistance programs for rental subsidies to tenants of various housing developments. The Corporation records all revenues from mortgages and loans, investments, rental activities, and externally funded programs as operating revenues. The primary costs of providing these programs are recorded as operating expenses.

**Income Taxes**

The Corporation is exempt from federal and state income taxes.

**New Accounting Pronouncements**

For the fiscal year ended June 30, 2014, AHFC adopted the provisions of GASB Statement number 65, *Items Previously Reported as Assets and Liabilities*. Implementation of this Statement resulted in the bond deferred debt refunding expenses being reclassified from bonds payable to deferred outflow of resources. In addition, bond issuance costs previously recorded as an asset and amortized over the life of the debt instruments are now recognized as an expense when incurred.

The GASB's statement 68, Accounting and Financial Reporting for Pensions, is effective for AHFC's fiscal year 2015. This statement changes how employers measure and report the costs and obligations associated with pensions in their financial statements. The effect from the adoption of the provisions of this statement will be a liability recognized as employees earn their pensions benefits. This will be the first time that the Corporation will recognize its proportionate share of the collective pension amounts for all benefits provided through the plan. The pension amounts to be recognized in the financial statements include the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense.

NOTES TO FINANCIAL STATEMENTS

### 3 CASH AND INVESTMENTS

Cash consists of demand deposits, time deposits and cash held in trust. The carrying amount of the Corporation's cash is restricted by bond resolutions, contractual agreements, and statutory agreements. A summary of the Corporation's cash is shown below (in thousands):

|                 | June 30, 2014    |
|-----------------|------------------|
| Restricted cash | \$ 35,994        |
| Unrestricted    | 41,032           |
| Carrying amount | <u>\$ 77,026</u> |
| Bank Balance    | <u>\$ 78,096</u> |

The fair value of debt security investments by contractual maturity is shown below (in thousands). Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalty.

|                                                             | Investment Maturities (In Years) |                  |              |                 |             |                  |
|-------------------------------------------------------------|----------------------------------|------------------|--------------|-----------------|-------------|------------------|
|                                                             | Less Than<br>1                   | 1-5              | 6-10         | More Than<br>10 |             | June 30, 2014    |
| Bank investment contracts                                   | \$ -                             | \$ 18,016        | \$ -         | \$ -            | \$ -        | 18,016           |
| U. S. Treasury securities                                   | 1,845                            | 1,336            | -            | -               | -           | 3,181            |
| Securities of U. S. Government<br>agencies and corporations | 1,078                            | 248              | 40           | -               | -           | 1,366            |
| Certificates of deposit                                     | -                                | 1,000            | -            | -               | -           | 1,000            |
| Commercial paper & medium-<br>term notes                    | 216,833                          | 51               | -            | -               | -           | 216,884          |
| Money market funds                                          | 141,547                          | -                | -            | -               | -           | 141,547          |
| Subtotal                                                    | <u>\$ 361,303</u>                | <u>\$ 20,651</u> | <u>\$ 40</u> | <u>\$ -</u>     | <u>\$ -</u> | <u>381,994</u>   |
| GeFONSI pool                                                |                                  |                  |              |                 |             | 681,206          |
| Total AHFC Portfolio                                        |                                  |                  |              |                 | <u>\$</u>   | <u>1,063,200</u> |

#### Restricted Investments

A large portion of the Corporation's investments, \$432,271,000, are restricted by bond resolutions, contractual agreements, and statutory agreements and the remainder, \$630,929,000, is unrestricted.

#### Realized Gains and Losses

The calculation of realized gains and losses is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current period may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net increase in the fair value of investments included in the table below takes into account all changes in fair value (including purchases and sales) that occurred during the period. A summary of the gains and losses is shown below (in thousands):

|                                       | June 30, 2014   |
|---------------------------------------|-----------------|
| Ending unrealized holding gain        | \$ 25,310       |
| Beginning unrealized holding gain     | <u>22,347</u>   |
| Net change in unrealized holding gain | 2,963           |
| Net realized gain (loss)              | <u>(513)</u>    |
| Net increase (decrease) in fair value | <u>\$ 2,450</u> |

## NOTES TO FINANCIAL STATEMENTS

**Deposit and Investment Policies**

The Corporation utilizes different investment strategies depending upon the nature and intended use of the assets being invested. All funds are classified as trusted or non-trusted, and this classification determines the applicable investment guidelines used by staff when making investment decisions. Trusted funds are invested in accordance with their respective indentures or governing agreements. Non-trusted funds are governed by the terms outlined in the Corporation's Fiscal Policies and are typically invested to meet the projected need for use of such funds.

The following securities are eligible for investment under the Corporation's Fiscal Policies:

- Obligations backed by the full faith and credit of the United States;
- Obligations of U.S. government-sponsored enterprises ("GSEs") and federal agencies not backed by the full faith and credit of the United States;
- Obligations of the World Bank rated at least "AA" by S&P or "Aa2" by Moody's or "AA" by Fitch if maturing in excess of one year or "A-1" by S&P or "P-1" by Moody's or "F1" by Fitch if maturing in one year or less;
- Money market funds rated at least "AAm" by S&P or "Aa-mf" by Moody's or "AAMmf" by Fitch;
- Banker's acceptances and negotiable certificates of deposit of any bank the unsecured short-term obligations of which are rated at least "A-1" by S&P or "P-1" by Moody's or "F-1" by Fitch and which is incorporated under the laws of the United States of America or any state thereof and subject to supervision and examination by federal or state banking authorities, or which is a foreign bank with a branch or agency licensed under the laws of the United States of America or any state thereof and subject to supervision and examination by federal or state banking authorities, or which is a foreign bank having a long-term issuer rating of at least "AA" from S&P or "Aa2" from Moody's or "AA" from Fitch;
- Commercial paper, including asset-backed commercial paper, rated at least "A-1" by S&P or "P-1" by Moody's or "F1" by Fitch;
- Repurchase agreements ("repos") where: the counterparty is designated as a primary dealer by the Federal Reserve and has a long-term debt rating of at least "A" by S&P or "A" by Moody's or "A" by Fitch or a short-term rating of at least "A-1" by S&P or "P-1" by Moody's or "F-1" by Fitch; collateral is pledged at a minimum level of 102%, valued on a daily basis with a one-business-day cure period; the term of such repurchase agreement is one week or less; a third-party custodian acting as the Corporation's agent has possession of the collateral and holds such collateral in the Corporation's name; the agreement is evidenced by standard documents published by the Securities Industry and Financial Markets Association (SIFMA); and the securities to be repurchased are obligations backed by the full faith and credit of the United States or obligations of U.S. government-sponsored enterprises and federal agencies not backed by the full faith and credit of the United States or obligations of the World Bank rated at least "AA" by S&P or "Aa2" by Moody's or "AA" by Fitch if maturing in excess of one year or "A-1" by S&P or "P-1" by Moody's or "F1" by Fitch if maturing in one year or less;
- Guaranteed investment contracts with a financial institution having outstanding unsecured long-term obligations rated, or an investment agreement rating of, at least "AA" by S&P or "Aa2" by Moody's or "AA" by Fitch, or, if the term is one year or less, at least "A-1" by S&P or "P-1" by Moody's or "F-1" by Fitch;
- Fixed and floating-rate notes and bonds, other than commercial paper, issued by corporate or municipal obligors and rated at least "AA" by S&P or "Aa2" by Moody's or "AA" by Fitch if maturing in excess of one year, or at least "A-1" by S&P or "P-1" by Moody's or "F1" by Fitch if maturing, or with a provision for investor withdrawal or put at par, in one year or less;
- Asset-backed securities, other than asset-backed commercial paper, rated at least "AA+" by S&P or "Aa1" by Moody's or "AA+" by Fitch; and
- Investment pools managed by the State of Alaska, including the General Fund and Other Non-Segregated Investments ("GeFONSI") pool.

NOTES TO FINANCIAL STATEMENTS

**Credit Risk**

Credit risk is the risk of loss due to the failure of the security or backer. The Corporation mitigates its credit risk by limiting investments to those permitted in its Fiscal Policies and relevant governing agreements, diversifying the investment portfolio, and pre-qualifying firms with which the Corporation administers its investment activities.

The credit quality ratings for the Corporation's investment in the GeFONSI pool are at the end of this footnote.

The credit quality ratings of the Corporation's investments as of June 30, 2014, as determined by nationally recognized statistical rating organizations, are shown below (in thousands). The Corporation's investments included \$3,181,000 of U.S. Treasury securities and securities of agencies and corporations which are explicitly guaranteed by the U.S. Government are not considered to have credit risk and therefore, are not included in the summary.

|                                                           | <b>Moody's</b> | <b>S &amp; P</b> | <b>Investment<br/>Fair Value</b> |
|-----------------------------------------------------------|----------------|------------------|----------------------------------|
| Securities of U. S. Government agencies and Corporations: |                |                  |                                  |
|                                                           | Aaa            | AA+              | \$ 1,366                         |
| Certificates of deposit:                                  |                |                  |                                  |
|                                                           | Aa2            | A+               | 1,000                            |
| Commercial paper, medium-term notes:                      |                |                  |                                  |
|                                                           | A1             | A+               | 3,567                            |
|                                                           | A1             | A                | 512                              |
|                                                           | A1             | AA+              | 258                              |
|                                                           | A2             | A                | 4,772                            |
|                                                           | A2             | A+               | 1,222                            |
|                                                           | A2             | A-               | 755                              |
|                                                           | A2             | BBB+             | 753                              |
|                                                           | A3             | A+               | 711                              |
|                                                           | A3             | A                | 3,866                            |
|                                                           | A3             | A-               | 754                              |
|                                                           | Aa2            | AA               | 563                              |
|                                                           | Aa2            | AA-              | 1,713                            |
|                                                           | Aa3            | A+               | 1,000                            |
|                                                           | Aa3            | AA-              | 2,182                            |
|                                                           | Aaa            | AAA              | 102                              |
|                                                           | Baa1           | A                | 721                              |
|                                                           | Baa1           | A-               | 1,546                            |
|                                                           | Baa1           | BBB              | 759                              |
|                                                           | Baa1           | BBB+             | 1,513                            |
|                                                           | Baa2           | A-               | 3,844                            |
|                                                           | Baa3           | AAA              | 491                              |
|                                                           | P-1            | A-1+             | 93,646                           |
|                                                           | P-1            | A-1              | 89,336                           |
|                                                           | P-2            | A-1              | 2,298                            |
|                                                           |                |                  | <u>216,884</u>                   |
| Money market funds:                                       |                |                  |                                  |
|                                                           | --             | AAAm             | 141,547                          |
| Unrated investments:                                      |                |                  |                                  |
| Bank investment contracts                                 |                |                  | 18,016                           |
|                                                           |                |                  | <u>\$ 378,813</u>                |

## NOTES TO FINANCIAL STATEMENTS

**Concentration Risk**

Concentration risk is the risk of loss attributed to the magnitude of the Corporation's investments in a single issuer. Concentration limits are not established in the bond indentures and governing agreements for trust investments. The following table details the maximum concentration limits for non-trust investments as outlined in the Corporation's Fiscal Policies. Under certain conditions, the Fiscal Policies permit investments in excess of these limits. For more information, please see the Corporation's Fiscal Policies at: <http://www.ahfc.us/pros/investors/fiscal-policies>

| Investment Category                     | Category Limit as % of Total Portfolio | Issuer Limit as % of Total Portfolio |
|-----------------------------------------|----------------------------------------|--------------------------------------|
| U.S. government obligations             | n/a                                    | n/a                                  |
| U.S. GSEs and agencies                  | n/a                                    | 35%                                  |
| World Bank obligations                  | n/a                                    | 35%                                  |
| Money market funds                      | n/a                                    | n/a                                  |
| Banker's acceptances, negotiable CDs    | n/a                                    | 5%                                   |
| Commercial paper                        | n/a                                    | 5%                                   |
| Repurchase agreements                   | n/a                                    | 25%                                  |
| Guaranteed investment contracts         | n/a                                    | 5%                                   |
| Corporate and municipal notes and bonds | n/a                                    | 5%                                   |
| Asset-backed securities                 | 20%                                    | 5%                                   |
| State of Alaska investment pools        | n/a                                    | n/a                                  |

**Investment Holdings Greater than Five Percent of Total Portfolio**

The following investment holdings, summarized by issuer, include both investments that are governed by the maximum concentration limits of the Corporation's Fiscal Policies and trusted investments which have no established concentration limits. As of June 30, 2014, the Corporation had investment balances greater than 5 percent of the Corporation's total investments with the following issuers (in thousands).

| Issuer        | Investment Fair Value | Percentage of Total Portfolio |
|---------------|-----------------------|-------------------------------|
| GeFONSI Pool  | \$ 681,206            | 64.07 %                       |
| Goldman Sachs | 142,294               | 13.38                         |
| Standard      | 63,940                | 6.01                          |

**Custodial Credit Risk**

The Corporation assumes levels of custodial credit risk for its deposits with financial institutions, bank investment agreements, and investments. For deposits, custodial credit risk is the risk that, in the event of a bank failure, the Corporation's deposits may not be returned. For bank investment agreements and investments, custodial credit risk is the risk that, in the event of failure of the custodian or counterparty holding the investment, the Corporation will not be able to recover the value of the investment. The Corporation has not established a formal custodial credit risk policy for its investments.

Of the Corporation's \$78,096,000 bank balance at June 30, 2014, cash deposits in the amount of \$385,000 were uninsured and uncollateralized. Additional cash deposits in the amount of \$50,904,000 were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Corporation's name.

**Interest Rate Risk**

Interest rate risk is the risk that the market value of investments will decline as a result of changes in general interest rates. For non-trust investments, the Corporation mitigates interest rate risk by structuring its investment maturities to meet cash requirements (including corporate operations), thereby avoiding the need to sell securities in the open market prior to maturity. For investments held in trust, investment maturities are structured to meet cash requirements as outlined in the bond indentures and contractual and statutory agreements.

The GeFONSI pool investment interest rate risk details are at the end of this footnote.

NOTES TO FINANCIAL STATEMENTS

**Modified Duration**

Modified duration estimates the sensitivity of an investment to interest rate changes. The following table shows the Corporation's trusted and non-trusted investments (in thousands) with their modified duration as of June 30, 2014:

|                                                           | Investment<br>Fair Value | Modified<br>Duration |
|-----------------------------------------------------------|--------------------------|----------------------|
| Bank investment contracts                                 | \$ 18,016                | 0.000                |
| U. S. Treasury securities:                                |                          |                      |
| Treasury coupon securities                                | 3,181                    | 1.041                |
| Securities of U. S. Government agencies and corporations: |                          |                      |
| Federal agency coupon securities                          | 1,228                    | 0.678                |
| Federal agency pass through securities                    | 138                      | 1.877                |
| Certificates of deposit                                   | 1,000                    | 4.206                |
| Commercial paper & medium-term notes:                     |                          |                      |
| Commercial paper discounts                                | 184,256                  | 0.231                |
| Corporate bonds                                           | 102                      | 0.778                |
| Medium-term notes                                         | 31,526                   | 0.476                |
| Commercial paper interest bearing                         | 1,000                    | 0.161                |
| Money market funds                                        | 141,547                  | 0.000                |
|                                                           | <u>\$ 381,994</u>        |                      |
| Portfolio modified duration                               |                          | 0.065                |

**Investment in GeFONSI Pool**

The Department of Revenue, Treasury Division (the "Treasury") has created a pooled environment by which it manages the investments under the fiduciary oversight of the Commissioner. Actual investing is performed by investment officers in Treasury or by contracted external investment managers. The Corporation invests in the State's internally managed GeFONSI Pool. The GeFONSI consists of investments in the State's internally managed Short-term Fixed Income Pool, Short-term Liquidity Fixed Income Pool, and the Intermediate-term Fixed Income Pool. The complete financial activity of the funds is shown in the Comprehensive Annual Financial Report available from the Division of Finance in the Department of Administration.

Assets in the pools are reported at fair value. Investment purchases and sales are recorded on a trade-date basis. Securities are valued each business day using prices obtained from a pricing service.

The accrual basis of accounting is used for investment income and GeFONSI investment income is distributed to pool participants monthly if prescribed by statute or if appropriated by the state legislature. Income in the Short-term, Short-term Liquidity, and Intermediate-term Fixed Income Pools is allocated to pool participants daily on a pro rata basis.

At June 30, 2014, the Corporation's share of pool investments was as follows:

| Investment Type                       | Fair Value                         |                                              |                                        |           | Total          |
|---------------------------------------|------------------------------------|----------------------------------------------|----------------------------------------|-----------|----------------|
|                                       | Short-Term<br>Fixed Income<br>Pool | Short-term<br>Liquidity Fixed<br>Income Pool | Intermediate-term<br>Fixed Income Pool |           |                |
| Corporate Bonds                       | \$ 22,269                          | \$ -                                         | \$ 14,067                              | \$        | 36,336         |
| Mortgage Backed                       | 1,530                              | -                                            | 6,483                                  |           | 8,013          |
| Other Asset Backed                    | 107,468                            | -                                            | 7,025                                  |           | 114,493        |
| Overnight Sweep Account (Imcs)        | 34,898                             | -                                            | -                                      |           | 34,898         |
| Repurchase Agreement                  | 21,806                             | -                                            | -                                      |           | 21,806         |
| U.S. Government Agency                | -                                  | -                                            | 313                                    |           | 313            |
| Treasury Bills                        | 188,114                            | 93,610                                       | 13,647                                 |           | 295,371        |
| Treasury Notes                        | 42,318                             | 3,134                                        | 185,134                                |           | 230,586        |
| Treasury Strips                       | -                                  | -                                            | 501                                    |           | 501            |
| Yankees:                              |                                    |                                              |                                        |           |                |
| Yankee Corporate                      | 5,051                              | -                                            | 3,240                                  |           | 8,291          |
| Yankee Government                     | -                                  | -                                            | 1,068                                  |           | 1,068          |
| Total Invested Assets                 | 423,454                            | 96,744                                       | 231,478                                |           | 751,676        |
| Pool related net assets (liabilities) | (89,059)                           | 39                                           | 18,550                                 |           | (70,470)       |
| Net Invested Assets                   | <u>\$ 334,395</u>                  | <u>\$ 96,783</u>                             | <u>\$ 250,028</u>                      | <u>\$</u> | <u>681,206</u> |

## NOTES TO FINANCIAL STATEMENTS

**Interest Rate Risk – GeFONSI Pool**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Short-term Fixed Income Pool

As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to 14 months to maturity or 14 months expected average life upon purchase. Floating rate securities are limited to 3 years to maturity or 3 years expected average life upon purchase. These constraints apply to trade date, except for securities bought at new issue, for which settlement date applies. At June 30, 2014, the expected average life of individual fixed rate securities ranged from one day to 2.2 years and the expected average life of floating rate securities ranged from 8 days to 3.2 years.

Short-term Liquidity Fixed Income Pool

Treasury's investment policy limits individual fixed rate securities to six months to maturity. These constraints apply to trade date, except for securities bought at new issue, for which settlement date applies. At June 30, 2014, the expected average life of fixed rate securities ranged from 31 to 179 days.

Intermediate-term Fixed Income Pool

Duration is a measure of interest rate risk. It measures a security's sensitivity to a 100-basis point change in interest rates. The duration of a pool is the average fair value weighted duration of each security in the pool taking into account all related cash flows.

Treasury uses industry-standard analytical software developed by The Yield Book Inc. to calculate effective duration. The software takes into account various possible future interest rates, historical and estimated prepayment rates, call options and other variable cash flows for purposes of the effective duration calculation.

Through its investment policy, Treasury manages its exposure to fair value losses arising from increasing interest rates by limiting the effective duration of its other fixed income pool portfolios to the following:

Intermediate-term Fixed Income Pool -  $\pm$  20% of the Barclays 1-3 Year Government Bond Index.  
The effective duration for the Barclays 1-3 Year Government Bond Index at June 30, 2014 was 1.94 years.

At June 30, 2014, the effective duration by investment type was as follows:

|                                     | <b>Intermediate-term<br/>Fixed Income Pool</b> |
|-------------------------------------|------------------------------------------------|
| Corporate Bonds                     | 1.40                                           |
| Mortgage Backed                     | 0.99                                           |
| Other Asset Backed                  | 0.70                                           |
| Treasury Bills                      | 0.42                                           |
| Treasury Notes                      | 2.14                                           |
| Treasury Strips                     | 3.27                                           |
| U.S. Government Agency              | 1.71                                           |
| Yankee Corporate                    | 0.62                                           |
| Yankee Government                   | 0.78                                           |
| <b>Portfolio Effective Duration</b> | <b>1.72</b>                                    |

**Credit Risk – GeFONSI Pool**

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations.

Treasury's investment policy has the following limitations with regard to credit risk:

Short-term Fixed Income Pool investments are limited to instruments with a long-term credit rating of at least "A3" or equivalent and instruments with a short-term credit rating of at least "P-1" or equivalent. Commercial paper must be rated at least "P-1" by Moody's and "A-1" by Standard and Poor's. Asset-backed and non-agency mortgage securities must be rated "A3" or equivalent. The "A3" rating is defined as the median rating of the following three rating agencies: Standard & Poor's Corporation, Moody's and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated "AAA".

NOTES TO FINANCIAL STATEMENTS

Short-term Liquidity Pool investments are limited to U.S. Treasury obligations or other U.S. Government securities issued in full faith or guaranteed by agencies and instrumentalities of the U.S. Government, obligations of foreign governments, sovereign states, supranational entities, and their instrumentalities denominated in U.S. dollars, and the State's internally-managed Short-Term Fixed Income Pool.

Intermediate-term Fixed Income Pool investments are limited to securities with a long-term credit rating of at least "Baa3" or equivalent and securities with a short-term credit rating of at least "P-1" or equivalent. Asset-backed and non-agency mortgage securities must be rated investment grade. The investment grade rating is defined as the median rating of the following three rating agencies: Standard & Poor's Corporation, Moody's and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated "AAA".

At June 30, 2014, the State's internally managed Pools consisted of investments with credit quality ratings issued by nationally recognized statistical rating organizations as follows (using Standard and Poor's Corporation rating scale):

| Investment Type                | Rating    | Short-term<br>Fixed Income<br>Pool | Short-term<br>Liquidity Fixed<br>Income Pool | Intermediate Term<br>Fixed Income Pool |
|--------------------------------|-----------|------------------------------------|----------------------------------------------|----------------------------------------|
| Corporate Bonds                | AAA       | 0.06                               | -                                            | 0.10                                   |
| Corporate Bonds                | AA        | 2.90                               | -                                            | 1.33                                   |
| Corporate Bonds                | A         | 3.71                               | -                                            | 2.98                                   |
| Corporate Bonds                | BBB       | -                                  | -                                            | 0.73                                   |
| U.S. Government Agency         | AA        | -                                  | -                                            | 0.11                                   |
| Overnight Sweep Account (Imcs) | Not Rated | 10.44                              | -                                            | -                                      |
| Mortgage Backed                | AAA       | 0.23                               | -                                            | 1.19                                   |
| Mortgage Backed                | AA        | 0.04                               | -                                            | 0.69                                   |
| Mortgage Backed                | A         | 0.06                               | -                                            | 0.15                                   |
| Mortgage Backed                | BBB       | -                                  | -                                            | 0.01                                   |
| Mortgage Backed                | Not Rated | 0.12                               | -                                            | 0.32                                   |
| Other Asset Backed             | AAA       | 22.93                              | -                                            | 1.71                                   |
| Other Asset Backed             | AA        | 0.21                               | -                                            | 0.34                                   |
| Other Asset Backed             | A         | 0.79                               | -                                            | -                                      |
| Other Asset Backed             | Not Rated | 8.20                               | -                                            | 0.51                                   |
| Other Pool Ownership           | Not Rated | -                                  | 0.01                                         | 8.81                                   |
| Repo                           | AA        | 6.52                               | -                                            | -                                      |
| Treasury Bills                 | AA        | 56.25                              | 96.71                                        | 4.98                                   |
| Treasury Notes                 | AA        | 12.65                              | 3.24                                         | 67.52                                  |
| Treasury Strips                | AA        | -                                  | -                                            | 0.18                                   |
| Yankee Corporate               | AA        | 0.77                               | -                                            | 0.63                                   |
| Yankee Corporate               | A         | 0.74                               | -                                            | 0.38                                   |
| Yankee Corporate               | BBB       | -                                  | -                                            | 0.06                                   |
| Yankee Corporate               | Not Rated | -                                  | -                                            | 0.11                                   |
| Yankee Government              | AA        | -                                  | -                                            | 0.35                                   |
| Yankee Government              | Not Rated | -                                  | -                                            | 0.04                                   |
| No Credit Risk                 |           | (26.62)                            | 0.04                                         | 6.77                                   |
|                                |           | <u>100.00</u>                      | <u>100.00</u>                                | <u>100.00</u>                          |

**Concentration of Credit Risk – GeFONSI Pool**

Treasury's policy with regard to concentration of credit risk is to prohibit the purchase of more than five percent of a pool's holdings in corporate bonds backed by any one company or affiliated group.

At June 30, 2014, the Corporation did not have more than five percent of its investments in any one company or affiliated group.

## NOTES TO FINANCIAL STATEMENTS

**4 INTERFUND RECEIVABLE/PAYABLE**

A summary of the interfund receivable/payable balance is shown below (in thousands):

| Due To                                    | Due From            |                |                           |                         |                                           | Total     |
|-------------------------------------------|---------------------|----------------|---------------------------|-------------------------|-------------------------------------------|-----------|
|                                           | Administrative Fund | Grant Programs | Mortgage or Bond Programs | Other Funds or Programs | Alaska Corporation for Affordable Housing |           |
| Administrative Fund                       | \$ -                | \$ 13,715      | \$ -                      | \$ 10,514               | \$ 1,166                                  | \$ 25,395 |
| Grant Programs                            | -                   | -              | -                         | -                       | 1,425                                     | 1,425     |
| Mortgage or Bond Programs                 | 34,946              | -              | -                         | -                       | -                                         | 34,946    |
| Other Funds or Programs                   | -                   | -              | -                         | -                       | -                                         | -         |
| Alaska Corporation for Affordable Housing | -                   | -              | -                         | -                       | -                                         | -         |
| Total                                     | \$ 34,946           | \$ 13,715      | \$ -                      | \$ 10,514               | \$ 2,591                                  | \$ 61,766 |

The balance of \$34,946,000 due to the Mortgage or Bond programs from the Administrative Fund resulted primarily from monies belonging to these funds being deposited in an Administrative Fund account to obtain a greater rate of return.

The balances of \$13,715,000 and \$10,514,000 due to the Administrative Fund from the Grant Programs and the Other Funds or Programs respectively resulted primarily from expenditures paid by the Administrative Fund on behalf of those programs, as well as an allocation of management and bookkeeping fees mandated by HUD.

The balance of \$1,166,000 due to the Administrative Fund from ACAH resulted primarily from cash advanced by the Administrative Fund to ACAH.

The balance of \$1,425,000 due to the Grant Programs from ACAH resulted from the reimbursable grant paid by the Grant Programs to ACAH.

**5 MORTGAGE LOANS, NOTES AND OTHER LOANS**

A summary of mortgage loans, notes and other loans is shown below (in thousands):

|                                           | June 30, 2014       |
|-------------------------------------------|---------------------|
| Mortgage loans                            | \$ 2,202,815        |
| Multifamily loans                         | 313,540             |
| Other notes receivable                    | 98,005              |
|                                           | <u>2,614,360</u>    |
| Less:                                     |                     |
| Allowance for losses                      | (77,764)            |
| Net Mortgage loans, notes and other loans | <u>\$ 2,536,596</u> |

Other notes receivable include monies due to AHFC for various unconventional loan programs and for monies that weren't expended by grant recipients.

Other supplemental loan information is summarized in the following table (in thousands):

|                                        | June 30, 2014 |
|----------------------------------------|---------------|
| <u>Delinquencies and foreclosures:</u> |               |
| Loans delinquent 30 days or more       | \$ 122,627    |
| Foreclosures during period             | 14,127        |
| Loans in foreclosure process           | 19,055        |
| <u>Mortgage-related commitments:</u>   |               |
| To purchase mortgage loans             | 89,376        |

NOTES TO FINANCIAL STATEMENTS

## 6 INSURANCE AGREEMENTS

The Corporation has obtained private mortgage insurance, credit insurance, or guarantees on certain mortgages and loans. The agreements protect the Corporation to varying degrees against losses arising from the disposition of the related collateral obtained through foreclosure or repossession, as well as the costs of obtaining title to, maintaining, and liquidating the collateral. The Corporation is exposed to losses on disposition in the event the insurers or guarantors are unable or refuse to meet their obligations under these agreements.

## 7 DIRECT FINANCING LEASES

In July 1997, the Corporation purchased an office building in downtown Anchorage with its Administrative Fund assets for approximately \$26 million. The building is part of the Corporation's State Building Lease Program and has been leased to the State of Alaska for occupancy by its departments and agencies located in Anchorage. The State has the option to purchase the building for \$1 in 2017 which is the end of the lease. In May 2005, the Corporation issued the General Housing Purpose Bonds, 2005 Series C, to refund the State Building Lease Bonds, Series 1999, which were originally issued in 1999 to finance the purchase of the office building. The lease of the building to the State has been recorded as a direct financing lease.

In fiscal year 2007, the Corporation began constructing a parking garage in downtown Anchorage with its Administrative Fund assets. The cost of the garage at June 30, 2014, was \$43,973,000. The garage was placed in service in September 2008. The garage has been leased to the State of Alaska for use by its departments and agencies located in Anchorage. The State has the option to purchase the garage for \$1 in 2027 which is the end of the lease. In September 2007, the Corporation issued the State Capital Project Bonds, 2007 Series A, to finance the purchase of the parking garage. The lease of the garage to the State has been recorded as a direct financing lease.

The following table lists the components of the net investment in direct financing leases and shows the future minimum payments under the lease for the next five years and thereafter (in thousands):

| 12 Months Ending June 30                 | Future Minimum Payments Due |           |           |
|------------------------------------------|-----------------------------|-----------|-----------|
|                                          | Parking<br>Garage           | Building  | Total     |
| 2015                                     | \$ 3,304                    | \$ 3,467  | \$ 6,771  |
| 2016                                     | 3,304                       | 3,467     | 6,771     |
| 2017                                     | 3,304                       | 3,467     | 6,771     |
| 2018                                     | 3,304                       | -         | 3,304     |
| 2019                                     | 3,304                       | -         | 3,304     |
| Thereafter                               | 29,729                      | -         | 29,729    |
| Gross payments due                       | \$ 46,249                   | \$ 10,401 | \$ 56,650 |
| Less: Unearned revenue                   | (11,200)                    | (786)     | (11,986)  |
| Net investment in direct financing lease | \$ 35,049                   | \$ 9,615  | \$ 44,664 |

## NOTES TO FINANCIAL STATEMENTS

**8 CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2014, and a summary of balances are shown below (in thousands):

|                                        | June 30, 2013     | Additions         | Reductions    | June 30, 2014     |
|----------------------------------------|-------------------|-------------------|---------------|-------------------|
| <b>Non-Depreciable Capital Assets:</b> |                   |                   |               |                   |
| Land                                   | \$ 19,691         | \$ -              | \$ (4)        | \$ 19,687         |
| Construction in progress               | 209               | 859               | -             | 1,068             |
| Total Non-Depreciable                  | 19,900            | 859               | (4)           | 20,755            |
| <b>Depreciable Capital Assets:</b>     |                   |                   |               |                   |
| Buildings                              | 237,379           | 1,097             | -             | 238,476           |
| Computers & Equipment                  | 1,864             | 327               | (44)          | 2,147             |
| Vehicles                               | 1,984             | 64                | (31)          | 2,017             |
| Less: Accumulated depreciation         |                   |                   |               |                   |
| Buildings                              | (132,591)         | (7,215)           | -             | (139,806)         |
| Computers & Equipment                  | (1,369)           | (246)             | 43            | (1,572)           |
| Vehicles                               | (1,684)           | (115)             | 30            | (1,769)           |
| Total Depreciable, Net                 | 105,583           | (6,088)           | (2)           | 99,493            |
| <b>Total Capital Assets, Net</b>       | <b>\$ 125,483</b> | <b>\$ (5,229)</b> | <b>\$ (6)</b> | <b>\$ 120,248</b> |

The above capital assets include \$3,534,000 of land and \$1,066,000 of construction in progress that belong to ACAH.

The depreciation expense charged by the Corporation was \$7,576,000 for the year ended June 30, 2014. The Corporation is obligated under contracts and other commitments to purchase and/or modernize certain fixed assets. The total commitment, including amounts to be funded by third parties, was \$6,237,000 at June 30, 2014.

**9 DEFERRED OUTFLOWS OF RESOURCES**

GASB has defined deferred outflows of resources as the consumption of resources that are applicable to a future period. AHFC's deferred outflows of resources at June 30, 2014, were interest rate swap derivatives of \$137,175,000 and deferred debt refunding expense of \$19,404,000.

**10 BONDS PAYABLE**

The Corporation's obligations are not a debt of the State, and the State is not directly liable thereon except for the Veterans Mortgage Program Bonds. The Veterans Mortgage Program Bonds are backed by the full faith and credit of the State. In the event that the Corporation cannot make the Veterans Mortgage Program Bond payments, the State will pay the principal and interest payments.

All of the bonds are secured, as described in the applicable agreements, by the revenues, monies, investments, mortgage loans, and other assets in the funds and accounts established by the respective security agreements. A substantial portion of the assets of the Corporation are pledged to the outstanding obligations of the Corporation.

The Corporation has authorization to issue Draw Down bonds in the amount of \$900,000,000 for the purpose of preserving private activity bond volume capacity and to refund certain outstanding obligations of the Corporation. Only \$300,000,000 of these bonds can be outstanding at any one time. As of June 30, 2014, there are no draw down bonds outstanding, and the Corporation does not anticipate issuing any additional draw down bonds in the future.

NOTES TO FINANCIAL STATEMENTS

Bonds outstanding are shown below (in thousands):

|                                                                         | Original<br>Amount | June 30, 2014 |
|-------------------------------------------------------------------------|--------------------|---------------|
| <b>First-Time Home Buyer Program</b>                                    |                    |               |
| <b><i>Mortgage Revenue Bonds, Tax-Exempt:</i></b>                       |                    |               |
| • 2009 Series A-1; 3.07%, due 2027-2041                                 | \$ 64,350          | \$ 57,610     |
| • 2009 Series A-2; 2.32%, due 2026-2041                                 | 128,750            | 107,630       |
| • 2010 Series A; 1.50% to 4.00%, due 2014-2027                          | 43,130             | 35,190        |
| Unamortized discount                                                    |                    | (178)         |
| • 2010 Series B; 1.50% to 4.625%, due 2014-2040                         | 35,680             | 33,035        |
| • 2011 Series B; 1.20% to 4.05%, due 2014-2026                          | 71,360             | 61,180        |
| <b><i>Mortgage Revenue Bonds, Taxable:</i></b>                          |                    |               |
| • 2011 Series A; 2.80% due 2015-2026                                    | 28,945             | 14,210        |
| Total Mortgage Revenue Bonds                                            | 372,215            | 308,677       |
| <b><i>Home Mortgage Revenue Bonds, Tax-Exempt:</i></b>                  |                    |               |
| • 2002 Series A; Floating Rate*; 0.05% at June 30, 2014, due 2032, 2036 | 170,000            | 117,705       |
| Unamortized swap termination penalty                                    |                    | (7,482)       |
| • 2006 Series A; 4.25% to 5.00%, due 2014-2036                          | 98,675             | 19,865        |
| Unamortized premium                                                     |                    | 68            |
| • 2007 Series A; Floating Rate*; 0.18% at June 30, 2014, due 2017-2041  | 75,000             | 75,000        |
| • 2007 Series B; Floating Rate*; 0.18% at June 30, 2014, due 2017-2041  | 75,000             | 75,000        |
| • 2007 Series D; Floating Rate*; 0.21% at June 30, 2014, due 2017-2041  | 89,370             | 89,370        |
| • 2009 Series A; Floating Rate*; 0.05% at June 30, 2014, due 2020-2040  | 80,880             | 80,880        |
| • 2009 Series B; Floating Rate*; 0.04% at June 30, 2014, due 2020-2040  | 80,880             | 80,880        |
| • 2009 Series D; Floating Rate*; 0.08% at June 30, 2014, due 2020-2040  | 80,870             | 80,870        |
| Total Home Mortgage Revenue Bonds                                       | 750,675            | 612,156       |
| <b>Veterans Mortgage Program Bonds:</b>                                 |                    |               |
| <b><i>Collateralized State Guaranteed Bonds, Tax-Exempt:</i></b>        |                    |               |
| • 2006 First Series; 4.05% to 4.90%, due 2014-2037                      | 190,000            | 56,220        |
| • 2007 & 2008 First Series; 3.75% to 5.25%, due 2015-2038               | 57,885             | 17,235        |
| Total Veterans Mortgage Program Bonds                                   | 247,885            | 73,455        |
| <b>Other Housing Bonds:</b>                                             |                    |               |
| <b><i>Housing Development Bonds, Tax-Exempt:</i></b>                    |                    |               |
| • 2004 Series A; 4.80%, due 2024-2026                                   | 33,060             | 50            |
| • 2004 Series B; 4.75%, due 2027-2032                                   | 52,025             | 50            |
| Sub-Total Housing Development Bonds                                     | 85,085             | 100           |

## NOTES TO FINANCIAL STATEMENTS

|                                                                                                | Original<br>Amount  | June 30, 2014       |
|------------------------------------------------------------------------------------------------|---------------------|---------------------|
| <b>General Mortgage Revenue Bonds, Tax-Exempt:</b>                                             |                     |                     |
| • 2012 Series A; 0.80% to 4.30%, due 2014-2040                                                 | 145,890             | 136,495             |
| Unamortized discount                                                                           |                     | (697)               |
| Unamortized premium                                                                            |                     | 949                 |
| <b>General Mortgage Revenue Bonds, Taxable:</b>                                                |                     |                     |
| • 2012 Series B; Floating Rate*, 0.06% at June 30, 2014, due 2042                              | 50,000              | 50,000              |
| <b>Governmental Purpose Bonds, Tax-Exempt:</b>                                                 |                     |                     |
| • 1997 Series A; Floating Rate*, monthly payments,<br>0.07% at June 30, 2014, due 2027         | 33,000              | 14,600              |
| • 2001 Series A; Floating Rate*; 0.07% at June 30, 2014, due 2014-2030                         | 76,580              | 53,455              |
| Unamortized swap termination penalty                                                           |                     | (6,519)             |
| • 2001 Series B; Floating Rate*; 0.07% at June 30, 2014, due 2014-2030                         | 93,590              | 65,320              |
| Total Other Housing Bonds                                                                      | 484,145             | 313,703             |
| <b>Non-Housing Bonds:</b>                                                                      |                     |                     |
| <b>State Capital Project Bonds, Tax-Exempt:</b>                                                |                     |                     |
| • 2002 Series C; Floating Rate*, 0.05% at June 30, 2014, due 2014-2022                         | 60,250              | 50,760              |
| • 2006 Series A; 3.50% to 5.00%, due 2015-2040                                                 | 100,890             | 88,585              |
| Unamortized discount                                                                           |                     | (1,105)             |
| Unamortized premium                                                                            |                     | 954                 |
| • 2007 Series A & B; 4.00% to 5.25%, due 2014-2029                                             | 95,525              | 77,995              |
| Unamortized discount                                                                           |                     | (44)                |
| Unamortized premium                                                                            |                     | 1,547               |
| • 2011 Series A; 4.25% to 5.00%, due 2014-2027                                                 | 105,185             | 78,975              |
| Unamortized discount                                                                           |                     | (89)                |
| Unamortized premium                                                                            |                     | 1,589               |
| • 2012 Series A; 2.00% to 5.00%, due 2014-2032                                                 | 99,360              | 91,270              |
| Unamortized discount                                                                           |                     | (124)               |
| Unamortized premium                                                                            |                     | 10,540              |
| • 2013 Series A; 4.00% to 5.00%, due 2017-2032                                                 | 86,765              | 86,765              |
| Unamortized premium                                                                            |                     | 11,459              |
| • 2014 Series A; 3.00% to 5.00%, due 2016-2033                                                 | 95,115              | 95,115              |
| Unamortized discount                                                                           |                     | (71)                |
| Unamortized premium                                                                            |                     | 9,533               |
| • 2014 Series B; 2.00% to 5.00%, due 2015-2029                                                 | 29,285              | 29,285              |
| Unamortized premium                                                                            |                     | 4,745               |
| <b>State Capital Project Bonds, Taxable:</b>                                                   |                     |                     |
| • 2012 Series B; Floating Rate*, 0.08% at June 30, 2014, due 2042                              | 50,000              | 50,000              |
| • 2013 Series B; Indexed Floating Rate*, monthly payments<br>0.951% at June 30, 2014, due 2043 | 50,000              | 50,000              |
| <b>General Housing Purpose Bonds, Tax-Exempt:</b>                                              |                     |                     |
| • 2005 Series A; 3.75% to 5.25%, due 2014-2041                                                 | 143,235             | 133,870             |
| Unamortized premium                                                                            |                     | 2,680               |
| • 2005 Series B; 4.00% to 5.25%, due 2014-2030                                                 | 147,610             | 114,460             |
| Unamortized premium                                                                            |                     | 2,410               |
| • 2005 Series C; 5.00%, due 2014-2017                                                          | 16,885              | 9,615               |
| Total Non-Housing Bonds                                                                        | 1,080,105           | 1,000,719           |
| <b>Total Bonds Payable</b>                                                                     | <b>\$ 2,935,025</b> | <b>\$ 2,308,710</b> |

Note: Debt service payments on the above mentioned bonds are semi-annual unless otherwise mentioned.

\*Interest rates on the annotated variable-rate bonds are established by the Remarketing Agents on each Rate Determination Date.

NOTES TO FINANCIAL STATEMENTS

**Redemption Provisions**

The bonds are generally subject to certain early-redemption provisions, both mandatory and at the option of the Corporation. The Corporation redeems debt, pursuant to the provisions of the related agreements which permit surplus revenues, resulting primarily from mortgage loan prepayments, to be used to retire the obligations at par. The Corporation also issues new debt whose proceeds are used to redeem previously issued debt, called current refundings. The related discounts and costs of issuance of the old debt are classified as a deferred outflow of resources and amortized as interest expense. The Corporation may call some bonds at a premium using any monies once bonds reach a certain age and may also use a clean-up call to redeem certain bonds once the outstanding amount falls below 15% of the total issuance.

During the year ended June 30, 2014, the Corporation made \$54,815,000 special revenue redemptions and no current refundings.

**Debt Service Requirements\*\***

For all bonds in the preceding schedules, the Corporation's debt service requirements through 2019 and in five year increments thereafter to maturity are shown below (in thousands):

| 12 Months Ending June 30 | Total Debt Service  |                     |                     |
|--------------------------|---------------------|---------------------|---------------------|
|                          | Principal           | Interest*           | Total               |
| 2015                     | \$ 45,315           | \$ 85,351           | \$ 130,666          |
| 2016                     | 47,415              | 83,837              | 131,252             |
| 2017                     | 61,045              | 82,039              | 143,084             |
| 2018                     | 61,035              | 79,700              | 140,735             |
| 2019                     | 62,835              | 77,274              | 140,109             |
| 2020-2024                | 408,010             | 336,145             | 744,155             |
| 2025-2029                | 496,980             | 244,160             | 741,140             |
| 2030-2034                | 479,140             | 139,271             | 618,411             |
| 2035-2039                | 359,305             | 57,666              | 416,971             |
| 2040-2042                | 257,465             | 7,205               | 264,670             |
|                          | <u>\$ 2,278,545</u> | <u>\$ 1,192,648</u> | <u>\$ 3,471,193</u> |

\* Interest requirements for variable-rate bonds have been computed using the effective interest rate at June 30, 2014

\*\* Also see Note 11 – Derivatives

**Conduit Debt**

From time to time, the Corporation has issued debt to assist private-sector entities in the acquisition or construction of facilities that help the Corporation fulfill its mission of making housing affordable for all Alaskans. The bonds are secured by the properties financed and are payable solely from rents and payments received on the underlying mortgage loans. Neither the Corporation nor the State is obligated in any manner for repayment of the bonds. Accordingly, the bonds and any related assets are not reported as assets or liabilities in the accompanying financial statements. The Corporation has made the commitment to issue up to \$ 5,000,000 of Revenue Bonds 2014 (Eklutna Estates II Senior Housing Projects). As of June 30, 2014, there are no bonds outstanding.

## 11 DERIVATIVES

The Corporation entered into derivatives to reduce the overall cost of borrowing long-term capital and protect against the risk of rising interest rates. The Corporation's derivatives consist of interest rate swap agreements entered into in connection with its long-term variable rate bonds. The interest rate swaps are pay-fixed, receive-variable agreements, and were entered into at a cost less than what the Corporation would have paid to issue conventional fixed-rate debt.

The swaps are recorded and disclosed as either hedging derivatives or investment derivatives. The synthetic instrument method was used to determine whether the derivative was hedgeable or not. The fair values of the hedgeable derivatives and investment derivatives are presented in the Statement of Net Position, either as a derivative liability (negative fair value amount) or as a derivative asset (positive fair value amount). If a swap changes from a hedgeable derivative to an investment derivative, the hedge is considered terminated and the accumulated change in fair value is no longer deferred but recognized as a revenue item.

The fair value amounts, obtained from mark to market statements from the respective counterparties and reconciled to present value calculations done by the Corporation, represent mid-market valuations that approximate the current economic value using market averages, reference rates, and/or mathematical models. Actual trade prices may vary significantly from these estimates as a result of various factors, which may include (but are not limited to) portfolio composition, current trading intentions, prevailing credit spreads, market liquidity, hedging costs and risks, position size, transaction and financing costs, and the use of capital profit. The fair value represents the current price to settle swap assets or liabilities in the marketplace if a swap were to be terminated.

## NOTES TO FINANCIAL STATEMENTS

The Corporation's interest rate swaps require that if the ratings on the associated bonds fall to BBB+/Baa1, the Corporation would have to post collateral of up to 100 percent of the swap's fair value. As of June 30, 2014, the Corporation has not posted any collateral and is not required to post any collateral.

**Hedging Derivatives**

The significant terms and credit ratings of the Corporation's hedging derivatives as of June 30, 2014, are shown below:

| Related<br>Bond Issue | Effective<br>Date | Fixed Rate<br>Paid | Variable Rate<br>Received    | Swap<br>Termination<br>Date | Counterparty<br>Credit Rating <sup>7</sup> |
|-----------------------|-------------------|--------------------|------------------------------|-----------------------------|--------------------------------------------|
| GP01A <sup>1</sup>    | 12/01/08          | 2.4530             | 67% of 1M LIBOR <sup>4</sup> | 12/01/30                    | A/A2                                       |
| GP01B                 | 08/02/01          | 4.1427             | 67% of 1M LIBOR              | 12/01/30                    | A+/Aa3                                     |
| E021A1 <sup>2</sup>   | 10/09/08          | 2.9800             | 70% of 3M LIBOR <sup>5</sup> | 06/01/32                    | AAA/Aa2                                    |
| E021A2                | 10/09/08          | 3.4480             | 70% of 1M LIBOR              | 12/01/36                    | A+/Aa3                                     |
| SC02C <sup>3</sup>    | 12/05/02          | 4.3030             | SIFMA <sup>6</sup> +0.115%   | 07/01/22                    | A+/Aa3                                     |
| E071AB                | 05/31/07          | 3.7345             | 70% of 3M LIBOR              | 12/01/41                    | AAA/Aa2                                    |
| E071BD                | 05/31/07          | 3.7200             | 70% of 3M LIBOR              | 12/01/41                    | A+/Aa3                                     |
| E091A                 | 05/28/09          | 3.7610             | 70% of 3M LIBOR              | 12/01/40                    | A/A2                                       |
| E091B                 | 05/28/09          | 3.7610             | 70% of 3M LIBOR              | 12/01/40                    | AAA/Aa2                                    |
| E091ABD               | 05/28/09          | 3.7400             | 70% of 3M LIBOR              | 12/01/40                    | A+/Aa3                                     |

1. Governmental Purpose Bonds

2. Home Mortgage Revenue Bonds

3. State Capital Project Bonds

4. London Interbank Offered Rate 1 month

5. London Interbank Offered Rate 3 month

6. Securities Industry and Financial Markets Municipal Swap Index

7. Standard & Poor's/Moody's

The change in fair value and ending balance of the hedging derivatives as of June 30, 2014, is shown below (in thousands). The fair value is reported as a deferred outflow / inflow of resources in the Statement of Net Position.

| Related<br>Bond<br>Issue | Notional<br>Amounts | Present<br>Values | Fair Values   |               | Change in<br>Fair Value |
|--------------------------|---------------------|-------------------|---------------|---------------|-------------------------|
|                          |                     |                   | June 30, 2014 | June 30, 2013 |                         |
| GP01A                    | \$ 53,455           | \$ 56,808         | \$ (3,353)    | \$ (3,088)    | \$ (265)                |
| GP01B                    | 65,320              | 78,423            | (13,103)      | (13,753)      | 650                     |
| E021A1                   | 41,920              | 46,115            | (4,195)       | (4,106)       | (89)                    |
| E021A2                   | 75,785              | 79,876            | (4,091)       | (5,011)       | 920                     |
| SC02C                    | 50,760              | 56,741            | (5,981)       | (7,102)       | 1,121                   |
| E071AB                   | 143,622             | 175,034           | (31,412)      | (30,462)      | (950)                   |
| E071BD                   | 95,748              | 116,325           | (20,577)      | (19,956)      | (621)                   |
| E091A                    | 72,789              | 89,309            | (16,520)      | (15,961)      | (559)                   |
| E091B                    | 72,789              | 89,250            | (16,461)      | (15,893)      | (568)                   |
| E091ABD                  | 97,052              | 118,535           | (21,483)      | (20,738)      | (745)                   |
| Total                    | \$ 769,240          | \$ 906,416        | \$ (137,176)  | \$ (136,070)  | \$ (1,106)              |

As of June 30, 2014, debt service requirements of the Corporation's outstanding variable-rate debt and net swap payments are displayed in the following schedule (in thousands). As interest rates vary, variable-rate bond interest payments and net swap payments will also vary.

| Fiscal Year<br>Ending June 30 | VRDO<br>Principal | VRDO<br>Interest | Swap Net<br>Payment | Total<br>Payments |
|-------------------------------|-------------------|------------------|---------------------|-------------------|
| 2015                          | \$ 13,175         | \$ 760           | \$ 26,836           | \$ 40,771         |
| 2016                          | 13,745            | 752              | 26,362              | 40,859            |
| 2017                          | 16,765            | 745              | 25,867              | 43,377            |
| 2018                          | 20,040            | 729              | 25,218              | 45,987            |
| 2019                          | 20,950            | 710              | 24,495              | 46,155            |
| 2020-2024                     | 143,580           | 3,209            | 108,336             | 255,125           |
| 2025-2029                     | 157,395           | 2,542            | 82,815              | 242,752           |
| 2030-2034                     | 158,320           | 1,766            | 54,818              | 214,904           |
| 2035-2029                     | 159,220           | 944              | 27,174              | 187,338           |
| 2040-2043                     | 66,050            | 130              | 3,112               | 69,292            |
|                               | \$ 769,240        | \$ 12,287        | \$ 405,033          | \$ 1,186,560      |

NOTES TO FINANCIAL STATEMENTS

**Credit Risk**

As of June 30, 2014, the Corporation is not exposed to credit risk on any of the swaps because the swaps all have negative fair values. If interest rates rise and the fair value of the swaps becomes positive, the Corporation would be exposed to credit risk in the amount of the swaps' fair value. The swap agreements contain varying collateral agreements with the counterparties and require full collateralization of the fair value amount of the swap should the counterparty's rating fall to "BBB+/Baa1". The Corporation currently has swap agreements with five separate counterparties. Approximately 33.6% of the total notional amount of the swaps is held with one counterparty rated "AAA/Aa2". Another 31.7% of the total notional amount of the swaps is held with another counterparty rated "A+/Aa3". Of the remaining swaps, another counterparty is also rated "A+/Aa3", another counterparty is rated "A/A2", and the remaining counterparty is also rated "A/A2", approximating 18.3%, 9.5%, and 6.9% respectively, of the total notional amount of the swaps.

**Interest Rate Risk**

The Corporation is exposed to interest rate risk on all of its interest rate swaps. As LIBOR or the SIFMA index decreases, the Corporation's net payment on the swaps increases.

**Basis Risk**

All of the Corporation's variable-rate bond interest payments related to interest rate swaps are based on the tax-exempt SIFMA index. Therefore, the Corporation is exposed to basis risk on swaps where the variable payment received on the swaps is based on a taxable LIBOR index and does not fully offset the variable rate paid on the bonds, which is based on the SIFMA index. The SC02C swap is based on the SIFMA index and thus is not exposed to any basis risk. As of June 30, 2014, SIFMA was 0.06% and 1-month LIBOR was 0.1552%, resulting in a SIFMA/LIBOR ratio of 38.7%. The 3-month LIBOR was 0.2307%, resulting in a SIFMA/LIBOR ratio of 26.0%. The SIFMA/LIBOR ratios have fluctuated since the agreements became effective but the anticipated cost savings from the swaps increases as the ratios decrease.

**Termination Risk**

Termination risk is the risk of an unscheduled termination of a swap prior to its planned maturity. If any of the swaps are terminated, the associated floating rate bonds would no longer carry synthetic fixed interest rates and the Corporation would be exposed to interest rate risk on the bond. This risk is mitigated by the fact that the termination payment could be used to enter into an identical swap at the termination date of the existing swap. Further, if any of the swaps have a negative fair value at termination, the Corporation would be liable to the counterparty for payments equal to the swaps' fair value. The Corporation or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the agreement, including downgrades and events of default.

In fiscal year 2009, three swaps were terminated because of bankruptcy events with the counterparties, resulting in the Corporation making termination payments totaling \$22,181,000 to the counterparties. The Corporation replaced the swaps with new swaps that had provisions that resulted in a lower cost overall on the underlying debt. The termination payments were deferred and are being amortized to interest expense over the life of the bonds related to those terminated swaps. An additional payment of \$150,000 was made to a former counterparty in fiscal year 2013 as settlement of any and all claims relating to that counterparty's swap termination. This payment was expensed as insurance and financing expense in fiscal year 2013.

**Rollover Risk**

Rollover risk occurs when there is a mismatch in the amortization of the swap versus the amortization of the floating rate bonds. The Corporation has structured the swaps to amortize at the same rate as scheduled or anticipated reductions in the associated floating rate bonds outstanding. The Home Mortgage Revenue Bonds, 2002 Series A swaps were set up in several tranches of various sizes that can be cancelled to parallel the redemption of debt from mortgage prepayments. In addition, the Governmental Purpose Bonds, 2001 Series A and B swaps cover only a portion of the total debt issuance, allowing any increase in the speed of mortgage prepayments to be directed to the unswapped portion of the debt.

## NOTES TO FINANCIAL STATEMENTS

**Investment Derivative**

The State Capital Project Bonds, 2002 Series B, were fully redeemed in fiscal year 2009, so the associated interest rate swap was no longer a hedging derivative and is accounted for as an investment derivative.

The significant terms and credit ratings of the Corporation's investment derivative as of June 30, 2014, is shown below:

| Related<br>Bond<br>Issue | Effective<br>Date | Fixed Rate<br>Paid | Variable Rate<br>Received | Swap<br>Termination<br>Date | Counterparty<br>Credit Rating |
|--------------------------|-------------------|--------------------|---------------------------|-----------------------------|-------------------------------|
| SC02B                    | 12/05/02          | 3.77%              | 70% of 1M LIBOR           | 07/01/24                    | A+/Aa3                        |

The change in fair value of the investment derivatives as of June 30, 2014, is shown below (in thousands) and is presented on the net change of hedge termination line in the Statement of Revenues, Expenses, and Changes in Net Position.

| Related<br>Bond<br>Issue | Notional<br>Amounts | Present<br>Values | Fair Values   |               | Change in<br>Fair Value |
|--------------------------|---------------------|-------------------|---------------|---------------|-------------------------|
|                          |                     |                   | June 30, 2014 | June 30, 2013 |                         |
| SC02B                    | \$ 14,555           | \$ 17,083         | \$ (2,528)    | \$ (2,565)    | \$ 37                   |

**Credit Risk**

As of June 30, 2014, the Corporation was not exposed to credit risk on this outstanding swap because the swap had a negative fair value. If interest rates rise and the fair value of the swap becomes positive, the Corporation would be exposed to credit risk in the amount of the swaps' fair value. The swap agreement requires the counterparty to fully collateralize the fair value amount of the swap should the counterparty's rating fall to "BBB+/Baa1". The counterparty on this swap is rated "A+/Aa3".

**12 LONG TERM LIABILITIES**

The activity for the year ended June 30, 2014, is summarized in the following schedule (in thousands):

|                               | June 30, 2013 | Additions  | Reductions  | June 30, 2014 | Due Within<br>One Year |
|-------------------------------|---------------|------------|-------------|---------------|------------------------|
| Total bonds and notes payable | \$ 2,257,875  | \$ 139,229 | \$ (88,394) | \$ 2,308,710  | \$ 45,315              |
| Compensated absences          | 5,842         | 2,443      | (3,000)     | 5,285         | 2,113                  |
| Other liabilities             | 619           | 218        | -           | 837           | -                      |
| Total long-term liabilities   | \$ 2,264,336  | \$ 141,890 | \$ (91,394) | \$ 2,314,832  | \$ 47,428              |

**13 SHORT TERM DEBT**

The Corporation has a taxable commercial paper program. Commercial paper is used to refund certain tax-exempt debt until new debt replaces it. Individual maturities range up to 270 days from date of issuance. The maximum aggregate outstanding principal balance authorized by the Corporation's Board of Directors is \$150,000,000. The lowest yield during the year ended June 30, 2014, was 0.11% and the highest was 0.17%.

Short term debt activity for the year ended June 30, 2014, is summarized in the following schedule (in thousands):

|                       | June 30, 2013 | Additions  | Reductions   | June 30, 2014 |
|-----------------------|---------------|------------|--------------|---------------|
| Commercial paper      | \$ 28,390     | \$ 452,090 | \$ (415,480) | \$ 65,000     |
| Unamortized discount  | (2)           | (64)       | 59           | (7)           |
| Commercial paper, net | \$ 28,388     | \$ 452,026 | \$ (415,421) | \$ 64,993     |

NOTES TO FINANCIAL STATEMENTS

## 14 TRANSFERS

Transfers for the year ended June 30, 2014, are summarized in the following schedule (in thousands):

|                                    | Due From               |                   |                                 |                               |                                                    | Total      |
|------------------------------------|------------------------|-------------------|---------------------------------|-------------------------------|----------------------------------------------------|------------|
|                                    | Administrative<br>Fund | Grant<br>Programs | Mortgage or<br>Bond<br>Programs | Other<br>Funds or<br>Programs | Alaska<br>Corporation<br>for Affordable<br>Housing |            |
| <b>D</b> Administrative Fund       | \$ -                   | \$ 1,024          | \$ 67,240                       | \$ 11,943                     | \$ -                                               | \$ 80,207  |
| <b>u</b> Grant Programs            | 38,290                 | -                 | -                               | -                             | 16                                                 | 38,306     |
| <b>e</b> Mortgage or Bond Programs | 64,964                 | -                 | -                               | -                             | -                                                  | 64,964     |
| Other Funds or Programs            | 4,178                  | 186               | -                               | -                             | -                                                  | 4,364      |
| <b>T</b> Alaska Corporation for    |                        |                   |                                 |                               |                                                    |            |
| <b>o</b> Affordable Housing        | 16                     | -                 | -                               | 160                           | -                                                  | 176        |
| <b>Total</b>                       | \$ 107,448             | \$ 1,210          | \$ 67,240                       | \$ 12,103                     | \$ 16                                              | \$ 188,017 |

Transfers are used to:

- (1) move cash between the Administrative Fund and the Mortgage or Bond Programs to subsidize debt service payments or satisfy bond indenture requirements,
- (2) move mortgages between the Administrative Fund and the Mortgage or Bond Programs,
- (3) record expenditures paid on behalf of the Grant Programs, the Mortgage or Bond Programs, and the Other Funds or Programs by the Administrative Fund,
- (4) move cash and mortgages between various Mortgage or Bond Programs,
- (5) record land purchased by the Grant programs and gifted to ACAH and various unreimbursable expenditures paid on behalf by the Administrative Fund on behalf of ACAH.

## 15 OTHER CREDIT ARRANGEMENTS

The Corporation currently has outstanding certain debt obligations with respect to which it has entered into standby bond purchase agreements to provide liquidity in the event of unremarketed tenders and/or bond insurance contracts to guarantee the payment of debt service. At June 30, 2014, the Corporation had unused standby bond purchase agreements of \$437,945,000 and bond insurance of \$444,490,000.

## 16 YIELD RESTRICTION AND ARBITRAGE REBATE

Most mortgages purchased with the proceeds of tax-exempt mortgage revenue bonds issued by the Corporation are subject to interest-rate yield restrictions of 1.125% to 1.500% over the yield of the bonds. These restrictions are in effect over the lives of the bonds. Most of the non-mortgage investments made under the Corporation's tax-exempt mortgage revenue bond programs are subject to rebate provisions or restricted as to yields. The rebate provisions require that a calculation be performed every five years and upon full retirement of the bonds to determine the amount, if any, of excess yield earned and owed to the Internal Revenue Service. The amount of excess earning arbitrage expensed for the year ended June 30, 2014 was \$218,000. No arbitrage was paid for the year ended June 30, 2014.

## 17 STATE AUTHORIZATIONS AND COMMITMENTS

The Corporation uses its assets to fund certain housing and non-housing capital projects identified by the State. The aggregate amount expected to be funded by the Corporation was expressed by the following language of legislative intent included in the fiscal year 1996 capital appropriation bill, enacted in 1995.

"The Legislature intends to ensure the prudent management of the Alaska Housing Finance Corporation to protect its excellent debt rating by the nation's financial community and to preserve its valuable assets of the State. To accomplish its goal, the sum of withdrawals for transfer to the general fund and for expenditure on corporate funded capital projects should not exceed the Corporation's net income for the preceding fiscal year."

## NOTES TO FINANCIAL STATEMENTS

The projected amounts stated in the legislative intent language were based on the Corporation's financial operating plan and represent the total amount of anticipated State transfers and capital expenditures rather than projected "net income". At June 30, 2014, total state authorizations were \$631,475,000; payments were \$557,722,000 resulting in total remaining commitments of \$73,753,000.

**Transfer Plan with the State**

The 1998 Legislature authorized the Corporation to finance state capital projects through the issuance of up to \$224,000,000 in bonds. Debt service payments on such bonds are categorized as transfers pursuant to the Transfer Plan. That legislation also extended the term of the Transfer Plan by stating the Legislature's intent that the Corporation transfer to the State (or expend on its behalf) an amount not to exceed \$103,000,000 in each fiscal year through fiscal year 2006, again stating that, to protect the Corporation and its bond rating, in no fiscal year should such amount exceed the Corporation's net income for the preceding fiscal year. The bond proceeds are allocated to agencies and municipalities subject to specific legislative appropriation.

The 2000 Legislature adopted legislation authorizing the issuance of bonds in sufficient amounts to fund the construction of various State capital projects, and extended the Transfer Plan (as described above) through fiscal year 2008. The 2002 Legislature authorized the issuance of capital project bonds for the renovation and deferred maintenance of the Corporation's Public Housing facilities. The 2004 Legislature adopted legislation authorizing the additional issuance of bonds in sufficient amounts to fund the construction of various State capital projects. The bond proceeds are allocated to agencies and municipalities subject to specific legislative appropriation.

The Corporation has issued \$196,345,000 principal amount of State Capital Project Bonds pursuant to the 1998 Act, \$74,535,000 principal amount of State Capital Project Bonds pursuant to the 2000 Act, and \$60,250,000 principal amount of State Capital Project Bonds pursuant to the 2002 Act, and \$45,000,000 principal amount of bonds under the State Capital Project agreement pursuant to the 2004 Act, and has completed its issuance authority under the Acts. The payment of principal and interest on these bonds will be included in future capital budgets of the Corporation. Debt service payments on such bonds are categorized as transfers pursuant to the Transfer Plan.

The Twenty-Third Legislature in 2003 enacted SCS HB 256 (the "2003" Act) which added language to the Alaska Statutes to modify and incorporate the Transfer Plan. The Corporation and the State view the 2003 Act as an indefinite, sustainable continuation of the Transfer Plan. As approved and signed into law by the Governor and modified by the Twenty-Fourth Legislature in 2006 with SB 236, the 2003 Transfer Plan calls for annual transfers that will not exceed the lesser of 75% of the adjusted change in net position for the fiscal year two years prior to the current fiscal year or \$103,000,000 less debt service on certain State Capital Project Bonds, less any legislative appropriation of the Corporation's unrestricted, unencumbered funds other than appropriations of the Corporation's operating budget.

**Contributions to the State of Alaska or other State agencies**

Since the inception of the Corporation, the State has contributed a total of \$1,369,523,000 to the Corporation. Beginning in fiscal year 1986, the Corporation began a series of plans to transfer funds to or on behalf of the State. Following is a summary of the different types of transfers (in thousands):

|                                 | June 30, 2014 | Cumulative<br>Prior Fiscal<br>Year | Total<br>Payments<br>to State |
|---------------------------------|---------------|------------------------------------|-------------------------------|
| State debt repayment            | \$ -          | \$ 29,800                          | \$ 29,800                     |
| Asset purchases                 | -             | 252,300                            | 252,300                       |
| Dividends                       | -             | 114,300                            | 114,300                       |
| Direct cash transfers           | -             | 631,653                            | 631,653                       |
| Other State appropriations      | -             | 302,654                            | 302,654                       |
| Non-Housing capital projects    | 1,380         | 331,711                            | 333,091                       |
| Various bond proceeds disbursed | -             | 319,524                            | 319,524                       |
| Total                           | \$ 1,380      | \$ 1,981,942                       | \$ 1,983,322                  |

NOTES TO FINANCIAL STATEMENTS

## 18 HOUSING GRANTS AND SUBSIDIES EXPENSES

The grant programs are funded from HUD, federal, State and Corporate proceeds. The Corporation paid grants to third parties for the following programs (in thousands):

|                                                    | June 30, 2014     |
|----------------------------------------------------|-------------------|
| ▪ Affordable Housing Development Program           | \$ 32             |
| ▪ ARRA Weatherization Assistance Program           | 383               |
| ▪ Beneficiaries and Special Needs Housing          | 1,198             |
| ▪ Continuum of Care Homeless Assistance            | 1,605             |
| ▪ Domestic Violence                                | 1,066             |
| ▪ Drug Elimination                                 | 48                |
| ▪ Emergency Shelter Grant (ESG)                    | 455               |
| ▪ Energy Efficiency Monitoring Research            | 913               |
| ▪ Energy Efficient Home Program                    | 22,166            |
| ▪ HOME Investment Partnership                      | 4,605             |
| ▪ Homeless Assistance Program                      | 8,498             |
| ▪ Homeless Information Management System           | 4                 |
| ▪ Housing Choice Vouchers                          | 28,775            |
| ▪ Housing Loan Program                             | 10,675            |
| ▪ Housing Opportunities for Persons with AIDS      | 608               |
| ▪ Low Income Weatherization Assistance             | 52,589            |
| ▪ Neighborhood Stabilization Program (NSP)         | 50                |
| ▪ Non-Elderly Disabled (NED)                       | 253               |
| ▪ Parolees (TBRA)                                  | 398               |
| ▪ Section 8 Rehabilitaton                          | 421               |
| ▪ Senior Citizen Housing Development Grant         | 4,372             |
| ▪ Shelter Plus Care                                | 199               |
| ▪ Supplemental Housing Grant                       | 8,193             |
| ▪ Supportive Housing Grant Match                   | 363               |
| ▪ Technical Assistance Grant                       | 61                |
| ▪ Veterans Affairs Supportive Housing              | 1,060             |
| ▪ Youth (TBRA)                                     | 155               |
| ▪ Utility Allowance Payments for Low Rent          | 43                |
| <b>Total Housing Grants and Subsidies Expenses</b> | <b>\$ 149,188</b> |

In addition to grant payments made, the Corporation has advanced grant funds of \$8,544,000 and committed to third parties a sum of \$120,876,000 in grant awards at June 30, 2014.

## 19 OTHER FUNDS OR PROGRAMS

Other Funds and Programs include public-housing and other activities not reported elsewhere. These programs are funded from a combination of corporate receipts and external sources.

### Other Funds and Programs

Low Rent includes the following programs for various low-income housing facilities administered by the Corporation under contract with HUD:

- Low Rent Management
- Modernization/Capital Fund Programs

Market Rate Rental Housing Programs consist of Corporate owned low-income housing facilities at various locations.

- Project Based Section 8
- Market Rate Rental

Home Ownership Fund includes the following program that provided assistance to borrowers for monthly mortgage payments. This fund is maintained due to statutory requirements. No borrowers are currently receiving assistance:

- Homeowner Assistance Program

## NOTES TO FINANCIAL STATEMENTS

**20 ENERGY AND WEATHERIZATION ENERGY EFFICIENCY PROGRAMS**

The 2008 Legislature authorized funding for the Corporation to expand the existing Weatherization program by \$200,000,000 and create the new Energy Rebate Program with \$160,000,000 to help Alaskans make their homes more energy efficient. The 2011, 2012, 2013 and 2014 Legislatures authorized additional funding for the Weatherization program of \$62,500,000, \$30,000,000, \$30,000,000, and \$27,500,000, respectively, and for the Energy Rebate Program of \$37,500,000, \$20,000,000, \$20,000,000 and \$15,000,000, respectively.

The Weatherization program helps homeowners with low-to-moderate incomes, living in owner-occupied homes or rental units, qualify for free weatherization upgrades performed through various providers or regional housing authorities. The Weatherization program is funded by federal, State and Corporate monies.

The Home Energy Rebate Program has no income limits and provides homeowners with reimbursements for specific energy-efficiency improvements. The more the home's energy efficiency improves, the greater the potential rebate. As of June 30, 2014, the Corporation had outstanding commitments of \$39,409,000 and had paid out \$172,766,000 in the rebate program to homeowners since the inception of the program. The \$39,409,000 commitment amount represents the maximum amount each homeowner could be reimbursed, not necessarily the actual amount of each homeowner's reimbursement.

**21 PENSION AND POST EMPLOYMENT HEALTHCARE PLANS****Plan Description**

As of June 30, 2014, all regular employees of the Corporation who work more than fifteen hours per week participate in the Alaska Public Employees' Retirement System (PERS). PERS administers the State of Alaska Public Employees' Retirement System Defined Benefit Retirement Plan which includes both pension and post employment healthcare plans for all employees hired prior to July 1, 2006. The defined benefit plan was an agent multiple-employer, statewide plan until July 1, 2008, when Senate Bill 125 converted the plan to a multiple-employer cost-sharing plan. PERS also administers the State of Alaska Public Employees' Retirement System Defined Contribution Retirement Plan which includes both pension and post-employment healthcare plans for all employees hired on or after July 1, 2006.

PERS is administered by the State. Benefits and contributions provisions are established by Chapter 35 of Alaska Statute Title 39, and may be amended only by state legislature. Amendments do not affect existing employees. A publicly available financial report that includes financial statements and required supplementary information is issued annually by PERS. That report may be obtained by writing to State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska 99811-0202.

*Defined Benefit Plans (Employees hired prior to July 1, 2006):*

Employees hired prior to July 1, 1986, with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 55 or early retirement age 50. The normal pension benefit is equal to 2% of the member's three-year highest average monthly compensation for the first ten years of service and for all service prior to July 1, 1986, 2¼% for the second ten years of service and 2½% for all remaining years of service. Employees with 30 or more years of credited service may retire at any age and receive a normal benefit. The plan pays the retiree medical plan premium and also provides death and disability benefits.

Employees hired between July 1, 1986, and June 30, 1996, with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 60 or early retirement age 55. The normal pension benefit is equal to 2% of the member's three-year highest average monthly compensation for the first ten years of service, 2¼% for the second ten years of service and 2½% for all remaining years of service. Employees with 30 or more years of credited service may retire at any age and receive a normal benefit. The plan does not pay the retiree medical plan premium for retirees under the age of 60 unless the retiree has 30 years of credited service. The employee may elect to pay the full premium cost for medical coverage.

Employees hired between July 1, 1996, and June 30, 2006, with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 60 or early retirement age 55. The normal pension benefit is equal to 2% of the member's five-year highest average monthly compensation for the first ten years of service, 2¼% for the second ten years of service and 2½% for all remaining years of service. Employees with 30 or more years of credited service may retire at any age and receive a normal benefit. The plan does not pay the retiree medical plan premium for retirees with less than 10 years of service at age 60. The employee may elect to pay the full premium cost for medical coverage.

NOTES TO FINANCIAL STATEMENTS

*Defined Contribution Plan (Employees hired on or after July 1, 2006):*

There is no retirement age set, however taxes and penalties may apply if withdrawn prior to age 59 ½. Retirement benefits are equal to the Defined Contribution account balance plus interest. The employee may direct the investment of the account if so desired. The account balance is 100% of the employees contribution plus 25% of the Corporation's contribution after two years of service, 50% of the Corporation's contribution after three years of service, 75% of the Corporation's contribution after four years of service, and 100% of the Corporation's contribution after 5 years of service. The plan pays a portion of the retiree medical plan premium if the retiree retires directly from the plan and is eligible for Medicare. The portion of premium paid by the plan is determined by years of service. Disability benefits are also provided.

**Funding Policy**

*Defined Benefit Plans:*

Under State law, covered employees are required to contribute 6¾% of their annual covered salary to the pension plan and are not required to contribute to the Post Employment Healthcare Plan.

Under State law the Corporation is required to contribute 22% of annual covered salary. For the fiscal year 2014, 10.64% of covered salary is for the pension plan and 11.36% of covered salary is for the Post Employment Healthcare Plan.

Under AS39.35.255, the difference between the actuarial required contribution of 35.68% for the fiscal year 2014 and the employer rate of 22% will be funded by the State.

The State contribution to the pension plan for the Corporation for the year ended June 30, 2014, was \$1,330,000.

The Corporation's contributions to the pension plan for the year ended June 30, 2014 totaled \$1,829,000 and for the years ended June 30, 2013, and June 30, 2012, totaled \$1,723,000 and \$1,813,000, respectively.

The State contribution to the post employment healthcare plan for the Corporation for the year ended June 30, 2014 was \$1,021,000.

The Corporation's contributions to the post employment healthcare plan for the year ended June 30, 2014, totaled \$1,953,000 and for the years ended June 30, 2013, and June 30, 2012, totaled \$2,197,000 and \$2,208,000, respectively.

*Defined Contribution Plans:*

Under State law, covered employees are required to contribute 8% of their annual covered salary. For the fiscal year 2014, the Corporation is required to contribute 5.20% of the annual covered salary to the pension plan.

Under State law, covered employees are not required to contribute to the post employment healthcare plan. For the fiscal year 2014, the Corporation is required to contribute 0.48% of the annual covered salary plus an annual flat dollar amount of \$1,896.20 for each covered employee.

If the total amount that the Corporation has contributed for the defined contribution pension and post employment healthcare plans is less than 22% of covered payroll, the Corporation must pay that additional amount. This additional amount is used to reduce the Plan's unfunded liability. For the year ended June 30, 2014, the Corporation paid additional contributions of \$618,000. These contributions equal \$299,000 for pension and \$319,000 for post-employment healthcare plans.

The contributions to the pension plan for the year ended June 30, 2014, by the employees totaled \$381,000 and by the Corporation totaled \$246,000.

The Corporation contributed \$185,000 to a health reimbursement arrangement for the year ended June 30, 2014.

## NOTES TO FINANCIAL STATEMENTS

**22 OTHER COMMITMENTS AND CONTINGENCIES****Medical Self Insurance**

During the fiscal year ended June 30, 1998, the Corporation began a program of self-insurance for employee medical benefits. Costs are billed directly to the Corporation by an Administrative Services Provider that processes all of the claims from the employees and their dependents. The Corporation has purchased a stop-loss policy that limits its liability to \$175,000 per employee per year. The Corporation has provided for an estimate of the Incurred But Not Reported (IBNR) liability in the amount of \$2,180,000 as of June 30, 2014.

**Litigation**

The Corporation, in the normal course of its activities, is involved in various claims and pending litigation, the outcome of which is not presently determinable. In the opinion of management, the disposition of these matters is not presently expected to have a material adverse effect on the Corporation's financial statements.

**Contingent Liabilities**

The Corporation participates in several federally assisted programs. These programs are subject to program compliance audits and adjustment by the grantor agencies or their representatives. Any disallowed claims, including amounts already collected, would become a liability of the Administrative Fund. In management's opinion, disallowance, if any, will be immaterial.

**Subsequent Events**

On August 27, 2014, the Corporation issued \$140,000,000 State Capital Project Bonds II, 2014 Series C. The bonds are general obligations of the Corporation. The 2014 Series C bonds are federally taxable and bear interest at a floating rate equal to a money market reference rate, like LIBOR, plus a quoted spread, payable each June 1 and December 1 commencing on December 1, 2014. The bonds have a final maturity date of December 1, 2029.

**23 RISK MANAGEMENT**

The Corporation is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by various commercial insurance policies and contractual risk transfers. When the Corporation enters into agreements, contracts or grants, it requires insurance from the party the Corporation is doing business with. This ensures that the party can adequately sustain any loss exposure, so the Corporation is not first-in-line in case of a loss. There have been no significant reductions in insurance coverage from the prior year, and settlements have not exceeded insurance coverage during the past three years.

**24 CUMULATIVE EFFECT OF ACCOUNTING CHANGE**

Beginning in the fiscal year 2014, the Corporation implemented GASB Statement 65, Items Previously Reported as Assets and Liabilities. According to this statement, the amount of any unamortized bond cost of issuance at June 30, 2013, would be reported as a restatement of beginning net position. The amount of unamortized bond cost of issuance at June 30, 2013, was \$10,855,000, the cumulative effect of the accounting change.

NOTES TO FINANCIAL STATEMENTS

## 25 FIVE YEAR FINANCIAL INFORMATION

Entity-wide amounts at year-end are presented below for informational purposes (in thousands):

|                                             | June 30,            |                     |                       |                     |                     |
|---------------------------------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|
|                                             | 2014                | 2013                | 2012                  | 2011                | 2010                |
| <b>Assets</b>                               |                     |                     |                       |                     |                     |
| Cash                                        | \$ 77,026           | \$ 59,207           | \$ 64,631             | \$ 73,411           | \$ 59,218           |
| Investments                                 | 1,063,200           | 1,218,693           | 1,231,890             | 1,362,107           | 1,389,605           |
| Accrued interest receivable                 | 12,357              | 11,559              | 12,423                | 13,305              | 14,647              |
| Mortgage loans, notes and other loans       | 2,536,596           | 2,305,667           | 2,525,004             | 2,759,511           | 2,971,253           |
| Net investment in direct financing lease    | 44,664              | 48,777              | 53,192                | 57,476              | 61,222              |
| Unamortized bond issuance costs             | -                   | 10,855              | 14,110                | 16,880              | 19,751              |
| Capital assets, net                         | 120,248             | 125,483             | 125,366               | 121,968             | 112,759             |
| Other assets                                | 44,533              | 64,919              | 46,275                | 36,446              | 40,463              |
| Derivative instrument - interest rate swaps | -                   | -                   | -                     | -                   | -                   |
| <b>Total Assets</b>                         | <b>3,898,624</b>    | <b>3,845,160</b>    | <b>4,072,891</b>      | <b>4,441,104</b>    | <b>4,668,918</b>    |
| <b>Deferred Outflow of Resources</b>        | <b>156,579</b>      | <b>136,070</b>      | <b>215,757</b>        | <b>100,936</b>      | <b>127,899</b>      |
| <b>Liabilities</b>                          |                     |                     |                       |                     |                     |
| Bonds and notes payable                     | 2,308,710           | 2,257,875           | 2,407,864             | 2,721,113           | 2,832,647           |
| Short term debt                             | 64,993              | 28,388              | 68,685                | 86,976              | 149,890             |
| Accrued interest payable                    | 10,147              | 9,947               | 11,323                | 12,688              | 12,770              |
| Other liabilities                           | 21,079              | 20,857              | 27,153                | 24,549              | 47,252              |
| Derivative instrument - interest rate swaps | 140,366             | 138,635             | 219,480               | 102,895             | 130,267             |
| <b>Total Liabilities</b>                    | <b>2,545,295</b>    | <b>2,455,702</b>    | <b>2,734,505</b>      | <b>2,948,221</b>    | <b>3,172,826</b>    |
| <b>Deferred Inflow of Resources</b>         | <b>-</b>            | <b>-</b>            | <b>-</b>              | <b>-</b>            | <b>-</b>            |
| <b>Total Net Position</b>                   | <b>\$ 1,509,908</b> | <b>\$ 1,525,528</b> | <b>* \$ 1,554,143</b> | <b>\$ 1,593,819</b> | <b>\$ 1,623,991</b> |
| <b>Operating Revenues</b>                   |                     |                     |                       |                     |                     |
| Mortgage and loans revenue                  | \$ 120,740          | \$ 125,059          | \$ 147,078            | \$ 164,242          | \$ 177,855          |
| Investment interest                         | 6,532               | 6,385               | 6,793                 | 8,454               | 11,605              |
| Net change in fair value of investments     | 2,450               | 1,545               | 7,667                 | 7,766               | 6,317               |
| Net change of hedge termination             | 37                  | 1,158               | (1,765)               | 410                 | (794)               |
| Total Investment Revenue                    | 9,019               | 9,088               | 12,695                | 16,630              | 17,128              |
| Externally funded programs                  | 163,739             | 168,152             | 179,704               | 194,411             | 191,968             |
| Rental                                      | 8,951               | 8,701               | 8,554                 | 7,996               | 8,697               |
| Other                                       | 5,637               | 4,325               | 3,147                 | 2,416               | 1,610               |
| <b>Total Operating Revenues</b>             | <b>308,086</b>      | <b>315,325</b>      | <b>351,178</b>        | <b>385,695</b>      | <b>397,258</b>      |
| <b>Operating Expenses</b>                   |                     |                     |                       |                     |                     |
| Interest                                    | 81,184              | 94,409              | 111,558               | 122,138             | 130,789             |
| Mortgage and loan costs                     | 9,442               | 10,098              | 11,131                | 11,587              | 12,709              |
| Operations and administration               | 58,771              | 56,663              | 57,126                | 54,100              | 49,678              |
| Financing expenses                          | 4,415               | 12,419              | 7,807                 | 8,692               | 7,456               |
| Provision for loan loss                     | (5,688)             | (4,753)             | (1,542)               | (6,673)             | 515                 |
| Housing grants and subsidies                | 149,188             | 150,460             | 179,194               | 196,168             | 194,883             |
| Rental housing operating expenses           | 14,159              | 13,924              | 16,373                | 12,594              | 11,002              |
| <b>Total Operating Expenses</b>             | <b>311,471</b>      | <b>333,220</b>      | <b>381,647</b>        | <b>398,606</b>      | <b>407,032</b>      |
| <b>Operating Income (Loss)</b>              | <b>(3,385)</b>      | <b>(17,895)</b>     | <b>(30,469)</b>       | <b>(12,911)</b>     | <b>(9,774)</b>      |
| <b>Non-Operating &amp; Special Item</b>     |                     |                     |                       |                     |                     |
| Contribution to State or State agency       | (1,380)             | (10,720)            | (9,207)               | (20,349)            | (36,772)            |
| Special item                                | -                   | -                   | -                     | 3,088               | -                   |
| <b>Change in Net Position</b>               | <b>\$ (4,765)</b>   | <b>\$ (28,615)</b>  | <b>\$ (39,676)</b>    | <b>\$ (30,172)</b>  | <b>\$ (46,546)</b>  |

\*Does not reflect the FY14 cumulative effect of accounting change.

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# ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

## STATEMENT OF NET POSITION

COMBINED - ALL FUNDS

As of June 30, 2014

(in thousands of dollars)

|                                                   | Combined<br>Revolving<br>Funds | Combined<br>Mortgage<br>Revenue<br>Bonds | Combined<br>Home<br>Mortgage<br>Revenue<br>Bonds | Combined<br>Veterans<br>Mortgage<br>Program<br>Bonds |
|---------------------------------------------------|--------------------------------|------------------------------------------|--------------------------------------------------|------------------------------------------------------|
| <b>ASSETS</b>                                     |                                |                                          |                                                  |                                                      |
| Cash                                              | 41,415                         | -                                        | -                                                | -                                                    |
| Investments                                       | 715,760                        | 21,849                                   | 52,043                                           | 5,995                                                |
| Accrued interest receivable                       | 1,986                          | 1,030                                    | 3,132                                            | 562                                                  |
| Inter-fund due to/from                            | (9,551)                        | 4,171                                    | 12,438                                           | 3,029                                                |
| Mortgage loans, notes and other loans             | 98,713                         | 331,964                                  | 792,582                                          | 95,650                                               |
| Net investment in direct financing lease          | -                              | -                                        | -                                                | -                                                    |
| Capital assets, non-depreciable                   | 139                            | -                                        | -                                                | -                                                    |
| Capital assets - depreciable, net                 | 3,770                          | -                                        | -                                                | -                                                    |
| Other assets                                      | 9,543                          | -                                        | -                                                | -                                                    |
| Derivative instrument - interest rate swaps       | -                              | -                                        | -                                                | -                                                    |
| Intergovernmental receivable                      | 5,659                          | -                                        | -                                                | -                                                    |
| <b>Total Assets</b>                               | <b>867,434</b>                 | <b>359,014</b>                           | <b>860,195</b>                                   | <b>105,236</b>                                       |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>              |                                |                                          |                                                  |                                                      |
|                                                   | -                              | -                                        | 123,286                                          | -                                                    |
| <b>LIABILITIES</b>                                |                                |                                          |                                                  |                                                      |
| Bonds payable                                     | -                              | 308,677                                  | 612,156                                          | 73,455                                               |
| Short term debt                                   | 64,993                         | -                                        | -                                                | -                                                    |
| Accrued interest payable                          | 1,978                          | 751                                      | 1,829                                            | 293                                                  |
| Other liabilities                                 | 9,739                          | 95                                       | 386                                              | 42                                                   |
| Derivative instrument - interest rate swaps       | -                              | -                                        | 114,739                                          | -                                                    |
| Intergovernmental payable                         | 157                            | -                                        | -                                                | -                                                    |
| <b>Total Liabilities</b>                          | <b>76,867</b>                  | <b>309,523</b>                           | <b>729,110</b>                                   | <b>73,790</b>                                        |
| <b>DEFERRED INFLOW OF RESOURCES</b>               |                                |                                          |                                                  |                                                      |
|                                                   | -                              | -                                        | -                                                | -                                                    |
| <b>NET POSITION</b>                               |                                |                                          |                                                  |                                                      |
| Net investment in capital assets                  | 3,909                          | -                                        | -                                                | -                                                    |
| Restricted by bond resolutions                    | -                              | 49,491                                   | 254,371                                          | 31,446                                               |
| Restricted by contractual or statutory agreements | 98,269                         | -                                        | -                                                | -                                                    |
| Unrestricted or (deficit)                         | 688,389                        | -                                        | -                                                | -                                                    |
| <b>Total Net Position</b>                         | <b>790,567</b>                 | <b>49,491</b>                            | <b>254,371</b>                                   | <b>31,446</b>                                        |

**Schedule 1**

| <b>Combined<br/>Other<br/>Housing<br/>Bonds</b> | <b>Combined<br/>Non-Housing<br/>Bonds</b> | <b>Combined<br/>Other<br/>Programs</b> | <b>Combined<br/>Total</b> |
|-------------------------------------------------|-------------------------------------------|----------------------------------------|---------------------------|
| -                                               | 227                                       | 35,384                                 | 77,026                    |
| 103,166                                         | 164,387                                   | -                                      | 1,063,200                 |
| 1,842                                           | 3,805                                     | -                                      | 12,357                    |
| 5,019                                           | 10,289                                    | (25,395)                               | -                         |
| 465,144                                         | 752,543                                   | -                                      | 2,536,596                 |
| -                                               | 44,664                                    | -                                      | 44,664                    |
| -                                               | 2,401                                     | 18,215                                 | 20,755                    |
| -                                               | 10,301                                    | 85,422                                 | 99,493                    |
| -                                               | -                                         | 11,632                                 | 21,175                    |
| -                                               | -                                         | -                                      | -                         |
| -                                               | -                                         | 17,699                                 | 23,358                    |
| 575,171                                         | 988,617                                   | 142,957                                | 3,898,624                 |
| 17,818                                          | 15,475                                    | -                                      | 156,579                   |
| 313,703                                         | 1,000,719                                 | -                                      | 2,308,710                 |
| -                                               | -                                         | -                                      | 64,993                    |
| 726                                             | 4,570                                     | -                                      | 10,147                    |
| 612                                             | 609                                       | 9,596                                  | 21,079                    |
| 16,457                                          | 8,508                                     | -                                      | 139,704                   |
| -                                               | 227                                       | 278                                    | 662                       |
| 331,498                                         | 1,014,633                                 | 9,874                                  | 2,545,295                 |
| -                                               | -                                         | -                                      | -                         |
| -                                               | 12,702                                    | 103,637                                | 120,248                   |
| 232,879                                         | -                                         | -                                      | 568,187                   |
| 28,612                                          | -                                         | 32,333                                 | 159,214                   |
| -                                               | (23,243)                                  | (2,887)                                | 662,259                   |
| 261,491                                         | (10,541)                                  | 133,083                                | 1,509,908                 |

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**ALASKA HOUSING FINANCE CORPORATION**

Schedule 2

(A Component Unit of the State of Alaska)

**STATEMENT OF NET POSITION****REVOLVING FUNDS**

As of June 30, 2014

(in thousands of dollars)

|                                                   | <b>Administrative<br/>Fund</b> | <b>Home<br/>Ownership<br/>Fund</b> | <b>Combined<br/>Total</b> |
|---------------------------------------------------|--------------------------------|------------------------------------|---------------------------|
| <b>ASSETS</b>                                     |                                |                                    |                           |
| Cash                                              | 41,032                         | 383                                | 41,415                    |
| Investments                                       | 704,682                        | 11,078                             | 715,760                   |
| Accrued interest receivable                       | 1,892                          | 94                                 | 1,986                     |
| Inter-fund due to/from                            | (9,551)                        | -                                  | (9,551)                   |
| Mortgage loans, notes and other loans             | 98,713                         | -                                  | 98,713                    |
| Net investment in direct financing lease          | -                              | -                                  | -                         |
| Capital assets - non-depreciable                  | 139                            | -                                  | 139                       |
| Capital assets - depreciable, net                 | 3,770                          | -                                  | 3,770                     |
| Other assets                                      | 9,543                          | -                                  | 9,543                     |
| Derivative instrument - interest rate swaps       | -                              | -                                  | -                         |
| Intergovernmental receivable                      | 5,659                          | -                                  | 5,659                     |
| <b>Total Assets</b>                               | <b>855,879</b>                 | <b>11,555</b>                      | <b>867,434</b>            |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>              |                                |                                    |                           |
|                                                   | -                              | -                                  | -                         |
| <b>LIABILITIES</b>                                |                                |                                    |                           |
| Bonds payable                                     | -                              | -                                  | -                         |
| Short term debt                                   | 64,993                         | -                                  | 64,993                    |
| Accrued interest payable                          | 1,978                          | -                                  | 1,978                     |
| Other liabilities                                 | 9,739                          | -                                  | 9,739                     |
| Derivative instrument - interest rate swaps       | -                              | -                                  | -                         |
| Intergovernmental payable                         | 157                            | -                                  | 157                       |
| <b>Total Liabilities</b>                          | <b>76,867</b>                  | <b>-</b>                           | <b>76,867</b>             |
| <b>DEFERRED INFLOW OF RESOURCES</b>               |                                |                                    |                           |
|                                                   | -                              | -                                  | -                         |
| <b>NET POSITION</b>                               |                                |                                    |                           |
| Net investment in capital assets                  | 3,909                          | -                                  | 3,909                     |
| Restricted by bond resolutions                    | -                              | -                                  | -                         |
| Restricted by contractual or statutory agreements | 86,714                         | 11,555                             | 98,269                    |
| Unrestricted or (deficit)                         | 688,389                        | -                                  | 688,389                   |
| <b>Total Net Position</b>                         | <b>779,012</b>                 | <b>11,555</b>                      | <b>790,567</b>            |

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**ALASKA HOUSING FINANCE CORPORATION**

Schedule 3

(A Component Unit of the State of Alaska)

**STATEMENT OF NET POSITION**

FIRST TIME HOMEBUYERS PROGRAM

MORTGAGE REVENUE BONDS

As of June 30, 2014

(in thousands of dollars)

|                                                   | <b>Bonds<br/>2009 A-1<br/>2010 A, B</b> | <b>Bonds<br/>2009 A-2<br/>2011 A, B</b> | <b>Mortgage<br/>Revenue<br/>Bonds<br/>Combined<br/>Total</b> |
|---------------------------------------------------|-----------------------------------------|-----------------------------------------|--------------------------------------------------------------|
| <b>ASSETS</b>                                     |                                         |                                         |                                                              |
| Cash                                              | -                                       | -                                       | -                                                            |
| Investments                                       | 8,988                                   | 12,861                                  | 21,849                                                       |
| Accrued interest receivable                       | 409                                     | 621                                     | 1,030                                                        |
| Inter-fund due to/from                            | 2,235                                   | 1,936                                   | 4,171                                                        |
| Mortgage loans, notes and other loans             | 123,077                                 | 208,887                                 | 331,964                                                      |
| Net investment in direct financing lease          | -                                       | -                                       | -                                                            |
| Capital assets - non-depreciable                  | -                                       | -                                       | -                                                            |
| Capital assets - depreciable, net                 | -                                       | -                                       | -                                                            |
| Other assets                                      | -                                       | -                                       | -                                                            |
| Derivative instrument - interest rate swaps       | -                                       | -                                       | -                                                            |
| Intergovernmental receivable                      | -                                       | -                                       | -                                                            |
| <b>Total Assets</b>                               | <b>134,709</b>                          | <b>224,305</b>                          | <b>359,014</b>                                               |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>              |                                         |                                         |                                                              |
|                                                   | -                                       | -                                       | -                                                            |
| <b>LIABILITIES</b>                                |                                         |                                         |                                                              |
| Bonds payable                                     | 125,657                                 | 183,020                                 | 308,677                                                      |
| Short term debt                                   | -                                       | -                                       | -                                                            |
| Accrued interest payable                          | 356                                     | 395                                     | 751                                                          |
| Other liabilities                                 | 37                                      | 58                                      | 95                                                           |
| Derivative instrument - interest rate swaps       | -                                       | -                                       | -                                                            |
| Intergovernmental payable                         | -                                       | -                                       | -                                                            |
| <b>Total Liabilities</b>                          | <b>126,050</b>                          | <b>183,473</b>                          | <b>309,523</b>                                               |
| <b>DEFERRED INFLOW OF RESOURCES</b>               |                                         |                                         |                                                              |
|                                                   | -                                       | -                                       | -                                                            |
| <b>NET POSITION</b>                               |                                         |                                         |                                                              |
| Net investment in capital assets                  | -                                       | -                                       | -                                                            |
| Restricted by bond resolutions                    | 8,659                                   | 40,832                                  | 49,491                                                       |
| Restricted by contractual or statutory agreements | -                                       | -                                       | -                                                            |
| Unrestricted or (deficit)                         | -                                       | -                                       | -                                                            |
| <b>Total Net Position</b>                         | <b>8,659</b>                            | <b>40,832</b>                           | <b>49,491</b>                                                |

# ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

## STATEMENT OF NET POSITION

FIRST TIME HOMEBUYERS PROGRAM

HOME MORTGAGE REVENUE BONDS

As of June 30, 2014

(in thousands of dollars)

|                                                   | Bonds<br>2002 A,B | Bonds<br>2006 A | Bonds<br>2007 A | Bonds<br>2007 B |
|---------------------------------------------------|-------------------|-----------------|-----------------|-----------------|
| <b>ASSETS</b>                                     |                   |                 |                 |                 |
| Cash                                              | -                 | -               | -               | -               |
| Investments                                       | 20,941            | 1,294           | 3,978           | 4,138           |
| Accrued interest receivable                       | 582               | 116             | 340             | 372             |
| Inter-fund due to/from                            | 2,102             | 355             | 961             | 1,227           |
| Mortgage loans, notes and other loans             | 129,792           | 23,780          | 83,803          | 83,421          |
| Net investment in direct financing lease          | -                 | -               | -               | -               |
| Capital assets - non-depreciable                  | -                 | -               | -               | -               |
| Capital assets - depreciable, net                 | -                 | -               | -               | -               |
| Other assets                                      | -                 | -               | -               | -               |
| Derivative instrument - interest rate swaps       | -                 | -               | -               | -               |
| Intergovernmental receivable                      | -                 | -               | -               | -               |
| <b>Total Assets</b>                               | <b>153,417</b>    | <b>25,545</b>   | <b>89,082</b>   | <b>89,158</b>   |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>              |                   |                 |                 |                 |
|                                                   | 8,285             | -               | 17,942          | 17,918          |
| <b>LIABILITIES</b>                                |                   |                 |                 |                 |
| Bonds payable                                     | 110,223           | 19,933          | 75,000          | 75,000          |
| Short term debt                                   | -                 | -               | -               | -               |
| Accrued interest payable                          | 261               | 78              | 235             | 235             |
| Other liabilities                                 | 50                | 8               | 43              | 29              |
| Derivative instrument - interest rate swaps       | 8,285             | -               | 16,403          | 16,379          |
| Intergovernmental payable                         | -                 | -               | -               | -               |
| <b>Total Liabilities</b>                          | <b>118,819</b>    | <b>20,019</b>   | <b>91,681</b>   | <b>91,643</b>   |
| <b>DEFERRED INFLOW OF RESOURCES</b>               |                   |                 |                 |                 |
|                                                   | -                 | -               | -               | -               |
| <b>NET POSITION</b>                               |                   |                 |                 |                 |
| Net investment in capital assets                  | -                 | -               | -               | -               |
| Restricted by bond resolutions                    | 42,883            | 5,526           | 15,343          | 15,433          |
| Restricted by contractual or statutory agreements | -                 | -               | -               | -               |
| Unrestricted or (deficit)                         | -                 | -               | -               | -               |
| <b>Total Net Position</b>                         | <b>42,883</b>     | <b>5,526</b>    | <b>15,343</b>   | <b>15,433</b>   |

**Schedule 4**

| <b>Bonds<br/>2007 D</b> | <b>Bonds<br/>2009 A</b> | <b>Bonds<br/>2009 B</b> | <b>Bonds<br/>2009 D</b> | <b>Home<br/>Mortgage<br/>Revenue<br/>Bonds<br/>Combined<br/>Total</b> |
|-------------------------|-------------------------|-------------------------|-------------------------|-----------------------------------------------------------------------|
| -                       | -                       | -                       | -                       | -                                                                     |
| 5,271                   | 4,916                   | 5,530                   | 5,975                   | 52,043                                                                |
| 425                     | 401                     | 375                     | 521                     | 3,132                                                                 |
| 1,051                   | 2,078                   | 2,204                   | 2,460                   | 12,438                                                                |
| 106,368                 | 115,885                 | 123,417                 | 126,116                 | 792,582                                                               |
| -                       | -                       | -                       | -                       | -                                                                     |
| -                       | -                       | -                       | -                       | -                                                                     |
| -                       | -                       | -                       | -                       | -                                                                     |
| -                       | -                       | -                       | -                       | -                                                                     |
| -                       | -                       | -                       | -                       | -                                                                     |
| 113,115                 | 123,280                 | 131,526                 | 135,072                 | 860,195                                                               |
| 21,093                  | 19,521                  | 19,462                  | 19,065                  | 123,286                                                               |
| 89,370                  | 80,880                  | 80,880                  | 80,870                  | 612,156                                                               |
| -                       | -                       | -                       | -                       | -                                                                     |
| 282                     | 221                     | 221                     | 296                     | 1,829                                                                 |
| 35                      | 31                      | 29                      | 161                     | 386                                                                   |
| 19,207                  | 18,312                  | 18,252                  | 17,901                  | 114,739                                                               |
| -                       | -                       | -                       | -                       | -                                                                     |
| 108,894                 | 99,444                  | 99,382                  | 99,228                  | 729,110                                                               |
| -                       | -                       | -                       | -                       | -                                                                     |
| -                       | -                       | -                       | -                       | -                                                                     |
| 25,314                  | 43,357                  | 51,606                  | 54,909                  | 254,371                                                               |
| -                       | -                       | -                       | -                       | -                                                                     |
| -                       | -                       | -                       | -                       | -                                                                     |
| 25,314                  | 43,357                  | 51,606                  | 54,909                  | 254,371                                                               |

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**ALASKA HOUSING FINANCE CORPORATION**

Schedule 5

(A Component Unit of the State of Alaska)

**STATEMENT OF NET POSITION**

VETERANS MORTGAGE PROGRAM BONDS - STATE GUARANTEED

As of June 30, 2014

(in thousands of dollars)

|                                                   | Collateralized<br>Bonds<br>2006 First<br>Series | Collateralized<br>Bonds<br>2007 & 2008<br>First Series | Combined<br>Total |
|---------------------------------------------------|-------------------------------------------------|--------------------------------------------------------|-------------------|
| <b>ASSETS</b>                                     |                                                 |                                                        |                   |
| Cash                                              | -                                               | -                                                      | -                 |
| Investments                                       | 5,299                                           | 696                                                    | 5,995             |
| Accrued interest receivable                       | 447                                             | 115                                                    | 562               |
| Inter-fund due to/from                            | 2,469                                           | 560                                                    | 3,029             |
| Mortgage loans, notes and other loans             | 73,898                                          | 21,752                                                 | 95,650            |
| Net investment in direct financing lease          | -                                               | -                                                      | -                 |
| Capital assets - non-depreciable                  | -                                               | -                                                      | -                 |
| Capital assets - depreciable, net                 | -                                               | -                                                      | -                 |
| Other assets                                      | -                                               | -                                                      | -                 |
| Derivative instrument - interest rate swaps       | -                                               | -                                                      | -                 |
| Intergovernmental receivable                      | -                                               | -                                                      | -                 |
| <b>Total Assets</b>                               | <b>82,113</b>                                   | <b>23,123</b>                                          | <b>105,236</b>    |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>              |                                                 |                                                        |                   |
|                                                   | -                                               | -                                                      | -                 |
| <b>LIABILITIES</b>                                |                                                 |                                                        |                   |
| Bonds payable                                     | 56,220                                          | 17,235                                                 | 73,455            |
| Short term debt                                   | -                                               | -                                                      | -                 |
| Accrued interest payable                          | 221                                             | 72                                                     | 293               |
| Other liabilities                                 | 33                                              | 9                                                      | 42                |
| Derivative instrument - interest rate swaps       | -                                               | -                                                      | -                 |
| Intergovernmental payable                         | -                                               | -                                                      | -                 |
| <b>Total Liabilities</b>                          | <b>56,474</b>                                   | <b>17,316</b>                                          | <b>73,790</b>     |
| <b>DEFERRED INFLOW OF RESOURCES</b>               |                                                 |                                                        |                   |
|                                                   | -                                               | -                                                      | -                 |
| <b>NET POSITION</b>                               |                                                 |                                                        |                   |
| Net investment in capital assets                  | -                                               | -                                                      | -                 |
| Restricted by bond resolutions                    | 25,639                                          | 5,807                                                  | 31,446            |
| Restricted by contractual or statutory agreements | -                                               | -                                                      | -                 |
| Unrestricted or (deficit)                         | -                                               | -                                                      | -                 |
| <b>Total Net Position</b>                         | <b>25,639</b>                                   | <b>5,807</b>                                           | <b>31,446</b>     |

# ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

## STATEMENT OF NET POSITION

### OTHER HOUSING BONDS

As of June 30, 2014

(in thousands of dollars)

|                                                   | Senior<br>Housing<br>Revolving<br>Loan<br>Fund | Housing<br>Development<br>Bonds | General<br>Mortgage<br>Revenue<br>Bonds II<br>2012 A & B | Governmental<br>Purpose<br>Bonds<br>1997 A |
|---------------------------------------------------|------------------------------------------------|---------------------------------|----------------------------------------------------------|--------------------------------------------|
| <b>ASSETS</b>                                     |                                                |                                 |                                                          |                                            |
| Cash                                              | -                                              | -                               | -                                                        | -                                          |
| Investments                                       | 21,601                                         | 2,219                           | 8,626                                                    | 8,264                                      |
| Accrued interest receivable                       | 245                                            | 134                             | 601                                                      | 104                                        |
| Inter-fund due to/from                            | 314                                            | 213                             | 2,351                                                    | -                                          |
| Mortgage loans, notes and other loans             | 6,453                                          | 25,657                          | 250,444                                                  | 13,655                                     |
| Net investment in direct financing lease          | -                                              | -                               | -                                                        | -                                          |
| Capital assets - non-depreciable                  | -                                              | -                               | -                                                        | -                                          |
| Capital assets - depreciable, net                 | -                                              | -                               | -                                                        | -                                          |
| Other assets                                      | -                                              | -                               | -                                                        | -                                          |
| Derivative instrument - interest rate swaps       | -                                              | -                               | -                                                        | -                                          |
| Intergovernmental receivable                      | -                                              | -                               | -                                                        | -                                          |
| <b>Total Assets</b>                               | <b>28,613</b>                                  | <b>28,223</b>                   | <b>262,022</b>                                           | <b>22,023</b>                              |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>              |                                                |                                 |                                                          |                                            |
|                                                   | -                                              | -                               | 1,361                                                    | -                                          |
| <b>LIABILITIES</b>                                |                                                |                                 |                                                          |                                            |
| Bonds payable                                     | -                                              | 100                             | 186,747                                                  | 14,600                                     |
| Short term debt                                   | -                                              | -                               | -                                                        | -                                          |
| Accrued interest payable                          | -                                              | -                               | 394                                                      | 1                                          |
| Other liabilities                                 | 1                                              | 2                               | 59                                                       | -                                          |
| Derivative instrument - interest rate swaps       | -                                              | -                               | -                                                        | -                                          |
| Intergovernmental payable                         | -                                              | -                               | -                                                        | -                                          |
| <b>Total Liabilities</b>                          | <b>1</b>                                       | <b>102</b>                      | <b>187,200</b>                                           | <b>14,601</b>                              |
| <b>DEFERRED INFLOW OF RESOURCES</b>               |                                                |                                 |                                                          |                                            |
|                                                   | -                                              | -                               | -                                                        | -                                          |
| <b>NET POSITION</b>                               |                                                |                                 |                                                          |                                            |
| Net investment in capital assets                  | -                                              | -                               | -                                                        | -                                          |
| Restricted by bond resolutions                    | -                                              | 28,121                          | 76,183                                                   | 7,422                                      |
| Restricted by contractual or statutory agreements | 28,612                                         | -                               | -                                                        | -                                          |
| Unrestricted or (deficit)                         | -                                              | -                               | -                                                        | -                                          |
| <b>Total Net Position</b>                         | <b>28,612</b>                                  | <b>28,121</b>                   | <b>76,183</b>                                            | <b>7,422</b>                               |

**Schedule 6**

| <b>Governmental<br/>Purpose<br/>Bonds<br/>2001 A-D</b> | <b>Combined<br/>Total</b> |
|--------------------------------------------------------|---------------------------|
| -                                                      | -                         |
| 62,456                                                 | 103,166                   |
| 758                                                    | 1,842                     |
| 2,141                                                  | 5,019                     |
| 168,935                                                | 465,144                   |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| 234,290                                                | 575,171                   |
| 16,457                                                 | 17,818                    |
| 112,256                                                | 313,703                   |
| -                                                      | -                         |
| 331                                                    | 726                       |
| 550                                                    | 612                       |
| 16,457                                                 | 16,457                    |
| -                                                      | -                         |
| 129,594                                                | 331,498                   |
| -                                                      | -                         |
| -                                                      | -                         |
| 121,153                                                | 232,879                   |
| -                                                      | 28,612                    |
| -                                                      | -                         |
| 121,153                                                | 261,491                   |

# ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

## STATEMENT OF NET POSITION

### NON-HOUSING BONDS

As of June 30, 2014

(in thousands of dollars)

|                                                   | State<br>Capital<br>Project<br>Bonds<br>2002 A, B, C | State<br>Capital<br>Project<br>Bonds<br>2006 A | State<br>Capital<br>Project<br>Bonds<br>2007 A & B | State<br>Capital<br>Project<br>Bonds<br>2011 A |
|---------------------------------------------------|------------------------------------------------------|------------------------------------------------|----------------------------------------------------|------------------------------------------------|
| <b>ASSETS</b>                                     |                                                      |                                                |                                                    |                                                |
| Cash                                              | -                                                    | -                                              | 136                                                | -                                              |
| Investments                                       | 4,027                                                | 2,779                                          | 955                                                | 3,657                                          |
| Accrued interest receivable                       | 185                                                  | 340                                            | 154                                                | 316                                            |
| Inter-fund due to/from                            | 920                                                  | 1,354                                          | 363                                                | 1,086                                          |
| Mortgage loans, notes and other loans             | 45,606                                               | 86,060                                         | 44,320                                             | 64,317                                         |
| Net investment in direct financing lease          | -                                                    | -                                              | 35,049                                             | -                                              |
| Capital assets - non-depreciable                  | -                                                    | -                                              | -                                                  | 2,401                                          |
| Capital assets - depreciable, net                 | -                                                    | -                                              | -                                                  | 10,301                                         |
| Other assets                                      | -                                                    | -                                              | -                                                  | -                                              |
| Derivative instrument - interest rate swaps       | -                                                    | -                                              | -                                                  | -                                              |
| Intergovernmental receivable                      | -                                                    | -                                              | -                                                  | -                                              |
| <b>Total Assets</b>                               | <b>50,738</b>                                        | <b>90,533</b>                                  | <b>80,977</b>                                      | <b>82,078</b>                                  |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>              |                                                      |                                                |                                                    |                                                |
|                                                   | 5,981                                                | -                                              | 2,202                                              | -                                              |
| <b>LIABILITIES</b>                                |                                                      |                                                |                                                    |                                                |
| Bonds payable                                     | 50,760                                               | 88,434                                         | 79,498                                             | 80,475                                         |
| Short term debt                                   | -                                                    | -                                              | -                                                  | -                                              |
| Accrued interest payable                          | 1,329                                                | 333                                            | 312                                                | 324                                            |
| Other liabilities                                 | 15                                                   | 29                                             | 15                                                 | 23                                             |
| Derivative instrument - interest rate swaps       | 8,508                                                | -                                              | -                                                  | -                                              |
| Intergovernmental payable                         | -                                                    | -                                              | 136                                                | -                                              |
| <b>Total Liabilities</b>                          | <b>60,612</b>                                        | <b>88,796</b>                                  | <b>79,961</b>                                      | <b>80,822</b>                                  |
| <b>DEFERRED INFLOW OF RESOURCES</b>               |                                                      |                                                |                                                    |                                                |
|                                                   | -                                                    | -                                              | -                                                  | -                                              |
| <b>NET POSITION</b>                               |                                                      |                                                |                                                    |                                                |
| Net investment in capital assets                  | -                                                    | -                                              | -                                                  | 12,702                                         |
| Restricted by bond resolutions                    | -                                                    | -                                              | -                                                  | -                                              |
| Restricted by contractual or statutory agreements | -                                                    | -                                              | -                                                  | -                                              |
| Unrestricted or (deficit)                         | (3,893)                                              | 1,737                                          | 3,218                                              | (11,446)                                       |
| <b>Total Net Position</b>                         | <b>(3,893)</b>                                       | <b>1,737</b>                                   | <b>3,218</b>                                       | <b>1,256</b>                                   |

## Schedule 7

| State<br>Capital<br>Project<br>Bonds II<br>2012 A & B | State<br>Capital<br>Project<br>Bonds II<br>2013 A & B | State<br>Capital<br>Project<br>Bonds II<br>2014 A | State<br>Capital<br>Project<br>Bonds II<br>2014 B | General<br>Housing<br>Purpose<br>Bonds<br>2005 A | General<br>Housing<br>Purpose<br>Bonds<br>2005 B & C | Combined<br>Total |
|-------------------------------------------------------|-------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|--------------------------------------------------|------------------------------------------------------|-------------------|
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | 91                                                   | 227               |
| 2,584                                                 | 4,528                                                 | 102,850                                           | 34,081                                            | 28                                               | 8,898                                                | 164,387           |
| 773                                                   | 719                                                   | -                                                 | -                                                 | 961                                              | 357                                                  | 3,805             |
| 1,614                                                 | 1,561                                                 | -                                                 | -                                                 | 1,945                                            | 1,446                                                | 10,289            |
| 137,154                                               | 143,627                                               | -                                                 | -                                                 | 138,477                                          | 92,982                                               | 752,543           |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | 9,615                                                | 44,664            |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | 2,401             |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | 10,301            |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| 142,125                                               | 150,435                                               | 102,850                                           | 34,081                                            | 141,411                                          | 113,389                                              | 988,617           |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | 7,292                                                | 15,475            |
| 151,686                                               | 148,224                                               | 104,577                                           | 34,030                                            | 136,550                                          | 126,485                                              | 1,000,719         |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| 341                                                   | 372                                                   | 383                                               | 73                                                | 570                                              | 533                                                  | 4,570             |
| 34                                                    | 31                                                    | -                                                 | 50                                                | 44                                               | 368                                                  | 609               |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | 8,508             |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | 91                                                   | 227               |
| 152,061                                               | 148,627                                               | 104,960                                           | 34,153                                            | 137,164                                          | 127,477                                              | 1,014,633         |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | 12,702            |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| (9,936)                                               | 1,808                                                 | (2,110)                                           | (72)                                              | 4,247                                            | (6,796)                                              | (23,243)          |
| (9,936)                                               | 1,808                                                 | (2,110)                                           | (72)                                              | 4,247                                            | (6,796)                                              | (10,541)          |

# ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

## STATEMENT OF NET POSITION

### OTHER PROGRAM FUNDS

As of June 30, 2014

(in thousands of dollars)

|                                                   | Energy<br>Programs | Low Rent<br>Program | Market Rate<br>Rental<br>Housing<br>Programs | Section 8<br>Vouchers<br>Programs |
|---------------------------------------------------|--------------------|---------------------|----------------------------------------------|-----------------------------------|
| <b>ASSETS</b>                                     |                    |                     |                                              |                                   |
| Cash                                              | 1,361              | 16,386              | 9,317                                        | 7,030                             |
| Investments                                       | -                  | -                   | -                                            | -                                 |
| Accrued interest receivable                       | -                  | -                   | -                                            | -                                 |
| Inter-fund due to/from                            | (6,675)            | (10,266)            | (248)                                        | (4,096)                           |
| Mortgage loans, notes and other loans             | -                  | -                   | -                                            | -                                 |
| Net investment in direct financing lease          | -                  | -                   | -                                            | -                                 |
| Capital assets - non-depreciable                  | -                  | 12,485              | 1,130                                        | -                                 |
| Capital assets - depreciable, net                 | -                  | 65,428              | 19,968                                       | 26                                |
| Other assets                                      | 2,044              | 557                 | 72                                           | 337                               |
| Derivative instrument - interest rate swaps       | -                  | -                   | -                                            | -                                 |
| Intergovernmental receivable                      | 9,961              | -                   | -                                            | 179                               |
| <b>Total Assets</b>                               | <b>6,691</b>       | <b>84,590</b>       | <b>30,239</b>                                | <b>3,476</b>                      |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>              |                    |                     |                                              |                                   |
|                                                   | -                  | -                   | -                                            | -                                 |
| <b>LIABILITIES</b>                                |                    |                     |                                              |                                   |
| Bonds payable                                     | -                  | -                   | -                                            | -                                 |
| Short term debt                                   | -                  | -                   | -                                            | -                                 |
| Accrued interest payable                          | -                  | -                   | -                                            | -                                 |
| Other liabilities                                 | 3,137              | 1,366               | 294                                          | 255                               |
| Derivative instrument - interest rate swaps       | -                  | -                   | -                                            | -                                 |
| Intergovernmental payable                         | -                  | 278                 | -                                            | -                                 |
| <b>Total Liabilities</b>                          | <b>3,137</b>       | <b>1,644</b>        | <b>294</b>                                   | <b>255</b>                        |
| <b>DEFERRED INFLOW OF RESOURCES</b>               |                    |                     |                                              |                                   |
|                                                   | -                  | -                   | -                                            | -                                 |
| <b>NET POSITION</b>                               |                    |                     |                                              |                                   |
| Net investment in capital assets                  | -                  | 77,913              | 21,098                                       | 26                                |
| Restricted by bond resolutions                    | -                  | -                   | -                                            | -                                 |
| Restricted by contractual or statutory agreements | 4,717              | 5,320               | 8,878                                        | 3,195                             |
| Unrestricted or (deficit)                         | (1,163)            | (287)               | (31)                                         | -                                 |
| <b>Total Net Position</b>                         | <b>3,554</b>       | <b>82,946</b>       | <b>29,945</b>                                | <b>3,221</b>                      |

Schedule 8

| Other<br>Grants | Alaska<br>Corporation<br>for Affordable<br>Housing | Combined<br>Total |
|-----------------|----------------------------------------------------|-------------------|
| 3               | 1,287                                              | 35,384            |
| -               | -                                                  | -                 |
| -               | -                                                  | -                 |
| (1,519)         | (2,591)                                            | (25,395)          |
| -               | -                                                  | -                 |
| -               | -                                                  | -                 |
| -               | 4,600                                              | 18,215            |
| -               | -                                                  | 85,422            |
| 7,469           | 1,153                                              | 11,632            |
| -               | -                                                  | -                 |
| 7,559           | -                                                  | 17,699            |
| 13,512          | 4,449                                              | 142,957           |
| -               | -                                                  | -                 |
| -               | -                                                  | -                 |
| -               | -                                                  | -                 |
| -               | -                                                  | -                 |
| 3,387           | 1,157                                              | 9,596             |
| -               | -                                                  | -                 |
| -               | -                                                  | 278               |
| 3,387           | 1,157                                              | 9,874             |
| -               | -                                                  | -                 |
| -               | 4,600                                              | 103,637           |
| -               | -                                                  | -                 |
| 10,223          | -                                                  | 32,333            |
| (98)            | (1,308)                                            | (2,887)           |
| 10,125          | 3,292                                              | 133,083           |

# ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

COMBINED - ALL FUNDS

For the Year Ended June 30, 2014

(in thousands of dollars)

|                                                                 | Combined<br>Revolving<br>Funds | Combined<br>Mortgage<br>Revenue<br>Bonds | Combined<br>Home<br>Mortgage<br>Revenue<br>Bonds | Combined<br>Veterans<br>Mortgage<br>Program<br>Bonds |
|-----------------------------------------------------------------|--------------------------------|------------------------------------------|--------------------------------------------------|------------------------------------------------------|
| <b>OPERATING REVENUES</b>                                       |                                |                                          |                                                  |                                                      |
| Mortgage and loans revenue                                      | 6,688                          | 14,449                                   | 34,621                                           | 6,339                                                |
| Investment interest                                             | 569                            | 94                                       | 350                                              | 39                                                   |
| Net change in the fair value of investments                     | 2,619                          | -                                        | 6                                                | -                                                    |
| Net change of hedge termination                                 | -                              | -                                        | -                                                | -                                                    |
| Total Investment Revenue                                        | 3,188                          | 94                                       | 356                                              | 39                                                   |
| Externally funded program                                       | 1,242                          | -                                        | -                                                | -                                                    |
| Rental                                                          | 50                             | -                                        | -                                                | -                                                    |
| Other                                                           | 5,096                          | -                                        | -                                                | -                                                    |
| <b>Total Operating Revenues</b>                                 | <b>16,264</b>                  | <b>14,543</b>                            | <b>34,977</b>                                    | <b>6,378</b>                                         |
| <b>OPERATING EXPENSES</b>                                       |                                |                                          |                                                  |                                                      |
| Interest                                                        | 61                             | 9,335                                    | 23,600                                           | 3,921                                                |
| Mortgage and loan costs                                         | 706                            | 1,340                                    | 2,807                                            | 492                                                  |
| Financing expenses                                              | 429                            | 45                                       | 2,218                                            | 8                                                    |
| Provision for loan loss                                         | 2,966                          | (176)                                    | (1,950)                                          | (762)                                                |
| Operations and administration                                   | 24,469                         | 549                                      | 1,199                                            | 175                                                  |
| Rental housing operating expenses                               | 209                            | -                                        | -                                                | -                                                    |
| Housing grants and subsidies                                    | 32                             | -                                        | -                                                | -                                                    |
| <b>Total Operating Expenses</b>                                 | <b>28,872</b>                  | <b>11,093</b>                            | <b>27,874</b>                                    | <b>3,834</b>                                         |
| <b>Operating Income (Loss)</b>                                  | <b>(12,608)</b>                | <b>3,450</b>                             | <b>7,103</b>                                     | <b>2,544</b>                                         |
| <b>NONOPERATING EXPENSES,<br/>SPECIAL ITEMS &amp; TRANSFERS</b> |                                |                                          |                                                  |                                                      |
| Contributions to the State of Alaska or other State agencies    | (1,380)                        | -                                        | -                                                | -                                                    |
| Special Items                                                   | -                              | -                                        | -                                                | -                                                    |
| Transfers - Internal                                            | (27,240)                       | (1,533)                                  | (2,424)                                          | (11,315)                                             |
| Change in Net Position                                          | (41,228)                       | 1,917                                    | 4,679                                            | (8,771)                                              |
| Net position at beginning of year                               | 831,795                        | 49,197                                   | 251,506                                          | 40,715                                               |
| Cumulative effect of accounting change                          | -                              | (1,623)                                  | (1,814)                                          | (498)                                                |
| Revised net position at beginning of year                       | 831,795                        | 47,574                                   | 249,692                                          | 40,217                                               |
| <b>Net Position at End of Period</b>                            | <b>790,567</b>                 | <b>49,491</b>                            | <b>254,371</b>                                   | <b>31,446</b>                                        |

**Schedule 9**

| <b>Combined<br/>Other<br/>Housing<br/>Bonds</b> | <b>Combined<br/>Non-Housing<br/>Bonds</b> | <b>Combined<br/>Other<br/>Programs</b> | <b>Combined<br/>Total</b> |
|-------------------------------------------------|-------------------------------------------|----------------------------------------|---------------------------|
| 17,499                                          | 41,144                                    | -                                      | 120,740                   |
| 3,219                                           | 2,248                                     | 13                                     | 6,532                     |
| (458)                                           | 283                                       | -                                      | 2,450                     |
| -                                               | 37                                        | -                                      | 37                        |
| 2,761                                           | 2,568                                     | 13                                     | 9,019                     |
| -                                               | -                                         | 162,497                                | 163,739                   |
| -                                               | -                                         | 8,901                                  | 8,951                     |
| -                                               | -                                         | 541                                    | 5,637                     |
| 20,260                                          | 43,712                                    | 171,952                                | 308,086                   |
| 9,192                                           | 35,075                                    | -                                      | 81,184                    |
| 1,398                                           | 2,699                                     | -                                      | 9,442                     |
| 432                                             | 1,283                                     | -                                      | 4,415                     |
| (140)                                           | (5,626)                                   | -                                      | (5,688)                   |
| 714                                             | 1,716                                     | 29,949                                 | 58,771                    |
| -                                               | -                                         | 13,950                                 | 14,159                    |
| -                                               | -                                         | 149,156                                | 149,188                   |
| 11,596                                          | 35,147                                    | 193,055                                | 311,471                   |
| 8,664                                           | 8,565                                     | (21,103)                               | (3,385)                   |
| -                                               | -                                         | -                                      | (1,380)                   |
| -                                               | -                                         | -                                      | -                         |
| 4,015                                           | 8,981                                     | 29,516                                 | -                         |
| 12,679                                          | 17,546                                    | 8,413                                  | (4,765)                   |
| 251,140                                         | (23,495)                                  | 124,670                                | 1,525,528                 |
| (2,328)                                         | (4,592)                                   | -                                      | (10,855)                  |
| 248,812                                         | (28,087)                                  | 124,670                                | 1,514,673                 |
| 261,491                                         | (10,541)                                  | 133,083                                | 1,509,908                 |

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**ALASKA HOUSING FINANCE CORPORATION**

Schedule 10

(A Component Unit of the State of Alaska)

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION****REVOLVING FUNDS**

For the Year Ended June 30, 2014

(in thousands of dollars)

|                                                                 | <b>Administrative<br/>Fund</b> | <b>Home<br/>Ownership<br/>Fund</b> | <b>Combined<br/>Total</b> |
|-----------------------------------------------------------------|--------------------------------|------------------------------------|---------------------------|
| <b>OPERATING REVENUES</b>                                       |                                |                                    |                           |
| Mortgage and loans revenue                                      | 6,688                          | -                                  | 6,688                     |
| Investment interest                                             | 327                            | 242                                | 569                       |
| Net change in the fair value of investments                     | 2,833                          | (214)                              | 2,619                     |
| Net change of hedge termination                                 | -                              | -                                  | -                         |
| Total Investment Revenue                                        | 3,160                          | 28                                 | 3,188                     |
| Externally funded program                                       | 1,242                          | -                                  | 1,242                     |
| Rental                                                          | 50                             | -                                  | 50                        |
| Other                                                           | 5,090                          | 6                                  | 5,096                     |
| <b>Total Operating Revenues</b>                                 | <b>16,230</b>                  | <b>34</b>                          | <b>16,264</b>             |
| <b>OPERATING EXPENSES</b>                                       |                                |                                    |                           |
| Interest                                                        | 61                             | -                                  | 61                        |
| Mortgage and loan costs                                         | 706                            | -                                  | 706                       |
| Financing expenses                                              | 428                            | 1                                  | 429                       |
| Provision for loan loss                                         | 2,966                          | -                                  | 2,966                     |
| Operations and administration                                   | 24,469                         | -                                  | 24,469                    |
| Rental housing operating expenses                               | 209                            | -                                  | 209                       |
| Housing grants and subsidies                                    | 32                             | -                                  | 32                        |
| <b>Total Operating Expenses</b>                                 | <b>28,871</b>                  | <b>1</b>                           | <b>28,872</b>             |
| <b>Operating Income (Loss)</b>                                  | <b>(12,641)</b>                | <b>33</b>                          | <b>(12,608)</b>           |
| <b>NONOPERATING EXPENSES,<br/>SPECIAL ITEMS &amp; TRANSFERS</b> |                                |                                    |                           |
| Contributions to the State of Alaska or other State agencies    | (1,380)                        | -                                  | (1,380)                   |
| Special Items                                                   | -                              | -                                  | -                         |
| Transfers - Internal                                            | (27,241)                       | 1                                  | (27,240)                  |
| Change in Net Position                                          | (41,262)                       | 34                                 | (41,228)                  |
| Net position at beginning of year                               | 820,274                        | 11,521                             | 831,795                   |
| Cumulative effect of accounting change                          | -                              | -                                  | -                         |
| Revised net position at beginning of year                       | 820,274                        | 11,521                             | 831,795                   |
| <b>Net Position at End of Period</b>                            | <b>779,012</b>                 | <b>11,555</b>                      | <b>790,567</b>            |

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**ALASKA HOUSING FINANCE CORPORATION**

Schedule 11

(A Component Unit of the State of Alaska)

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

FIRST TIME HOMEBUYERS PROGRAM

MORTGAGE REVENUE BONDS

For the Year Ended June 30, 2014

(in thousands of dollars)

|                                                                 | <b>Bonds<br/>2009 A-1<br/>2010 A, B</b> | <b>Bonds<br/>2009 A-2<br/>2011 A, B</b> | <b>Mortgage<br/>Revenue<br/>Bonds<br/>Combined<br/>Total</b> |
|-----------------------------------------------------------------|-----------------------------------------|-----------------------------------------|--------------------------------------------------------------|
| <b>OPERATING REVENUES</b>                                       |                                         |                                         |                                                              |
| Mortgage and loans revenue                                      | 5,748                                   | 8,701                                   | 14,449                                                       |
| Investment interest                                             | 39                                      | 55                                      | 94                                                           |
| Net change in the fair value of investments                     | -                                       | -                                       | -                                                            |
| Net change of hedge termination                                 | -                                       | -                                       | -                                                            |
| Total Investment Revenue                                        | 39                                      | 55                                      | 94                                                           |
| Externally funded program                                       | -                                       | -                                       | -                                                            |
| Rental                                                          | -                                       | -                                       | -                                                            |
| Other                                                           | -                                       | -                                       | -                                                            |
| <b>Total Operating Revenues</b>                                 | <b>5,787</b>                            | <b>8,756</b>                            | <b>14,543</b>                                                |
| <b>OPERATING EXPENSES</b>                                       |                                         |                                         |                                                              |
| Interest                                                        | 4,374                                   | 4,961                                   | 9,335                                                        |
| Mortgage and loan costs                                         | 518                                     | 822                                     | 1,340                                                        |
| Financing expenses                                              | 17                                      | 28                                      | 45                                                           |
| Provision for loan loss                                         | (27)                                    | (149)                                   | (176)                                                        |
| Operations and administration                                   | 203                                     | 346                                     | 549                                                          |
| Rental housing operating expenses                               | -                                       | -                                       | -                                                            |
| Housing grants and subsidies                                    | -                                       | -                                       | -                                                            |
| <b>Total Operating Expenses</b>                                 | <b>5,085</b>                            | <b>6,008</b>                            | <b>11,093</b>                                                |
| <b>Operating Income (Loss)</b>                                  | <b>702</b>                              | <b>2,748</b>                            | <b>3,450</b>                                                 |
| <b>NONOPERATING EXPENSES,<br/>SPECIAL ITEMS &amp; TRANSFERS</b> |                                         |                                         |                                                              |
| Contributions to the State of Alaska or other State agencies    | -                                       | -                                       | -                                                            |
| Special Items                                                   | -                                       | -                                       | -                                                            |
| Transfers - Internal                                            | (1,692)                                 | 159                                     | (1,533)                                                      |
| Change in Net Position                                          | (990)                                   | 2,907                                   | 1,917                                                        |
| Net position at beginning of year                               | 10,397                                  | 38,800                                  | 49,197                                                       |
| Cumulative effect of accounting change                          | (748)                                   | (875)                                   | (1,623)                                                      |
| Revised net position at beginning of year                       | 9,649                                   | 37,925                                  | 47,574                                                       |
| <b>Net Position at End of Period</b>                            | <b>8,659</b>                            | <b>40,832</b>                           | <b>49,491</b>                                                |

# ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FIRST TIME HOMEBUYERS PROGRAM

HOME MORTGAGE REVENUE BONDS

For the Year Ended June 30, 2014

(in thousands of dollars)

|                                                                 | Bonds<br>2002 A,B | Bonds<br>2006 A | Bonds<br>2007 A | Bonds<br>2007 B |
|-----------------------------------------------------------------|-------------------|-----------------|-----------------|-----------------|
| <b>OPERATING REVENUES</b>                                       |                   |                 |                 |                 |
| Mortgage and loans revenue                                      | 7,488             | 1,413           | 3,535           | 3,665           |
| Investment interest                                             | 55                | 11              | 39              | 37              |
| Net change in the fair value of investments                     | -                 | -               | -               | -               |
| Net change of hedge termination                                 | -                 | -               | -               | -               |
| Total Investment Revenue                                        | 55                | 11              | 39              | 37              |
| Externally funded program                                       | -                 | -               | -               | -               |
| Rental                                                          | -                 | -               | -               | -               |
| Other                                                           | -                 | -               | -               | -               |
| <b>Total Operating Revenues</b>                                 | <b>7,543</b>      | <b>1,424</b>    | <b>3,574</b>    | <b>3,702</b>    |
| <b>OPERATING EXPENSES</b>                                       |                   |                 |                 |                 |
| Interest                                                        | 4,304             | 1,034           | 2,915           | 2,906           |
| Mortgage and loan costs                                         | 665               | 96              | 308             | 293             |
| Financing expenses                                              | 851               | 9               | 144             | 144             |
| Provision for loan loss                                         | (482)             | (275)           | (268)           | (330)           |
| Operations and administration                                   | 213               | 41              | 122             | 120             |
| Rental housing operating expenses                               | -                 | -               | -               | -               |
| Housing grants and subsidies                                    | -                 | -               | -               | -               |
| <b>Total Operating Expenses</b>                                 | <b>5,551</b>      | <b>905</b>      | <b>3,221</b>    | <b>3,133</b>    |
| <b>Operating Income (Loss)</b>                                  | <b>1,992</b>      | <b>519</b>      | <b>353</b>      | <b>569</b>      |
| <b>NONOPERATING EXPENSES,<br/>SPECIAL ITEMS &amp; TRANSFERS</b> |                   |                 |                 |                 |
| Contributions to the State of Alaska or other State agencies    | -                 | -               | -               | -               |
| Special Items                                                   | -                 | -               | -               | -               |
| Transfers - Internal                                            | (2,918)           | 52              | (56)            | 1,986           |
| Change in Net Position                                          | (926)             | 571             | 297             | 2,555           |
| Net position at beginning of year                               | 44,327            | 5,162           | 15,230          | 12,993          |
| Cumulative effect of accounting change                          | (518)             | (207)           | (184)           | (115)           |
| Revised net position at beginning of year                       | 43,809            | 4,955           | 15,046          | 12,878          |
| <b>Net Position at End of Period</b>                            | <b>42,883</b>     | <b>5,526</b>    | <b>15,343</b>   | <b>15,433</b>   |

Schedule 12

| Bonds<br>2007 D | Bonds<br>2009 A | Bonds<br>2009 B | Bonds<br>2009 D | Home<br>Mortgage<br>Revenue<br>Bonds<br>Combined<br>Total |
|-----------------|-----------------|-----------------|-----------------|-----------------------------------------------------------|
| 4,674           | 3,931           | 4,370           | 5,545           | 34,621                                                    |
| 55              | 54              | 51              | 48              | 350                                                       |
| 2               | 2               | 2               | -               | 6                                                         |
| -               | -               | -               | -               | -                                                         |
| 57              | 56              | 53              | 48              | 356                                                       |
| -               | -               | -               | -               | -                                                         |
| -               | -               | -               | -               | -                                                         |
| -               | -               | -               | -               | -                                                         |
| 4,731           | 3,987           | 4,423           | 5,593           | 34,977                                                    |
| 3,479           | 2,986           | 2,985           | 2,991           | 23,600                                                    |
| 377             | 305             | 333             | 430             | 2,807                                                     |
| 176             | 80              | 67              | 747             | 2,218                                                     |
| (565)           | 181             | 181             | (392)           | (1,950)                                                   |
| 156             | 172             | 183             | 192             | 1,199                                                     |
| -               | -               | -               | -               | -                                                         |
| -               | -               | -               | -               | -                                                         |
| 3,623           | 3,724           | 3,749           | 3,968           | 27,874                                                    |
| 1,108           | 263             | 674             | 1,625           | 7,103                                                     |
| -               | -               | -               | -               | -                                                         |
| -               | -               | -               | -               | -                                                         |
| (1,303)         | (577)           | (218)           | 610             | (2,424)                                                   |
| (195)           | (314)           | 456             | 2,235           | 4,679                                                     |
| 25,666          | 43,883          | 51,347          | 52,898          | 251,506                                                   |
| (157)           | (212)           | (197)           | (224)           | (1,814)                                                   |
| 25,509          | 43,671          | 51,150          | 52,674          | 249,692                                                   |
| 25,314          | 43,357          | 51,606          | 54,909          | 254,371                                                   |

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**ALASKA HOUSING FINANCE CORPORATION**

Schedule 13

(A Component Unit of the State of Alaska)

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

VETERANS MORTGAGE PROGRAM BONDS - STATE GUARANTEED

For the Year Ended June 30, 2014

(in thousands of dollars)

|                                                                 | <b>Collateralized<br/>Bonds<br/>2006 First<br/>Series</b> | <b>Collateralized<br/>Bonds<br/>2007 &amp; 2008<br/>First Series</b> | <b>Combined<br/>Total</b> |
|-----------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------------------------|---------------------------|
| <b>OPERATING REVENUES</b>                                       |                                                           |                                                                      |                           |
| Mortgage and loans revenue                                      | 4,884                                                     | 1,455                                                                | 6,339                     |
| Investment interest                                             | 31                                                        | 8                                                                    | 39                        |
| Net change in the fair value of investments                     | -                                                         | -                                                                    | -                         |
| Net change of hedge termination                                 | -                                                         | -                                                                    | -                         |
| Total Investment Revenue                                        | 31                                                        | 8                                                                    | 39                        |
| Externally funded program                                       | -                                                         | -                                                                    | -                         |
| Rental                                                          | -                                                         | -                                                                    | -                         |
| Other                                                           | -                                                         | -                                                                    | -                         |
| <b>Total Operating Revenues</b>                                 | <b>4,915</b>                                              | <b>1,463</b>                                                         | <b>6,378</b>              |
| <b>OPERATING EXPENSES</b>                                       |                                                           |                                                                      |                           |
| Interest                                                        | 2,967                                                     | 954                                                                  | 3,921                     |
| Mortgage and loan costs                                         | 379                                                       | 113                                                                  | 492                       |
| Financing expenses                                              | 6                                                         | 2                                                                    | 8                         |
| Provision for loan loss                                         | (591)                                                     | (171)                                                                | (762)                     |
| Operations and administration                                   | 136                                                       | 39                                                                   | 175                       |
| Rental housing operating expenses                               | -                                                         | -                                                                    | -                         |
| Housing grants and subsidies                                    | -                                                         | -                                                                    | -                         |
| <b>Total Operating Expenses</b>                                 | <b>2,897</b>                                              | <b>937</b>                                                           | <b>3,834</b>              |
| <b>Operating Income (Loss)</b>                                  | <b>2,018</b>                                              | <b>526</b>                                                           | <b>2,544</b>              |
| <b>NONOPERATING EXPENSES,<br/>SPECIAL ITEMS &amp; TRANSFERS</b> |                                                           |                                                                      |                           |
| Contributions to the State of Alaska or other State agencies    | -                                                         | -                                                                    | -                         |
| Special Items                                                   | -                                                         | -                                                                    | -                         |
| Transfers - Internal                                            | (8,644)                                                   | (2,671)                                                              | (11,315)                  |
| Change in Net Position                                          | (6,626)                                                   | (2,145)                                                              | (8,771)                   |
| Net position at beginning of year                               | 32,559                                                    | 8,156                                                                | 40,715                    |
| Cumulative effect of accounting change                          | (294)                                                     | (204)                                                                | (498)                     |
| Revised net position at beginning of year                       | 32,265                                                    | 7,952                                                                | 40,217                    |
| <b>Net Position at End of Period</b>                            | <b>25,639</b>                                             | <b>5,807</b>                                                         | <b>31,446</b>             |

# ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

### OTHER HOUSING BONDS

For the Year Ended June 30, 2014

(in thousands of dollars)

|                                                                 | Senior<br>Housing<br>Revolving<br>Loan<br>Fund | Housing<br>Development<br>Bonds | General<br>Mortgage<br>Revenue<br>Bonds II<br>2012 A & B | Governmental<br>Purpose<br>Bonds<br>1997 A |
|-----------------------------------------------------------------|------------------------------------------------|---------------------------------|----------------------------------------------------------|--------------------------------------------|
| <b>OPERATING REVENUES</b>                                       |                                                |                                 |                                                          |                                            |
| Mortgage and loans revenue                                      | 435                                            | 1,651                           | 8,190                                                    | 257                                        |
| Investment interest                                             | 507                                            | 5                               | 51                                                       | 15                                         |
| Net change in the fair value of investments                     | (454)                                          | -                               | -                                                        | -                                          |
| Net change of hedge termination                                 | -                                              | -                               | -                                                        | -                                          |
| Total Investment Revenue                                        | 53                                             | 5                               | 51                                                       | 15                                         |
| Externally funded program                                       | -                                              | -                               | -                                                        | -                                          |
| Rental                                                          | -                                              | -                               | -                                                        | -                                          |
| Other                                                           | -                                              | -                               | -                                                        | -                                          |
| <b>Total Operating Revenues</b>                                 | <b>488</b>                                     | <b>1,656</b>                    | <b>8,241</b>                                             | <b>272</b>                                 |
| <b>OPERATING EXPENSES</b>                                       |                                                |                                 |                                                          |                                            |
| Interest                                                        | -                                              | 22                              | 4,702                                                    | 8                                          |
| Mortgage and loan costs                                         | 22                                             | 30                              | 778                                                      | -                                          |
| Financing expenses                                              | 2                                              | 1                               | 51                                                       | 28                                         |
| Provision for loan loss                                         | (36)                                           | (275)                           | 759                                                      | -                                          |
| Operations and administration                                   | 11                                             | 42                              | 398                                                      | 22                                         |
| Rental housing operating expenses                               | -                                              | -                               | -                                                        | -                                          |
| Housing grants and subsidies                                    | -                                              | -                               | -                                                        | -                                          |
| <b>Total Operating Expenses</b>                                 | <b>(1)</b>                                     | <b>(180)</b>                    | <b>6,688</b>                                             | <b>58</b>                                  |
| <b>Operating Income (Loss)</b>                                  | <b>489</b>                                     | <b>1,836</b>                    | <b>1,553</b>                                             | <b>214</b>                                 |
| <b>NONOPERATING EXPENSES,<br/>SPECIAL ITEMS &amp; TRANSFERS</b> |                                                |                                 |                                                          |                                            |
| Contributions to the State of Alaska or other State agencies    | -                                              | -                               | -                                                        | -                                          |
| Special Items                                                   | -                                              | -                               | -                                                        | -                                          |
| Transfers - Internal                                            | 13                                             | 2,086                           | 3,562                                                    | 50                                         |
| Change in Net Position                                          | 502                                            | 3,922                           | 5,115                                                    | 264                                        |
| Net position at beginning of year                               | 28,110                                         | 24,209                          | 72,329                                                   | 7,266                                      |
| Cumulative effect of accounting change                          | -                                              | (10)                            | (1,261)                                                  | (108)                                      |
| Revised net position at beginning of year                       | 28,110                                         | 24,199                          | 71,068                                                   | 7,158                                      |
| <b>Net Position at End of Period</b>                            | <b>28,612</b>                                  | <b>28,121</b>                   | <b>76,183</b>                                            | <b>7,422</b>                               |

**Schedule 14**

| <b>Governmental<br/>Purpose<br/>Bonds<br/>2001 A-D</b> | <b>Combined<br/>Total</b> |
|--------------------------------------------------------|---------------------------|
| 6,966                                                  | 17,499                    |
| 2,641                                                  | 3,219                     |
| (4)                                                    | (458)                     |
| -                                                      | -                         |
| 2,637                                                  | 2,761                     |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| 9,603                                                  | 20,260                    |
| 4,460                                                  | 9,192                     |
| 568                                                    | 1,398                     |
| 350                                                    | 432                       |
| (588)                                                  | (140)                     |
| 241                                                    | 714                       |
| -                                                      | -                         |
| -                                                      | -                         |
| 5,031                                                  | 11,596                    |
| 4,572                                                  | 8,664                     |
| -                                                      | -                         |
| -                                                      | -                         |
| (1,696)                                                | 4,015                     |
| 2,876                                                  | 12,679                    |
| 119,226                                                | 251,140                   |
| (949)                                                  | (2,328)                   |
| 118,277                                                | 248,812                   |
| 121,153                                                | 261,491                   |

# ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

### NON-HOUSING BONDS

For the Year Ended June 30, 2014

(in thousands of dollars)

|                                                                 | State<br>Capital<br>Project<br>Bonds<br>2002 A, B, C | State<br>Capital<br>Project<br>Bonds<br>2006 A | State<br>Capital<br>Project<br>Bonds<br>2007 A & B | State<br>Capital<br>Project<br>Bonds<br>2011 A |
|-----------------------------------------------------------------|------------------------------------------------------|------------------------------------------------|----------------------------------------------------|------------------------------------------------|
| <b>OPERATING REVENUES</b>                                       |                                                      |                                                |                                                    |                                                |
| Mortgage and loans revenue                                      | 2,331                                                | 4,223                                          | 1,936                                              | 3,993                                          |
| Investment interest                                             | 19                                                   | 28                                             | 1,469                                              | 23                                             |
| Net change in the fair value of investments                     | -                                                    | -                                              | -                                                  | -                                              |
| Net change of hedge termination                                 | 37                                                   | -                                              | -                                                  | -                                              |
| Total Investment Revenue                                        | 56                                                   | 28                                             | 1,469                                              | 23                                             |
| Externally funded program                                       | -                                                    | -                                              | -                                                  | -                                              |
| Rental                                                          | -                                                    | -                                              | -                                                  | -                                              |
| Other                                                           | -                                                    | -                                              | -                                                  | -                                              |
| <b>Total Operating Revenues</b>                                 | <b>2,387</b>                                         | <b>4,251</b>                                   | <b>3,405</b>                                       | <b>4,016</b>                                   |
| <b>OPERATING EXPENSES</b>                                       |                                                      |                                                |                                                    |                                                |
| Interest                                                        | 2,705                                                | 4,049                                          | 3,705                                              | 3,598                                          |
| Mortgage and loan costs                                         | 196                                                  | 382                                            | 189                                                | 296                                            |
| Financing expenses                                              | 63                                                   | 37                                             | 33                                                 | 6                                              |
| Provision for loan loss                                         | (45)                                                 | (417)                                          | 65                                                 | (93)                                           |
| Operations and administration                                   | 76                                                   | 141                                            | 69                                                 | 584                                            |
| Rental housing operating expenses                               | -                                                    | -                                              | -                                                  | -                                              |
| Housing grants and subsidies                                    | -                                                    | -                                              | -                                                  | -                                              |
| <b>Total Operating Expenses</b>                                 | <b>2,995</b>                                         | <b>4,192</b>                                   | <b>4,061</b>                                       | <b>4,391</b>                                   |
| <b>Operating Income (Loss)</b>                                  | <b>(608)</b>                                         | <b>59</b>                                      | <b>(656)</b>                                       | <b>(375)</b>                                   |
| <b>NONOPERATING EXPENSES,<br/>SPECIAL ITEMS &amp; TRANSFERS</b> |                                                      |                                                |                                                    |                                                |
| Contributions to the State of Alaska or other State agencies    | -                                                    | -                                              | -                                                  | -                                              |
| Special Items                                                   | -                                                    | -                                              | -                                                  | -                                              |
| Transfers - Internal                                            | 2,257                                                | 490                                            | 930                                                | 9                                              |
| Change in Net Position                                          | 1,649                                                | 549                                            | 274                                                | (366)                                          |
| Net position at beginning of year                               | (5,209)                                              | 1,702                                          | 3,419                                              | 2,170                                          |
| Cumulative effect of accounting change                          | (333)                                                | (514)                                          | (475)                                              | (548)                                          |
| Revised net position at beginning of year                       | (5,542)                                              | 1,188                                          | 2,944                                              | 1,622                                          |
| <b>Net Position at End of Period</b>                            | <b>(3,893)</b>                                       | <b>1,737</b>                                   | <b>3,218</b>                                       | <b>1,256</b>                                   |

## Schedule 15

| State<br>Capital<br>Project<br>Bonds II<br>2012 A & B | State<br>Capital<br>Project<br>Bonds II<br>2013 A & B | State<br>Capital<br>Project<br>Bonds II<br>2014 A | State<br>Capital<br>Project<br>Bonds II<br>2014 B | General<br>Housing<br>Purpose<br>Bonds<br>2005 A | General<br>Housing<br>Purpose<br>Bonds<br>2005 B & C | Combined<br>Total |
|-------------------------------------------------------|-------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|--------------------------------------------------|------------------------------------------------------|-------------------|
| 8,683                                                 | 8,530                                                 | -                                                 | -                                                 | 6,745                                            | 4,703                                                | 41,144            |
| 35                                                    | 32                                                    | -                                                 | -                                                 | 37                                               | 605                                                  | 2,248             |
| -                                                     | -                                                     | 266                                               | 18                                                | (1)                                              | -                                                    | 283               |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | 37                |
| 35                                                    | 32                                                    | 266                                               | 18                                                | 36                                               | 605                                                  | 2,568             |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| 8,718                                                 | 8,562                                                 | 266                                               | 18                                                | 6,781                                            | 5,308                                                | 43,712            |
| 2,646                                                 | 3,081                                                 | 1,530                                             | 40                                                | 6,718                                            | 7,003                                                | 35,075            |
| 344                                                   | 364                                                   | -                                                 | -                                                 | 535                                              | 393                                                  | 2,699             |
| 42                                                    | 132                                                   | 590                                               | 263                                               | 61                                               | 56                                                   | 1,283             |
| (674)                                                 | (1,776)                                               | -                                                 | -                                                 | (2,454)                                          | (232)                                                | (5,626)           |
| 216                                                   | 236                                                   | 35                                                | -                                                 | 212                                              | 147                                                  | 1,716             |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| 2,574                                                 | 2,037                                                 | 2,155                                             | 303                                               | 5,072                                            | 7,367                                                | 35,147            |
| 6,144                                                 | 6,525                                                 | (1,889)                                           | (285)                                             | 1,709                                            | (2,059)                                              | 8,565             |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| 3,047                                                 | (99)                                                  | (221)                                             | 213                                               | 1,586                                            | 769                                                  | 8,981             |
| 9,191                                                 | 6,426                                                 | (2,110)                                           | (72)                                              | 3,295                                            | (1,290)                                              | 17,546            |
| (18,383)                                              | (3,915)                                               | -                                                 | -                                                 | 1,867                                            | (5,146)                                              | (23,495)          |
| (744)                                                 | (703)                                                 | -                                                 | -                                                 | (915)                                            | (360)                                                | (4,592)           |
| (19,127)                                              | (4,618)                                               | -                                                 | -                                                 | 952                                              | (5,506)                                              | (28,087)          |
| (9,936)                                               | 1,808                                                 | (2,110)                                           | (72)                                              | 4,247                                            | (6,796)                                              | (10,541)          |

# ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

OTHER PROGRAM FUNDS

For the Year Ended June 30, 2014

(in thousands of dollars)

|                                                                 | Energy<br>Programs | Low Rent<br>Program | Market Rate<br>Rental<br>Housing<br>Programs | Section 8<br>Vouchers<br>Programs |
|-----------------------------------------------------------------|--------------------|---------------------|----------------------------------------------|-----------------------------------|
| <b>OPERATING REVENUES</b>                                       |                    |                     |                                              |                                   |
| Mortgage and loans revenue                                      | -                  | -                   | -                                            | -                                 |
| Investment interest                                             | 2                  | 1                   | 1                                            | 8                                 |
| Net change in the fair value of investments                     | -                  | -                   | -                                            | -                                 |
| Net change of hedge termination                                 | -                  | -                   | -                                            | -                                 |
| Total Investment Revenue                                        | 2                  | 1                   | 1                                            | 8                                 |
| Externally funded program                                       | 79,875             | 12,100              | 2,192                                        | 38,176                            |
| Rental                                                          | -                  | 6,669               | 2,232                                        | -                                 |
| Other                                                           | 1                  | 4                   | 6                                            | 113                               |
| <b>Total Operating Revenues</b>                                 | <b>79,878</b>      | <b>18,774</b>       | <b>4,431</b>                                 | <b>38,297</b>                     |
| <b>OPERATING EXPENSES</b>                                       |                    |                     |                                              |                                   |
| Interest                                                        | -                  | -                   | -                                            | -                                 |
| Mortgage and loan costs                                         | -                  | -                   | -                                            | -                                 |
| Financing expenses                                              | -                  | -                   | -                                            | -                                 |
| Provision for loan loss                                         | -                  | -                   | -                                            | -                                 |
| Operations and administration                                   | 5,060              | 13,214              | 3,193                                        | 5,129                             |
| Rental housing operating expenses                               | 1,102              | 10,322              | 2,322                                        | 158                               |
| Housing grants and subsidies                                    | 76,051             | 43                  | -                                            | 32,128                            |
| <b>Total Operating Expenses</b>                                 | <b>82,213</b>      | <b>23,579</b>       | <b>5,515</b>                                 | <b>37,415</b>                     |
| <b>Operating Income (Loss)</b>                                  | <b>(2,335)</b>     | <b>(4,805)</b>      | <b>(1,084)</b>                               | <b>882</b>                        |
| <b>NONOPERATING EXPENSES,<br/>SPECIAL ITEMS &amp; TRANSFERS</b> |                    |                     |                                              |                                   |
| Contributions to the State of Alaska or other State agencies    | -                  | -                   | -                                            | -                                 |
| Special Items                                                   | -                  | -                   | -                                            | -                                 |
| Transfers - Internal                                            | 4,252              | (9,217)             | 1,477                                        | 504                               |
| Change in Net Position                                          | 1,917              | (14,022)            | 393                                          | 1,386                             |
| Net position at beginning of year                               | 1,637              | 96,968              | 29,552                                       | 1,835                             |
| Cumulative effect of accounting change                          | -                  | -                   | -                                            | -                                 |
| Revised net position at beginning of year                       | 1,637              | 96,968              | 29,552                                       | 1,835                             |
| <b>Net Position at End of Period</b>                            | <b>3,554</b>       | <b>82,946</b>       | <b>29,945</b>                                | <b>3,221</b>                      |

**Schedule 16**

| <b>Other<br/>Grants</b> | <b>Alaska<br/>Corporation<br/>for Affordable<br/>Housing</b> | <b>Combined<br/>Total</b> |
|-------------------------|--------------------------------------------------------------|---------------------------|
| -                       | -                                                            | -                         |
| -                       | 1                                                            | 13                        |
| -                       | -                                                            | -                         |
| -                       | -                                                            | -                         |
| -                       | 1                                                            | 13                        |
| 30,154                  | -                                                            | 162,497                   |
| -                       | -                                                            | 8,901                     |
| 417                     | -                                                            | 541                       |
| 30,571                  | 1                                                            | 171,952                   |
| -                       | -                                                            | -                         |
| -                       | -                                                            | -                         |
| -                       | -                                                            | -                         |
| -                       | -                                                            | -                         |
| 3,283                   | 70                                                           | 29,949                    |
| 46                      | -                                                            | 13,950                    |
| 40,934                  | -                                                            | 149,156                   |
| 44,263                  | 70                                                           | 193,055                   |
| (13,692)                | (69)                                                         | (21,103)                  |
| -                       | -                                                            | -                         |
| -                       | -                                                            | -                         |
| 32,340                  | 160                                                          | 29,516                    |
| 18,648                  | 91                                                           | 8,413                     |
| (8,523)                 | 3,201                                                        | 124,670                   |
| -                       | -                                                            | -                         |
| (8,523)                 | 3,201                                                        | 124,670                   |
| 10,125                  | 3,292                                                        | 133,083                   |

# ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

## STATEMENT OF CASH FLOWS

COMBINED - ALL FUNDS

For the Year Ended June 30, 2014

(in thousands of dollars)

|                                                                                                          | Combined<br>Revolving<br>Funds | Combined<br>Mortgage<br>Revenue<br>Bonds | Combined<br>Home<br>Mortgage<br>Revenue<br>Bonds | Combined<br>Veterans<br>Mortgage<br>Program<br>Bonds |
|----------------------------------------------------------------------------------------------------------|--------------------------------|------------------------------------------|--------------------------------------------------|------------------------------------------------------|
| <b><u>Cash flows from operating activities:</u></b>                                                      |                                |                                          |                                                  |                                                      |
| Interest income on mortgages and loans                                                                   | 2,194                          | 13,226                                   | 32,107                                           | 5,880                                                |
| Principal payments received on mortgages and loans                                                       | 7,218                          | 32,916                                   | 113,740                                          | 21,058                                               |
| Purchases of mortgages and loans                                                                         | (550,284)                      | -                                        | -                                                | -                                                    |
| Receipt (payment) for loan transfers between funds                                                       | 477,858                        | (17,267)                                 | (218,739)                                        | 3,003                                                |
| Mortgage and loan proceeds                                                                               | 407,455                        | -                                        | -                                                | -                                                    |
| Payment of mortgage and loan proceeds to funds                                                           | (413,994)                      | -                                        | -                                                | -                                                    |
| Payments to employees and other payroll disbursements                                                    | (24,490)                       | -                                        | -                                                | -                                                    |
| Payments for goods and services                                                                          | (13,734)                       | -                                        | -                                                | -                                                    |
| Cash received for externally funded programs                                                             | 798                            | -                                        | -                                                | -                                                    |
| Cash received for Federal HAP subsidies                                                                  | -                              | -                                        | -                                                | -                                                    |
| Payments for Federal HAP subsidies                                                                       | -                              | -                                        | -                                                | -                                                    |
| Interfund receipts (payments)                                                                            | 21,075                         | -                                        | -                                                | -                                                    |
| Grant payments to other agencies                                                                         | (12,313)                       | -                                        | -                                                | -                                                    |
| Other operating cash receipts                                                                            | 44,380                         | -                                        | -                                                | -                                                    |
| Other operating cash payments                                                                            | (25,789)                       | -                                        | -                                                | -                                                    |
| <b>Net cash provided by (used for) operating activities</b>                                              | <b>(79,626)</b>                | <b>28,875</b>                            | <b>(72,892)</b>                                  | <b>29,941</b>                                        |
| <b><u>Cash flows from noncapital financing activities:</u></b>                                           |                                |                                          |                                                  |                                                      |
| Proceeds from the issuance of bonds                                                                      | -                              | -                                        | -                                                | -                                                    |
| Principal paid on bonds                                                                                  | -                              | (23,280)                                 | (10,475)                                         | (28,630)                                             |
| Payment to defease bonds                                                                                 | -                              | -                                        | -                                                | -                                                    |
| Payment of bond issuance costs                                                                           | (666)                          | -                                        | -                                                | -                                                    |
| Interest paid                                                                                            | (1,456)                        | (9,361)                                  | (22,918)                                         | (4,034)                                              |
| Proceeds from issuance of short term debt                                                                | 452,023                        | -                                        | -                                                | -                                                    |
| Payment of short term debt                                                                               | (415,422)                      | -                                        | -                                                | -                                                    |
| Contributions to the State of Alaska or other State agencies                                             | (1,223)                        | -                                        | -                                                | -                                                    |
| Transfers (to) from other funds                                                                          | 55,097                         | (2,119)                                  | (3,955)                                          | (6,459)                                              |
| Other cash payments                                                                                      | -                              | -                                        | -                                                | -                                                    |
| <b>Net cash provided by (used for) noncapital financing activities</b>                                   | <b>88,353</b>                  | <b>(34,760)</b>                          | <b>(37,348)</b>                                  | <b>(39,123)</b>                                      |
| <b><u>Cash flows from capital financing activities:</u></b>                                              |                                |                                          |                                                  |                                                      |
| Acquisition of capital assets                                                                            | (1,170)                        | -                                        | -                                                | -                                                    |
| Proceeds from the disposal of capital assets                                                             | 1                              | -                                        | -                                                | -                                                    |
| Proceeds from the issuance of capital notes                                                              | -                              | -                                        | -                                                | -                                                    |
| Principal paid on capital notes                                                                          | -                              | -                                        | -                                                | -                                                    |
| Payment of bond issuance costs                                                                           | -                              | -                                        | -                                                | -                                                    |
| Interest paid on capital notes                                                                           | -                              | -                                        | -                                                | -                                                    |
| Proceeds from direct financing leases                                                                    | -                              | -                                        | -                                                | -                                                    |
| Other cash payments                                                                                      | (645)                          | -                                        | -                                                | -                                                    |
| <b>Net cash provided by (used for) capital financing activities</b>                                      | <b>(1,814)</b>                 | <b>-</b>                                 | <b>-</b>                                         | <b>-</b>                                             |
| <b><u>Cash flows from investing activities:</u></b>                                                      |                                |                                          |                                                  |                                                      |
| Purchase of investments                                                                                  | (3,236,534)                    | (173,858)                                | (697,701)                                        | (84,609)                                             |
| Proceeds from maturity of investments                                                                    | 3,239,276                      | 179,647                                  | 807,575                                          | 93,751                                               |
| Interest received from investments                                                                       | 439                            | 96                                       | 366                                              | 40                                                   |
| <b>Net cash provided by (used for) investing activities</b>                                              | <b>3,181</b>                   | <b>5,885</b>                             | <b>110,240</b>                                   | <b>9,182</b>                                         |
| Net Increase (decrease) in cash                                                                          | 10,094                         | -                                        | -                                                | -                                                    |
| Cash at the beginning of year                                                                            | 31,321                         | -                                        | -                                                | -                                                    |
| <b>Cash at the end of period</b>                                                                         | <b>41,415</b>                  | <b>-</b>                                 | <b>-</b>                                         | <b>-</b>                                             |
| <b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b> |                                |                                          |                                                  |                                                      |
| Operating income (loss)                                                                                  | (12,608)                       | 3,450                                    | 7,103                                            | 2,544                                                |
| <i>Adjustments:</i>                                                                                      |                                |                                          |                                                  |                                                      |
| Depreciation expense                                                                                     | 392                            | -                                        | -                                                | -                                                    |
| Provision for loan losses                                                                                | 2,966                          | (176)                                    | (1,950)                                          | (762)                                                |
| Net change in the fair value of investments                                                              | (2,619)                        | -                                        | (6)                                              | -                                                    |
| Transfers between funds for operating activity                                                           | (38,118)                       | 675                                      | 4,301                                            | 126                                                  |
| Interest received from investments                                                                       | (439)                          | (96)                                     | (366)                                            | (40)                                                 |
| Interest paid                                                                                            | 1,456                          | 9,361                                    | 22,918                                           | 4,034                                                |
| <i>Changes in assets, liabilities and deferred resources:</i>                                            |                                |                                          |                                                  |                                                      |
| Net increase (decrease) in mortgages and loans                                                           | (65,208)                       | 15,649                                   | (104,999)                                        | 24,061                                               |
| Net increase (decrease) in assets, liabilities and deferred resources                                    | 34,552                         | 12                                       | 107                                              | (22)                                                 |
| <b>Net cash provided by (used for) operating activities</b>                                              | <b>(79,626)</b>                | <b>28,875</b>                            | <b>(72,892)</b>                                  | <b>29,941</b>                                        |

**Schedule 17**

| <b>Combined<br/>Other<br/>Housing<br/>Bonds</b> | <b>Combined<br/>Non-Housing<br/>Bonds</b> | <b>Combined<br/>Other<br/>Programs</b> | <b>Combined<br/>Total</b> |
|-------------------------------------------------|-------------------------------------------|----------------------------------------|---------------------------|
| 16,303                                          | 38,414                                    | -                                      | 108,124                   |
| 45,915                                          | 95,526                                    | -                                      | 316,373                   |
| -                                               | -                                         | -                                      | (550,284)                 |
| (149,532)                                       | (95,323)                                  | -                                      | -                         |
| -                                               | -                                         | -                                      | 407,455                   |
| -                                               | -                                         | -                                      | (413,994)                 |
| -                                               | -                                         | (14,196)                               | (38,686)                  |
| -                                               | -                                         | (12,508)                               | (26,242)                  |
| -                                               | -                                         | 149,310                                | 150,108                   |
| -                                               | -                                         | 32,947                                 | 32,947                    |
| -                                               | -                                         | (32,666)                               | (32,666)                  |
| -                                               | -                                         | (21,075)                               | -                         |
| -                                               | -                                         | (103,268)                              | (115,581)                 |
| -                                               | 227                                       | 11,284                                 | 55,891                    |
| -                                               | (211)                                     | (464)                                  | (26,464)                  |
| (87,314)                                        | 38,633                                    | 9,364                                  | (133,019)                 |
| <hr/>                                           |                                           |                                        |                           |
| -                                               | 139,229                                   | -                                      | 139,229                   |
| (12,485)                                        | (24,535)                                  | -                                      | (99,405)                  |
| -                                               | -                                         | -                                      | -                         |
| -                                               | -                                         | -                                      | (666)                     |
| (8,971)                                         | (35,069)                                  | -                                      | (81,809)                  |
| -                                               | -                                         | -                                      | 452,023                   |
| -                                               | -                                         | -                                      | (415,422)                 |
| -                                               | -                                         | -                                      | (1,223)                   |
| 1,955                                           | (44,093)                                  | (426)                                  | -                         |
| -                                               | -                                         | -                                      | -                         |
| (19,501)                                        | 35,532                                    | (426)                                  | (7,273)                   |
| <hr/>                                           |                                           |                                        |                           |
| -                                               | -                                         | (1,250)                                | (2,420)                   |
| -                                               | -                                         | 8                                      | 9                         |
| -                                               | -                                         | -                                      | -                         |
| -                                               | (5,567)                                   | -                                      | (5,567)                   |
| -                                               | -                                         | -                                      | -                         |
| -                                               | (2,251)                                   | -                                      | (2,251)                   |
| -                                               | 6,771                                     | -                                      | 6,771                     |
| -                                               | -                                         | -                                      | (645)                     |
| -                                               | (1,047)                                   | (1,242)                                | (4,103)                   |
| <hr/>                                           |                                           |                                        |                           |
| (521,208)                                       | (704,696)                                 | -                                      | (5,418,606)               |
| 624,953                                         | 631,349                                   | -                                      | 5,576,551                 |
| 3,070                                           | 245                                       | 13                                     | 4,269                     |
| 106,815                                         | (73,102)                                  | 13                                     | 162,214                   |
| <hr/>                                           |                                           |                                        |                           |
| -                                               | 16                                        | 7,709                                  | 17,819                    |
| -                                               | 211                                       | 27,675                                 | 59,207                    |
| -                                               | 227                                       | 35,384                                 | 77,026                    |
| <hr/>                                           |                                           |                                        |                           |
| <hr/>                                           |                                           |                                        |                           |
| 8,664                                           | 8,565                                     | (21,103)                               | (3,385)                   |
| -                                               | 475                                       | 6,709                                  | 7,576                     |
| (140)                                           | (5,626)                                   | -                                      | (5,688)                   |
| 458                                             | (283)                                     | -                                      | (2,450)                   |
| 1,501                                           | 2,443                                     | 29,072                                 | -                         |
| (3,070)                                         | (245)                                     | (13)                                   | (4,269)                   |
| 8,971                                           | 37,320                                    | -                                      | 84,060                    |
| <hr/>                                           |                                           |                                        |                           |
| (103,617)                                       | 203                                       | -                                      | (233,911)                 |
| (81)                                            | (4,219)                                   | (5,301)                                | 25,048                    |
| (87,314)                                        | 38,633                                    | 9,364                                  | (133,019)                 |

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**ALASKA HOUSING FINANCE CORPORATION**
**Schedule 18**

(A Component Unit of the State of Alaska)

**STATEMENT OF CASH FLOWS**
**REVOLVING FUNDS**

For the Year Ended June 30, 2014

(in thousands of dollars)

|                                                                                                                 | Administrative<br>Fund | Home<br>Ownership<br>Fund | Combined<br>Total |
|-----------------------------------------------------------------------------------------------------------------|------------------------|---------------------------|-------------------|
| <b><u>Cash flows from operating activities:</u></b>                                                             |                        |                           |                   |
| Interest income on mortgages and loans                                                                          | 2,194                  | -                         | 2,194             |
| Principal payments received on mortgages and loans                                                              | 7,218                  | -                         | 7,218             |
| Purchases of mortgages and loans                                                                                | (550,284)              | -                         | (550,284)         |
| Receipt (payment) for loan transfers between funds                                                              | 477,858                | -                         | 477,858           |
| Mortgage and loan proceeds                                                                                      | 407,455                | -                         | 407,455           |
| Payment of mortgage and loan proceeds to funds                                                                  | (413,994)              | -                         | (413,994)         |
| Payments to employees and other payroll disbursements                                                           | (24,490)               | -                         | (24,490)          |
| Payments for goods and services                                                                                 | (13,734)               | -                         | (13,734)          |
| Cash received for externally funded programs                                                                    | 798                    | -                         | 798               |
| Cash received for Federal HAP subsidies                                                                         | -                      | -                         | -                 |
| Payments for Federal HAP subsidies                                                                              | -                      | -                         | -                 |
| Interfund receipts (payments)                                                                                   | 21,075                 | -                         | 21,075            |
| Grant payments to other agencies                                                                                | (12,313)               | -                         | (12,313)          |
| Other operating cash receipts                                                                                   | 44,374                 | 6                         | 44,380            |
| Other operating cash payments                                                                                   | (25,789)               | -                         | (25,789)          |
| <b>Net cash provided by (used for) operating activities</b>                                                     | <b>(79,632)</b>        | <b>6</b>                  | <b>(79,626)</b>   |
| <b><u>Cash flows from noncapital financing activities:</u></b>                                                  |                        |                           |                   |
| Proceeds from the issuance of bonds                                                                             | -                      | -                         | -                 |
| Principal paid on bonds                                                                                         | -                      | -                         | -                 |
| Payment to defease bonds                                                                                        | -                      | -                         | -                 |
| Payment of bond issuance costs                                                                                  | (666)                  | -                         | (666)             |
| Interest paid                                                                                                   | (1,456)                | -                         | (1,456)           |
| Proceeds from issuance of short term debt                                                                       | 452,023                | -                         | 452,023           |
| Payment of short term debt                                                                                      | (415,422)              | -                         | (415,422)         |
| Contributions to the State of Alaska or other State agencies                                                    | (1,223)                | -                         | (1,223)           |
| Transfers (to) from other funds                                                                                 | 55,097                 | -                         | 55,097            |
| Other cash payments                                                                                             | -                      | -                         | -                 |
| <b>Net cash provided by (used for) noncapital financing activities</b>                                          | <b>88,353</b>          | <b>-</b>                  | <b>88,353</b>     |
| <b><u>Cash flows from capital financing activities:</u></b>                                                     |                        |                           |                   |
| Acquisition of capital assets                                                                                   | (1,170)                | -                         | (1,170)           |
| Proceeds from the disposal of capital assets                                                                    | 1                      | -                         | 1                 |
| Proceeds from the issuance of capital notes                                                                     | -                      | -                         | -                 |
| Principal paid on capital notes                                                                                 | -                      | -                         | -                 |
| Payment of bond issuance costs                                                                                  | -                      | -                         | -                 |
| Interest paid on capital notes                                                                                  | -                      | -                         | -                 |
| Proceeds from direct financing leases                                                                           | -                      | -                         | -                 |
| Other cash payments                                                                                             | (645)                  | -                         | (645)             |
| <b>Net cash provided by (used for) capital financing activities</b>                                             | <b>(1,814)</b>         | <b>-</b>                  | <b>(1,814)</b>    |
| <b><u>Cash flows from investing activities:</u></b>                                                             |                        |                           |                   |
| Purchase of investments                                                                                         | (3,199,017)            | (37,517)                  | (3,236,534)       |
| Proceeds from maturity of investments                                                                           | 3,201,907              | 37,369                    | 3,239,276         |
| Interest received from investments                                                                              | 291                    | 148                       | 439               |
| <b>Net cash provided by (used for) investing activities</b>                                                     | <b>3,181</b>           | <b>-</b>                  | <b>3,181</b>      |
| Net Increase (decrease) in cash                                                                                 | 10,088                 | 6                         | 10,094            |
| Cash at the beginning of year                                                                                   | 30,944                 | 377                       | 31,321            |
| <b>Cash at the end of period</b>                                                                                | <b>41,032</b>          | <b>383</b>                | <b>41,415</b>     |
| <b><u>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</u></b> |                        |                           |                   |
| Operating income (loss)                                                                                         | (12,641)               | 33                        | (12,608)          |
| <b><u>Adjustments:</u></b>                                                                                      |                        |                           |                   |
| Depreciation expense                                                                                            | 392                    | -                         | 392               |
| Provision for loan losses                                                                                       | 2,966                  | -                         | 2,966             |
| Net change in the fair value of investments                                                                     | (2,833)                | 214                       | (2,619)           |
| Transfers between funds for operating activity                                                                  | (38,119)               | 1                         | (38,118)          |
| Interest received from investments                                                                              | (291)                  | (148)                     | (439)             |
| Interest paid                                                                                                   | 1,456                  | -                         | 1,456             |
| <b><u>Changes in assets, liabilities and deferred resources:</u></b>                                            |                        |                           |                   |
| Net increase (decrease) in mortgages and loans                                                                  | (65,208)               | -                         | (65,208)          |
| Net increase (decrease) in assets, liabilities and deferred resources                                           | 34,646                 | (94)                      | 34,552            |
| <b>Net cash provided by (used for) operating activities</b>                                                     | <b>(79,632)</b>        | <b>6</b>                  | <b>(79,626)</b>   |

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**ALASKA HOUSING FINANCE CORPORATION**
**Schedule 19**

(A Component Unit of the State of Alaska)

**STATEMENT OF CASH FLOWS**

FIRST TIME HOMEBUYERS PROGRAM

MORTGAGE REVENUE BONDS

For the Year Ended June 30, 2014

(in thousands of dollars)

|                                                                                                          | Bonds<br>2009 A-1<br>2010 A, B | Bonds<br>2009 A-2<br>2011 A, B | Mortgage<br>Revenue<br>Bonds<br>Combined<br>Total |
|----------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|---------------------------------------------------|
| <b><u>Cash flows from operating activities:</u></b>                                                      |                                |                                |                                                   |
| Interest income on mortgages and loans                                                                   | 5,271                          | 7,955                          | 13,226                                            |
| Principal payments received on mortgages and loans                                                       | 12,672                         | 20,244                         | 32,916                                            |
| Purchases of mortgages and loans                                                                         | -                              | -                              | -                                                 |
| Receipt (payment) for loan transfers between funds                                                       | (10,373)                       | (6,894)                        | (17,267)                                          |
| Mortgage and loan proceeds                                                                               | -                              | -                              | -                                                 |
| Payment of mortgage and loan proceeds to funds                                                           | -                              | -                              | -                                                 |
| Payments to employees and other payroll disbursements                                                    | -                              | -                              | -                                                 |
| Payments for goods and services                                                                          | -                              | -                              | -                                                 |
| Cash received for externally funded programs                                                             | -                              | -                              | -                                                 |
| Cash received for Federal HAP subsidies                                                                  | -                              | -                              | -                                                 |
| Payments for Federal HAP subsidies                                                                       | -                              | -                              | -                                                 |
| Interfund receipts (payments)                                                                            | -                              | -                              | -                                                 |
| Grant payments to other agencies                                                                         | -                              | -                              | -                                                 |
| Other operating cash receipts                                                                            | -                              | -                              | -                                                 |
| Other operating cash payments                                                                            | -                              | -                              | -                                                 |
| <b>Net cash provided by (used for) operating activities</b>                                              | <b>7,570</b>                   | <b>21,305</b>                  | <b>28,875</b>                                     |
| <b><u>Cash flows from noncapital financing activities:</u></b>                                           |                                |                                |                                                   |
| Proceeds from the issuance of bonds                                                                      | -                              | -                              | -                                                 |
| Principal paid on bonds                                                                                  | (6,195)                        | (17,085)                       | (23,280)                                          |
| Payment to defease bonds                                                                                 | -                              | -                              | -                                                 |
| Payment of bond issuance costs                                                                           | -                              | -                              | -                                                 |
| Interest paid                                                                                            | (4,372)                        | (4,989)                        | (9,361)                                           |
| Proceeds from issuance of short term debt                                                                | -                              | -                              | -                                                 |
| Payment of short term debt                                                                               | -                              | -                              | -                                                 |
| Contributions to the State of Alaska or other State agencies                                             | -                              | -                              | -                                                 |
| Transfers (to) from other funds                                                                          | (1,888)                        | (231)                          | (2,119)                                           |
| Other cash payments                                                                                      | -                              | -                              | -                                                 |
| <b>Net cash provided by (used for) noncapital financing activities</b>                                   | <b>(12,455)</b>                | <b>(22,305)</b>                | <b>(34,760)</b>                                   |
| <b><u>Cash flows from capital financing activities:</u></b>                                              |                                |                                |                                                   |
| Acquisition of capital assets                                                                            | -                              | -                              | -                                                 |
| Proceeds from the disposal of capital assets                                                             | -                              | -                              | -                                                 |
| Proceeds from the issuance of capital notes                                                              | -                              | -                              | -                                                 |
| Principal paid on capital notes                                                                          | -                              | -                              | -                                                 |
| Payment of bond issuance costs                                                                           | -                              | -                              | -                                                 |
| Interest paid on capital notes                                                                           | -                              | -                              | -                                                 |
| Proceeds from direct financing leases                                                                    | -                              | -                              | -                                                 |
| Other cash payments                                                                                      | -                              | -                              | -                                                 |
| <b>Net cash provided by (used for) capital financing activities</b>                                      | <b>-</b>                       | <b>-</b>                       | <b>-</b>                                          |
| <b><u>Cash flows from investing activities:</u></b>                                                      |                                |                                |                                                   |
| Purchase of investments                                                                                  | (73,079)                       | (100,779)                      | (173,858)                                         |
| Proceeds from maturity of investments                                                                    | 77,924                         | 101,723                        | 179,647                                           |
| Interest received from investments                                                                       | 40                             | 56                             | 96                                                |
| <b>Net cash provided by (used for) investing activities</b>                                              | <b>4,885</b>                   | <b>1,000</b>                   | <b>5,885</b>                                      |
| Net Increase (decrease) in cash                                                                          | -                              | -                              | -                                                 |
| Cash at the beginning of year                                                                            | -                              | -                              | -                                                 |
| <b>Cash at the end of period</b>                                                                         | <b>-</b>                       | <b>-</b>                       | <b>-</b>                                          |
| <b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b> |                                |                                |                                                   |
| Operating income (loss)                                                                                  | 702                            | 2,748                          | 3,450                                             |
| <i>Adjustments:</i>                                                                                      |                                |                                |                                                   |
| Depreciation expense                                                                                     | -                              | -                              | -                                                 |
| Provision for loan losses                                                                                | (27)                           | (149)                          | (176)                                             |
| Net change in the fair value of investments                                                              | -                              | -                              | -                                                 |
| Transfers between funds for operating activity                                                           | 284                            | 391                            | 675                                               |
| Interest received from investments                                                                       | (40)                           | (56)                           | (96)                                              |
| Interest paid                                                                                            | 4,372                          | 4,989                          | 9,361                                             |
| <i>Changes in assets, liabilities and deferred resources:</i>                                            |                                |                                |                                                   |
| Net increase (decrease) in mortgages and loans                                                           | 2,299                          | 13,350                         | 15,649                                            |
| Net increase (decrease) in assets, liabilities and deferred resources                                    | (20)                           | 32                             | 12                                                |
| <b>Net cash provided by (used for) operating activities</b>                                              | <b>7,570</b>                   | <b>21,305</b>                  | <b>28,875</b>                                     |

# ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

## STATEMENT OF CASH FLOWS

FIRST TIME HOMEBUYERS PROGRAM

HOME MORTGAGE REVENUE BONDS

For the Year Ended June 30, 2014

(in thousands of dollars)

|                                                                                                          | Bonds<br>2002 A,B | Bonds<br>2006 A | Bonds<br>2007 A | Bonds<br>2007 B |
|----------------------------------------------------------------------------------------------------------|-------------------|-----------------|-----------------|-----------------|
| <b><u>Cash flows from operating activities:</u></b>                                                      |                   |                 |                 |                 |
| Interest income on mortgages and loans                                                                   | 6,925             | 1,332           | 3,272           | 3,394           |
| Principal payments received on mortgages and loans                                                       | 16,849            | 4,691           | 12,353          | 11,246          |
| Purchases of mortgages and loans                                                                         | -                 | -               | -               | -               |
| Receipt (payment) for loan transfers between funds                                                       | (10,251)          | 1,215           | (30,672)        | (28,613)        |
| Mortgage and loan proceeds                                                                               | -                 | -               | -               | -               |
| Payment of mortgage and loan proceeds to funds                                                           | -                 | -               | -               | -               |
| Payments to employees and other payroll disbursements                                                    | -                 | -               | -               | -               |
| Payments for goods and services                                                                          | -                 | -               | -               | -               |
| Cash received for externally funded programs                                                             | -                 | -               | -               | -               |
| Cash received for Federal HAP subsidies                                                                  | -                 | -               | -               | -               |
| Payments for Federal HAP subsidies                                                                       | -                 | -               | -               | -               |
| Interfund receipts (payments)                                                                            | -                 | -               | -               | -               |
| Grant payments to other agencies                                                                         | -                 | -               | -               | -               |
| Other operating cash receipts                                                                            | -                 | -               | -               | -               |
| Other operating cash payments                                                                            | -                 | -               | -               | -               |
| <b>Net cash provided by (used for) operating activities</b>                                              | <b>13,523</b>     | <b>7,238</b>    | <b>(15,047)</b> | <b>(13,973)</b> |
| <b><u>Cash flows from noncapital financing activities:</u></b>                                           |                   |                 |                 |                 |
| Proceeds from the issuance of bonds                                                                      | -                 | -               | -               | -               |
| Principal paid on bonds                                                                                  | (2,790)           | (7,685)         | -               | -               |
| Payment to defease bonds                                                                                 | -                 | -               | -               | -               |
| Payment of bond issuance costs                                                                           | -                 | -               | -               | -               |
| Interest paid                                                                                            | (3,865)           | (1,160)         | (2,846)         | (2,836)         |
| Proceeds from issuance of short term debt                                                                | -                 | -               | -               | -               |
| Payment of short term debt                                                                               | -                 | -               | -               | -               |
| Contributions to the State of Alaska or other State agencies                                             | -                 | -               | -               | -               |
| Transfers (to) from other funds                                                                          | (2,113)           | 2               | 34              | (151)           |
| Other cash payments                                                                                      | -                 | -               | -               | -               |
| <b>Net cash provided by (used for) noncapital financing activities</b>                                   | <b>(8,768)</b>    | <b>(8,843)</b>  | <b>(2,812)</b>  | <b>(2,987)</b>  |
| <b><u>Cash flows from capital financing activities:</u></b>                                              |                   |                 |                 |                 |
| Acquisition of capital assets                                                                            | -                 | -               | -               | -               |
| Proceeds from the disposal of capital assets                                                             | -                 | -               | -               | -               |
| Proceeds from the issuance of capital notes                                                              | -                 | -               | -               | -               |
| Principal paid on capital notes                                                                          | -                 | -               | -               | -               |
| Payment of bond issuance costs                                                                           | -                 | -               | -               | -               |
| Interest paid on capital notes                                                                           | -                 | -               | -               | -               |
| Proceeds from direct financing leases                                                                    | -                 | -               | -               | -               |
| Other cash payments                                                                                      | -                 | -               | -               | -               |
| <b>Net cash provided by (used for) capital financing activities</b>                                      | <b>-</b>          | <b>-</b>        | <b>-</b>        | <b>-</b>        |
| <b><u>Cash flows from investing activities:</u></b>                                                      |                   |                 |                 |                 |
| Purchase of investments                                                                                  | (127,543)         | (18,824)        | (77,987)        | (70,773)        |
| Proceeds from maturity of investments                                                                    | 122,731           | 20,417          | 95,804          | 87,693          |
| Interest received from investments                                                                       | 57                | 12              | 42              | 40              |
| <b>Net cash provided by (used for) investing activities</b>                                              | <b>(4,755)</b>    | <b>1,605</b>    | <b>17,859</b>   | <b>16,960</b>   |
| Net Increase (decrease) in cash                                                                          | -                 | -               | -               | -               |
| Cash at the beginning of year                                                                            | -                 | -               | -               | -               |
| <b>Cash at the end of period</b>                                                                         | <b>-</b>          | <b>-</b>        | <b>-</b>        | <b>-</b>        |
| <b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b> |                   |                 |                 |                 |
| Operating income (loss)                                                                                  | 1,992             | 519             | 353             | 569             |
| <i>Adjustments:</i>                                                                                      |                   |                 |                 |                 |
| Depreciation expense                                                                                     | -                 | -               | -               | -               |
| Provision for loan losses                                                                                | (482)             | (275)           | (268)           | (330)           |
| Net change in the fair value of investments                                                              | -                 | -               | -               | -               |
| Transfers between funds for operating activity                                                           | 1,075             | 50              | 406             | 422             |
| Interest received from investments                                                                       | (57)              | (12)            | (42)            | (40)            |
| Interest paid                                                                                            | 3,865             | 1,160           | 2,846           | 2,836           |
| <i>Changes in assets, liabilities and deferred resources:</i>                                            |                   |                 |                 |                 |
| Net increase (decrease) in mortgages and loans                                                           | 6,598             | 5,906           | (18,319)        | (17,367)        |
| Net increase (decrease) in assets, liabilities and deferred resources                                    | 532               | (110)           | (23)            | (63)            |
| <b>Net cash provided by (used for) operating activities</b>                                              | <b>13,523</b>     | <b>7,238</b>    | <b>(15,047)</b> | <b>(13,973)</b> |

**Schedule 20**[illegible]

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**ALASKA HOUSING FINANCE CORPORATION****Schedule 21**

(A Component Unit of the State of Alaska)

**STATEMENT OF CASH FLOWS**

VETERANS MORTGAGE PROGRAM BONDS - STATE GUARANTEED

For the Year Ended June 30, 2014

(in thousands of dollars)

|                                                                                                          | Collateralized<br>Bonds<br>2006 First<br>Series | Collateralized<br>Bonds<br>2007 & 2008<br>First Series | Combined<br>Total |
|----------------------------------------------------------------------------------------------------------|-------------------------------------------------|--------------------------------------------------------|-------------------|
| <b><u>Cash flows from operating activities:</u></b>                                                      |                                                 |                                                        |                   |
| Interest income on mortgages and loans                                                                   | 4,518                                           | 1,362                                                  | 5,880             |
| Principal payments received on mortgages and loans                                                       | 17,107                                          | 3,951                                                  | 21,058            |
| Purchases of mortgages and loans                                                                         | -                                               | -                                                      | -                 |
| Receipt (payment) for loan transfers between funds                                                       | 2,601                                           | 402                                                    | 3,003             |
| Mortgage and loan proceeds                                                                               | -                                               | -                                                      | -                 |
| Payment of mortgage and loan proceeds to funds                                                           | -                                               | -                                                      | -                 |
| Payments to employees and other payroll disbursements                                                    | -                                               | -                                                      | -                 |
| Payments for goods and services                                                                          | -                                               | -                                                      | -                 |
| Cash received for externally funded programs                                                             | -                                               | -                                                      | -                 |
| Cash received for Federal HAP subsidies                                                                  | -                                               | -                                                      | -                 |
| Payments for Federal HAP subsidies                                                                       | -                                               | -                                                      | -                 |
| Interfund receipts (payments)                                                                            | -                                               | -                                                      | -                 |
| Grant payments to other agencies                                                                         | -                                               | -                                                      | -                 |
| Other operating cash receipts                                                                            | -                                               | -                                                      | -                 |
| Other operating cash payments                                                                            | -                                               | -                                                      | -                 |
| <b>Net cash provided by (used for) operating activities</b>                                              | <b>24,226</b>                                   | <b>5,715</b>                                           | <b>29,941</b>     |
| <b><u>Cash flows from noncapital financing activities:</u></b>                                           |                                                 |                                                        |                   |
| Proceeds from the issuance of bonds                                                                      | -                                               | -                                                      | -                 |
| Principal paid on bonds                                                                                  | (22,025)                                        | (6,605)                                                | (28,630)          |
| Payment to defease bonds                                                                                 | -                                               | -                                                      | -                 |
| Payment of bond issuance costs                                                                           | -                                               | -                                                      | -                 |
| Interest paid                                                                                            | (3,053)                                         | (981)                                                  | (4,034)           |
| Proceeds from issuance of short term debt                                                                | -                                               | -                                                      | -                 |
| Payment of short term debt                                                                               | -                                               | -                                                      | -                 |
| Contributions to the State of Alaska or other State agencies                                             | -                                               | -                                                      | -                 |
| Transfers (to) from other funds                                                                          | (5,175)                                         | (1,284)                                                | (6,459)           |
| Other cash payments                                                                                      | -                                               | -                                                      | -                 |
| <b>Net cash provided by (used for) noncapital financing activities</b>                                   | <b>(30,253)</b>                                 | <b>(8,870)</b>                                         | <b>(39,123)</b>   |
| <b><u>Cash flows from capital financing activities:</u></b>                                              |                                                 |                                                        |                   |
| Acquisition of capital assets                                                                            | -                                               | -                                                      | -                 |
| Proceeds from the disposal of capital assets                                                             | -                                               | -                                                      | -                 |
| Proceeds from the issuance of capital notes                                                              | -                                               | -                                                      | -                 |
| Principal paid on capital notes                                                                          | -                                               | -                                                      | -                 |
| Payment of bond issuance costs                                                                           | -                                               | -                                                      | -                 |
| Interest paid on capital notes                                                                           | -                                               | -                                                      | -                 |
| Proceeds from direct financing leases                                                                    | -                                               | -                                                      | -                 |
| Other cash payments                                                                                      | -                                               | -                                                      | -                 |
| <b>Net cash provided by (used for) capital financing activities</b>                                      | <b>-</b>                                        | <b>-</b>                                               | <b>-</b>          |
| <b><u>Cash flows from investing activities:</u></b>                                                      |                                                 |                                                        |                   |
| Purchase of investments                                                                                  | (69,977)                                        | (14,632)                                               | (84,609)          |
| Proceeds from maturity of investments                                                                    | 75,972                                          | 17,779                                                 | 93,751            |
| Interest received from investments                                                                       | 32                                              | 8                                                      | 40                |
| <b>Net cash provided by (used for) investing activities</b>                                              | <b>6,027</b>                                    | <b>3,155</b>                                           | <b>9,182</b>      |
| Net Increase (decrease) in cash                                                                          | -                                               | -                                                      | -                 |
| Cash at the beginning of year                                                                            | -                                               | -                                                      | -                 |
| <b>Cash at the end of period</b>                                                                         | <b>-</b>                                        | <b>-</b>                                               | <b>-</b>          |
| <b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b> |                                                 |                                                        |                   |
| Operating income (loss)                                                                                  | 2,018                                           | 526                                                    | 2,544             |
| <i>Adjustments:</i>                                                                                      |                                                 |                                                        |                   |
| Depreciation expense                                                                                     | -                                               | -                                                      | -                 |
| Provision for loan losses                                                                                | (591)                                           | (171)                                                  | (762)             |
| Net change in the fair value of investments                                                              | -                                               | -                                                      | -                 |
| Transfers between funds for operating activity                                                           | 101                                             | 25                                                     | 126               |
| Interest received from investments                                                                       | (32)                                            | (8)                                                    | (40)              |
| Interest paid                                                                                            | 3,053                                           | 981                                                    | 4,034             |
| <i>Changes in assets, liabilities and deferred resources:</i>                                            |                                                 |                                                        |                   |
| Net increase (decrease) in mortgages and loans                                                           | 19,708                                          | 4,353                                                  | 24,061            |
| Net increase (decrease) in assets, liabilities and deferred resources                                    | (31)                                            | 9                                                      | (22)              |
| <b>Net cash provided by (used for) operating activities</b>                                              | <b>24,226</b>                                   | <b>5,715</b>                                           | <b>29,941</b>     |

# ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

## STATEMENT OF CASH FLOWS

OTHER HOUSING BONDS

For the Year Ended June 30, 2014

(in thousands of dollars)

|                                                                                                          | Senior<br>Housing<br>Revolving<br>Loan<br>Fund | Housing<br>Development<br>Bonds | General<br>Mortgage<br>Revenue<br>Bonds II<br>2012 A, B | Governmental<br>Purpose<br>Bonds<br>1997 A |
|----------------------------------------------------------------------------------------------------------|------------------------------------------------|---------------------------------|---------------------------------------------------------|--------------------------------------------|
| <b><u>Cash flows from operating activities:</u></b>                                                      |                                                |                                 |                                                         |                                            |
| Interest income on mortgages and loans                                                                   | 417                                            | 1,630                           | 7,566                                                   | 266                                        |
| Principal payments received on mortgages and loans                                                       | 507                                            | 1,149                           | 21,712                                                  | 1,234                                      |
| Purchases of mortgages and loans                                                                         | -                                              | -                               | -                                                       | -                                          |
| Receipt (payment) for loan transfers between funds                                                       | -                                              | -                               | (38,194)                                                | -                                          |
| Mortgage and loan proceeds                                                                               | -                                              | -                               | -                                                       | -                                          |
| Payment of mortgage and loan proceeds to funds                                                           | -                                              | -                               | -                                                       | -                                          |
| Payments to employees and other payroll disbursements                                                    | -                                              | -                               | -                                                       | -                                          |
| Payments for goods and services                                                                          | -                                              | -                               | -                                                       | -                                          |
| Cash received for externally funded programs                                                             | -                                              | -                               | -                                                       | -                                          |
| Cash received for Federal HAP subsidies                                                                  | -                                              | -                               | -                                                       | -                                          |
| Payments for Federal HAP subsidies                                                                       | -                                              | -                               | -                                                       | -                                          |
| Interfund receipts (payments)                                                                            | -                                              | -                               | -                                                       | -                                          |
| Grant payments to other agencies                                                                         | -                                              | -                               | -                                                       | -                                          |
| Other operating cash receipts                                                                            | -                                              | -                               | -                                                       | -                                          |
| Other operating cash payments                                                                            | -                                              | -                               | -                                                       | -                                          |
| <b>Net cash provided by (used for) operating activities</b>                                              | <b>924</b>                                     | <b>2,779</b>                    | <b>(8,916)</b>                                          | <b>1,500</b>                               |
| <b><u>Cash flows from noncapital financing activities:</u></b>                                           |                                                |                                 |                                                         |                                            |
| Proceeds from the issuance of bonds                                                                      | -                                              | -                               | -                                                       | -                                          |
| Principal paid on bonds                                                                                  | -                                              | (900)                           | (6,580)                                                 | -                                          |
| Payment to defease bonds                                                                                 | -                                              | -                               | -                                                       | -                                          |
| Payment of bond issuance costs                                                                           | -                                              | -                               | -                                                       | -                                          |
| Interest paid                                                                                            | -                                              | (25)                            | (4,866)                                                 | (8)                                        |
| Proceeds from issuance of short term debt                                                                | -                                              | -                               | -                                                       | -                                          |
| Payment of short term debt                                                                               | -                                              | -                               | -                                                       | -                                          |
| Contributions to the State of Alaska or other State agencies                                             | -                                              | -                               | -                                                       | -                                          |
| Transfers (to) from other funds                                                                          | -                                              | -                               | 333                                                     | -                                          |
| Other cash payments                                                                                      | -                                              | -                               | -                                                       | -                                          |
| <b>Net cash provided by (used for) noncapital financing activities</b>                                   | <b>-</b>                                       | <b>(925)</b>                    | <b>(11,113)</b>                                         | <b>(8)</b>                                 |
| <b><u>Cash flows from capital financing activities:</u></b>                                              |                                                |                                 |                                                         |                                            |
| Acquisition of capital assets                                                                            | -                                              | -                               | -                                                       | -                                          |
| Proceeds from the disposal of capital assets                                                             | -                                              | -                               | -                                                       | -                                          |
| Proceeds from the issuance of capital notes                                                              | -                                              | -                               | -                                                       | -                                          |
| Principal paid on capital notes                                                                          | -                                              | -                               | -                                                       | -                                          |
| Payment of bond issuance costs                                                                           | -                                              | -                               | -                                                       | -                                          |
| Interest paid on capital notes                                                                           | -                                              | -                               | -                                                       | -                                          |
| Proceeds from direct financing leases                                                                    | -                                              | -                               | -                                                       | -                                          |
| Other cash payments                                                                                      | -                                              | -                               | -                                                       | -                                          |
| <b>Net cash provided by (used for) capital financing activities</b>                                      | <b>-</b>                                       | <b>-</b>                        | <b>-</b>                                                | <b>-</b>                                   |
| <b><u>Cash flows from investing activities:</u></b>                                                      |                                                |                                 |                                                         |                                            |
| Purchase of investments                                                                                  | (76,638)                                       | (12,308)                        | (145,534)                                               | (36,597)                                   |
| Proceeds from maturity of investments                                                                    | 75,424                                         | 10,450                          | 165,509                                                 | 35,090                                     |
| Interest received from investments                                                                       | 290                                            | 4                               | 54                                                      | 15                                         |
| <b>Net cash provided by (used for) investing activities</b>                                              | <b>(924)</b>                                   | <b>(1,854)</b>                  | <b>20,029</b>                                           | <b>(1,492)</b>                             |
| Net Increase (decrease) in cash                                                                          | -                                              | -                               | -                                                       | -                                          |
| Cash at the beginning of year                                                                            | -                                              | -                               | -                                                       | -                                          |
| <b>Cash at the end of period</b>                                                                         | <b>-</b>                                       | <b>-</b>                        | <b>-</b>                                                | <b>-</b>                                   |
| <b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b> |                                                |                                 |                                                         |                                            |
| Operating income (loss)                                                                                  | 489                                            | 1,836                           | 1,553                                                   | 214                                        |
| <i>Adjustments:</i>                                                                                      |                                                |                                 |                                                         |                                            |
| Depreciation expense                                                                                     | -                                              | -                               | -                                                       | -                                          |
| Provision for loan losses                                                                                | (36)                                           | (275)                           | 759                                                     | -                                          |
| Net change in the fair value of investments                                                              | 454                                            | -                               | -                                                       | -                                          |
| Transfers between funds for operating activity                                                           | 13                                             | 43                              | 638                                                     | 50                                         |
| Interest received from investments                                                                       | (290)                                          | (4)                             | (54)                                                    | (15)                                       |
| Interest paid                                                                                            | -                                              | 25                              | 4,866                                                   | 8                                          |
| <i>Changes in assets, liabilities and deferred resources:</i>                                            |                                                |                                 |                                                         |                                            |
| Net increase (decrease) in mortgages and loans                                                           | 507                                            | 1,149                           | (16,482)                                                | 1,234                                      |
| Net increase (decrease) in assets, liabilities and deferred resources                                    | (213)                                          | 5                               | (196)                                                   | 9                                          |
| <b>Net cash provided by (used for) operating activities</b>                                              | <b>924</b>                                     | <b>2,779</b>                    | <b>(8,916)</b>                                          | <b>1,500</b>                               |

**Schedule 22**

| <b>Governmental<br/>Purpose<br/>Bonds<br/>2001 A-D</b> | <b>Combined<br/>Total</b> |
|--------------------------------------------------------|---------------------------|
| 6,424                                                  | 16,303                    |
| 21,313                                                 | 45,915                    |
| -                                                      | -                         |
| (111,338)                                              | (149,532)                 |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| (83,601)                                               | (87,314)                  |
| -                                                      | -                         |
| (5,005)                                                | (12,485)                  |
| -                                                      | -                         |
| -                                                      | -                         |
| (4,072)                                                | (8,971)                   |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| 1,622                                                  | 1,955                     |
| -                                                      | -                         |
| (7,455)                                                | (19,501)                  |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| (250,131)                                              | (521,208)                 |
| 338,480                                                | 624,953                   |
| 2,707                                                  | 3,070                     |
| 91,056                                                 | 106,815                   |
| -                                                      | -                         |
| -                                                      | -                         |
| -                                                      | -                         |
| 4,572                                                  | 8,664                     |
| -                                                      | -                         |
| (588)                                                  | (140)                     |
| 4                                                      | 458                       |
| 757                                                    | 1,501                     |
| (2,707)                                                | (3,070)                   |
| 4,072                                                  | 8,971                     |
| (90,025)                                               | (103,617)                 |
| 314                                                    | (81)                      |
| (83,601)                                               | (87,314)                  |

# ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

## STATEMENT OF CASH FLOWS

NON-HOUSING BONDS

For the Year Ended June 30, 2014

(in thousands of dollars)

|                                                                                                          | State<br>Capital<br>Project<br>Bonds<br>2002 A,B,C | State<br>Capital<br>Project<br>Bonds<br>2006 A | State<br>Capital<br>Project<br>Bonds<br>2007 A & B | State<br>Capital<br>Project<br>Bonds<br>2011 A |
|----------------------------------------------------------------------------------------------------------|----------------------------------------------------|------------------------------------------------|----------------------------------------------------|------------------------------------------------|
| <b><u>Cash flows from operating activities:</u></b>                                                      |                                                    |                                                |                                                    |                                                |
| Interest income on mortgages and loans                                                                   | 2,162                                              | 3,885                                          | 1,758                                              | 3,804                                          |
| Principal payments received on mortgages and loans                                                       | 7,230                                              | 12,431                                         | 4,107                                              | 14,227                                         |
| Purchases of mortgages and loans                                                                         | -                                                  | -                                              | -                                                  | -                                              |
| Receipt (payment) for loan transfers between funds                                                       | (13,461)                                           | (21,809)                                       | (16,158)                                           | (4,833)                                        |
| Mortgage and loan proceeds                                                                               | -                                                  | -                                              | -                                                  | -                                              |
| Payment of mortgage and loan proceeds to funds                                                           | -                                                  | -                                              | -                                                  | -                                              |
| Payments to employees and other payroll disbursements                                                    | -                                                  | -                                              | -                                                  | -                                              |
| Payments for goods and services                                                                          | -                                                  | -                                              | -                                                  | -                                              |
| Cash received for externally funded programs                                                             | -                                                  | -                                              | -                                                  | -                                              |
| Cash received for Federal HAP subsidies                                                                  | -                                                  | -                                              | -                                                  | -                                              |
| Payments for Federal HAP subsidies                                                                       | -                                                  | -                                              | -                                                  | -                                              |
| Interfund receipts (payments)                                                                            | -                                                  | -                                              | -                                                  | -                                              |
| Grant payments to other agencies                                                                         | -                                                  | -                                              | -                                                  | -                                              |
| Other operating cash receipts                                                                            | -                                                  | -                                              | 136                                                | -                                              |
| Other operating cash payments                                                                            | -                                                  | -                                              | (142)                                              | -                                              |
| <b>Net cash provided by (used for) operating activities</b>                                              | <b>(4,069)</b>                                     | <b>(5,493)</b>                                 | <b>(10,299)</b>                                    | <b>13,198</b>                                  |
| <b><u>Cash flows from noncapital financing activities:</u></b>                                           |                                                    |                                                |                                                    |                                                |
| Proceeds from the issuance of bonds                                                                      | -                                                  | -                                              | -                                                  | -                                              |
| Principal paid on bonds                                                                                  | (340)                                              | (1,835)                                        | (3,540)                                            | (6,569)                                        |
| Payment to defease bonds                                                                                 | -                                                  | -                                              | -                                                  | -                                              |
| Payment of bond issuance costs                                                                           | -                                                  | -                                              | -                                                  | -                                              |
| Interest paid                                                                                            | (99)                                               | (4,071)                                        | (3,819)                                            | (3,542)                                        |
| Proceeds from issuance of short term debt                                                                | -                                                  | -                                              | -                                                  | -                                              |
| Payment of short term debt                                                                               | -                                                  | -                                              | -                                                  | -                                              |
| Contributions to the State of Alaska or other State agencies                                             | -                                                  | -                                              | -                                                  | -                                              |
| Transfers (to) from other funds                                                                          | 797                                                | 585                                            | 157                                                | -                                              |
| Other cash payments                                                                                      | -                                                  | -                                              | -                                                  | -                                              |
| <b>Net cash provided by (used for) noncapital financing activities</b>                                   | <b>358</b>                                         | <b>(5,321)</b>                                 | <b>(7,202)</b>                                     | <b>(10,111)</b>                                |
| <b><u>Cash flows from capital financing activities:</u></b>                                              |                                                    |                                                |                                                    |                                                |
| Acquisition of capital assets                                                                            | -                                                  | -                                              | -                                                  | -                                              |
| Proceeds from the disposal of capital assets                                                             | -                                                  | -                                              | -                                                  | -                                              |
| Proceeds from the issuance of capital notes                                                              | -                                                  | -                                              | -                                                  | -                                              |
| Principal paid on capital notes                                                                          | (4,511)                                            | -                                              | -                                                  | (982)                                          |
| Payment of bond issuance costs                                                                           | -                                                  | -                                              | -                                                  | -                                              |
| Interest paid on capital notes                                                                           | (1,309)                                            | -                                              | -                                                  | (529)                                          |
| Proceeds from direct financing leases                                                                    | -                                                  | -                                              | 3,304                                              | -                                              |
| Other cash payments                                                                                      | -                                                  | -                                              | -                                                  | -                                              |
| <b>Net cash provided by (used for) capital financing activities</b>                                      | <b>(5,820)</b>                                     | <b>-</b>                                       | <b>3,304</b>                                       | <b>(1,511)</b>                                 |
| <b><u>Cash flows from investing activities:</u></b>                                                      |                                                    |                                                |                                                    |                                                |
| Purchase of investments                                                                                  | (59,983)                                           | (72,288)                                       | (57,378)                                           | (51,804)                                       |
| Proceeds from maturity of investments                                                                    | 69,494                                             | 83,073                                         | 71,550                                             | 50,203                                         |
| Interest received from investments                                                                       | 20                                                 | 29                                             | 19                                                 | 25                                             |
| <b>Net cash provided by (used for) investing activities</b>                                              | <b>9,531</b>                                       | <b>10,814</b>                                  | <b>14,191</b>                                      | <b>(1,576)</b>                                 |
| Net Increase (decrease) in cash                                                                          | -                                                  | -                                              | (6)                                                | -                                              |
| Cash at the beginning of year                                                                            | -                                                  | -                                              | 142                                                | -                                              |
| <b>Cash at the end of period</b>                                                                         | <b>-</b>                                           | <b>-</b>                                       | <b>136</b>                                         | <b>-</b>                                       |
| <b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b> |                                                    |                                                |                                                    |                                                |
| Operating income (loss)                                                                                  | (608)                                              | 59                                             | (656)                                              | (375)                                          |
| <i>Adjustments:</i>                                                                                      |                                                    |                                                |                                                    |                                                |
| Depreciation expense                                                                                     | -                                                  | -                                              | -                                                  | 475                                            |
| Provision for loan losses                                                                                | (45)                                               | (417)                                          | 65                                                 | (93)                                           |
| Net change in the fair value of investments                                                              | -                                                  | -                                              | -                                                  | -                                              |
| Transfers between funds for operating activity                                                           | 204                                                | 252                                            | 176                                                | 132                                            |
| Interest received from investments                                                                       | (20)                                               | (29)                                           | (19)                                               | (25)                                           |
| Interest paid                                                                                            | 1,408                                              | 4,071                                          | 3,819                                              | 4,071                                          |
| <i>Changes in assets, liabilities and deferred resources:</i>                                            |                                                    |                                                |                                                    |                                                |
| Net increase (decrease) in mortgages and loans                                                           | (6,231)                                            | (9,378)                                        | (12,051)                                           | 9,394                                          |
| Net increase (decrease) in assets, liabilities and deferred resources                                    | 1,223                                              | (51)                                           | (1,633)                                            | (381)                                          |
| <b>Net cash provided by (used for) operating activities</b>                                              | <b>(4,069)</b>                                     | <b>(5,493)</b>                                 | <b>(10,299)</b>                                    | <b>13,198</b>                                  |

## Schedule 23

| State<br>Capital<br>Project<br>Bonds II<br>2012 A & B | State<br>Capital<br>Project<br>Bonds II<br>2013 A & B | State<br>Capital<br>Project<br>Bonds II<br>2014 A | State<br>Capital<br>Project<br>Bonds II<br>2014 B | General<br>Housing<br>Purpose<br>Bonds<br>2005 A | General<br>Housing<br>Purpose<br>Bonds<br>2005 B & C | Combined<br>Total |
|-------------------------------------------------------|-------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|--------------------------------------------------|------------------------------------------------------|-------------------|
| 7,919                                                 | 8,275                                                 | -                                                 | -                                                 | 6,221                                            | 4,390                                                | 38,414            |
| 15,224                                                | 15,151                                                | -                                                 | -                                                 | 13,756                                           | 13,400                                               | 95,526            |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| 25,701                                                | (16,289)                                              | -                                                 | -                                                 | (32,696)                                         | (15,778)                                             | (95,323)          |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | 91                                                   | 227               |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | (69)                                                 | (211)             |
| 48,844                                                | 7,137                                                 | -                                                 | -                                                 | (12,719)                                         | 2,034                                                | 38,633            |
| -                                                     | -                                                     | 105,166                                           | 34,063                                            | -                                                | -                                                    | 139,229           |
| (3,850)                                               | -                                                     | -                                                 | -                                                 | (1,166)                                          | (7,235)                                              | (24,535)          |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| (4,169)                                               | (4,504)                                               | (1,736)                                           | -                                                 | (6,463)                                          | (6,666)                                              | (35,069)          |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| (50,000)                                              | 50                                                    | 1,736                                             | -                                                 | 1,734                                            | 848                                                  | (44,093)          |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| (58,019)                                              | (4,454)                                               | 105,166                                           | 34,063                                            | (5,895)                                          | (13,053)                                             | 35,532            |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | (74)                                             | -                                                    | (5,567)           |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | (413)                                            | -                                                    | (2,251)           |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | 3,467                                                | 6,771             |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | -                 |
| -                                                     | -                                                     | -                                                 | -                                                 | (487)                                            | 3,467                                                | (1,047)           |
| (86,600)                                              | (68,076)                                              | (105,166)                                         | (34,063)                                          | (70,785)                                         | (98,553)                                             | (704,696)         |
| 95,739                                                | 65,360                                                | -                                                 | -                                                 | 89,847                                           | 106,083                                              | 631,349           |
| 36                                                    | 33                                                    | -                                                 | -                                                 | 39                                               | 44                                                   | 245               |
| 9,175                                                 | (2,683)                                               | (105,166)                                         | (34,063)                                          | 19,101                                           | 7,574                                                | (73,102)          |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | 22                                                   | 16                |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | 69                                                   | 211               |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | 91                                                   | 227               |
| 6,144                                                 | 6,525                                                 | (1,889)                                           | (285)                                             | 1,709                                            | (2,059)                                              | 8,565             |
| -                                                     | -                                                     | -                                                 | -                                                 | -                                                | -                                                    | 475               |
| (674)                                                 | (1,776)                                               | -                                                 | -                                                 | (2,454)                                          | (232)                                                | (5,626)           |
| -                                                     | -                                                     | (266)                                             | (18)                                              | 1                                                | -                                                    | (283)             |
| 209                                                   | 447                                                   | 77                                                | 213                                               | 458                                              | 275                                                  | 2,443             |
| (36)                                                  | (33)                                                  | -                                                 | -                                                 | (39)                                             | (44)                                                 | (245)             |
| 4,169                                                 | 4,504                                                 | 1,736                                             | -                                                 | 6,876                                            | 6,666                                                | 37,320            |
| 40,925                                                | (1,138)                                               | -                                                 | -                                                 | (18,940)                                         | (2,378)                                              | 203               |
| (1,893)                                               | (1,392)                                               | 342                                               | 90                                                | (330)                                            | (194)                                                | (4,219)           |
| 48,844                                                | 7,137                                                 | -                                                 | -                                                 | (12,719)                                         | 2,034                                                | 38,633            |

# ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

## STATEMENT OF CASH FLOWS

OTHER PROGRAM FUNDS

For the Year Ended June 30, 2014

(in thousands of dollars)

|                                                                                                          | Energy<br>Programs | Low Rent<br>Program | Market Rate<br>Rental<br>Housing<br>Programs | Section 8<br>Vouchers<br>Programs |
|----------------------------------------------------------------------------------------------------------|--------------------|---------------------|----------------------------------------------|-----------------------------------|
| <b><u>Cash flows from operating activities:</u></b>                                                      |                    |                     |                                              |                                   |
| Interest income on mortgages and loans                                                                   | -                  | -                   | -                                            | -                                 |
| Principal payments received on mortgages and loans                                                       | -                  | -                   | -                                            | -                                 |
| Purchases of mortgages and loans                                                                         | -                  | -                   | -                                            | -                                 |
| Receipt (payment) for loan transfers between funds                                                       | -                  | -                   | -                                            | -                                 |
| Mortgage and loan proceeds                                                                               | -                  | -                   | -                                            | -                                 |
| Payment of mortgage and loan proceeds to funds                                                           | -                  | -                   | -                                            | -                                 |
| Payments to employees and other payroll disbursements                                                    | (1,175)            | (7,344)             | (1,787)                                      | (3,335)                           |
| Payments for goods and services                                                                          | (3,214)            | (6,867)             | (1,616)                                      | (378)                             |
| Cash received for externally funded programs                                                             | 101,534            | 14,374              | 2,194                                        | 4,104                             |
| Cash received for Federal HAP subsidies                                                                  | -                  | -                   | 1                                            | 32,946                            |
| Payments for Federal HAP subsidies                                                                       | -                  | -                   | -                                            | (32,666)                          |
| Interfund receipts (payments)                                                                            | (23,055)           | (3,502)             | (266)                                        | 1,089                             |
| Grant payments to other agencies                                                                         | (74,133)           | -                   | -                                            | (40)                              |
| Other operating cash receipts                                                                            | 10                 | 6,635               | 2,257                                        | 1,763                             |
| Other operating cash payments                                                                            | -                  | (23)                | (4)                                          | (274)                             |
| <b>Net cash provided by (used for) operating activities</b>                                              | <b>(33)</b>        | <b>3,273</b>        | <b>779</b>                                   | <b>3,209</b>                      |
| <b><u>Cash flows from noncapital financing activities:</u></b>                                           |                    |                     |                                              |                                   |
| Proceeds from the issuance of bonds                                                                      | -                  | -                   | -                                            | -                                 |
| Principal paid on bonds                                                                                  | -                  | -                   | -                                            | -                                 |
| Payment to defease bonds                                                                                 | -                  | -                   | -                                            | -                                 |
| Payment of bond issuance costs                                                                           | -                  | -                   | -                                            | -                                 |
| Interest paid                                                                                            | -                  | -                   | -                                            | -                                 |
| Proceeds from issuance of short term debt                                                                | -                  | -                   | -                                            | -                                 |
| Payment of short term debt                                                                               | -                  | -                   | -                                            | -                                 |
| Contributions to the State of Alaska or other State agencies                                             | -                  | -                   | -                                            | -                                 |
| Transfers (to) from other funds                                                                          | -                  | (407)               | -                                            | -                                 |
| Other cash payments                                                                                      | -                  | -                   | -                                            | -                                 |
| <b>Net cash provided by (used for) noncapital financing activities</b>                                   | <b>-</b>           | <b>(407)</b>        | <b>-</b>                                     | <b>-</b>                          |
| <b><u>Cash flows from capital financing activities:</u></b>                                              |                    |                     |                                              |                                   |
| Acquisition of capital assets                                                                            | (155)              | (29)                | (33)                                         | -                                 |
| Proceeds from the disposal of capital assets                                                             | -                  | 2                   | 6                                            | -                                 |
| Proceeds from the issuance of capital notes                                                              | -                  | -                   | -                                            | -                                 |
| Principal paid on capital notes                                                                          | -                  | -                   | -                                            | -                                 |
| Payment of bond issuance costs                                                                           | -                  | -                   | -                                            | -                                 |
| Interest paid on capital notes                                                                           | -                  | -                   | -                                            | -                                 |
| Proceeds from direct financing leases                                                                    | -                  | -                   | -                                            | -                                 |
| Other cash payments                                                                                      | -                  | -                   | -                                            | -                                 |
| <b>Net cash provided by (used for) capital financing activities</b>                                      | <b>(155)</b>       | <b>(27)</b>         | <b>(27)</b>                                  | <b>-</b>                          |
| <b><u>Cash flows from investing activities:</u></b>                                                      |                    |                     |                                              |                                   |
| Purchase of investments                                                                                  | -                  | -                   | -                                            | -                                 |
| Proceeds from maturity of investments                                                                    | -                  | -                   | -                                            | -                                 |
| Interest received from investments                                                                       | 2                  | 1                   | 1                                            | 8                                 |
| <b>Net cash provided by (used for) investing activities</b>                                              | <b>2</b>           | <b>1</b>            | <b>1</b>                                     | <b>8</b>                          |
| Net Increase (decrease) in cash                                                                          | (186)              | 2,840               | 753                                          | 3,217                             |
| Cash at the beginning of year                                                                            | 1,547              | 13,546              | 8,564                                        | 3,813                             |
| <b>Cash at the end of period</b>                                                                         | <b>1,361</b>       | <b>16,386</b>       | <b>9,317</b>                                 | <b>7,030</b>                      |
| <b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b> |                    |                     |                                              |                                   |
| Operating income (loss)                                                                                  | (2,335)            | (4,805)             | (1,084)                                      | 882                               |
| <i>Adjustments:</i>                                                                                      |                    |                     |                                              |                                   |
| Depreciation expense                                                                                     | 1                  | 5,471               | 1,219                                        | 18                                |
| Provision for loan losses                                                                                | -                  | -                   | -                                            | -                                 |
| Net change in the fair value of investments                                                              | -                  | -                   | -                                            | -                                 |
| Transfers between funds for operating activity                                                           | 4,438              | (9,580)             | 1,226                                        | 504                               |
| Interest received from investments                                                                       | (2)                | (1)                 | (1)                                          | (8)                               |
| Interest paid                                                                                            | -                  | -                   | -                                            | -                                 |
| <i>Changes in assets, liabilities and deferred resources:</i>                                            |                    |                     |                                              |                                   |
| Net increase (decrease) in mortgages and loans                                                           | -                  | -                   | -                                            | -                                 |
| Net increase (decrease) in assets, liabilities and deferred resources                                    | (2,135)            | 12,188              | (581)                                        | 1,813                             |
| <b>Net cash provided by (used for) operating activities</b>                                              | <b>(33)</b>        | <b>3,273</b>        | <b>779</b>                                   | <b>3,209</b>                      |

**Schedule 24**

| Other<br>Grants | Alaska<br>Corporation<br>for Affordable<br>Housing | Combined<br>Total |
|-----------------|----------------------------------------------------|-------------------|
| -               | -                                                  | -                 |
| -               | -                                                  | -                 |
| -               | -                                                  | -                 |
| -               | -                                                  | -                 |
| -               | -                                                  | -                 |
| (555)           | -                                                  | (14,196)          |
| (418)           | (15)                                               | (12,508)          |
| 27,104          | -                                                  | 149,310           |
| -               | -                                                  | 32,947            |
| -               | -                                                  | (32,666)          |
| 2,659           | 2,000                                              | (21,075)          |
| (29,095)        | -                                                  | (103,268)         |
| 459             | 160                                                | 11,284            |
| (163)           | -                                                  | (464)             |
| (9)             | 2,145                                              | 9,364             |

|      |   |       |
|------|---|-------|
| -    | - | -     |
| -    | - | -     |
| -    | - | -     |
| -    | - | -     |
| -    | - | -     |
| -    | - | -     |
| -    | - | -     |
| (19) | - | (426) |
| -    | - | -     |
| (19) | - | (426) |

|   |         |         |
|---|---------|---------|
| - | (1,033) | (1,250) |
| - | -       | 8       |
| - | -       | -       |
| - | -       | -       |
| - | -       | -       |
| - | -       | -       |
| - | -       | -       |
| - | (1,033) | (1,242) |

|   |   |    |
|---|---|----|
| - | - | -  |
| - | - | -  |
| - | 1 | 13 |
| - | 1 | 13 |

|      |       |        |
|------|-------|--------|
| (28) | 1,113 | 7,709  |
| 31   | 174   | 27,675 |
| 3    | 1,287 | 35,384 |

|          |       |          |
|----------|-------|----------|
| (13,692) | (69)  | (21,103) |
| -        | -     | 6,709    |
| -        | -     | -        |
| -        | -     | -        |
| 32,359   | 125   | 29,072   |
| -        | (1)   | (13)     |
| -        | -     | -        |
| -        | -     | -        |
| (18,676) | 2,090 | (5,301)  |
| (9)      | 2,145 | 9,364    |

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**FORM OF OPINION OF BOND COUNSEL**

Alaska Housing Finance Corporation  
4300 Boniface Parkway  
Anchorage, Alaska 99504

Ladies and Gentlemen:

We have examined the Constitution and laws of the State of Alaska (the “State”) and a record of proceedings relating to the issuance of \$111,535,000 aggregate principal amount of State Capital Project Bonds II, 2015 Series A (the “2015 Bonds”), of the Alaska Housing Finance Corporation (the “Corporation”), a public corporation and government instrumentality of the State created by and existing under Alaska Statutes 18.55 and 18.56, as amended (the “Act”).

In such examinations, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof.

The 2015 Bonds are authorized and issued pursuant to the Act and a resolution of the Corporation adopted January 21, 2015, and are issued pursuant to the Indenture by and between the Corporation and U.S. Bank, National Association, as trustee (the “Trustee”), dated as of October 1, 2012, and the 2015 Series A Supplemental Indenture by and between the Corporation and the Trustee, dated as of January 1, 2015, executed pursuant to said Indenture (together, the “Indenture”).

The 2015 Bonds mature and are subject to redemption as provided in the Indenture.

Capitalized terms used herein and not defined herein are used as defined in the Indenture.

Applicable Federal tax law establishes certain requirements that must be met subsequent to the issuance of the 2015 Bonds in order for interest on the 2015 Bonds not to be included in gross income for Federal income tax purposes, under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). The Corporation has covenanted that it will comply with such requirements and that it will do all things permitted by law and necessary or desirable to ensure that interest on the 2015 Bonds will be, and remain, not included in gross income for Federal income tax purposes, under Section 103 of the Code. We have examined the program documentation adopted by the Corporation, which, in our opinion, establishes procedures and covenants under which, if followed, such requirements can be met. In rendering this opinion, we have assumed compliance with, and enforcement of, the provisions of such program procedures and covenants.

As to any facts material to our opinion, we have relied upon various statements and representations of officers and other representatives of the Corporation including without limitation those contained in the Indenture, the Corporation’s Tax Certificate as to Arbitrage and

the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 as to matters affecting the tax-exempt status of the 2015 Bonds and the certified proceedings and other certifications of public officials and certifications by officers of the Corporation furnished to us (which are material to the opinion expressed below) without undertaking to verify the same by independent investigation.

Subject to the foregoing, we are of the opinion that:

1. Under the Constitution and laws of the State of Alaska (the "State"), the Corporation has been duly created, organized, and validly exists as a public corporation and government instrumentality in good standing under the laws of the State, performing an essential public function with full corporate power and authority under the Act, among other things, to enter into, and to perform its obligations under the terms and conditions of, the Indenture.

2. The Indenture has been duly authorized, executed and delivered, is in full force and effect, and is valid and binding upon the Corporation and enforceable in accordance with its terms (subject, as to enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium, or other laws affecting creditors' rights generally from time to time in effect).

3. The 2015 Bonds have been duly and validly authorized, sold and issued by the Corporation in accordance with the Indenture and Constitution and laws of the State, including the Act and, pursuant to the Act, are issued by a public corporation and government instrumentality of the State for an essential public and governmental purpose.

4. Subject to agreements heretofore or hereafter made with the holders of any notes or other bonds of the Corporation pledging any particular revenues or assets not pledged under the Indenture and the exclusion by the Act of a pledge of funds in the Housing Development Fund (as described in the Act), the 2015 Bonds are valid and legally binding general obligations of the Corporation for the payment of which, in accordance with their terms, the full faith and credit of the Corporation have been legally and validly pledged, are enforceable in accordance with their terms and the terms of the Indenture and are entitled to the equal benefit, protection, and security of the provisions, covenants, and agreements of the Indenture.

5. The 2015 Bonds are secured by a pledge in the manner and to the extent set forth in the Indenture. The Indenture creates a valid pledge of a lien on all funds established by the Indenture and moneys and securities therein which the Indenture purports to create, to the extent and on the terms provided therein.

6. Under existing statutes and court decisions, interest on the 2015 Bonds is excluded from gross income for Federal income tax purposes.

7. Interest on the 2015 Bonds is not a specific preference item for purposes of the alternative minimum tax provisions imposed on individuals and corporations by the Code. Interest on the 2015 Bonds, however, is included in the adjusted current earnings (i.e., alternative minimum taxable income as adjusted for certain items including those items that would be included in the calculation of a corporation's earnings and profits under Subchapter C of the Code) of certain corporations, and such corporations are required to include in the calculation of

alternative minimum taxable income 75% of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses). We express no opinion regarding any other consequences affecting the Federal income tax liability of a recipient of interest on the 2015 Bonds.

8. Under existing laws, interest on the 2015 Bonds is free from taxation of every kind by the State, and by municipalities and all other political subdivisions of the State (except that no opinion is expressed as to such exemption from State estate and inheritance taxes and taxes of transfers by or in anticipation of death).

9. Certain requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions may be taken, upon the advice or with the opinion of counsel. Except to the extent of our concurrence therewith, we express no opinion as to any 2015 Bond, or the interest thereon, if any change occurs or action is taken upon the advice or approval of other counsel.

Very truly yours,

Law Office of Kenneth E. Vassar, LLC

By: \_\_\_\_\_

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**FORM OF OPINION OF SPECIAL TAX COUNSEL**

Alaska Housing Finance Corporation  
4300 Boniface Parkway  
Anchorage, Alaska 99504

\$111,535,000  
Alaska Housing Finance Corporation  
State Capital Project Bonds II  
2015 Series A

Ladies and Gentlemen:

We have acted as Special Tax Counsel in connection with the issuance and sale of \$111,535,000 aggregate principal amount of Alaska Housing Finance Corporation State Capital Project Bonds II, 2015 Series A (the “Bonds”). The Bonds will be issued pursuant to the State Capital Project Bonds II Indenture by and between the Alaska Housing Finance Corporation (the “Corporation”) and U.S. Bank, National Association, as trustee (the “Trustee”), dated as of October 1, 2012 (the “Indenture”), and the 2015 Series A Supplemental Indenture by and between the Corporation and the Trustee, dated as of January 1, 2015, authorizing the issuance of the Bonds (the “Supplemental Indenture”). Capitalized terms not otherwise defined herein are used as defined in the Indenture and the Supplemental Indenture.

In connection with the issuance of the Bonds, we have examined the Indenture and the Supplemental Indenture, the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the “Tax Certificate”) of the Corporation and such other opinions, documents, certificates, and letters as we deem relevant and necessary in rendering this opinion.

From such examination, we are of the opinion that, assuming compliance by the Corporation with certain restrictions, conditions and requirements contained in the Indenture, the Supplemental Indenture and the Tax Certificate designed to meet the requirements of the Internal Revenue Code of 1986 (the “Code”), under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for Federal income tax purposes.

We are further of the opinion that interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax provisions imposed on individuals and corporations by the Code.

Interest on the Bonds, however, is included in the adjusted current earnings (i.e., alternative minimum taxable income as adjusted for certain items including those items that would be included in the calculation of a corporation’s earnings and profits under Subchapter C

of the Code) of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

We express no opinion regarding any other consequences affecting the Federal income tax liability of a recipient of interest on the Bonds.

The opinions expressed herein are rendered in reliance upon the opinion of the Law Office of Kenneth E. Vassar, LLC as to the validity of the Bonds under the Constitution and laws of the State of Alaska.

Very truly yours,

/s/ Kutak Rock LLP

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Certificate”) is executed and delivered by the Alaska Housing Finance Corporation (the “Corporation”) in connection with the issuance of \$111,535,000 aggregate principal amount of its State Capital Project Bonds II, 2015 Series A (the “Subject Bonds”). The Subject Bonds are being issued pursuant to an Indenture by and between the Corporation and U.S. Bank National Association, as trustee (the “Trustee”), dated as of October 1, 2012 (the “Master Indenture”), and a 2015 Series A Supplemental Indenture, dated as of January 1, 2015, by and between the Corporation and the Trustee (together with the Master Indenture, the “Indenture”). The Corporation covenants and agrees with the registered owners and the beneficial owners of the Subject Bonds as follows:

**SECTION 1. Purpose of the Certificate.** This Certificate is being executed and delivered by the Corporation for the sole and exclusive benefit of the registered owners and beneficial owners of the Subject Bonds.

**SECTION 2. Definitions.** In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Corporation pursuant to, and as described in, Sections 3 and 4 of this Certificate.

“Disclosure Representative” shall mean the Executive Director/Chief Executive Officer of the Corporation or his or her designee.

“Fiscal Year” shall mean any twelve-month period ending on June 30 or on such other date as the Corporation may designate from time to time.

“Listed Events” shall mean any of the events listed in Section 5 of this Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Certificate.

“Official Statement” shall mean the Corporation’s final Official Statement with respect to the Subject Bonds, dated January 29, 2015.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

SECTION 3. Provision of Annual Reports. The Corporation shall provide to the MSRB an Annual Report for the preceding Fiscal Year (commencing with the Fiscal Year ending June 30, 2015) which is consistent with the requirements of Section 4 of this Certificate. The Annual Report shall be provided not later than 135 days after the Fiscal Year to which it relates. The Annual Report may be submitted as a single document or as separate documents constituting a package, and may cross-reference other information as provided in Section 4 of this Certificate; provided that the audited financial statements of the Corporation may be submitted separately from the balance of the Annual Report, and later than the date required for the filing of the Annual Report if not available by that date. The Corporation shall, in a timely manner, file notice with the MSRB of any failure to file an Annual Report by the date specified in this Section 3. Such notice shall be in the form attached as Exhibit A to this Certificate, subject to Section 9 of this Certificate.

SECTION 4. Content of Annual Reports. The Corporation's Annual Report shall include (i) the Corporation's audited financial statements for the Fiscal Year ended on the previous June 30, prepared in accordance with generally accepted accounting principles established by the Governmental Accounting Standards Board, if available, or unaudited financial statements for such Fiscal Year, (ii) an update of the financial information and operating data contained in the Official Statement under the caption "The Corporation," (iii) the amount and type of the investments (and cash) in the accounts and subaccounts established in the Indenture, (iv) the outstanding principal balances of each maturity of Subject Bonds and the sinking fund installment amounts as applicable, and (v) financial information and operating data with respect to any other series of Bonds.

If not provided as part of the Annual Report by the date required (as described above under "Provision of Annual Reports"), the Corporation shall provide audited financial statements, when and if available, to the MSRB.

Any or all of the items listed above may be incorporated by specific reference to other documents (i) available to the public on the MSRB Internet Web Site or (ii) filed with the SEC.

SECTION 5. Reporting of Significant Events.

This Section 5 shall govern the giving of notices of the occurrence of any of the following events:

1. Principal and interest payment delinquencies on the Subject Bonds or any other bonds of the Corporation;
2. Non-payment related defaults under the Indenture and any Supplemental Indenture, if material;
3. Unscheduled draws on debt service reserve reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Subject Bonds, or other material events affecting the tax status of the Subject Bonds;

7. Modifications to rights of Subject Bondholders, if material;

8. Subject Bond calls, if material, and tender offers;

9. Defeasances of Subject Bonds;

10. Release, substitution or sale of property securing repayment of the Subject Bonds, if material;

11. Rating changes for the Subject Bonds;

12. Bankruptcy, insolvency, receivership or similar event<sup>†</sup> of the Corporation;

13. The consummation of a merger, consolidation, or acquisition involving the Corporation or the sale of all or substantially all of the assets of the Corporation, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Upon the occurrence of a Listed Event, the Corporation shall file a notice of such occurrence with the MSRB and the Trustee in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event. Each notice of a Listed Event hereunder shall indicate that it is a notice of a Listed Event.

**SECTION 6. Termination of Reporting Obligation.** The Corporation's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Subject Bonds.

**SECTION 7. Dissemination Agent.** The Corporation may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the Corporation under this Certificate, and revoke or modify any such designation.

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<sup>†</sup> Note to Paragraph 12: For the purposes of the event identified in Paragraph 12 above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Corporation in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Corporation, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Corporation.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Certificate, the Corporation may amend this Certificate if the following conditions are met:

(a) The amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof or a change in the identity, nature or status of the Corporation or the type of business conducted thereby;

(b) The Certificate, as amended, would have complied with the requirements of the Rule at the time of the issuance of the Subject Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of the beneficial owners of the Subject Bonds as determined either by a party unaffiliated with the Corporation (such as Bond Counsel) or by approving vote of the registered owners of a majority in principal amount of the Subject Bonds pursuant to the terms of the Indenture.

The Corporation shall deliver a copy of any such amendment to the MSRB.

To the extent any amendment to this Certificate results in a change in the type of financial information or operating data provided pursuant to this Certificate, the first annual financial information provided thereafter will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 9. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 10. Default. *Except* as described in this paragraph, the provisions of this Certificate will create no rights in any other person or entity. The obligation of the Corporation to comply with the provisions of this Certificate are enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data, and notices, by any beneficial owner of Outstanding Subject Bonds, or by the Trustee on behalf of the registered owners of Outstanding Subject Bonds, or (ii) in the case of challenges to the adequacy of the financial statements, financial information, and operating data so provided, by the Trustee on behalf of the registered owners of Outstanding Subject Bonds; *provided, however*, that the Trustee shall not be required to take any enforcement action *except* at the direction of the registered owners of not less than 25% in aggregate principal amount of the Subject Bonds at the time Outstanding who shall have provided the Trustee with adequate security and indemnity. A default under this Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Certificate in the event of any failure of the Corporation or the Trustee to comply with this Certificate shall be an action to compel performance.

SECTION 11. Governing Law. This Certificate shall be construed and interpreted in accordance with the laws of the State of Alaska, and any suits and actions arising out of this Certificate shall be instituted in a court of competent jurisdiction in the State, *provided* that, to

the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

SECTION 12. Beneficiaries. This Certificate shall inure solely to the benefit of the Corporation, and the registered owners and beneficial owners from time to time of the Subject Bonds, and shall create no rights in any other person or entity.

Date: March 19, 2015

ALASKA HOUSING FINANCE CORPORATION

By: \_\_\_\_\_

**Exhibit A**

**NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Alaska Housing Finance Corporation (the "Corporation")

Name of Bond Issue: \$111,535,000 State Capital Project Bonds II,  
2015 Series A

Date of Issuance: March 19, 2015

NOTICE IS HEREBY GIVEN that the Corporation has not provided an Annual Report with respect to the above-named bond issue as required by the certificate of the Corporation.

Dated: \_\_\_\_\_

ALASKA HOUSING FINANCE CORPORATION

By: \_\_\_\_\_



