

NEW ISSUE FULL BOOK-ENTRY



Alaska Housing
FINANCE CORPORATION

\$32,150.000

\$17,850,000

\$860,000 Subseries A-1 (Non-AMT)

\$31,290,000 Subseries A-2 (AMT)

Sale Date: July 13, 2016

MATURITY SCHEDULE

\$32,150,000 2016 FIRST SERIES

\$860,000 Subseries A-1 (Non-AMT) Bonds

\$860,000 Serial Bonds

Maturity Date	Principal Amount	Interest Rate	Yield or Price	CUSIP[†]
December 1, 2037	\$860,000	2.85%	100%	011839 HS9

\$31,290,000 Subseries A-2 (AMT) Bonds **\$21,060,000 Serial Bonds**

Maturity Date	Principal Amount	Interest Rate	Yield or Price	CUSIP[†]
June 1, 2017	\$600,000	0.650%	100%	011839 HT7
December 1, 2017	635,000	0.700	100%	011839 HU4
June 1, 2018	645,000	0.800	100%	011839 HV2
December 1, 2018	640,000	0.900	100%	011839 HW0
June 1, 2019	640,000	0.950	100%	011839 HX8
December 1, 2019	640,000	1.050	100%	011839 HY6
June 1, 2020	640,000	1.150	100%	011839 HZ3
December 1, 2020	650,000	1.250	100%	011839 JA6
June 1, 2021	650,000	1.350	100%	011839 JB4
December 1, 2021	655,000	1.450	100%	011839 JC2
June 1, 2022	650,000	1.550	100%	011839 JD0
December 1, 2022	660,000	1.650	100%	011839 JE8
June 1, 2023	660,000	1.700	100%	011839 JF5
December 1, 2023	665,000	1.800	100%	011839 JG3
June 1, 2024	670,000	1.850	100%	011839 JH1
December 1, 2024	685,000	1.950	100%	011839 JJ7
June 1, 2025	700,000	2.050	100%	011839 JK4
December 1, 2025	715,000	2.150	100%	011839 JL2
June 1, 2026	720,000	2.200	100%	011839 JM0
December 1, 2026	725,000	2.250	100%	011839 JN8
June 1, 2027	730,000	2.350	100%	011839 JP3
December 1, 2027	745,000	2.400	100%	011839 JQ1
June 1, 2028	745,000	2.450	100%	011839 JR9
December 1, 2028	760,000	2.500	100%	011839 JS7

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, operated by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. This CUSIP number has been assigned by an independent company not affiliated with the Corporation and is included solely for the convenience of the registered owners of the applicable 2016 Bonds. The Corporation and the Underwriter are not responsible for the selection or uses of the CUSIP number, and no representation is made as to its correctness by the Corporation or the Underwriter on the 2016 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2016 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance.

June 1, 2029	770,000	2.550	100%	011839 JT5
December 1, 2029	785,000	2.600	100%	011839 JU2
June 1, 2030	795,000	2.650	100%	011839 JX6
December 1, 2030	825,000	2.750	100%	011839 JV0
June 1, 2031	825,000	2.850	100%	011839 JZ1
December 1, 2031	835,000	2.900	100%	011839 JW8
\$3,445,000	3.00%	Term Bonds due December 1, 2033	Price: 100%	CUSIP [†] 011839 JY4
\$3,645,000	3.10%	Term Bonds due December 1, 2035	Price: 100%	CUSIP [†] 011839 KA4
\$3,140,000	3.20%	Term Bonds due December 1, 2037	Price: 100%	CUSIP [†] 011839 KC0

\$17,850,000
2016 SECOND SERIES (Non-AMT)
\$7,655,000 Serial Bonds

Maturity Date	Principal Amount	Interest Rate	Yield or Price	CUSIP[†]
June 1, 2022	\$345,000	1.250%	100%	011839 LR6
December 1, 2022	345,000	1.350	100%	011839 LS4
June 1, 2023	350,000	1.400	100%	011839 LT2
December 1, 2023	355,000	1.500	100%	011839 LU9
June 1, 2024	355,000	1.550	100%	011839 LV7
December 1, 2024	360,000	1.650	100%	011839 LW5
June 1, 2025	365,000	1.750	100%	011839 LX3
December 1, 2025	370,000	1.850	100%	011839 LY1
June 1, 2026	370,000	1.900	100%	011839 LZ8
December 1, 2026	375,000	1.950	100%	011839 MA2
June 1, 2027	380,000	2.050	100%	011839 MB0
December 1, 2027	385,000	2.100	100%	011839 MC8
June 1, 2028	390,000	2.150	100%	011839 MD6
December 1, 2028	395,000	2.200	100%	011839 ME4
June 1, 2029	405,000	2.250	100%	011839 MN4
December 1, 2029	410,000	2.300	100%	011839 MF1
June 1, 2030	415,000	2.350	100%	011839 MP9
December 1, 2030	420,000	2.450	100%	011839 MG9
June 1, 2031	430,000	2.550	100%	011839 MQ7
December 1, 2031	435,000	2.600	100%	011839 MH7
\$1,820,000	2.70%	Term Bonds due December 1, 2033	Price: 100%	CUSIP [†] 011839 MJ3
\$1,950,000	2.80%	Term Bonds due December 1, 2035	Price: 100%	CUSIP [†] 011839 MK0
\$2,095,000	2.90%	Term Bonds due December 1, 2037	Price: 100%	CUSIP [†] 011839 MR5
\$2,255,000	3.00%	Term Bonds due December 1, 2039	Price: 100%	CUSIP [†] 011839 MM6
\$2,075,000	3.05%	Term Bonds due December 1, 2046	Price: 100%	CUSIP [†] 011839 ML8

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The distribution of this Amended and Restated Official Statement (this “Official Statement”) has been authorized by the Alaska Housing Finance Corporation. The material contained herein was compiled by officers of the Corporation, with the advice and assistance of FirstSouthwest, a Division of Hilltop Securities Inc., financial advisor to the Corporation and the Law Office of Kenneth E. Vassar, LLC, bond counsel to the Corporation and Kutak Rock LLP, disclosure counsel to the Corporation. Data has been obtained from official sources, so far as possible, and otherwise from sources which are believed to be reliable. The accuracy and completeness of the information derived from these sources is not guaranteed. Estimates and forecasts are necessarily approximate and subject to change. Detailed financial reports from which summaries contained herein have been taken are on file at the offices of the Corporation and at the offices of the relevant state agency.

No dealer, broker, salesman or other person has been authorized by the Alaska Housing Finance Corporation or by the State Bond Committee of the State of Alaska to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offer made by this Official Statement and, if given or made, such information or representations must not be relied upon as having been authorized by the Alaska Housing Finance Corporation or by the State Bond Committee of the State of Alaska. 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 an implication that there has been no change in the affairs of the Alaska Housing Finance Corporation or the State of Alaska since the date hereof. 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 2016 Bonds, in any jurisdiction in which such offer, solicitation or sale is not authorized under the securities laws of such jurisdiction.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CORPORATION, THE STATE AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT IS SUBMITTED BY THE ALASKA HOUSING FINANCE CORPORATION IN CONNECTION WITH THE SALE OF THE 2016 BONDS REFERRED TO HEREIN AND MAY NOT BE PRODUCED OR USED, IN WHOLE OR IN PART, FOR ANY OTHER PURPOSE.

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**AMENDED AND RESTATED
OFFICIAL STATEMENT
OF
ALASKA HOUSING FINANCE CORPORATION**

RELATING TO

**\$50,000,000
ALASKA HOUSING FINANCE CORPORATION
Collateralized Bonds
(Veterans Mortgage Program)**

**\$32,150,000
2016 First Series
\$860,000 Subseries A-1 (Non-AMT)
\$31,290,000 Subseries A-2 (AMT)**

**\$17,850,000
2016 Second Series (Non-AMT)**

INTRODUCTION

This Amended and Restated Official Statement (this “Official Statement”) is being distributed by the Alaska Housing Finance Corporation (the “Corporation”) to furnish pertinent information to all who may become holders of its Collateralized Bonds (Veterans Mortgage Program), 2016 First Series, Subseries A-1 (Non-AMT) (the “Subseries A-1 (Non-AMT) Bonds”), its Collateralized Bonds (Veterans Mortgage Program), 2016 First Series, Subseries A-2 (AMT) (the “Subseries A-2 (AMT) Bonds,” and, together with the Subseries A-1 (Non-AMT) Bonds, the “2016 First Series Bonds”) or its Collateralized Bonds (Veterans Mortgage Program), 2016 Second Series (Non-AMT) (the “2016 Second Series Bonds” and, together with the 2016 First Bonds, the “2016 Bonds”). The 2016 Bonds are authorized to be issued pursuant to Chapter 56 of Title 18 of the Alaska Statutes, as amended (the “Act”), an Indenture (the “Master Indenture”) dated as of October 1, 1999, as amended, and a 2016 First and Second Series Supplemental Indenture (the “2016 Supplemental Indenture”), dated as of July 1, 2016 (together with the Master Indenture, the “Indenture”), to be entered into between the Corporation and U.S. Bank National Association, as trustee (the “Trustee”).

The 2016 First Series Bonds and 2016 Second Series Bonds are the tenth and eleventh series of bonds, respectively, issued under the Indenture (the “Bonds”). As of June 1, 2016, the Corporation had issued prior series Bonds in the aggregate principal amount of \$682,885,000. 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 “SECURITY FOR THE 2016 BONDS—Additional Bonds.” The 2016 Bonds will be secured on a parity with the prior series Bonds and with any Additional Bonds.

The proceeds of the Subseries A-1 (Non-AMT) Bonds and the proceeds of the Subseries A-2 (AMT) Bonds will be used to refund commercial paper of the Corporation (collectively herein, the “Refunded Obligations”), which directly or indirectly refunded previously outstanding Bonds. The proceeds of the 2016 Second Series Bonds will be used to provide funds to make or purchase Mortgage Loans (as defined below) or to reimburse the Corporation for such purchases. See “ESTIMATED SOURCES AND USES OF FUNDS.”

In connection with the redemption and refunding of the Refunded Obligations and the issuance of the 2016 First Series Bonds, certain mortgage loans (the “Transferred Mortgage Loans”) will be deemed

allocated to the 2016 Bonds. For a description as of May 31, 2016 of the Transferred Mortgage Loans, see “MORTGAGES AND MORTGAGE SERVICING—Transferred Mortgage Loans.”

Principal of and interest on the Bonds is unconditionally guaranteed by the State of Alaska (the “State”). The full faith, credit and resources of the State are pledged to the payment of principal of and interest on the 2016 Bonds, and the payment of the principal of and interest on the 2016 Bonds is secured by the general obligation of the State. A total amount of \$3,300,000,000 of State-guaranteed veterans bonds have been authorized to be issued by the Corporation by six statewide voted bond propositions. A total of \$2,605,385,000 in bonds has been issued by the Corporation under such authorizations (excluding the 2016 Bonds), of which approximately \$11,585,000 is outstanding as of June 1, 2016.

On June 6, 2016, the State Bond Committee approved by resolution the timing and amount of the 2016 Bonds sale.

The Corporation and the State intend to enter into agreements to provide continuing disclosure to permit the purchaser to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission.

All capitalized terms used in this Official Statement that are defined in the Indenture (unless otherwise herein defined) shall have the same meanings as in the Indenture. See “DESCRIPTION OF THE INDENTURE” herein.

Certain provisions of the Indenture are being amended by the 2016 Supplemental Indenture, and such amendments will become effective on the first date that no Bond that was Outstanding on the effective date of the 2016 Supplemental Indenture, not including the 2016 Bonds, remains Outstanding. The Corporation expects that the effective date of such amendments will be the date of issuance of the 2016 Bonds. Purchasers of the 2016 Bonds shall be deemed to have consented to such amendments by their purchase of such 2016 Bonds. See “DESCRIPTION OF THE INDENTURE—Certain Amendments.”

The summaries and references herein to the Act, the 2016 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 2016 Bonds, 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.

ESTIMATED SOURCES AND USES OF FUNDS

The expected sources and uses of funds in connection with the 2016 Bonds are set forth in the following table:

SOURCES

2016 First Series Bonds Par Amount	\$32,150,000
2016 Second Series Bonds Par Amount	17,850,000
Transfers from the Corporation ¹	<u>1,642,000</u>
Total Sources	\$51,642,000

USES

Redemption of Refunded Obligations ²	\$32,150,000
Program Obligation Fund ³	17,850,000
Underwriter's Fees	500,000
Capitalized Interest Account	142,000
Debt Service Account ⁴	<u>1,000,000</u>
Total Uses	\$51,642,000

¹ In addition to the amounts set forth in this table, the Corporation will pay approximately \$250,000 of associated costs of issuance from available Corporation funds.

² In connection with the redemption of the Refunded Obligations, the Transferred Mortgage Loans will be allocated to the 2016 Bonds.

³ The acquisition of the initial portfolio of Program Obligations (as defined below under "SECURITY FOR THE 2016 BONDS—General") with 2016 Bond proceeds is expected to be completed by July 27, 2016. Mortgage Loans acquired by the Corporation from the proceeds of the 2016 Bonds are expected to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder. See "TAX MATTERS."

⁴ The Corporation may contribute additional amounts to the Debt Service Account if necessary to provide sufficient cash flow for payment of the 2016 Bonds.

SECURITY FOR THE 2016 BONDS

General

The 2016 Bonds are general obligations of the Corporation payable out of any of its revenues, moneys or assets, subject to agreements heretofore or hereafter made with the holders of notes and bonds, other than the Bonds, pledging particular revenues, moneys or assets for the payment thereof and subject to the exclusion of money in the Corporation's Housing Development Fund.

The 2016 Bonds will be primarily secured by certain program obligations (the "Program Obligations") initially consisting of conventional, single-family residential mortgage loans (the "Mortgage Loans") that are either guaranteed by the Department of Veterans Affairs ("VA") or the USDA Rural Development ("RD") (formerly, the Farmers' Home Administration), or insured by the Federal Housing Administration ("FHA") or through private mortgage insurance. The Mortgage Loans will consist of first mortgage loans for single-family residences in the State that the Corporation will purchase from qualifying lending institutions that originated such Mortgage Loans (the "Purchased Mortgage Loans"). See "THE PROGRAM OBLIGATION FUND—The Special Mortgage Loan Purchase Program" herein. Each Mortgage Loan will be secured by a first mortgage lien on residential property located in the State. Under the Indenture, Program Obligations may also include Mortgage Certificates (as defined below) and, if the Rating Agencies (as defined below) shall have previously informed the Corporation and the Trustee in writing that there would be no adverse effect on the credit ratings previously assigned by them to the Bonds, other mortgage instruments. Mortgage certificates (the

“Mortgage Certificates”), if any, will be issued or guaranteed, as the case may be, by the Government National Mortgage Association (“GNMA”), the Federal National Mortgage Association (“FNMA”) or the Federal Home Loan Mortgage Corporation (“FHLMC”). The Program Obligations, together with the payments thereon, will be pledged to the Trustee under the Indenture.

As described above under “INTRODUCTION,” following the redemption and refunding of the Refunded Obligations with the proceeds of the Subseries A-1 (Non AMT) Bonds and the proceeds of the Subseries A-2 (AMT) Bonds, approximately \$32.3 million principal balance of Transferred Mortgage Loans will be allocated to such Bonds. For a description as of May 31, 2016 of the Transferred Mortgage Loans, see “MORTGAGES AND MORTGAGE SERVICING—Transferred Mortgage Loans.”

Approximately \$9.3 million of the proceeds of the 2016 Second Series Bonds will be used to purchase recently originated Mortgage Loans financed on a temporary basis with Corporation funds. The balance of approximately \$8.6 million of the proceeds of the 2016 Second Series Bonds will be used to finance new Mortgage Loans following the issuance of the 2016 Bonds. The Corporation may exchange certain of such Mortgage Loans for Mortgage Certificates. For a more complete description of the Mortgage Certificates, see “THE PROGRAM OBLIGATION FUND—Mortgage Certificates” herein. The Corporation expects to complete its acquisition of Mortgage Loans and, if applicable, Mortgage Certificates with proceeds of the 2016 Second Series Bonds by May 1, 2017.

Mortgage Loans purchased from 2016 Second Series Bond proceeds will be limited to Mortgage Loans made to qualifying veterans which are secured by a first lien on residential, single family homes and which bear interest at a fixed rate. Such Mortgage Loans will provide for approximately equal monthly installments of principal and interest for an initial term of at least 15 years, but no more than 30 years, from the date of origination. For a more complete description of the Mortgage Loans, see “MORTGAGES AND MORTGAGE SERVICING—The Mortgages” and “CERTAIN LEGAL ASPECTS OF THE MORTGAGE LOANS.”

No representation is made as to the percentage of the Program Obligation Fund with respect to the 2016 Bonds under the Indenture (the “Program Obligation Fund”) which will be invested initially in Purchased Mortgage Loans, Mortgage Certificates or other permitted investments.

Pledged Revenues

In addition, the 2016 Bonds will be secured by a pledge of the Corporation’s rights under the pledged Program Obligations and the various insurance policies and guaranty agreements provided with respect to the pledged Program Obligations, and by a pledge of the Pledged Revenues under the Indenture and all assets held in any fund or account established under the Indenture (except any Rebate Fund and any account within either a Credit Enhancement Fund or a Liquidity Facility Fund that is used exclusively to reimburse the credit enhancer or liquidity facility provider pursuant to the terms of the Credit Enhancement or Liquidity Facility). Pledged Revenues include (i) payments of principal and interest on the Pledged Program Obligations deposited with the Trustee and all other net proceeds of such Pledged Program Obligations and (ii) investment earnings on Investment Securities held by the Trustee as security for the Bonds and the net gain realized on the sale or other disposition of such Investment Securities. Pledged Revenues do not include earnings or payments on amounts on deposit in the Rebate Fund or the Over Collateralization Requirement Fund for the 2016 Bonds (the “OCR Fund”).

OCR Fund

If amounts in the Interest Account of the Revenue Fund and the Principal Account and General Account of the Redemption Fund are insufficient to pay debt service on the Bonds, amounts in the OCR

Fund are available for such payment if there is an insufficient amount to pay such deficiency in the Debt Service Account. The OCR Fund may consist of certain mortgage loans, cash and other assets contributed to it by the Corporation. The Corporation will deposit mortgage loans, mortgage certificates and/or cash into the OCR Fund in an amount sufficient to satisfy the OCR Fund Requirement.

Sufficiency of Pledged Revenues

The completed initial portfolio of Program Obligations is expected to have an aggregate outstanding principal balance of approximately \$32.2 million with respect to the 2016 First Series Bonds and approximately \$9.3 million with respect to the 2016 Second Series Bonds and will be pledged to the payment of the 2016 Bonds and all other Bonds on a parity basis. Revenues received in respect of such Program Obligations and any other Program Obligations subsequently acquired, including amounts attributable to prepayments, are required to be deposited in the Revenue Fund and will be applied (unless used to purchase additional Program Obligations), together with amounts available from investment earnings, to meet interest payments, sinking fund redemption requirements, principal maturities and other redemption provisions of the Bonds. The cash flow from such Mortgage Loans and other Program Obligations and any subsequent Mortgage Loans or other Program Obligations, together with investment income and the Debt Service Account, is expected to be sufficient for all required principal (including sinking fund) and interest payments on the Bonds.

State Guaranty

Principal of and interest on all Bonds are unconditionally guaranteed by the State of Alaska. The full faith, credit and resources of the State are pledged to the payment of principal of and interest on all Bonds, and payment of the principal of and interest on all Bonds are secured by the general obligation of the State of Alaska.

Debt Service Account

The Corporation will establish by a cash transfer from its unrestricted general funds a Debt Service Account in approximately the amount of \$1 million in order to assure the availability of moneys for the payment of debt service on the Bonds. The Corporation may deposit additional amounts in the Debt Service Account to the extent necessary to provide adequate cash flow to pay the Bonds. Under the terms of the Indenture, any deficiency in the minimum required deposit of amounts in the Interest Account, Principal Account and General Account with respect to payment of interest, principal or sinking fund payments on the Bonds three business days prior to any Interest Payment Date must be immediately satisfied with a withdrawal from the Debt Service Account and, if amounts therein shall be insufficient, from any other funds of the Corporation available therefor, including amounts in the OCR Fund. On the first Interest Payment Date next following the acquisition of the initial portfolio of Program Obligations with proceeds of the 2016 Bonds, in the event the Corporation has filed with the Trustee a Bond Coverage Certificate (as defined below) demonstrating Bond Coverage (as defined below) after giving effect to such withdrawal, the balance remaining in the Debt Service Account in excess of the Minimum Debt Service Account Requirement may be withdrawn by the Corporation to the extent that all debt service on all Outstanding Bonds then due shall have been paid as of such Interest Payment Date or as of the most recent applicable Interest Payment Date for such Bonds and to the extent that certain other tests are met. Any amounts remaining in the Debt Service Account five days after such Interest Payment Date in excess of the Minimum Debt Service Account Requirement shall be transferred by the Trustee to the Revenue Fund. On future Interest Payment Dates, the Trustee shall transfer any amounts in the Debt Service Account that are in excess of the Minimum Debt Service Account Requirement to the Revenue Fund.

Additional Bonds

Additional Bonds (including refunding Bonds) may be issued pursuant to the Master Indenture upon compliance with the provisions thereof, which include the requirement that no Additional Bonds may be issued (i) without the delivery of a Bond Coverage Certificate (as defined below) to the Trustee and (ii) unless the ratings then assigned by the Rating Agencies to the then Outstanding Bonds without regard to any bond insurance or any other form of credit enhancement will not be reduced as a result of the issuance of such Additional Bonds. The Bonds issued under the Indenture will rank on a parity with each other; therefore, the availability of money for repayment of the 2016 Bonds could be significantly affected by the issuance of Additional Bonds. The Corporation is also permitted to issue bonds which are separately secured and bonds which are also general obligations of the Corporation.

DESCRIPTION OF THE 2016 BONDS

The 2016 Bonds will be dated as set forth on the cover page. The 2016 Bonds will mature on the dates and in the amounts as set forth on the inside cover page, and will bear interest (calculated on the basis of a 360-day year consisting of twelve 30-day months), payable on each June 1 and December 1, commencing December 1, 2016, from their dated dates to their maturity dates, as set forth on the inside cover page, at the applicable rates, as set forth on the inside cover page. The 2016 Bonds shall be issued in denominations of \$5,000 or any integral multiple thereof.

All 2016 Bonds will be issued only in fully registered form and will be initially offered only in book-entry form, registered in the name of Cede & Co. as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository of the 2016 Bonds. See “DESCRIPTION OF THE 2016 BONDS—Book-Entry Only System” herein. The 2016 Bonds are issuable in minimum denominations of \$5,000 or any integral multiple thereof. For so long as Cede & Co. remains the registered owner of the 2016 Bonds, payments of principal of and interest on the 2016 Bonds will be made by the Trustee directly to DTC or Cede & Co., as the nominee of DTC. DTC procedures provide for DTC to remit such payments to banks, brokers and dealers who are, or who act through, participants of DTC (“DTC Participants”) and for such payments to thereafter be paid by DTC Participants to the Beneficial Owners (as defined below). For payment if the 2016 Bonds are no longer held in book-entry-only system, see “Delivery of Bond Certificates” below.

Book-Entry Only System

The 2016 Bonds will be issued as fully registered bonds in the name of Cede & Co., as nominee of DTC, as registered owner of the 2016 Bonds. Purchasers of such 2016 Bonds will not receive physical delivery of bond certificates. For purposes of this Official Statement, so long as all of the 2016 Bonds are immobilized in the custody of DTC, references to holders or owners of 2016 Bonds 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 Underwriter takes responsibility for the accuracy or completeness thereof.

DTC will act as securities depository for the 2016 Bonds. The 2016 Bonds will be issued as fully registered securities in the name of Cede & Co., DTC’s partnership nominee (“Cede”), or such other name as may be requested by an authorized representative of DTC. One fully registered 2016 Bond certificate will be issued for each maturity of each subseries thereof set forth on the inside cover page in the aggregate principal amount of each such maturity and will be deposited with DTC. One fully

registered 2016 Bond certificate will be issued for each maturity thereof set forth on the inside cover page in the aggregate principal amount of each such maturity 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, the National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. 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 (information on the DTC website is not a part of this Official Statement).

Purchases of 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2016 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 2016 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 2016 Bonds, except in the event that use of the book-entry system for the 2016 Bonds is discontinued.

To facilitate subsequent transfers, all 2016 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 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2016 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 2016 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2016 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Indenture. For

example, Beneficial Owners of 2016 Bonds may wish to ascertain that the nominee holding the 2016 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 a maturity of a Series of the 2016 Bonds is being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's 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's consenting or voting rights to those Direct Participants to whose accounts the 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and interest on the 2016 Bonds will be made to Cede, 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 2016 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 2016 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 OF THE 2016 BONDS OR ANY OTHER ACTION TAKEN BY DTC AS REGISTERED BONDOWNER.

DTC may discontinue providing its services as securities depository with respect to the 2016 Bonds at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, 2016 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-only transfers through DTC (or a successor securities depository). In that event, 2016 Bond certificates will be printed and delivered to DTC.

The information herein concerning DTC and DTC's book-entry system has been obtained from sources that the Corporation believes to be reliable, but the Corporation takes no responsibility for the accuracy thereof.

Payments of Principal and Interest

For so long as Cede & Co. is the registered owner of the 2016 Bond, payments of principal and interest with respect to the 2016 Bonds will be paid by the Trustee directly to DTC or its nominee, Cede & Co. DTC procedures provide for DTC to remit such payments to the DTC Participants and such payments to thereafter be paid by DTC Participants to Beneficial Owners. NO ASSURANCE CAN BE GIVEN BY THE CORPORATION THAT DTC AND DTC PARTICIPANTS WILL MAKE PROMPT TRANSFER OF PAYMENTS TO BENEFICIAL OWNERS. THE CORPORATION IS NOT RESPONSIBLE OR LIABLE FOR PAYMENT BY DTC OR DTC PARTICIPANTS OR FOR SENDING TRANSACTION STATEMENTS OR FOR MAINTAINING, SUPERVISING OR REVIEWING RECORDS MAINTAINED BY DTC OR DTC PARTICIPANTS OR FOR ANY OTHER ACTION TAKEN OR NOT TAKEN BY DTC OR DTC PARTICIPANTS. THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY ONLY SYSTEM HAS BEEN OBTAINED FROM DTC, AND THE CORPORATION TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. THE BENEFICIAL OWNER MAY BE CHARGED A SUM SUFFICIENT TO COVER ANY TAX, FEE OR OTHER GOVERNMENTAL CHARGE THAT MAY BE IMPOSED FOR EVERY TRANSFER AND EXCHANGE OF THE 2016 BONDS.

Delivery of Bond Certificates

In the event the Corporation, in its sole discretion, determines that the Beneficial Owners should obtain bond certificates, the Corporation may, at its own expense, execute and deliver 2016 Bonds in the form of fully registered certificates, which would be available for distribution to Beneficial Owners or their nominees. In such event, principal and interest with respect to the 2016 Bonds will be payable to the holders of the 2016 Bonds in accordance with the terms of the Indenture. DTC also may discontinue providing its services with respect to the 2016 Bonds by giving notice to the Corporation and discharging its responsibilities under applicable law.

If bond certificates are issued as provided above, the principal and interest due upon maturity or redemption of any of the 2016 Bonds (or earlier payment in full) will be payable at the office of the Trustee, as Paying Agent, in St. Paul, Minnesota, upon presentation and surrender of such 2016 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 2016 Bond (prior to the maturity or earlier redemption thereof) will be made by the Trustee to the registered owner of such 2016 Bond by check mailed by first-class mail on the Interest Payment Date to such registered owner as of the Record Date at the address appearing on the registration books relating to such 2016 Bonds. A registered owner of \$1,000,000 or more in principal amount of Bonds shall be paid interest by wire transfer to an account in the United States if the registered owner makes a written request to the Trustee prior to the Record Date specifying the account address.

If certificates are issued as provided above, the 2016 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 its fees and expenses in connection with the transfer and 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 15 days next preceding an Interest Payment

Date on any 2016 Bond or next preceding any selection of any 2016 Bond to be redeemed, or to transfer or exchange any 2016 Bond previously called for redemption except to the extent of any unredeemed portion thereof. If any 2016 Bond is mutilated, lost, stolen or destroyed, the Trustee may execute and deliver a new 2016 Bond of the same maturity, interest rate and principal amount as the 2016 Bond so mutilated, lost, stolen or destroyed, provided that such 2016 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 holder of the 2016 Bond.

Notices to Beneficial Owners

Each Beneficial Owner will receive any notices of redemption and other notices only through the DTC Participant from which each Beneficial Owner acquired its interest in the 2016 Bonds, who, in turn, will receive such notices through the facilities of DTC.

Neither the Trustee nor the Corporation shall have any responsibility or obligation to any DTC Participant, any person claiming a beneficial ownership interest in the 2016 Bonds under or through DTC or any DTC Participant, or any other person not shown on the registration books of the Trustee as being a registered owner of 2016 Bonds with respect to: the accuracy of any records maintained by DTC or any DTC Participant; the payment by DTC or any DTC Participant of any amount in respect of the principal of or interest on the 2016 Bonds; any notice which is permitted or required to be given to holders of the 2016 Bonds under the Indenture; the selection by DTC or any DTC Participant of any person to receive payment in the event of a partial redemption of the 2016 Bonds; or any consent given or other action taken by DTC as the registered owner of the 2016 Bonds.

Any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a DTC Participant, an Indirect Participant or otherwise) to notify the Beneficial Owner of any such notice and its contents or effect will not affect the validity of the redemption or of any other action premised on such notice.

When reference is made to any action which is required or permitted to be taken by the owners, such reference will only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such owners for such purposes.

REDEMPTION OF THE 2016 BONDS

Special Redemption of 2016 Bonds

The 2016 Bonds are subject to redemption, at the option of the Corporation, in whole or in part on a pro rata basis from among all outstanding maturities of the 2016 Bonds unless the Corporation directs the Trustee otherwise, on any date on or after June 1, 2017 (which date shall be determined by the Corporation, subject to the provisions of, and in accordance with, the Indenture and when so determined or selected shall be deemed as the redemption date), from amounts in the Program Obligation Fund which have not been expended for the purchase of Program Obligations at a price equal to 100% of their principal amount plus accrued interest to the redemption date.

The 2016 Bonds are also subject to redemption, at the option of the Corporation, in whole or part on a pro rata basis from among all outstanding maturities of the 2016 Bonds unless the Corporation directs the Trustee otherwise, on any date beginning December 1, 2016 at a price equal to 100% of their principal amount plus accrued interest to the redemption date, from amounts available for such purpose in the Redemption Fund, which amounts are expected to be generated primarily from repayments and

prepayments of principal on Mortgage Loans represented by (or held directly as) Program Obligations. Such amounts may, at the discretion of the Corporation, include excess revenues relating to Mortgage Loans financed by the Corporation with proceeds of the 2016 Bonds, any previously issued Bonds or any Additional Bonds, and amounts in the Debt Service Account in excess of 2% of the outstanding balance of Mortgage Loans (exclusive of Mortgage Loans that have been exchanged for Mortgage Certificates). If the Corporation elects to redeem the 2016 Bonds other than on a pro rata basis pursuant to this paragraph, the Corporation shall file a Bond Coverage Certificate with the Trustee demonstrating Bond Coverage after giving effect to such redemptions.

The Corporation may elect in lieu of the redemption described in the preceding paragraph to transfer such amounts to the Program Obligation Fund for the purchase of new Program Obligations, subject to the limitations described in “ASSUMPTIONS REGARDING THE 2016 BONDS STRUCTURE.” Amounts so transferred to the Program Obligation Fund which are not used for the purchase of new Program Obligations shall under certain circumstances be applied by the Corporation to the aforesaid redemption of 2016 Bonds.

Redemption When 2016 First Series Bonds Outstanding Are 15% or Less of Initial Principal Amount

The 2016 First Series Bonds are subject to redemption at 100% of the principal amount thereof, plus accrued interest to the redemption date, in whole on any date at the option of the Corporation, from any source of funds, if the outstanding principal balance of the 2016 First Series Bonds is less than or equal to 15% of the aggregate original principal amount of the 2016 First Series Bonds (\$4,822,500).

Sinking Fund Redemption of 2016 First Series Bonds

The 2016 First Series Bonds which are term bonds are also subject to redemption in part by lot within a maturity at 100% of the principal amount thereof plus interest accrued to the redemption date from mandatory sinking fund payment on the dates and in the principal amounts of such 2016 First Series Bonds specified for each of the years shown below:

Sinking Fund Payment Schedules

Subseries A-2 Bonds (AMT) Maturing December 1, 2033

<u>Sinking Fund Payment Date</u>	<u>Principal Amount</u>
June 1, 2032	\$850,000
December 1, 2032	845,000
June 1, 2033	870,000
December 1, 2033 (maturity)	880,000

Subseries A-2 Bonds (AMT) Maturing December 1, 2035

<u>Sinking Fund Payment Date</u>	<u>Principal Amount</u>
June 1, 2034	\$905,000
December 1, 2034	930,000
June 1, 2035	875,000
December 1, 2035 (maturity)	935,000

Subseries A-2 Bonds (AMT) Maturing December 1, 2037

<u>Sinking Fund Payment Date</u>	<u>Principal Amount</u>
June 1, 2036	\$ 965,000
December 1, 2036	990,000
June 1, 2037	1,015,000
December 1, 2037 (maturity)	170,000

Optional Redemption of 2016 First Series Bonds

The 2016 First Series Bonds maturing on or after June 1, 2026, are redeemable, at the option of the Corporation, on or after June 1, 2026, in whole or in part, at any time from any moneys made available for such purpose, at 100% of the principal amount of the 2016 First Series Bonds to be redeemed, plus interest, if any, accrued to the redemption date.

Redemption When 2016 Second Series Bonds Outstanding Are 15% or Less of Initial Principal Amount

The 2016 Second Series Bonds are subject to redemption at 100% of the principal amount thereof, plus accrued interest to the redemption date, in whole on any date at the option of the Corporation, from any source of funds, if the outstanding principal balance of the 2016 Second Series Bonds is less than or equal to 15% of the aggregate original principal amount of the 2016 Second Series Bonds (\$2,677,500).

Sinking Fund Redemption of 2016 Second Series Bonds

The 2016 Second Series Bonds which are term bonds are also subject to redemption in part by lot within a maturity at 100% of the principal amount thereof plus interest accrued to the redemption date from mandatory sinking fund payment on the dates and in the principal amounts of such 2016 Second Series Bonds specified for each of the years shown below:

Sinking Fund Payment Schedules

2016 Second Series Bonds (Non-AMT) Maturing December 1, 2033

<u>Sinking Fund Payment Date</u>	<u>Principal Amount</u>
June 1, 2032	\$445,000
December 1, 2032	450,000
June 1, 2033	460,000
December 1, 2033 (maturity)	465,000

2016 Second Series Bonds (Non-AMT) Maturing December 1, 2035

<u>Sinking Fund Payment Date</u>	<u>Principal Amount</u>
June 1, 2034	\$475,000
December 1, 2034	485,000
June 1, 2035	490,000
December 1, 2035 (maturity)	500,000

2016 Second Series Bonds (Non-AMT) Maturing December 1, 2037

<u>Sinking Fund Payment Date</u>	<u>Principal Amount</u>
June 1, 2036	\$510,000
December 1, 2036	520,000
June 1, 2037	530,000
December 1, 2037 (maturity)	535,000

2016 Second Series Bonds (Non-AMT) Maturing December 1, 2039

<u>Sinking Fund Payment Date</u>	<u>Principal Amount</u>
June 1, 2038	\$545,000
December 1, 2038	560,000
June 1, 2039	570,000
December 1, 2039 (maturity)	580,000

2016 Second Series Bonds (Non-AMT) Maturing December 1, 2046

<u>Sinking Fund Payment Date</u>	<u>Principal Amount</u>
June 1, 2040	\$150,000
December 1, 2040	155,000
June 1, 2041	155,000
December 1, 2041	160,000
June 1, 2042	160,000
December 1, 2042	165,000
June 1, 2043	170,000
December 1, 2043	170,000
June 1, 2044	175,000
December 1, 2044	180,000
June 1, 2045	180,000
December 1, 2045	95,000
June 1, 2046	80,000
December 1, 2046 (maturity)	80,000

Optional Redemption of 2016 Second Series Bonds

The 2016 Second Series Bonds maturing on or after June 1, 2026, are redeemable, at the option of the Corporation, on or after June 1, 2026, in whole or in part, at any time from any moneys made available for such purpose, at 100% of the principal amount of the 2016 Second Series Bonds to be redeemed, plus interest, if any, accrued to the redemption date.

General Provisions

The Corporation may from time to time, prior to notice of redemption, purchase 2016 Bonds from moneys held for redemption at a price not in excess of the applicable Redemption Price plus accrued interest.

Any 2016 Bonds to be redeemed shall be redeemed in accordance with the requirements of the Indenture, and (i) as to the 2016 First Series Bonds, any such redemption (other than a sinking fund redemption) shall be credited against future Sinking Fund Payments applicable to the 2016 First Series Bonds being redeemed on a pro rata basis, unless the Corporation directs the Trustee to credit otherwise, and (ii) as to the 2016 Second Series Bonds, any such redemption (other than a sinking fund redemption) shall be credited against future Sinking Fund Payments applicable to the 2016 Second Series Bonds being redeemed on a pro rata basis, unless the Corporation directs the Trustee to credit otherwise.

Subject to applicable law, notwithstanding the maximum purchase price, if at any time the investment earnings on the moneys available for such purchase shall be less than the interest accruing on the 2016 Bond to be redeemed, then the Trustee may pay a purchase price for any such 2016 Bond in excess of the Redemption Price that would be payable on the next redemption date to the Owner of such 2016 Bond, if the Corporation certifies to the Trustee that the amount paid in excess of said Redemption Price is less than the interest that is to accrue on said 2016 Bond less any investment earnings on such available moneys for the period from the settlement date of the proposed purchase to the redemption date.

Notice of the call for any redemption, identifying the 2016 Bonds or portion thereof to be redeemed, shall 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 date fixed for redemption to the registered owner of each 2016 Bond to be redeemed in whole or in part at the address shown on the registration books maintained by the Trustee. Neither failure to receive any redemption notice nor any defect in such redemption notice so given shall affect the sufficiency of the proceedings for the redemption of such Bonds.

THE PROGRAM OBLIGATION FUND

The Trustee has established a Program Obligation Fund for the 2016 Bonds. The Trustee shall deposit amounts available as a result of issuance of the 2016 Bonds and the refunding of the Refunded Obligations in the 2016 Bond Proceeds Account of the Program Obligation Fund. The Corporation also may deposit additional funds and Program Obligations to the Program Obligation Fund during the initial acquisition period to satisfy the Bond Coverage requirements under the Indenture. Any Mortgage Loan represented by a Program Obligation purchased entirely with funds contributed by the Corporation need not comply with the mortgage requirements of the Code summarized hereafter.

The Trustee may disburse amounts held in the Program Obligation Fund as follows:

- (a) at the written direction of the Corporation, against delivery of Program Obligations to the Trustee for deposit in the Program Obligation Fund, assuming compliance with the cash flow and Bond Coverage calculations referred to under “ASSUMPTIONS REGARDING THE 2016 BONDS STRUCTURE”;
- (b) at the written direction of the Corporation, to purchase Investment Securities;
- (c) to the Interest Account or the Principal Account either (i) as directed in the most recently delivered Bond Coverage Certificate, or (ii) at the written direction of the Corporation to the extent necessary in the opinion of the Corporation to prevent a default in the payment of principal of or interest on the Bonds;
- (d) on the date or dates specified in the 2016 Supplemental Indenture to the General Account, any moneys then remaining in the applicable Bond Proceeds Account for the 2016 Bonds unexpended for the purchase of Program Obligations for certain transfers for redemption or recycling;
- (e) on any Interest Payment Date for the 2016 Bonds, as applicable, following completion of the purchase of the initial Program Obligation portfolio for the 2016 Bonds, as applicable, in an amount as certified to the Trustee in writing by an Authorized Officer, from the Accounts for the 2016 Bonds, as applicable, in the Program Obligation Fund, as applicable, to the Corporation free and clear of the lien and pledge of the Indenture but only upon receipt by the Trustee from the Corporation of a Bond Coverage Certificate demonstrating Bond Coverage after giving effect to the disbursement; or
- (f) on any date, at the written direction of the Corporation, to the General Account, all or any portion of the moneys then on deposit in the Recycling Account.

The Corporation may acquire Program Obligations from moneys initially deposited in the Program Obligation Fund if it extends the Program Obligation acquisition period pursuant to the terms of the Indenture, upon filing with the Trustee a Bond Coverage Certificate, including confirmation from the Rating Agencies that such extension will not cause a reduction in the ratings on the Bonds then in effect.

“Bond Coverage Certificate” means a Certificate establishing Bond Coverage as of a specified date of certification. “Bond Coverage” means a condition which shall be deemed to exist as of any date of certification if either the test set forth in paragraph (i) below or the test set forth in paragraph (ii) below is met as of such date:

- (i) the Corporation delivers to the Trustee a Certificate certifying (A) that the Over Collateralization Requirement has been met and that the Minimum Debt Service Account Requirement has been met and (B) that the schedules attached thereto show receipt and application of Eligible Funds which are in any Fund sufficient and available to provide timely payment of the principal of and interest on the Bonds of each Series on each Debt Service Payment Date and Program Expenses, up to the amount permitted to be paid out of the Operating Account within the Redemption Fund pursuant to the Indenture, from (and including) the first interest payment date that is or that follows the date of certification to the maturity of the Bonds; or

(ii) the Corporation delivers to the Trustee a Bond Coverage Certificate certifying as to another calculation (including, without limitation, any definition or component thereof) that is of Rating Quality. The Trustee is entitled to rely on the Certificate as to Rating Quality.

“*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 from the Rating Agencies initially 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 of such Series or to any other Outstanding Bonds.

The Corporation expects that, subsequent to refunding the Refunded Obligations and receipt of transferred funds, the funds deposited into the Program Obligation Fund on the date of issuance of the 2016 Bonds will be disbursed to it against the deposit of Program Obligations. It is expected that the cash flow from such Program Obligations, together with other Pledged Revenues (including investment income) and moneys from the Debt Service Account, will be sufficient to pay the principal of and interest on the Bonds.

Program Obligations are expected to consist of Mortgage Loans to be or which have been originated under the Corporation’s ongoing Veterans Mortgage Program. See “THE CORPORATION—Lending Activities” for a description of the Veterans Mortgage Program.

Under certain circumstances the Indenture permits the Corporation to withdraw amounts held in the Program Obligation Fund free and clear of the lien of the Indenture. Any such withdrawal must be accompanied by a Bond Coverage Certificate demonstrating the sufficiency of revenues to pay principal and interest on the Bonds, notwithstanding such withdrawal, under certain assumptions set forth in the Indenture.

The Special Mortgage Loan Purchase Program

The Special Mortgage Loan Purchase Program, under which the Veterans Mortgage Program is operated, was established by the Corporation in 1980 in connection with a major expansion of the Corporation’s functions by the State Legislature. Since June 1980, the Special Mortgage Loan Purchase Program has been a significant funding source for financing owner occupied housing in the State. Under the Special Mortgage Loan Purchase Program, the Corporation purchases first mortgage loans in amounts not in excess of those established for the State by FNMA (except for 1 unit single family mortgage loans, which may not exceed 110% of such FNMA limits). The Corporation’s mortgage loan limits are currently \$688,050 for single family loans, \$800,775 for duplexes, \$967,950 for a triplex, and \$1,202,925 for a four-plex in the State of Alaska. The loan to value ratio may not exceed 95% for a single-family, 90% for a duplex, or 80% for a triplex or four-plex (except for federally guaranteed or insured mortgage loans, which may have a loan to value ratio in excess of 100% if acceptable to the guarantor or insurer).

Under the Special Mortgage Loan Purchase Program, all prospective residential mortgage loans submitted to the Corporation are subject to review pursuant to its delegated underwriting procedures and all loans with loan to value ratios in excess of 80% be insured through private mortgage insurance or federal insurance or guarantee.

The Corporation’s approval of property and credit for residential loans generally follows a procedure which complies with FHLMC and FNMA guidelines and applicable federal and state laws and regulations. The mortgage loans must have been originated by an approved seller (“Seller”) having

experienced and qualified underwriters and utilizing appraisers and credit reporting agencies acceptable and/or approved by the Corporation. The Seller is required to provide the Corporation with a description of the prospective borrower's financial condition, including their current verified annual income and credit score. The Seller obtains a factual data credit report which summarizes the borrower's credit history with local and non-local creditors, as well as a search of the public records for suits, liens, judgments and bankruptcies. In addition, the Seller obtains from the borrower's employer information with respect to length of employment, current salary and expectations of continued employment. Self-employed applicants are required to provide copies of income tax returns as well as certain other financial data sufficient to determine reliability and adequacy of income. The Seller also verifies from all creditors the repayment history, opening balances and adequacy of repayment of all installment debt shown on the credit report and application. Verifications of deposit are secured for all financial institutions disclosed by the borrower. At present, Sellers are generally required to follow FNMA or FHLMC lending guidelines and use automated underwriting.

The Seller causes an appraisal to be made on each home to be financed. Such appraisal presently is made by an independent appraiser who holds a current general or residential certification and is approved by the Seller. In order to avoid undue influence by the buyer, the seller, or the listing or selling real estate agent, arrangements for the appraisal are made by the Seller/Service.

When a loan to be purchased by the Corporation is the first permanent financing on the structure, with the construction financing appraisal having been based on plans and building specifications, a recertification of value by the original appraiser is required prior to the closing of the permanent mortgage. A copy of this recertification must be maintained the Seller's records. The recertification confirms that the home was completed in accordance with the original plans and specifications and that the value is, at a minimum, equal to the original appraised value.

Mortgage Certificates

The Bonds may also be secured by Mortgage Certificates that the Corporation may acquire in exchange for certain Mortgage Loans. The Mortgage Certificates will consist of "fully modified pass through" mortgage backed certificates (the "GNMA Certificates"), guaranteed by GNMA and/or by Guaranteed Mortgage Pass Through Certificates (the "FNMA MBSs") issued by FNMA and/or by Guaranteed Mortgage Pass Through Participation Certificates (the "FHLMC PCs") issued by FHLMC (GNMA Certificates, FNMA MBSs and FHLMC PCs being hereafter referred to as "Mortgage Certificates"). The guaranty of the GNMA Certificates will be backed by the full faith and credit of the United States. The FHLMC PCs will not be backed directly or indirectly by the full faith and credit of the United States but by the credit of FHLMC, a federally chartered, stockholder owned corporation. The FNMA MBSs will not be backed directly or indirectly by the full faith and credit of the United States but by the credit of FNMA, a federally chartered, stockholder owned corporation. No agreement presently exists between FNMA or FHLMC and the Corporation (and none is expected) for the acquisition of FNMA MBSs or FHLMC PCs.

MORTGAGES AND MORTGAGE SERVICING

The Mortgages

The Mortgage Loans related to the proceeds of the 2016 Bonds will be made to "qualified veterans." Currently, "qualified veteran" means any veteran (i) who served on active duty and (ii) who applied for financing before the date 25 years after the last date on which such veteran left active service. In general, and subject to certain limitations in the federal law, a person who has served on active duty in the Armed Forces and who was discharged or released therefrom under conditions other than

dishonorable will qualify as a veteran. Discharge includes completion of the original period of duty. Included in the definition of veteran, in addition to those who have served on full time duty in the Army, Air Force, Navy, Marine Corps or Coast Guard, including the reserve components thereof, will be certain commissioned officers of the Public Health Service, National Oceanic and Atmospheric Administration, and Coast and Geodetic Survey and certain cadets and midshipmen.

Each of the Mortgage Loans will be a “single family” mortgage loan secured by a first mortgage lien on residential property located in the State. The term “single family” mortgage loan as used herein means a permanent loan (as opposed to a construction or land development loan) secured by a mortgage on owner occupied, one to four family units, as well as individual condominiums and other separate dwelling units even when located in buildings containing more than two units.

The Mortgage Loans may be prepaid, in whole or in part, at any time without penalty or charge. Revenues received in respect of Program Obligations, including amounts attributable to Mortgage Loan prepayments (unless transferred to the Program Obligation Fund and used to purchase additional Program Obligations), are required to be deposited in the Revenue Fund and will be applied, together with amounts available from scheduled mortgage payments, investment earnings and other revenues, to, among other things, meet annual sinking fund redemption requirements, principal maturities and special redemption of Bonds.

In purchasing the Mortgage Loans, the Corporation requires the originating institution to furnish to the Corporation the original mortgage note and a title insurance policy in an amount equal to the unpaid principal due on the mortgage. The Corporation also requires generally that all taxes, assessments and water and sewage charges have been duly paid and that a hazard insurance policy exists in an amount equal to the unpaid principal due on the mortgage.

Mortgage Servicing on Single Family Loans

The Servicers approved by the Corporation service the mortgage loan for a fee. As compensation, the Servicers service the mortgage loan for a fee that is captured from the borrower's monthly payment. The annual fee amount is generally equal to $\frac{3}{8}$ of 1% of the unpaid balance due on such mortgage loan. These fees are payable to the Servicer from the time of loan purchase by the Corporation until the loan is paid in full or for as long as the Servicer collects the loan payments. The Corporation has adopted standards for qualifying eligible servicing institutions and underwriting and servicing guidelines with respect to the record of and collection of principal and interest on the mortgage loans and the rendering to the Corporation of an accounting of funds collected. The servicing of a mortgage loan includes the responsibility for foreclosure, but not the bearing of any expenses thereof. The Servicers are required to work with borrowers to cure any default in scheduled mortgage payments including any advances, and is required to pay from scheduled mortgage payments, taxes, assessments, levies and charges, and premiums for hazard insurance and mortgage insurance, as they may become due.

Regularly scheduled principal and interest payments on the mortgage loans are required to be deposited by the Servicers with the Corporation's correspondent bank. Such funds (net of applicable servicing fees) are remitted to the Corporation's correspondent bank by the Servicer by the next business day following receipt where net collections exceed \$5,000. The balance of such monthly payments, representing payments for such items as property taxes and mortgage insurance, are retained by the Seller/Servicer and applied as necessary. The funds are held in a custodial account and invested for the benefit of the Trustee pending their transfer once a month to the Trustee.

The Corporation maintains detailed mortgage loan collection information on its internal data processing system. The Corporation's system generates the collection reports and consolidates actual collections by individual bond series.

The Corporation reviews individual Servicer reports to ascertain the extent of mortgagor payment delinquencies and servicer processing delays in order to determine the appropriate corrective action, if any, to be taken by the Corporation through the Servicer. The Servicer is expected to maintain delinquency rates on loans owned by the Corporation at a level below or comparable with other Servicers. Under the Corporation's monitoring system, if the Servicer's delinquency rate, either in total or for a program exceeds 1.5 times the Corporation's delinquency rate for three consecutive months, the Servicer is subject to suspension from further participation in one or more of the Corporation's loan programs.

Insurance

The following description of certain mortgage insurance policies and guarantees is only a brief outline and does not purport to summarize or describe all of the provisions thereof.

Private Mortgage Insurance, FHA Insurance, and VA, RD, and HUD-184 Guarantees

Any Purchased Mortgage Loan which has an original principal amount exceeding 80% of the value of the mortgaged property is required to be (a) insured by FHA, (b) guaranteed by VA, RD, or the Department of Housing and Urban Development ("HUD") under Section 184 of the Housing and Community Development Act of 1992 ("HUD-184"), or (c) insured under a private mortgage insurance policy in the amount (i) equal to 12% of the Mortgage Loan if the loan to value ratio is 85% or less or (ii) equal to 25% of the Mortgage Loan if the loan to value ratio is 90% or less or (iii) equal to 30% of the Mortgage Loan if the loan-to-value exceeds 90%.. The only Mortgage Loans which the Corporation is presently purchasing at a loan to value ratio which exceeds 95% are federally insured or guaranteed Mortgage Loans. FHA insurance coverage and RD and HUD-184 guarantees will equal 100% of the outstanding principal balance of all FHA insured, RD or HUD-184 guaranteed Mortgage Loans. The RD guarantee covers the lesser of (a) any loss up to 90% of the original principal amount of the Mortgage Loan or (b) 100% of any loss up to 35% of the original principal amount of the Mortgage Loan plus 85% on any additional loss up to 65% of the principal advanced. For all VA guaranteed Mortgage Loans, the VA guarantee plus the down payment must be at least 25% of the original Mortgage Loan amount. The FHA insurance or VA guarantee are required to be maintained for the entire period during which the Corporation owns an interest in the Mortgage Loan. FHA regulations do not permit the inclusion of the "due-on-sale" provision in the form specified in the Corporation's Regulations. The private mortgage insurance policy will be maintained in force and effect (a) for the period during which the Corporation owns an interest in the Mortgage Loan or (b) until the outstanding principal amount of the Mortgage Loan is reduced to 80% of the lesser of the original appraised value of the mortgaged property or the original sale price of the mortgaged property and the loan is current. The cost of any such insurance or guarantee will be paid by the mortgagor. Streamlined Mortgage Loans will also be insured to the extent the original loan at the time of refinancing requires such insurance. No representation is made as to whether or not any Transferred Mortgage Loan satisfies any of the requirements set forth above.

In general, FHA, VA, RD, and HUD-184 regulations and private mortgage insurance contracts provide for the payment of insurance or guarantee benefits to a mortgage lender upon the failure of a mortgagor to make any payment or to perform any obligation under the insured or guaranteed mortgage loan and the continuance of such failure for a stated period. In order to receive payment of insurance or guarantee benefits, a mortgage lender, such as the Corporation, normally must acquire title to the property, either through foreclosure or conveyance in lieu of foreclosure, and convey such title to the

insurer or guarantor. Alternatively, where it is determined that the default was caused by circumstances beyond the control of the mortgagor, and foreclosure or conveyance in lieu of foreclosure is completed, the Servicer files a claim for the insurance payment. In general, private mortgage insurance benefits, as limited by the amount of coverage indicated above, are based upon the unpaid principal amount of the mortgage loan at the date of institution of foreclosure proceedings or the acquisition of the property after default, as the case may be, adjusted to reflect certain payments paid or received by the mortgage lender. Where property to be conveyed to an insurer or guarantor has been damaged, it is generally required, as a condition to payment of an insurance or guarantee claim, that such property be restored to its original condition (reasonable wear and tear excepted) by the mortgage lender prior to such conveyance or assignment.

Standard Homeowner Insurance Policies

Each mortgagor will be required to maintain for the mortgaged property a standard homeowner's insurance policy must at least equal the lesser of 100% of (i) the maximum insurable value of the mortgaged property or (ii) the unpaid principal amount of the mortgage loan. The insurance policy will be written by an insurance company qualified to do business in the State of Alaska and qualified to provide insurance on or in connection with mortgages purchased by FHLMC or FNMA. The mortgagor will pay the cost of the standard homeowner insurance policy.

In general, a standard homeowner's form of fire with extended coverage policy insures against physical damage to or destruction of the improvements on the property by fire, lightning, explosion, smoke, windstorm, hail, riot, strike, and civil commotion, subject to the conditions and exclusions particularized in each policy. Policies typically exclude physical damage resulting from the following: war, revolution, governmental action, floods and other water related causes, earth movement (including earthquakes, landslides and mud slides), nuclear reactions, wet or dry rot, vermin, rodents, insects or domestic animals, theft, and, in certain cases, vandalism.

Historical Veterans Mortgage Program Data

As of May 31, 2016, there were Pledged Mortgage Loans with an outstanding aggregate principal balance of approximately \$48,817,136, with a weighted average yield of approximately 5.135% per annum, with a weighted average mortgage loan coupon rate to the borrower of approximately 4.697% per annum and a weighted average remaining term of approximately 280 months.

The following information is based on the Corporation's total portfolios of the types of loans described therein. It should not be regarded as indicative of the final composition of the Program Obligation portfolio.

The following tables show the property types, insurance types, property locations, and interest rates applicable to the Mortgage Loans pledged under the Indenture as of the date of origination for loans outstanding as of May 31, 2016. No representation is made as to the current loan-to-value ratios of these loans.

Pledged Mortgage Loans Dwelling Type

Property Type	Outstanding Principal Balance	Percentage by Principal Balance
Single-Family Dwellings	\$44,676,921	91.5%
Condominiums	2,367,115	4.9
2-4 Unit Dwellings	<u>1,773,100</u>	<u>3.6</u>
TOTAL	<u>\$48,817,136</u>	100%

Pledged Mortgage Loans Primary Insurance

Insurance Type	Outstanding Principal Balance	Percentage by Principal Balance
Federally Insured – VA	\$42,616,202	87.3%
Uninsured	4,692,117	9.6
Private Mortgage Insurance	754,606	1.5
Federally Insured – FHA	372,056	0.8
Federally Insured – HUD 184	220,339	0.5
Federally Insured – RD	<u>161,816</u>	<u>0.3</u>
TOTAL	<u>\$48,817,136</u>	100.0%

Pledged Mortgage Loans Geographic Distribution

Property Location	Outstanding Principal Balance	Percentage by Principal Balance
Fairbanks/North Pole	\$18,064,694	37.0%
Wasilla/Palmer	11,732,379	24.0
Anchorage	7,157,768	14.7
Eagle River/Chugiak	6,536,173	13.4
Kodiak Island	1,786,089	3.7
Juneau/Ketchikan	828,349	1.7
Kenai/Soldotna/Homer	162,181	0.3
Other Geographic Region	<u>2,549,503</u>	<u>5.2</u>
TOTAL	<u>\$48,817,136</u>	100.0%

Purchased Mortgage Loans Data

As of May 31, 2016, there were Purchased Mortgage Loans with an outstanding aggregate principal balance of \$9,262,988, bearing interest at a weighted average yield of approximately 4.148% per annum, with a weighted average mortgage loan coupon rate to the borrower of approximately 3.798% per annum and a weighted average remaining term of 344 months.

The following tables show the property types, insurance types, property locations, and applicable to the Mortgage Loans already purchased by the Corporation and available for funding with the proceeds of the 2016 Bonds, but not presently pledged under the Indenture described as the initial portfolio. No proceeds of previously issued Bonds remain unexpended for the purchase of Mortgage Loans.

Purchased Mortgage Loans Dwelling Type

Property Type	Outstanding Principal Balance	Percentage by Principal Balance
Single-Family Dwellings	\$8,392,600	90.6%
Condominiums	599,021	6.5
2-4 Unit Dwelling	<u>271,367</u>	<u>2.9</u>
TOTAL	<u>\$9,262,988</u>	100.0%

Purchased Mortgage Loans Primary Insurance

Insurance Type	Outstanding Principal Balance	Percentage by Principal Balance
Federally Insured – VA	\$6,444,630	69.6%
Uninsured	1,867,214	20.2
Private Mortgage Insurance	951,144	10.2
Federally Insured – FHA	0	0.0
Federally Insured – HUD 184	0	0.0
Federally Insured – RD	<u>0</u>	<u>0.0</u>
TOTAL	<u>\$9,262,988</u>	100.0%

Purchased Mortgage Loans Geographic Distribution

Property Location	Outstanding Principal Balance	Percentage by Principal Balance
Anchorage	\$2,196,897	23.7%
Fairbanks/North Pole	2,126,613	23.0
Wasilla/Palmer	1,955,915	21.1
Eagle River/Chugiak	968,243	10.5
Juneau/Ketchikan	550,279	5.9
Kenai/Soldotna/Homer	205,180	2.2
Kodiak Island	0	0.0
Other Geographic Region	<u>1,259,861</u>	<u>13.6</u>
TOTAL	<u>\$9,262,988</u>	100.0%

Transferred Mortgage Loans

As of May 31, 2016, there were Transferred Mortgage Loans with an outstanding aggregate principal balance of \$32,291,341, bearing interest at a weighted average yield of approximately 4.657% per annum, with a weighted average mortgage loan coupon rate to the borrower of approximately 4.695% per annum and a weighted average remaining term of 277 months. The Corporation expects to transfer substantially all of the Transferred Mortgage Loans to the Indenture. However, the aggregate principal balance of such loans transferred to the Indenture will be reduced by principal prepayments and scheduled principal repayments received prior to such transfer.

The following tables show the property types, insurance types, property locations, and applicable to the Mortgage Loans presently pledged under the Indenture and expected to be transferred to the 2016 Bonds upon issuance. No representation is made as to the current status of primary mortgage insurance coverage or loan-to-value ratios of these loans.

Transferred Mortgage Loans Dwelling Type

Property Type	Outstanding Principal Balance	Percentage by Principal Balance
Single-Family Dwellings	\$29,711,130	92.0%
Condominiums	1,543,863	4.8
2-4 Unit Dwelling	<u>1,036,348</u>	<u>3.2</u>
TOTAL	<u>\$32,291,341</u>	100.0%

Transferred Mortgage Loans Primary Insurance

Insurance Type	Outstanding Principal Balance	Percentage by Principal Balance
Federally Insured – VA	\$28,065,349	86.9%
Uninsured	3,332,903	10.3
Private Mortgage Insurance	521,033	1.6
Federally Insured – FHA	372,056	1.2
Federally Insured – HUD 184	0	0.0
Federally Insured – RD	<u>0</u>	<u>0.0</u>
TOTAL	<u>\$32,291,341</u>	100.0%

Transferred Mortgage Loans Geographic Distribution

Property Location	Outstanding Principal Balance	Percentage by Principal Balance
Fairbanks/North Pole	\$12,814,655	39.7%
Wasilla/Palmer	7,722,191	23.9
Anchorage	4,704,451	14.6
Eagle River/Chugiak	3,850,492	11.9
Kodiak Island	1,005,608	3.1
Juneau/Ketchikan	511,002	1.6
Kenai/Soldotna/Homer	0	0.0
Other Geographic Region	<u>1,682,942</u>	<u>5.2</u>
TOTAL	<u>\$32,291,341</u>	100.0%

CERTAIN LEGAL ASPECTS OF THE MORTGAGE LOANS

Pledge of Mortgage Loans

The form of assignment to the Corporation of each mortgage deed of trust relating to Mortgage Loans purchased from the proceeds of the Bonds or originated from surplus revenues will expressly recite the interest of the Trustee on behalf of the holders of outstanding bonds of the Corporation in the mortgaged property. That assignment will be recorded with the appropriate real property recording office for the jurisdiction in which the property is located. The Indenture pledges to the Trustee and the holders of the Bonds, the Mortgage Loans, Deeds of Trust, Pledged Revenues and any and all assets held in any fund or account under the Indenture. Section 18.56.120 of the Act provides that such a pledge is valid and binding from the time the pledge is made and, further, that any assets or revenues so pledged are immediately subject to the lien of the pledge without physical delivery or any further act and without

regard to whether any third party has notice of the lien of the pledge. Physical custody of each mortgage note is retained by the Corporation and the related deed of trust is retained by the originating lending institution. Notwithstanding the fact that the Trustee does not have physical possession of those instruments, and while Bond Counsel is unaware of any controlling judicial precedent, it is the opinion of Bond Counsel that the effect of (i) recording the assignment in the form described, (ii) execution and delivery of the Indenture and (iii) the statutory provisions referred to above afford the Trustee (on behalf of holders of Bonds of the Corporation) priority as against any competing claimants alleging any financial interest in the Mortgage Loans which have been so assigned.

Alaska Foreclosure Laws

The real estate security instrument customarily used in the State is the deed of trust. The parties to the deed of trust are the trustor (debtor), trustee and beneficiary (lender). Trustees are commonly title insurance companies. Both summary and judicial foreclosure proceedings are permitted. The deed of trust does not effect a conveyance of legal title, which remains in the trustor. The beneficiary acquires a security interest (lien) which may be enforced in accordance with the terms of the deed of trust and State statutes. Failure of the trustor to perform any of the covenants of the deed of trust generally constitutes an event of default entitling the beneficiary to declare a default and exercise its right of foreclosure.

Summary foreclosure may be used if provided for in the deed of trust. All deeds of trust securing loans to be funded from the proceeds of the Bonds contain provisions which permit summary foreclosure. Following a default by the trustor, upon request of the beneficiary and not less than three months before the sale, the trustee must record a notice of default in the recording district in which the property is located. Within 10 days after recording the notice of default, the trustee must mail a copy of the notice of default to the trustor, any successors in interest to the trustor, anyone in possession or occupying the property, and anyone who has an interest subsequent to the interest of the trustee in the deed of trust. If the default may be cured by the payment of money, the trustor may cure the default at any time prior to sale by payment of the sum in default without acceleration of the principal which would not then be due in the absence of default, plus actual costs and attorney's fees due to the default. If default has been cured under the same deed of trust after notice of default two or more times, the trustee may elect to refuse payment and continue the foreclosure proceeding to sale. Notice of the sale must be posted in three public places within five miles of where the sale is to be held, not less than 30 days before the day of sale and by publishing a copy of the notice four times, once a week for four successive weeks, in a newspaper of general circulation published nearest the place of sale. The sale must be made at public auction at a courthouse of the superior court in the judicial district where the property is located, unless the deed of trust provides for a different place. After the sale, an affidavit of mailing the notice of default and an affidavit of publication of the notice must be recorded in the recording district where the property is located. The foreclosure sale and conveyance transfers all the title and interest which the trustor had in the property sold at the time of the execution of the deed of trust plus all interest the trustor may have acquired before the sale and extinguishes all junior liens. There is no right of redemption unless otherwise provided by the deed of trust. A deficiency judgment is prohibited where summary foreclosure is utilized.

Judicial foreclosure is also permitted. A deficiency judgment is allowed where judicial foreclosure is utilized, but judicial foreclosure is much more time-consuming than summary foreclosure. The judgment debtor under a judicial foreclosure proceeding has the right to redeem the property within 12 months from the order of confirmation. If the judgment debtor redeems the property, the foreclosure proceeding is terminated. Otherwise, within 60 days after the order confirming the foreclosure sale, any subsequent lien creditor can redeem the property. There can be as many redemptions as there are subsequent lien creditors. Upon expiration of the redemption period, the purchaser or redeemer is entitled to a conveyance of the property.

ASSUMPTIONS REGARDING THE 2016 BONDS STRUCTURE

The Corporation will use 2016 Bond proceeds and, subsequent to refunding the Refunded Obligations, any transferred proceeds from such refunding to purchase Program Obligations which, together with investment earnings thereon, are expected to be sufficient to pay the debt service on the 2016 Bonds. The Program Obligations consisting of Mortgage Certificates and Mortgage Loans are expected to provide for level monthly payments of principal and interest.

The Corporation has determined that it may reduce its future financing requirements by hereafter acquiring Mortgage Loans or other Program Obligations representing new Mortgage Loans from revenues which are expected to be generated primarily from repayments and prepayments of principal on Mortgage Loans represented by (or held directly as) Program Obligations. The Indenture requires that all such excess revenues be used either to redeem Bonds or purchase Program Obligations upon delivery to the Trustee of the Bond Coverage Certificate. The 2016 Bonds have been structured to mature no later than December 1, 2046, in order to permit the Corporation to acquire future Program Obligations through recycling of loan repayments and prepayments. However, should the Corporation elect not to recycle, it is expected that a substantial portion of the 2016 Bonds would be redeemed prior to their scheduled maturity. The Corporation's election to purchase new Program Obligations will depend on various factors not now determinable, including the level of future interest rates and the availability of tax-exempt financing.

Upon each purchase of new Program Obligations, the Corporation will deliver to the Trustee a Bond Coverage Certificate which is designed to determine that, using various assumptions as to prepayments of principal and interest on such Program Obligations and investment earnings thereon at assumed rates, revenues will be sufficient to pay the principal and interest on the Bonds. The Corporation may in the future use a method of calculation other than the method specified in the Indenture if the new method will not cause any bond rating agency (which the Corporation has requested issue a rating on the Bonds) to lower or withdraw the ratings it has assigned to the Bonds.

Upon each purchase of new Mortgage Loans not exchanged for Mortgage Certificates, the Corporation will deliver to the Trustee a certification to the effect that the Over Collateralization Requirement established with respect to the proposed delivery of such Mortgage Loans has been satisfied through the contribution by the Corporation of additional Program Obligations, Investment Securities or funds to the OCR Fund. The Over Collateralization Requirement established with respect to a delivery of Mortgage Loans not exchanged for Mortgage Certificates will vary as a percentage of such Mortgage Loans to be acquired based upon the mix of particular mortgage loan characteristics including loan to value ratio, type and amount of mortgage insurance and property type. The Corporation may be required to deliver additional Program Obligations, Investment Securities or funds to the OCR Fund in an amount equal to the Over Collateralization Requirement each time the Trustee disburses Bond proceeds to acquire Mortgage Loans not exchanged for Mortgage Certificates. The OCR Fund was established to mitigate potential losses, if any, on Mortgage Loans that have not been converted to Mortgage Certificates, but will only be used to supplement revenues in the event that funds on deposit in the Revenue Fund and the Redemption Fund are insufficient to meet a Debt Service Payment on the Bonds. The Corporation may in the future use a different method of satisfying the Over Collateralization Requirement or change the method of calculation thereof if such difference or change will not adversely affect the current ratings assigned to the Bonds without regard to bond insurance or any other form of credit enhancement by any bond rating agency (which the Corporation has requested issue a rating on the Bonds).

A number of factors, including general economic conditions, changing mortgage market interest rates and homeowner mobility, will affect the prepayment experience with respect to the Mortgage Loans

pledged to secure the Bonds and, therefore, the average life of the 2016 Bonds. Among the principal other factors which could affect the average life of the 2016 Bonds are:

(a) The refinancing of Mortgage Loans currently held by the Corporation may continue to represent a substantial future activity. Refinancing may involve the prepayment of outstanding Mortgage Loans and the possible redemption of Bonds at par or prepayment of bonds and notes originally issued to finance the purchase of the Mortgage Loans. Accordingly, prepayment of the Mortgage Loans securing the Bonds could result from future refinancing programs offered by the Corporation. Conversely, if the Corporation's refinancing program were to cease, prepayments of the Corporation's Mortgage Loans might decline significantly.

(b) Mortgage Loan delinquencies can lead to foreclosures that result in prepayments. At May 31, 2016, approximately 7.94% of the Corporation's Pledged Mortgage Loans were reported as delinquent or in foreclosure. The Corporation foreclosed on \$393,146 of Pledged Mortgage Loans in the 11 months ended May 31, 2016. In view of the time required to complete foreclosure proceedings and other uncertainties inherent in the foreclosure process, such delinquencies and foreclosures will not necessarily result in a rapid prepayment of the Mortgage Loans.

(c) Provisions of the current form of a Mortgage Loan financed by the Corporation permitting the assumption of such loans by eligible mortgagors will affect the Corporation's prepayment experience. When a mortgage loan is assumed by the purchaser of the related property, the existing mortgage loan is not prepaid. Future changes in this form may also affect its prepayment experience.

(d) The Indenture permits the Corporation to deliver a variety of Program Obligations, including but not limited to Mortgage Loans and Mortgage Certificates. The new Program Obligations may have original terms ranging from not less than 15 years to not more than 30 years. Existing Program Obligations may have shorter remaining terms. Shorter loan terms may result in a shorter average life of the 2016 Bonds than if the 2016 Bonds were secured exclusively by new Program Obligations representing 30-year Mortgage Loans.

(e) The Corporation retired veterans program debt obligations from excess revenues (including prepayments of the principal on Mortgage Loans), prior to their stated maturity, in the following amounts for the time periods indicated: during the 11 months ended May 31, 2016, \$10,600,000.

(f) There is no assurance that Program Obligations will be purchased within the estimated time, and if they are not purchased, a certain amount of unexpended moneys may be used to redeem the 2016 Bonds.

For these reasons, the Corporation cannot offer any assurances as to the rate at which Mortgage Loans will be acquired from 2016 Bond proceeds, the rate at which such Mortgage Loans will be prepaid, sold or assigned or the rate at which the Corporation may acquire new Mortgage Loans or other Program Obligations during the life of the Bond issue.

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; and the Corporation’s \$60,250,000 State Capital Project Bonds, 2002 Series C.

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 May 2016 Mortgage and Bond Disclosure Report of the Corporation and the audited financial statements of the Corporation as of and for the year ended June 30, 2015. 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:

<u>Name</u>	<u>Location</u>
Mr. Brent Levalley Chair	Retired Fairbanks, Alaska
Mr. Haven Harris	Director Aleutian Pribilof Island Community Development Association Anchorage, Alaska
Ms. Carol Gore	President/CEO Cook Inlet Housing Authority Anchorage, Alaska
Mr. Alan Wilson	President Alaska Renovators, Inc. Juneau, Alaska
Mr. Randall Hoffbeck Commissioner Alaska Department of Revenue	Mr. Jerry Burnett (designee) Deputy Commissioner Alaska Department of Revenue Juneau, Alaska
Ms. Valerie Davidson Commissioner Alaska Department of Health and Social Services	Mr. Randall Burns (designee) Division Director Alaska Department of Health and Social Services Juneau, Alaska
Mr. Chris Hladick Commissioner Alaska Department of Commerce, Community, and Economic Development	

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.

Mark Romick - Acting Deputy Executive Director. Mr. Romick has been with the Corporation since July 1992 and previously served as the Director of Planning and Program Development. He previously worked for the Alaska State Housing Authority and the Alaska Housing Market Council. Mr. Romick holds a Master's degree in Economics from the University of Alaska.

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 - Senior Finance Officer. Mr. Deta has been with the Corporation since 2001, and previously served as Finance Officer and Financial Analyst II. Prior to joining the Corporation, he served as an auditor with Deloitte & Touche LLP. Mr. Deta is 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.

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The following table sets forth certain information regarding the Corporation's variable rate demand obligations as of May 31, 2016:

<u>Bond Series</u>	<u>Amount Outstanding</u>	<u>Liquidity Provider (or Self-Liquidity)</u>	<u>Facility Expiration Date</u>
Governmental Purpose Bonds, 1997 Series A	\$ 14,600,000	Self-Liquidity	NA [†]
Governmental Purpose Bonds, 2001 Series A and B	110,895,000	Self-Liquidity	NA [†]
Home Mortgage Revenue Bonds, 2002 Series A	79,060,000	JPMorgan Chase Bank, N.A.	December 9, 2016
State Capital Project Bonds, 2002 Series C	40,420,000	Self-Liquidity	NA [†]
Home Mortgage Revenue Bonds, 2007 Series A, B and D	239,370,000	Landesbank Baden-Wuerttemberg	May 30, 2017
Home Mortgage Revenue Bonds, 2009 Series A	80,880,000	The Bank of Tokyo Mitsubishi UFJ, Ltd.	June 28, 2019
Home Mortgage Revenue Bonds, 2009 Series B	80,880,000	Wells Fargo Bank, N.A.	January 11, 2019
Home Mortgage Revenue Bonds, 2009 Series D	<u>80,870,000</u>	Bank of America, N.A.	August 24, 2017
	<u>\$726,975,000</u>		

[†] 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.

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.

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.

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 May 31, 2016, regarding bonds issued under the above-described financing programs:

Bonds Issued and Remaining Outstanding by Program

<u>Bond Program</u>	<u>Issued through 5/31/2016</u>	<u>Issued during Eleven Months Ended 5/31/2016</u>	<u>Outstanding as of 5/31/2016</u>
Home Mortgage Revenue Bonds	\$ 1,262,675,000	\$ 0	\$ 561,060,000
Mortgage Revenue Bonds	1,449,010,353 [†]	0	267,215,000
State Capital Project Bonds	680,190,000	0	149,545,000
State Capital Project Bonds II	889,150,000	55,620,000	824,900,000
General Mortgage Revenue Bonds II	195,890,000	0	125,300,000
Governmental Purpose Bonds	973,170,000	0	125,495,000
Veterans Collateralized Bonds	1,900,385,000	0	135,000
Other Bonds	<u>10,937,173,769</u>	<u>0</u>	<u>0</u>
Total Bonds	<u>\$ 18,287,644,122</u>	<u>\$ 55,620,000</u>	<u>\$ 2,099,650,000</u>

[†] Includes release of proceeds of \$193,100,000 Mortgage Revenue Bonds originally issued in 2009.

Summary of Bonds Issued and Remaining Outstanding Issued through

	Issued through <u>5/31/2016</u>	Issued during Eleven Months Ended <u>5/31/2016</u>	Outstanding as of <u>5/31/2016</u>
Tax-Exempt Bonds	\$13,462,384,122 [†]	\$55,620,000	\$1,902,665,000
Taxable Bonds	<u>4,825,260,000</u>	<u> </u>	<u>196,635,000</u>
Total Bonds	<u>\$18,287,644,122</u>	<u>\$55,620,000</u>	<u>\$2,099,650,000</u>
Self-Liquidity Bonds [‡]	\$ 744,620,000	\$ 0	\$ 165,915,000

[†] Includes release of proceeds of \$193,100,000 Mortgage Revenue Bonds originally issued in 2009.

[‡] For information only. These amounts are already included in the categories above.

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.

TBA Markets. From time to time, in lieu of utilizing the proceeds of bond issues to finance certain federally insured or guaranteed mortgage loans, the Corporation pools those mortgage loans into GNMA Mortgage-Backed Securities and sells the securities into the national TBA ("To Be Announced") future delivery market.

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. The Corporation is currently renegotiating the terms of this commitment, with potential changes including extension of the

final draw deadline and prepayment lockout period, a small increase of the loan amount, a possible decrease in the interest rate, and release of certain collateral.

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 nonconforming 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 May 31, 2016, regarding the mortgage loans financed under the above-described lending programs:

Mortgage Purchases by Program

Loan Program	Original Principal Balance of Mortgage Loans Purchased <u>during FY 2015</u>	Original Principal Balance of Mortgage Loans Purchased during the Eleven Months Ended <u>5/31/2016</u>
Taxable Other	\$192,842,410	\$214,748,665
Tax-Exempt First-Time Homebuyer	79,386,505	65,660,908
Taxable First-Time Homebuyer	93,777,952	79,380,609
Multi-Family and Special Needs	31,515,700	38,906,050
Rural	58,246,746	55,029,802
Veterans Mortgage Program	<u>7,077,431</u>	<u>7,042,102</u>
Total Mortgage Purchases	<u>\$462,846,744</u>	<u>\$460,768,136</u>
Percentage of Original Principal Balance of Total Mortgage Purchases during Period Representing Streamline Refinance Loans	1.6%	1.6%

Mortgage Portfolio Summary

	As of <u>6/30/2015</u>	As of <u>5/31/2016</u>
Mortgages and Participation Loans	\$2,642,878,467	\$2,786,148,204
Real Estate Owned and Insurance Receivables	<u>6,368,530</u>	<u>7,852,276</u>
Total Mortgage Portfolio	<u>\$2,649,246,997</u>	<u>\$2,794,000,480</u>

Mortgage Insurance Summary[†]

Type	Outstanding Principal Balance as of 5/31/2016	Percentage of Total Mortgage Loans by Outstanding Principal Balance
Uninsured ^{††}	\$1,351,423,439	48.6%
Private Mortgage Insurance ^{†††}	632,767,055	22.7
Federally Insured – FHA	315,510,405	11.3
Federally Insured – VA	184,760,112	6.6
Federally Insured – RD	152,944,948	5.5
Federally Insured – HUD 184	<u>148,742,245</u>	<u>5.3</u>
TOTAL	<u>\$2,786,148,204</u>	100.0%

† 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.

†† 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.

††† 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.

PMI Provider	Outstanding Principal Balance as of 5/31/2016	Percentage of Total Mortgage Loans by Outstanding Principal Balance
Radian Guaranty	\$218,316,175	7.9%
CMG Mortgage Insurance	143,051,794	5.1
Mortgage Guaranty	93,791,268	3.4
Essent Guaranty	88,946,384	3.2
United Guaranty	47,296,536	1.7
Genworth GE	31,846,462	1.1
PMI Mortgage Insurance	7,865,957	0.3
National Mortgage Insurance	851,433	0.0
Commonwealth	<u>801,046</u>	<u>0.0</u>
TOTAL	<u>\$632,767,055</u>	22.7%

Mortgage Delinquency and Foreclosure Summary

	As of 6/30/2015	As of 5/31/2016
Delinquent 30 Days	2.21%	1.93%
Delinquent 60 Days	0.71%	0.88%
Delinquent 90 Days or More	<u>0.96%</u>	<u>0.84%</u>
Total Mortgage Delinquency	<u>3.88%</u>	3.65%

	Twelve Months Ended 6/30/2015	Ten Months Ended 5/31/2016
Total Foreclosures	\$11,633,173	\$6,342,126

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 position of the Corporation for each of its five most recent fiscal years, which have been derived from Note 26 to the Corporation's audited annual financial statements dated June 30, 2015, contained in Appendix A — "Financial Statements of the Corporation."

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

	Fiscal Year Ended June 30				
	2015	2014	2013	2012	2011
Total Assets and Deferred Outflows	\$3,916,302	\$4,055,203	\$3,981,230	\$4,288,648	\$4,542,040
Total Liabilities and Deferred Inflows	2,430,821	2,545,295	2,455,702	2,734,505	2,948,221
Total Net Position	1,485,481	1,509,908	1,525,528	1,554,143	1,593,819
Total Operating Revenues	290,099	308,086	315,325	351,178	385,695
Total Operating Expenses	281,594	311,471	333,220	381,647	398,606
Operating Income (Loss)	8,505	(3,385)	(17,895)	(30,469)	(12,911)
Contribution to State or State agency	(3,825)	(1,380)	(10,720)	(9,207)	(20,349)
Special Item	0	0	0	0	3,088
Change in Net Position	\$ 4,680	\$ (4,765)	\$ (28,615)	\$ (39,676)	\$ (30,172)

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 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 June 30, 2015 (in thousands).

	<u>Dividend Due to State</u>	<u>Expenditures</u>	<u>Remaining Commitments</u>
State General Fund Transfers	\$ 788,921	\$ (788,921)	\$ -
State Capital Projects Debt Service	422,438	(412,071)	10,367
State of Alaska Capital Projects	253,761	(249,011)	4,750
Corporation Capital Projects	<u>466,112</u>	<u>(434,731)</u>	<u>31,381</u>
Total	\$1,931,232	\$(1,884,734)	\$46,498

Corporation Budget Legislation

The Corporation's fiscal year 2016 operating budget was approved by the Legislature with a 3% reduction in corporate receipts from the amount submitted during the fiscal year 2015 legislative session. Consistent with the Transfer Plan, the enacted fiscal year 2016 operating budget estimated that \$19,058,700 would be available from the adjusted change in net position 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.

DESCRIPTION OF THE INDENTURE

Following is a summary of certain provisions of the Indenture. It is not comprehensive. Reference should be made to the full text of the Indenture.

All capitalized terms hereinafter used under this caption have the same meanings as in the Indenture if not otherwise defined herein.

Certain Amendments

Consent to Indenture Amendments

The 2016 Supplemental Indenture provides that, by its purchase of 2016 Bonds on the delivery date, each purchaser thereof consents to and approves the execution of the 2016 Supplemental Indenture, which includes the amendments to the Indenture described immediately below.

Indenture Amendments

The 2016 Supplemental Indenture amends the Indenture, including the following amendments (such amendments are reflected in this Official Statement as they will be in effect on the first date on which no Bond that was Outstanding on the effective date of the 2016 Supplemental Indenture, not including any of the 2016 Bonds, remains Outstanding, which date the Corporation expects to be the date of the issuance and delivery of the 2016 Bonds):

1. Amendment of the definition of “Ratings Agencies” to mean “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”; and
2. Amendment of clause (7) of the definition of “Investment Securities” to mean “money market funds rated ‘AAAm’ or ‘AAAm-G’ by Standard & Poor’s and ‘Aaa-mf’ by Moody’s and having comparable ratings from (or otherwise acceptable to) any other Rating Agency then rating that fund.”

Certain Definitions

“Bondholder” or “holder” or words of similar import, when used with reference to a Bond or Bonds, shall mean any person who shall be the bearer of any Outstanding Bond or Bonds registered to bearer or not registered, or the registered owner of any Outstanding Bond or Bonds at the time registered other than to bearer.

“Bond Proceeds Account” shall mean, for any Series, the Bond Proceeds Account established within the Program Obligation Fund for such Series.

“Certificate” shall mean a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined by an authorized officer pursuant to the Indenture; every certificate of the Corporation with respect to compliance with any agreement, condition, covenant or term contained in the Indenture shall include (1) a statement that the person or persons making or giving such certificate have read such agreement, condition, covenant or term and the definitions in the Indenture relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such person, such person has made or caused to be made such examination or investigation as is necessary to enable such person to express an informed opinion with respect to the subject matter referred to in the instrument to which such person’s signature is affixed; and (4) a statement as to whether, in the opinion of such person, the Corporation has complied with such provision.

“Counsel’s Opinion” shall mean an unqualified opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to state and municipal financing (who may be counsel to the Corporation) selected by the Corporation.

“Credit Enhancement” shall mean a letter of credit, a line of credit, a credit facility, a surety bond, bond insurance, or any other instrument or arrangement obtained in connection with the issuance of a Series of Bonds to further secure the payment of principal and interest of the Bonds of such Series but does not include any Liquidity Facility.

“Credit Enhancement Fund” shall mean a Fund or Account authorized to be created by the Corporation pursuant to a Supplemental Indenture authorizing the issuance of a Series of Bonds for the purposes of holding and disbursing the proceeds of, or holding only, Credit Enhancement securing such Series.

“Debt Service Payment” shall mean any scheduled payment of principal of or interest on Bonds and any payment of the Redemption Price of and accrued interest on any Bonds that are redeemed.

“Debt Service Payment Date” shall mean any date on which any Debt Service Payment shall be due, including any redemption date for any Bonds.

“Eligible Funds” shall mean (1) any Pledged Revenues and Bond proceeds, (2) any moneys or Investment Securities which are not the proceeds of the Bonds and which are at any time on deposit in any Fund other than the Debt Service Account and the OCR Fund and (3) any moneys, Investment Securities or other assets on deposit in the Debt Service Account but excluding any amounts that may be received pursuant to the guaranty of the Bonds by the State of Alaska. Notwithstanding the above, moneys, Investment Securities or other assets that are not (i) Pledged Revenues, (ii) Bonds proceeds or (iii) contributions by the Corporation shall not be “Eligible Funds” until such moneys, Investment Securities or other assets shall have been on deposit hereunder for at least 93 days during which no proceeding by or against the payer of such moneys, Investment Securities or other assets shall have been commenced under the United States Bankruptcy Code or successor statute.

“General Account” shall mean, for any Series, the General Account established within the Redemption Fund for such Series.

“Interest Payment Date” shall mean, for any Series, any date upon which interest on the Bonds of such Series is payable in accordance with their terms and the terms of the Master Indenture or the Supplemental Indenture authorizing the issuance of such Series. *“Interest Payment Date”* for the 2016 Bonds shall mean each June 1 and each December 1, commencing December 1, 2016.

“Investment Agreement” shall mean a guaranteed investment contract which may be entered into among the Corporation or the Trustee and any corporation (including the Trustee) meeting the requirements established in the Indenture.

“Liquidity Facility” shall mean an agreement or other instrument or arrangement to further secure the payment of the purchase price of any Bonds in connection with a tender of such Bonds pursuant to the terms thereof and the terms of the Supplemental Indenture authorizing the issuance of such Series of Bonds.

“Liquidity Facility Fund” shall mean a Fund or Account authorized to be created by the Trustee pursuant to a Supplemental Indenture authorizing the issuance of a Series of Bonds for the purposes of holding and disbursing the proceeds of, or holding only, a Liquidity Facility relating to such Series.

“Minimum Debt Service Account Requirement” shall mean 2% of the outstanding aggregate principal balance of the Mortgage Loans excluding Mortgage Loans that have been exchanged for Mortgage Certificates.

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

- (a) Any Bonds canceled by the Corporation or the Trustee at or prior to such date;
- (b) Bonds (or portions of Bonds) for the payment or redemption of which there shall be held in trust hereunder and set aside moneys or Investment Securities that are either direct obligations of the United States or of agencies or instrumentalities thereof that are guaranteed by the United States, the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited at the same time, will be sufficient to pay the principal or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date (whether at or prior to the maturity or redemption date) and, if such Bonds are to be redeemed, for which notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice;
- (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Indenture; and
- (d) Bonds deemed to have been paid as provided in the Indenture.

“Over Collateralization Requirement” shall mean the “OCR” as set forth in the Indenture.

“Pledged Program Obligation” shall mean all Pledged Mortgage Loans and Pledged Mortgage Certificates and all other Program Obligations acquired with amounts disbursed pursuant to the Indenture.

“Pledged Revenues” shall mean (i) all payments of principal of and interest on Pledged Program Obligations immediately upon receipt thereof by the Corporation or any Depository or the Trustee (including payments representing prepayments of Mortgage Loans and any payments received from

FNMA pursuant to its guarantee of the FNMA MBSs and from GNMA pursuant to its guarantee of the GNMA Certificates and from FHLMC pursuant to its guarantee of the FHLMC Certificates) and all other net proceeds of such Pledged Program Obligations, and (ii) amounts required to be deposited as Pledged Revenues pursuant to the Indenture.

“Program Expenses” shall mean all the Corporation’s expenses in carrying out and administering the Program and shall include, without limiting the generality of the foregoing, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus, insurance premiums, legal, accounting, management, consulting and banking services and expenses, the fees and expenses of the Trustee, any Credit Enhancement Agency, any Liquidity Facility Provider, the Depositories and the Paying Agents, Costs of Issuance not paid from proceeds of Bonds, and payments for pension, retirement, health and hospitalization and life and disability insurance benefits, all to the extent properly allocable to the Program.

“Rating Agencies” shall mean 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.

“Record Date” shall mean the twentieth day of the month preceding an Interest Payment Date, regardless of whether such day is a Business Day, for the 2016 Bonds.

“Redemption Price” shall mean, with respect to any Bond, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond or the Indenture or any Supplemental Indenture.

“Series” shall mean all the Bonds authenticated and delivered on original issuance pursuant to a Supplemental Indenture and designated as a Series therein and any Bonds thereafter authenticated and delivered upon the transfer or exchange of or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Indenture, regardless of variations in maturity, interest rate, Sinking Fund Payments, or other provisions. Except as otherwise provided in the 2016 Supplemental Indenture, the 2016 Bonds are a “Series” for the purposes of the definition of such term in the Indenture.

“Sinking Fund Payment” shall mean, as of any particular date of calculation and with respect to the Outstanding Bonds of any Series, the amount required to be paid at all events by the Corporation on a single future date for the retirement of Bonds of such Series which mature after said future date, but does not include any amount payable by the Corporation by reason only of the maturity of a Bond.

“Supplemental Indenture” shall mean an indenture supplemental to or amendatory of the Indenture, adopted by the Corporation and effective as provided in the Indenture.

Guaranty by the State

The following statement in the form set forth below will be on each Bond and constitutes the unconditional guaranty by the State of the payment of the principal and interest on the Bond according to its terms:

The payment of this Bond as to principal and interest according to its terms is hereby unconditionally guaranteed by the State of Alaska. The full faith, credit and resources of the State of Alaska are pledged to the payment of the principal and interest on this Bond, and the principal and interest on this Bond are secured by the general obligation of the State of Alaska.

Revenues

The Corporation will establish a Revenue Fund for the 2016 Bonds. The Revenue Fund will have the following accounts:

- Interest Account
- Debt Service Account
- Capitalized Interest Account
- Recycling Account.

The Corporation will establish a Redemption Fund for the 2016 Bonds. The Redemption Fund will have the following accounts:

- Principal Account
- Operating Account
- General Account.

The Trustee will distribute and apply the Pledged Revenues in the following order of priorities:

FIRST, to the Interest Account of the Revenue Fund the amount required, together with other amounts on deposit in the Interest Account, to pay the interest on any Series of Bonds on the next Interest Payment Date or to reimburse any amounts drawn for such purpose under any Credit Enhancement or Liquidity Facility. The Trustee will apply funds in the Interest Account to payment of interest on such Bonds or to make such reimbursement on the due dates.

SECOND, to the Redemption Fund the remaining Pledged Revenues. The Trustee will deposit and apply the funds in the Redemption Fund as follows: to the Principal Account the amount necessary to pay all Principal Installments for each Series of Bonds Outstanding coming due on the next Principal Installment date for each Series; to the Debt Service Account, the amount required, if any, to increase the balance to the Minimum Debt Service Account Requirement; to the Operating Account, the amount required to pay or reimburse the Corporation for the payment of Program Expenses, but in no event may such amount in any semi-annual interest period exceed .055% of the outstanding principal balance of the Program Obligations held in the Program Obligation Fund as of the date of determination as determined by the Corporation; and to the General Account, together with certain other amounts to be deposited in the General Account pursuant to the Indenture, for application to the special redemption of the Bonds pursuant to the provisions of the Supplemental Indenture authorizing the issuance of such Bonds, except that under certain circumstances the Corporation may direct these amounts to be transferred to the Recycling Account of the Program Obligation Fund.

The Corporation may establish an OCR Fund in order to meet the Over Collateralization Requirement with respect to Mortgage Loans not exchanged for Mortgage Certificates that are to be deposited in the Program Obligation Fund.

If three Business Days preceding any Interest Payment Date the amount on deposit, or to be deposited on such Interest Payment Date, in the Interest Account of the Revenue Fund and the Principal Account and the General Account of the Redemption Fund shall be less than the amount required to pay interest, principal or Sinking Fund Payments on the Bonds of any Series on such Interest Payment Date, any such deficiency shall be immediately satisfied with a transfer of Eligible Funds from the Debt Service Account to the applicable Account, or, if insufficient, by a deposit to the applicable Account of any other funds of the Corporation available therefor, including amounts available in the OCR Fund.

Issuance of Additional Bonds

The Master Indenture authorizes additional bonds to be issued from time to time, subject to the terms, conditions and limitations set forth therein. The additional bonds are to be executed by the Corporation and delivered to the Trustee for authentication and delivery only upon receipt by the Trustee of:

- (a) a Counsel's Opinion to the effect, among other things, that such additional bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State, including the Act as amended to the date of such opinion, and in accordance with the Indenture;
- (b) a written order as to the authentication and delivery of such additional bonds;
- (c) executed counterparts of the Master Indenture;
- (d) an executed original of the Supplemental Indenture authorizing such Series;
- (e) the amount of proceeds of such Series to be deposited in any Fund or Account;
- (f) a Certificate of an Authorized Officer stating that the Corporation is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture;
- (g) a Bond Coverage Certificate;
- (h) written verification from the Rating Agencies that the issuance of such Series of Bonds will not, in and of itself, cause a withdrawal or reduction in the rating assigned by the Rating Agencies to any Outstanding Bonds of any prior Series;
- (i) if such Series of Bonds is to have the benefit of a Liquidity Facility or be secured by Credit Enhancement, the executed Liquidity Facility or Credit Enhancement or evidence that all conditions precedent to the issuance of such Liquidity Facility or Credit Enhancement have been met as of the date of issuance of such Series of Bonds; and
- (j) such further documents and moneys as set forth in the Master Indenture or any Supplemental Indenture.

One or more Series of additional bonds ("Refunding Bonds") may be issued pursuant to the Master Indenture to refund any Outstanding Bonds. Refunding Bonds may be issued only upon receipt by the Trustee of the documents and moneys, if any, referred to in the preceding paragraph and irrevocable instructions to the Trustee to give any required notices with respect to the refunded Bonds, and upon receipt by the Trustee of either (a) moneys sufficient to effect payment of the Bonds to be refunded, or (b) direct obligations of the United States or of agencies and instrumentalities thereof that are guaranteed by the United States of America the principal of and interest on which when due, together with the moneys (which may include all or a portion of the proceeds of the Refunding Bonds to be issued), if any, contemporaneously deposited with the Trustee, will be sufficient to pay when due the applicable redemption price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date.

The Trustee will establish a Program Obligation Fund for the 2016 Bonds and a Rebate Fund for the 2016 Bonds, if necessary. The Trustee shall establish within any Account such additional subaccounts for the purposes of such Account as the Corporation shall determine by Supplemental Indenture.

Rebate

The Corporation will establish a Rebate Fund for the 2016 Bonds if necessary to hold moneys required to be rebated to the federal government which shall not be subject to the lien and pledge of the Indenture.

Investments

Except as otherwise provided in the Indenture, all amounts held under the Indenture by the Trustee or any Depository shall be invested continuously and fully in Investment Securities for the benefit of the Corporation and the holders of the Bonds. "Investment Securities" are limited to: (a) direct obligation of or obligations insured or guaranteed by the United States or agencies or instrumentalities of the United States; (b) demand and time deposits in, certificates of deposit of, banker acceptances issued by, or federal funds sold by, any bank or trust company organized under the laws of the United States of America or any state thereof and subject to supervision and examination by federal and/or state banking authorities, or any foreign bank with a branch or agency licensed under the laws of the United States of America or any state thereof or under the laws of a country the Moody's sovereign rating for bank deposits in respect of which is "Aaa," so long as at the time of such investment (i) the unsecured debt obligations of such bank or trust company have credit ratings from each Rating Agency at least equal to the then existing ratings of the Bonds; or (ii) the investment matures in six months or less and such bank or trust company has outstanding commercial paper rated "A-1+" by Standard & Poor's and "P-1" by Moody's and having comparable ratings from (or otherwise acceptable to) Fitch and from any other Rating Agency and has outstanding debt obligations rated as least "Aa" by Moody's; (c) repurchase obligations held by the Trustee or a third party acting as agent for the Trustee with a maturity date not in excess of 30 days with respect to (i) any security described in paragraph (a) or (ii) any other security issued or guaranteed by an agency or instrumentality of the United States of America, in either case entered into with the Trustee or any other bank or trust company (acting as principal) that has outstanding commercial paper rated "A-1+" by Standard & Poor's and "P-1" by Moody's and having comparable ratings from (or otherwise acceptable to) Fitch and from any other Rating Agency and that has outstanding debt obligations rated at least "Aa2" by Moody's; (d) securities (other than securities of the types described in the other paragraphs under this definition of "Investment Securities") which at the time of such investment have ratings from Standard & Poor's and Moody's at least equal to the highest ratings available from Standard & Poor's and Moody's for obligations similar to the Bonds and having comparable ratings from (or otherwise acceptable to) Fitch and from any other Rating Agency and which evidence a debt of any corporation incorporated under the laws of the United States of America or any state thereof; provided, however, that such securities issued by any particular corporation will not be Investment Securities to the extent that investment therein will cause the then outstanding principal amount of securities issued by such corporation and held under the Indenture to exceed 10% of the aggregate outstanding principal balances and amounts of all Mortgage Loans and Investment Securities held under the Indenture; (e) commercial paper with a maturity date not in excess of 270 days rated "A-1+" by Standard & Poor's and "P-1" by Moody's and having comparable ratings from (or otherwise acceptable to) Fitch and from any other Rating Agency at the time of such investment, issued by an entity incorporated under the laws of the United States or any state thereof or under the laws of a country the Moody's sovereign rating for bank deposits in respect of which is "Aa"; provided, however, that at the time of such investment the issuer of such commercial paper shall also have outstanding debt obligations rated at least "Aa2" by Moody's; (f) an Investment Agreement; (g) money market funds rated "AAAm"

or “AAAm-G” by Standard & Poor’s and “Aaa-mf” by Moody’s and having comparable ratings from (or otherwise acceptable to) any other Rating Agency then rating that fund; and (h) any other investment that is of Rating Quality and that is not unacceptable to the Trustee upon written direction to the Issuer.

Powers of Amendment

A Supplemental Indenture may be adopted at any time or from time to time, without the consent of any holder of the Bonds, upon filing with the Trustee, in order to: (a) close the Indenture against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Indenture on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness; (b) add other covenants and agreements to be observed by the Corporation not contrary to or inconsistent with the Indenture; (c) add to the limitations and restrictions in the Indenture other limitations and restrictions to be observed by the Corporation which are not inconsistent with the Indenture; (d) surrender any right, power or privilege of 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) authorize bonds of a Series and, in connection therewith (i) to specify and determine certain matters and things referred to as being matters or things to be determined or specified in a Supplemental Indenture authorizing a Series of Bonds and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Indenture as theretofore in effect, (ii) to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds, or (iii) to add such provisions to the Indenture and, if necessary, amend the provisions of the Indenture as may be necessary to permit and provide for the issuance of such Bonds as bearer Bonds; (f) confirm any pledge under, or the subjection to any lien or pledge created by, the Indenture; (g) modify any of the provisions of the Indenture in any respect whatsoever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Indenture shall cease to be Outstanding, and (ii) such Supplemental Indenture shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the effective date of such Supplemental Indenture and of Bonds issued in exchange therefor or in place thereof; and (h) to make such additions, deletions or modifications as may be necessary to assure compliance with the Code or to obtain a satisfactory rating on a Series of Bonds from a Rating Agency, provided that no such additions, deletions or modifications intended to obtain a satisfactory rating shall cause a reduction in any ratings assigned by a Rating Agency to Bonds then Outstanding. A Supplemental Indenture may also be adopted at any time or from time to time, without the consent of Bondholders, upon filing with the Trustee and upon consent of the Trustee to: (a) cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision; (b) 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) provide for additional duties of the Trustee in connection with the Mortgage Loans and Mortgage Certificates; or (d) make any other changes not materially adverse to the interests of the Bondholders.

Any modification or amendment of any provision of the Indenture or 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 (i) of the holders of at least two-thirds in principal amount of the Bonds Outstanding, (ii) 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 two-thirds in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, and (iii) in case the modification or amendment changes the terms of any Sinking Fund Payment, of the holders of at least two-thirds in principal amount of the bonds of the particular Series and maturity entitled to such Sinking Fund Payment and Outstanding at the time such consent is given; except that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the holders of such Bonds shall not be required and such

Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Indenture. 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 rate thereon or a reduction in the principal amount or 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 any of the rights or obligations of any Fiduciary without its written assent thereto. For these purposes, 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 discretion determine whether, in accordance with the foregoing powers of amendment, Bonds of any particular Series or maturity would be affected by any modification or amendment hereof and any such determination shall be binding and conclusive on the Corporation and all holders of Bonds.

Events of Default

Each of the following events is an “Event of Default”: (a) the Corporation defaults in the payment of the principal (including Sinking Fund Payments) or Redemption Price, if any, of any Bond within two Business Days after the same becomes 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 within two Business Days after the same becomes due; (c) the Corporation fails or refuses to comply with the provisions of the Indenture or defaults in the performance or observance of any of the covenants, agreements or conditions contained therein or in any Supplemental Indenture or the Bonds, and such failure, refusal or default continues for a period of 45 days after written notice thereof by the Trustee or the holders of not less than 25% in principal amount of the Outstanding Bonds; or (d) any Event of Default as designated by a Supplemental Indenture occurs and remains uncured.

Remedies

Upon the happening and continuance of any Event of Default specified in clause (a) or (b) above, the Trustee will proceed, or upon the happening and continuance of any Event of Default specified in clause (c) or (d) above, the Trustee may proceed, and upon the written request of the holders of not less than 25% in principal amount of the Outstanding Bonds, subject to certain provisions relating to the Trustee (except that, with respect to an Event of Default specified in clause (c) or (d) above, the provisions of the Supplemental Indenture to which such Event of Default relates may direct the Trustee to so proceed without regard to Bondholder request or to proceed or not proceed upon the occurrence of other conditions set forth in such Supplemental Indenture), will proceed, in its own name, to protect and enforce its rights and the rights of the Bondholders by such of the following remedies as the Trustee, being advised by counsel, will deem most effectual to protect and enforce such rights: (a) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders, including the right to require the Corporation to receive and collect revenues and assets adequate to carry out the covenants and agreements as to, and pledge of, such revenues and assets, and to require the Corporation to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act; (b) by bringing suit upon the Bonds; (c) by action or suit in equity, 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, enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds; or (e) by taking possession of and retaining the Program Obligations for the benefit of Bondholders.

Trustee

U.S. Bank National Association is appointed as the Trustee. The Trustee shall be removed by the Corporation if at any time so 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 attorneys-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 by the Corporation, the Corporation may remove the Trustee at any time for such cause as shall be determined by the Corporation. Any successor to the Trustee is required to be a trust company or bank having the powers of a trust company within or outside the State of Alaska and having capital and surplus aggregating at least \$25,000,000. The Corporation will pay to the Trustee reasonable compensation for all services rendered.

Defeasance

If the Corporation pays or causes 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 assets thereby pledged and all other rights granted thereby will be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys have been set aside and held in trust by fiduciaries (through deposit by the Corporation of funds for such payment or redemption or otherwise), at the maturity or redemption date thereof, will be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. All Outstanding Bonds will, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Corporation gives to the Trustee in form satisfactory to it irrevocable instructions to provide notice of redemption of the Bonds, (b) there has been deposited with the Trustee either moneys in an amount which are sufficient, or Investment Securities which are direct obligations of the United States or of agencies or instrumentalities thereof that are guaranteed by the United States the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient, to pay when due the principal or redemption price, if any, 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 (c) in the event the Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Corporation gives the Trustee in form satisfactory to it irrevocable instructions to mail a notice to the holders of such Bonds stating that the deposit required by (b) above has been made with the Trustee and that the 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, of the Bonds. Neither the Investment Securities nor the moneys so deposited with the Trustee nor principal or interest payments on any such Investment Securities will be withdrawn or used for any purpose other than, and will be held in trust for, the payment of the principal or Redemption Price, if any, of and interest on the bonds, but any cash received from such principal or interest payments on such obligations deposited with the Trustee, if not then needed for such purpose, will, be reinvested to the extent practicable in those Investment Securities described above maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if any, and interest to become due on the bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments will be paid over to the Corporation, as received by the Trustee, free and clear of any trust, lien or pledge.

TAX MATTERS

The Code substantially restricts the use of tax-exempt bonds to finance single-family and multifamily housing. In general, interest on bonds that are used to purchase single-family mortgages is not exempt from federal income tax unless the bonds are part of a “qualified mortgage issue” or a “qualified veterans mortgage issue.” The 2016 Bonds will, collectively, meet the requirements of a single “issue” for purposes of the Code and, thus, the requirements of the Code will be satisfied by the 2016 Bonds on a composite basis. In order to ensure that the 2016 Bonds are part of a “qualified veterans mortgage issue,” the Corporation established its mortgage loan eligibility standards and program guidelines to restrict the class of eligible borrowers and to implement other standards necessary for the mortgage loan to comply with the Code.

Among the principal requirements of the Code and Corporation program requirements with which the Corporation must comply are:

- (a) the residence securing the Mortgage Loan must be the principal residence of the borrower;
- (b) 95% of net proceeds (i.e., bond proceeds less amounts in a reasonably required reserve fund) must be used to provide residences for qualifying veterans;
- (c) a Mortgage Loan may not be assumed unless the residence will be the assuming mortgagor’s principal residence and the requirement of clause (b) above is met; and
- (d) subject to certain exceptions, no part of the bond proceeds is used to acquire or replace existing mortgages.

Compliance with certain of the requirements of the Code may increase the period of time during which the Corporation will originate the Mortgage Loans which will secure the 2016 Bonds. The Code also contains certain arbitrage restrictions, rebate requirements, limitations on financing issuance costs and public approval and information reporting requirements with which the Corporation will comply.

The Code effectively requires that 95% or more of the net proceeds of the 2016 Bonds (net of amounts in a reasonably required reserve fund) be applied to the financing of Mortgage Loans which meet each of the principal requirements set forth above at the time the mortgage is executed. Under the applicable temporary Treasury regulations, compliance with certain administrative procedures, such as an examination of and reliance on a Mortgage Loan applicant’s affidavits, will be sufficient to satisfy the mortgage eligibility standards for purposes of this 95% requirement. The Indenture, the Corporation’s regulations and other related documents contain restrictions which permit the financing of Mortgage Loans only in accordance with the requirements of the Code. The Corporation has also developed explanatory materials describing the foregoing requirements, certification procedures by which the mortgagor confirms compliance with those requirements and procedures for verifying the accuracy of such certifications. Based upon these procedures and the provisions of such temporary Treasury regulations, the Corporation does not anticipate any difficulty in achieving and maintaining complete compliance with this 95% requirement of the Code. An issue of bonds is treated as meeting the programmatic requirements of the Code if (a) the Corporation in good faith attempted to meet such requirements and (b) any failure to meet such requirements is due to inadvertent error after taking reasonable steps to comply with the requirements.

The Code limits the amount of qualified veterans bonds that may be issued for Alaska, excluding certain refunding bonds, to \$100,000,000 in 2016.

The Corporation has amended its own regulations to implement the qualified veterans mortgage bond program as a part of the Special Mortgage Loan Purchase Program and to meet the requirements of the Code.

The Corporation augments its mortgage underwriting procedures in response to the restrictions of the Code. The expanded procedures are generally applicable to the underwriting of the Mortgage Loans. The Corporation requires that each loan package contain affidavits from each mortgagor which represent and warrant that the mortgagor will occupy the premises as a principal residence within 60 days after the Mortgage Loan is made, that the property will not be used for impermissible business purposes and that other requirements of the Code or the regulations will be met. In addition, the Corporation requires adequate proof of the qualification of the mortgagor as a veteran under the Code.

The Corporation analyzes, among other things, the information contained in the loan package to determine the applicant's credit worthiness as well as eligibility under the Code, verifies the location of the residence within the State, the size of the property on which the residence is located and the likelihood of the use of the property as a principal residence rather than for recreation, business or investment purposes. The Corporation has published supplements to its lenders' guides describing the process each Seller/Service must perform with respect to each Mortgage Loan.

The Seller/Service is required at the time the loan application is submitted to obtain from the mortgagor the necessary affidavits evidencing the mortgagor's understanding of and compliance with certain requirements of the Code. If misstatements or misrepresentations by the mortgagor in these affidavits are discovered, an event of default under the Mortgage Loan will be deemed to have occurred, allowing the Corporation to remove the Mortgage Loan from the Program Obligation portfolio. An event of default will permit the Corporation to either (i) increase the interest rate on the Mortgage Loan to the current rate for conventional mortgages; (ii) accelerate payment of the Mortgage Loan by the mortgagor; or (iii) institute foreclosure procedures. If misstatements or misrepresentations by a Seller/Service are discovered by the Corporation, the Seller/Service is required to repurchase the Mortgage Loan to which such misstatements or misrepresentations relate.

Except with respect to certain arbitrage restrictions and rebate requirements, the Code requirements outlined above do not apply to Mortgage Loans purchased with, or represented by, Certificates or mortgage-backed securities purchased with amounts transferred to the Program Obligation Fund from the Corporation's own funds or the surplus revenues related thereto.

Certain Sellers/Services have been designated as delegated underwriters and such Sellers/Services will undertake the entire review and analysis process which is described above as being undertaken by the Corporation. The Corporation will monitor the performance of such Sellers/Services to ensure that such Sellers/Services are properly carrying out such review and analysis process.

Opinions of Counsel

In the opinion of the Law Office of Kenneth E. Vassar, LLC, Bond Counsel, and Hawkins Delafield & Wood LLP, Special Tax Counsel to the Corporation, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2016 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, (ii) interest on the Subseries A-1 (Non-AMT) Bonds and 2016 Second Series Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest on the Subseries A-1 (Non-AMT) Bonds is, and interest on the 2016 Second Series Bonds is not, included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations, and (iii) interest on

the Subseries A-2 (AMT) Bonds is treated as a preference item for purposes of calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. In the opinion of Bond Counsel, under existing laws, interest on the 2016 Bonds is exempt from taxation by the State of Alaska except for inheritance and estate taxes and taxes of transfers by or in anticipation of death. In rendering such opinions, Bond Counsel and Special Tax Counsel have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Corporation in connection with the 2016 Bonds, and Bond Counsel and Special Tax Counsel have assumed compliance by the Corporation with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2016 Bonds from gross income under Section 103 of the Code. Bond Counsel and Special Tax Counsel express no opinion as to any other matter with respect to the exemption of interest of the 2016 Bonds from federal income taxation or as to the treatment of any such 2016 Bond for tax purposes by any state, city, county, or other jurisdiction. Bond Counsel and Special Tax Counsel render their opinions under existing statutes and court decisions as of the issue date, and assume no obligation to update their opinions after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel and Special Tax Counsel express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the 2016 Bonds, or under State and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the 2016 Bonds in order that interest on the 2016 Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the 2016 Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government or paid to mortgagors. Noncompliance with such requirements may cause interest on the 2016 Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Corporation has covenanted to comply with the applicable requirements of the Code to assure the exclusion of interest on the 2016 Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the 2016 Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a 2016 Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the 2016 Bonds.

Prospective owners of the 2016 Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the 2016 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the 2016 Bonds under federal or state law or otherwise prevent beneficial owners of the 2016 Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds. For example, budgets proposed by the Obama Administration from time to time have recommended a 28% limitation on certain itemized deductions and other tax benefits, including tax-exempt interest. The net effect of such a proposal, if enacted into law, would be that an owner of a tax-exempt bond with a marginal tax rate in excess of 28% would pay some amount of federal income tax with respect to the interest on such tax-exempt bond, regardless of issue date. The enactment of such proposal could impact the tax treatment of interest on the 2016 Bonds for state law purposes.

Prospective purchasers of the 2016 Bonds should consult their own tax advisors regarding the foregoing matters.

Compliance by the Corporation

The Corporation has included provisions in the relevant documents and has established procedures (including receipt of certain affidavits and representations from mortgage lenders and mortgagors respecting eligibility requirements) in order to assure compliance with the qualified mortgage eligibility requirements and the other requirements which must be met subsequent to the date of issuance of the 2016 Bonds. To such end, the Corporation has also agreed to adopt and maintain appropriate procedures for compliance with applicable federal tax law. See “TAX MATTERS—Certain Ongoing Federal Tax Requirements and Covenants” above. The Corporation believes that the procedures, documents and requirements established for the purpose of fulfilling this covenant are sufficient to assure that the proceeds of the 2016 Bonds will be applied in accordance with the requirements of the Code so as to assure that the interest on the 2016 Bonds will be excluded from gross income for federal income tax purposes.

CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12

In order to assist the 2016 Bond purchasers in complying with Section (b)(5) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934 as the same may be amended from time to time (the “Rule”), the Corporation and the State will enter into separate written agreements (collectively, the “Agreement”) for the benefit of the holders of the 2016 Bonds to provide continuing disclosure, which are anticipated to be in substantially the forms set forth in Exhibit E hereto. The State and the Corporation will undertake to provide the Municipal Securities Rulemaking Board (the “MSRB”) on an annual basis on January 31, commencing January 31, 2017 for the State and on or before 180 days after the end of each fiscal year for the Corporation, commencing the fiscal year ending June 30, 2016, the financial and operating data concerning the State and the Corporation outlined in the Agreement. In addition, the State and the Corporation will undertake, for the benefit of the beneficial owners and holders of the 2016 Bonds, to provide to the MSRB, in a timely manner, the notices described in the Agreement.

The sole and exclusive remedy for breach or default under the Agreement to provide continuing disclosure described above is an action to compel specific performance of the undertakings of the State and/or the Corporation, and no person, including a holder of the 2016 Bonds, may recover monetary damages thereunder under any circumstances. A breach or default under the Agreement 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 Agreement, insofar as the provision of the Rule no longer in effect required the provision of such information, will no longer be required to be provided.

The foregoing undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; and where an undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. As a result, the parties to the Agreement do not anticipate that it often will be necessary to amend the informational undertakings. The Agreement, however, may be amended or modified under certain circumstances set forth therein. Copies of the Agreement are attached hereto as Appendix E.

On August 14, 2014, the State filed a material event notice with the MSRB stating that the State filed its Certified Annual Financial Report (“CAFR”) for fiscal year 2010 16 days later than required, the CAFR for 2010 was not linked by CUSIP numbers to certain of the State’s outstanding certificates of participation, the State filed its fiscal year 2009 and 2010 annual financial information for certain of its Sport Fishing Revenue Bonds later than required, and the State did not link its fiscal year 2009 annual financial information for certain Alaska Housing Finance Corporation Collateralized Veterans Mortgage Program bonds with respect to which the State is an obligated person. The State subsequently filed all required annual financial information and linked it to all outstanding bonds and certificates of participation for which the State was an issuer or obligated person.

On August 14, 2014, the State also filed a material event notice with the MSRB stating that the State did not file certain notices of listed events relating to the downgrades of insurers of its outstanding bonds and certificates of participation and the State did not file certain notices of rating changes (increases) attributable to general recalibrations of ratings by certain rating agencies for certain of its outstanding bonds and certificates of participation.

On January 29, 2016, the State filed a notice with the MSRB that the State had not provided its CAFR for Fiscal Year 2015 with respect to certain bonds and certificates of participation as required by continuing disclosure certificates of the State. The notice stated that the Fiscal Year 2015 CAFR was delayed due to time required to assess the application of GASB 68, and that it expected to file the report within seven days of the original continuing disclosure deadline. The State released the Annual Report on February 1, 2016.

While the State does not believe that any of the foregoing were material failures to comply with its undertakings, the State has adopted procedures to assure future compliance with its continuing disclosure undertakings.

RATINGS

The 2016 Bonds have been initially rated “AAA” by S&P and “Aaa” by Moody’s. The ratings of “AAA” and “Aaa” are the highest ratings that S&P and Moody’s, respectively, assign to bonds. A security rating is not a recommendation to buy, sell, or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organization. Any further explanation of the significance of these ratings should be obtained directly from the appropriate rating agency.

FINANCIAL STATEMENTS

The unaudited financial statements of the Corporation as of and for the nine months ended March 31, 2016, included in Appendix A to this Official Statement, appear without review or audit by an independent accountant.

The audited financial statements of the Corporation as of and for the 12 months ended June 30, 2015, included in Appendix B to this Official Statement, have been audited by BDO USA, LLP, independent auditors, as stated in their report appearing herein.

Copies of the Corporation's annual financial statements as of and for the year ended June 30, 2015, the unaudited financial statements of the Corporation as of and for the nine months ended March 31, 2016, and the Corporation's current annual report will be mailed to any Beneficial Owner who shall have filed his name and address with the Corporation for such purpose.

LITIGATION

There is no controversy or litigation of any material nature now pending or threatened to restrain or enjoin the issuance, sale, execution, authentication, or delivery of the 2016 Bonds, or in any way contesting or affecting the validity of such 2016 Bonds or any proceedings of the Corporation taken with respect to the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of such 2016 Bonds, or the existence or powers of the Corporation.

LEGAL MATTERS

All legal matters incident to the authorization, sale and delivery of the 2016 Bonds and certain federal and state tax matters are subject to the approval of the Law Office of Kenneth E. Vassar, LLC, Anchorage, Alaska, Bond Counsel to the Corporation. Certain federal tax matters will be passed upon for the Corporation by the Law Office of Kenneth E. Vassar, LLC, Anchorage, Alaska, Bond Counsel, and Hawkins Delafield & Wood LLP, Special Tax Counsel to the Corporation.

LEGALITY FOR INVESTMENT

Subject to any applicable federal requirements or limitations, the 2016 Bonds are eligible for investment by all public officers and public bodies of Alaska and its political subdivisions, and, to the extent controlled by Alaska 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 2016 Bonds.

UNDERWRITING

On July 13, 2016 the Corporation received bids for the 2016 Bonds pursuant to competitive bidding. The 2016 Bonds have been sold at public sale by the Corporation to Raymond James & Associates, Inc. (the "Original Purchaser") on the basis of lowest true interest cost. The Original Purchaser has agreed, subject to certain conditions, to purchase the Bonds at a purchase price equal to the initial offering prices shown on the inside cover page hereof, upon receipt of an underwriter's fee of \$500,000. The Original Purchaser has supplied the information as to the initial offering prices on the 2016 Bonds set forth on the inside cover of this Official Statement. The Original Purchaser may offer to sell the 2016 Bonds to certain dealers and others at prices lower than initial offering prices, and the public offering prices may be changed from time to time by the Original Purchaser.

FINANCIAL ADVISOR

FirstSouthwest, a Division of Hilltop Securities Inc. (“FirstSouthwest”) is employed as Financial Advisor to the Corporation in connection with the issuance of the 2016 Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the 2016 Bonds is contingent upon the issuance and delivery of the 2016 Bonds. First Southwest has agreed, in its Financial Advisory contract, not to bid for the 2016 Bonds, either independently or as a member of a syndicate organized to submit a bid for the 2016 Bonds. First Southwest, 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 2016 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

All quotations from and summaries and explanations of the Act and the Indenture contained herein do not purport to be complete, and reference is made to the Act and the Indenture for full and complete statements of their provisions. The Appendices attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Act and the Indenture (the 2016 Supplemental Indenture, in preliminary form, and the Master Indenture) may be obtained during the offering period upon request directed to the Corporation, Post Office Box 101020, Anchorage, Alaska 99510, or to the Financial Advisor, FirstSouthwest, a Division of Hilltop Securities Inc., 485 Madison Avenue, Suite 1800, New York, New York 10019.

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 2016 Bond.

APPENDIX A

INFORMATION CONCERNING THE STATE OF ALASKA

The information of the State of Alaska (the “State”) set forth in this Appendix is dated as of the date of the Official Statement. The information contained herein which is excerpted from Comprehensive Annual Financial Reports of the State for the fiscal year ended June 30, 2015 is subject in all respects to the complete text of that financial report. Information excerpted from other reports or documents is also subject in all respects to the complete text of those documents. The information contained herein has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy.

General

Alaska includes approximately 586,412 square miles (approximately 365 million acres) of land and is the largest state of the United States (roughly equivalent in size to one-fifth of all of the other 49 states combined). Unlike the other 49 states, where significant portions of the land may be owned by individuals or entities in the private sector, less than one percent of the land in Alaska is owned by private, non-Alaska Native owners. As described below, most of the State’s revenue is derived from resources owned by the State itself, including petroleum and minerals extracted from State-owned lands and securities in funds owned by the State.

State Government

Alaska became the 49th state in 1959 pursuant to the Alaska Statehood Act, which was enacted by the United States Congress in 1958 (the “Statehood Act”). The Alaska Constitution was adopted by the Constitutional Convention on February 5, 1956, ratified by the people of Alaska on April 24, 1956, and became operative with the formal proclamation of statehood on January 3, 1959.

Alaska government has three branches: legislative, executive and judicial. The legislative power of the State is vested in a legislature consisting of a Senate with a membership of 20 and a House of Representatives with a membership of 40 (the “Legislature”). The executive power of the State is vested in the Governor. The judicial power of the State is vested in a supreme court, a superior court and the courts established by the Legislature. The jurisdiction of courts and judicial districts are prescribed by law. The courts constitute a unified judicial system for operation and administration.

The State provides or funds a range of services including education, health and human services, transportation, law enforcement, judicial, public safety, community and economic development, public improvements and general administrative services.

There are 18 boroughs in Alaska and 144 cities, 96 of which are located within a borough. Of these, 13 boroughs and 23 cities impose property taxes and 9 boroughs and 52 cities impose sales taxes.

State Bond Committee

The Legislature, by AS 37.15.110, has created the Committee. The Committee is comprised of the Commissioner of the Department of Commerce, Community & Economic Development (“DCCED”), as chairperson, the Commissioner of the Department of Revenue (“DOR”), as secretary, and the Commissioner of the Department of Administration (“DOA”), or their designees. The Committee adopts resolutions and generally oversees the proceedings relating to the issuance of bonds by the State.

State Revenues

The State does not currently impose personal income taxes and has never imposed general sales taxes. The State does, however, impose a number of business-related taxes that, together with rents and royalties and fines and fees, represented nearly 100 percent of designated and unrestricted non-investment General Fund revenue in FYs 2015 and 2016. Grants, contributions and other revenue from the federal government and interest and investment income represent the remaining portions of State revenue.

The State's Department of Revenue, Tax Division produces a semi-annual revenue sources book. The Fall Revenue Sources is the comprehensive annual forecast released in late November or early December, and the Spring Revenue Sources Book is an annual, partial update of the Fall forecast. The Fall 2015 Revenue Sources Book and Spring 2016 Revenue Sources Book revenue projections are summarized in Table 1 below. The State forecasted in the Spring 2016 Revenue Sources Book that general purpose unrestricted revenues in the FY ending June 30, 2016 will be \$1,336.8 million, compared to \$2,256.5 million of actual general purpose unrestricted revenue in FY 2015, primarily driven by a projected \$39.99 price of oil per barrel for FY 2016 (a \$9.59 decrease in price per barrel from the Fall 2015 forecast and a \$32.59 decrease in the actual average price per barrel, \$72.58, in FY 2015).

Table 1
Revenue, Price, and Production Differences from Fall 2015 Forecast to Spring 2016 Forecast
Forecasted for Fiscal Years Ending June 30, 2016 - 2017
(\$ millions / \$ per barrel of oil / thousands of barrels per day)

Revenue Source	Fall 2015 Forecast for FY2016	Fall 2015 Forecast for FY2017	Spring 2016 Forecast for FY2016	Spring 2016 Forecast for FY2017
<u>Unrestricted</u>				
Oil Revenue	\$1,061.5	\$ 1,237.3	\$801.1	\$704.7
Non-Oil Revenue	510.1	521.0	516.7	506.4
Investment Earnings ..	21.3	38.1	19.0	35.4
Subtotal	\$1,592.9	\$ 1,796.4	\$1,336.8	\$1,246.5
<u>Restricted</u>				
Oil Revenue	\$312.0	\$356.1	\$332.4	\$322.3
Non-Oil Revenue	567.9	559.2	564.0	607.6
Investment Earnings ..	3,780.2	4,346.8	(2,029.1)	2,893.3
Federal Revenue.....	3,290.2	3,290.2	3,459.2	3,149.4
Subtotal	\$7,950.3	\$ 8,552.3	\$2,326.5	\$6,972.6
Total	\$9,543.2	\$10,348.7	\$3,663.3	\$8,219.1
ANS West Coast				
Price.....	\$49.58	\$56.24	\$39.99	\$38.89
ANS Production....	500.2	504.9	520.2	507.1

Source: State of Alaska Department of Revenue.

Forecast information is derived from a number of sources and is based upon a variety of assumptions, many of which themselves are based upon other forecasts and assumptions and most of which are not within the State's control. Actual budgets, plans and results may differ materially from the plans, budgets and results described herein. As described herein, with recent decreases in oil prices and production, the State's FY 2015 and forecast unrestricted revenue available for General Fund appropriation also has declined. Although petroleum-related revenue remains the largest source of

unrestricted revenue for the State's General Fund, increased use of currently restricted revenues, which are significantly greater than unrestricted petroleum-related revenue, together with potential sources of new revenues and potential expenditure reductions, are being considered. See "Government Budgets and Appropriations" and "General Fund Forecasts."

Oil and Gas Revenues. The State's unrestricted General Fund revenues are generated primarily from petroleum production activities. The State receives petroleum revenues (some of which are restricted) from five sources: oil and gas property taxes, corporate income taxes, oil and gas production taxes, oil and gas royalties and bonuses and rents.

Oil and Gas Property Tax. The State levies an oil and gas property tax on the value of taxable property in the State used in oil and gas exploration, production and pipeline transportation of oil and gas at a rate of 20 mills (two percent) of the assessed value of the property. This is the only centrally assessed statewide property tax program in Alaska. The value of oil or gas reserves, oil or gas leases, the rights to explore for or produce oil or gas, and intangible drilling expenses are not taxable under the statute. The most notable properties that are subject to this property tax are the Trans-Alaska Pipeline System ("TAPS") (including the terminal at Valdez) and the field production systems on the North Slope, including Prudhoe Bay. The assessed value of all existing properties subject to this tax was \$27.7 billion as of January 1, 2016, \$28.6 billion as of January 1, 2015, \$27.4 billion as of January 1, 2014, \$28.6 billion as of January 1, 2013, \$24.5 billion as of January 1, 2012, and \$23.8 billion as of January 1, 2011.

Property taxes on exploration property are based upon the estimated market value of the property. Property taxes on production property are based upon actual cost while under construction and replacement cost less depreciation, where depreciation is based upon the economic life of proven reserves, after construction. Property taxes on pipeline transportation property values (about 95 percent of which is TAPS property) are determined based upon economic value, taking into account the estimated life of the proven reserves of gas or unrefined oil then technically, economically, and legally deliverable to the transportation facility. Economic value for pipeline property under construction is based upon actual cost. Thereafter, replacement cost, less depreciation where depreciation is based upon the economic life of proven reserves, is typically relied upon to determine economic value for pipeline property.

Local governments also may levy a property tax on the State's oil and gas property assessments at the same rate it taxes all other property within their jurisdiction.. Taxpayers receive a credit against the State's 20 mill levy for oil and gas property taxes paid to municipalities. Of the \$572.4 million of property taxes collected in FY 2015 on oil and gas property in the State, the State's share was approximately \$125.2 million. In its Spring 2016 Revenue Sources Book, the State forecasts income from the oil and gas property tax to be approximately \$133.9 million in FY 2016 and \$118.3 in FY 2017.

Revenue from oil and gas property taxes is deposited into the General Fund; payments received by the State after a property tax assessment dispute, however, are deposited into the Constitutional Budget Reserve Fund. See "Government Funds—The Constitutional Budget Reserve Fund."

Corporate Income Tax. Alaska levies a corporate income tax on Alaska taxable net income of companies doing business in Alaska (other than insurance companies that pay premium tax and other than S corporations and limited liability companies). Effective for tax years on or after August 26, 2013, corporate income tax rates are graduated and range from zero percent to 9.4 percent of income earned in Alaska. Taxable income is generally calculated using the provisions of the federal Internal Revenue Code, and the calculation of Alaska taxable income varies, depending on whether the corporation does business solely in Alaska, does business both inside and outside Alaska or is part of a group of corporations that operate as a unit in the conduct of a single business (a "unitary" or "combined" group).

Oil and gas companies are combined on a world-wide basis, although for other industries only the companies doing business in the United States are combined. Taxpayers may claim all federal incentive credits, but federal credits that refund other federal taxes are not allowed as credits against State corporate income taxes. In addition to the federal incentive credits, the State provides incentives, including an education credit for contributions made to accredited State universities or colleges for education purposes, a minerals exploration incentive, an oil and gas exploration incentive and a gas exploration and development tax credit.

Most corporate net income tax collections are deposited into the General Fund, although collections from corporate income tax audit assessments of oil and gas corporations are deposited into the Constitutional Budget Reserve Fund.

Oil and Gas Production Taxes. The State levies a tax on oil and gas production income generated from production activities in the State. The tax on production is levied on sales of all onshore oil and gas production, except for federal and State royalty shares and on offshore developments within three miles of shore.

The oil and gas production tax, the State's single largest source of revenue, was substantially changed by the Legislature in 2006, with the Petroleum Profits Tax ("PPT"). This tax fundamentally changed Alaska's petroleum tax system from a tax on gross value to a tax generally on net profit. The gross value tax system was in place since the early 1970s and was in place during the development of Prudhoe Bay, the largest oil-field in North America. PPT introduced the concept of "Production Tax Value" ("PTV"), which was gross value at the point of production minus lease expenditures (capital and operating costs). The key difference from the gross tax was subtraction of lease expenditures in calculating the tax base. PTV is similar in concept to net profit, but different in that all lease expenditures can be deducted in the year incurred; that is, capital expenditures are not subject to depreciation. The tax under PPT was 22.5% tax of taxable value minus lease expenditures. There was a progressive surcharge of 0.25% added for every dollar of PTV per barrel that exceeded \$40. The maximum tax rate was set at 47.5%. In 2007, the tax was altered under a bill known as the "Alaska's Clear and Equitable Share" ("ACES"). The resulting ACES legislation maintained the general structure of PPT, but increased the production tax rate from 22.5% to 25% of PTV. The progressive surcharge changed to 0.4% added for every dollar of net income per barrel that exceeded \$30 and was less than \$92.50. Above \$92.50, the progressive surcharge decreased to 0.1% for every additional dollar in net value. The maximum tax rate was set at 75% of PTV, but that rate applied only at production tax value over \$342.50 per barrel, a level not seen while ACES was in place. ACES retained the 20% credit for all qualified capital expenditures and the small producer credit of up to \$12 million per year for qualified companies.

This legislation was reformed during the 2013 legislative session under Senate Bill 21 ("SB 21") that was signed into law on May 21, 2013 and challenged in a State wide referendum that failed in August 2014. SB 21 is the existing production tax regime that applies to North Slope oil production, although it also includes provisions, including credits, that apply to production in other areas, to private landowner royalty interests and to natural gas used for qualified in-State uses. The Governor included an act relating to oil and gas production tax, tax payments and credits in his proclamation calling the Legislature into special session beginning July 11, 2016. The act was not considered before the special session ended.

SB 21 retains the basic framework of PPT and ACES, with the primary change being the removal of a progressive surcharge tied to the value of oil. The base tax rate was increased from 25% to 35% of the net value of oil and gas production. Other major factors include the replacement of credits (the 20% credit for all qualified capital expenditures was eliminated for the North Slope) tied to capital spending with one tied to production on the North Slope, and the creation of an incentive for the development of

areas north of 68 degrees North latitude that are not currently in production. SB 21 went into effect on January 1, 2014.

During the creation of SB 21, the Legislature stated its intent to provide a direct incentive for companies to produce additional oil. As a result, a mechanism was created in the form of a per-taxable-barrel credit. The per-taxable-barrel credit is reduced from \$8 per barrel to \$0 at wellhead values between \$80 per barrel and \$150 per barrel, thus retaining a progressive element in the tax system. As this new production credit was introduced, the credit on qualified capital expenditures was eliminated for the North Slope. The new credit is targeted directly as an incentive to bring new production areas into development to new oil production rather than indirectly by providing an incentive for spending. This incentive reduces the tax liability in new production areas by excluding 20% of the gross value for that production from the tax calculation. Qualifying production includes areas surrounding a currently producing area that may not be commercial to develop, as well as new oil pools that have not been discovered or developed. Oil that qualifies for this Gross Value Reduction (“GVR”) receives a flat \$5 per taxable barrel credit rather than the sliding-scale credit available for most other North Slope production. The new credit also protects State revenue at lower prices, as it cannot be applied against the statutory minimum tax, which is generally 4% of gross value when oil prices are above \$25 per taxable barrel. This protection results in a flattening of the production tax revenue decline at prices lower than \$80 per barrel.

Taxpayers are required to make monthly estimated payments, based upon activities of the preceding month. These payments are due on the last day of the following month and to file an annual tax return to “true up” any tax liabilities or overpayments made during the year. As an incentive for new exploration, companies without tax liability against which to apply credits available under the SB 21 tax may apply for a refund of the value of most of the credits. In FY 2015, the State paid \$628 million to companies claiming such credits. The State forecasts in the Spring 2016 Revenue Sources Book that in FY 2016 the State will owe \$500 million to companies claiming such credits, and \$775 million in FY 2017. SB 21 reduced the State’s exposure for such credits for the North Slope versus the prior ACES tax, as the new per-taxable-barrel credits are not eligible for refund.

All unrestricted revenue generated by the oil and gas production taxes (\$2.9 billion in FY 2010, \$4.6 billion in FY 2011, \$6.1 billion in FY 2012, \$4.1 billion in FY 2013, \$2.6 billion in FY 2014, \$0.4 billion in FY 2015, and projected in the Spring 2016 Revenue Sources Book at \$0.15 billion in FY 2016 and \$0.07 billion in FY 2017.) is deposited into the General Fund, except that any payments received as a result of an audit assessment under the oil and gas production tax or as a result of litigation with respect to the tax are to be deposited into the Constitutional Budget Reserve Fund. See “Oil and Gas Royalties, Rents and Bonuses” and Table 2.

Oil and Gas Royalties, Rents and Bonuses. In FY 2015, approximately 99 percent of all oil production in the State, including the reserves at Prudhoe Bay, was from State land leased for exploration and development. As the land owner, through the Department of Natural Resources (“DNR”), the State earns revenue from leasing as (i) upfront bonuses, (ii) annual rent charges and (iii) retained royalty interests in the oil and gas production. State land historically has been leased largely based on a competitive bonus bid system. Under this system the State retains a statutorily prescribed minimum royalty interest of at least 12.5 percent on oil and gas production from land leased from the State, although some leases contain royalty rates of up to 20 percent and some also include a net profit-share production agreement. Although other leasing alternatives are available under statute, they have not been used in the past. Under all lease contracts the State has ever written, it reserves the right to switch between taking its royalty in-kind or in cash (in cash royalty is valued according to a formula based upon the higher-of contract prices received by the producers, net of transportation charges). If the State takes its royalty share in-kind, the State becomes responsible for selling and transporting that royalty share,

which means establishing complex contracts to accomplish these tasks. As described below, much of State royalty revenue from production on State land is restricted revenue that is not available for general appropriations.

In addition to royalties from production on State land, the State receives 50 percent of royalties and lease bonuses and rents received by the federal government from leases of federal lands in the National Petroleum Reserve Alaska (the “NPR-A”). The federal government requires that such revenue be used as described in the next paragraph. The State also receives revenues from federal royalties and bonuses on all other federal lands located within State borders and federal royalties and lease bonuses and rents from certain federal waters at rates negotiated on a field by field basis. This revenue too is treated as federal revenue and is restricted.

Use of Restricted Petroleum Revenue. As shown in Tables 2 and 3 below, a portion of the State’s oil-related revenue, including oil and other royalty and bonus payments, is restricted revenue and is not available for general appropriations. See “Government Funds.” The State Constitution requires that a minimum of 25 percent (and State statutes currently require 50 percent for certain leases) of all mineral and oil and gas lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State be deposited to the Permanent Fund. See “Government Funds – The Alaska Permanent Fund.” Alaska statutes also require that at least 0.5 percent of all royalties and bonuses be contributed to the Public School Fund Trust and that most settlements with or judgments involving tax and royalty disputes be deposited to the Constitutional Budget Reserve Fund. See “Government Funds.” In addition, the State is required to deposit its entire share of lease bonuses, and rents and royalties from oil activity in the NPR-A to the NPR-A Special Revenue Fund, from which a portion is used to make grants to municipalities that demonstrate present or future impact from oil development in the NPR-A. Of the revenue in the NPR-A Special Revenue Fund that is not appropriated to municipalities, 25 percent is to be deposited to the Permanent Fund, with up to 0.5 percent to the Public School Trust Fund and the remainder available for appropriation to the Power Cost Equalization Fund or the Rural Electric Capitalization Fund. Any remaining amount is then available for General Fund appropriations.

Table 2 summarizes the sources and uses of oil and other petroleum-related revenue for FYs 2006 through 2015. See the discussion above and Table 1 for FY 2016 and FY 2017 forecasts.

Table 2
Sources and Initial Applications of Oil and Other Petroleum-Related Revenue
FYs Ended June 30, 2006 - 2015
(\$ millions)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Oil Revenue to the General Fund										
Property Tax	\$54.5	\$65.6	\$81.5	\$111.2	\$118.8	\$110.6	\$111.2	\$99.3	\$128.1	\$125.2
Corporate Income Tax	661.1	594.4	605.8	492.2	446.1	542.1	568.8	434.6	316.6	94.8
Production Tax (1).....	1,199.5	2,208.4	6,822.6	3,112.0	2,871.0	4,552.9	6,146.1	4,050.3	2,598.2	389.7
Royalties (including bonuses, rents and interest) (2).....	1,784.1	1,613.0	2,446.1	1,465.6	1,477.0	1,843.3	2,031.7	1,767.8	1,712.4	1,078.2
Subtotal	\$3,699.2	\$4,481.4	\$9,956.0	\$5,181.0	\$4,912.9	\$7,048.9	\$8,857.8	\$6,352.0	\$4,755.3	\$1,687.9
Oil Revenue to Other Funds										
Royalties to the Permanent Fund and School Fund (3).....	\$611.5	\$545.6	850.5	\$670.8	\$707.2	\$870.9	\$919.6	\$855.9	\$786.2	\$518.3
Tax settlements to CBRF	43.7	101.9	476.4	202.6	552.7	167.3	102.1	176.6	141.4	149.0
NPR-A royalties, rents and bonuses (4)	4.5	12.8	5.2	14.8	21.3	3.0	4.8	3.6	6.8	3.2
Subtotal	659.7	660.3	1,332.1	888.2	1,281.2	1,041.2	1,026.5	1,036.1	934.4	670.5
Total Oil Revenue	<u>\$4,358.9</u>	<u>\$5,141.7</u>	<u>\$11,288.1</u>	<u>\$6,069.2</u>	<u>\$6,194.1</u>	<u>\$8,090.1</u>	<u>\$9,884.3</u>	<u>\$7,388.1</u>	<u>\$5,689.7</u>	<u>\$2,358.4</u>

- (1) The standard deduction provided under ACES for production in the Prudhoe Bay and Kuparuk fields expired on December 31, 2009.
- (2) Net of deposits to the Permanent Fund and the Constitutional Budget Reserve Fund. The State Constitution requires the State to deposit at least 25 percent to the Permanent Fund, and between 1980 and 2003 Alaska statutes required the State to deposit at least 50 percent to the Permanent Fund. The statutory minimum was changed to 25 percent beginning July 1, 2003, and changed back to 50 percent as of October 1, 2008. See "Government Funds – The Alaska Permanent Fund."
- (3) Includes proceeds of royalties taken in-kind.
- (4) By federal statute, the State receives 50 percent of federal revenues from oil and gas lease sales located in the NPR-A.

Source: State of Alaska Department of Revenue

Non-Oil Revenues. The State also receives unrestricted and restricted General Fund revenues from activities unrelated to petroleum. The State receives revenues from corporate income taxes paid by corporations other than petroleum producers, cigarette/tobacco excise taxes, motor fuel taxes, alcoholic beverage taxes, fishery business taxes, electric and telephone cooperative taxes, insurance premium taxes, commercial passenger vessel excise taxes and service charges, permit fees, fines and forfeitures, and miscellaneous revenues. A number of these non-oil tax, license and fee revenue (but not investment income and federal revenue) are shared with municipalities. The Spring 2016 Revenue Sources Book reported that in FY 2015, unrestricted revenue unrelated to petroleum production (excluding investment income and federal revenue) was \$520.7 million and forecasted that unrestricted revenue unrelated to petroleum production would be \$516.7 million in FY 2016 and \$506.4 million in FY 2017. Contained in the non-oil figures is the minerals industry, which contributes State revenue in the form of corporate income tax, mining license tax, and mining rents and royalties.

Mining License Tax. The State's severance tax on mining (in general, the extraction of minerals other than oil, sand, gravel and quarry rock, including gold, zinc, silver, copper, lead and coal), the mining license tax, is based on the net income of individual mines for all mining property in the State,

whether or not mining occurs on State-owned land. New mining operations are exempt from the tax for the three and a half years after production begins. Tax rates are scaled from 0 percent to 7 percent depending upon net income, with the 7 percent rate applying to all net income over \$100,000. Revenue from this tax was \$41 million in FY 2012, \$46.7 million in FY 2013, \$23.6 million in FY 2014, and \$38.6 million in FY 2015. In the Spring 2016 Revenue Sources Book, the State forecast that revenues from the mining license tax will be \$24.4 million in FY 2016 and \$19.7 million in FY 2017. Revenue from the mining license tax is deposited into the General Fund; settlement payments received by the State after a tax assessment dispute, however, are deposited into the Constitutional Budget Reserve Fund. See “Government Funds—The Constitutional Budget Reserve Fund.” At the beginning of calendar year 2012, sand and gravel, quarry rock and marketable earth mining operations became exempt from the mining license tax. As described below, revenue from the mining industry also includes corporate income tax and mineral rents and royalties. See “State Ownership of Land and Natural Resources – Mineral Resources.”

Production Royalties and Annual Rentals. The State charges a production royalty on mining operations conducted on State-owned lands in the amount of three percent of net income. The State is required by statute to deposit 50 percent of total minerals royalties to the Permanent Fund, with a base constitutionally-mandated minimum of 25 percent, and 0.5 percent to the Public School Trust Fund. The Pogo mine and proposed Pebble mine are on State land but most of the existing mines are not. In FY 2015, the State received \$6.0 million in mining royalty and rental income for the General Fund, which the Spring 2016 Revenue Sources Book forecasted will be \$5.0 million in FY 2016 and \$4.7 million in FY 2017. The State also collected \$30.3 million in other non-petroleum rents and royalties. The Spring 2016 Revenue Sources Book projected that such other non-petroleum rents and royalties will be \$30.3 in FY 2016 and FY 2017. See “Government Funds—The Alaska Permanent Fund.”

Corporate Income Tax and Insurance Premium Tax. In addition to corporate income taxes paid by mining companies and by oil and gas producers, the State collected approximately \$136.2 million of other corporate income taxes in FY 2015. The Spring 2016 Revenue Sources Book projected such other corporate income taxes to be \$109.6 million on FY 2016 and \$99.3 million in FY 2017. Insurance companies doing business in Alaska pay a premium tax instead of paying corporate income tax. Unrestricted revenues from insurance premium taxes totaled approximately \$59.1 million in FY 2015, and the State expects to collect approximately \$60 million in FY 2016 and in FY 2017.

Cigarette/Tobacco Excise Tax. The State levies a tax on cigarettes imported into the State for sale or personal consumption. The cigarette tax is paid through the purchase of cigarette tax stamps, which must be affixed to every pack of cigarettes imported into the State for sale or personal consumption. The tax rate is \$2.00 per pack, which equates to 10 cents per cigarette. Of the cigarette tax, \$0.76/pack is deposited to the Public School Trust Fund, together with cigarette and other tobacco products license fees. The remaining \$1.24 per pack is deposited into the General Fund, with 8.9 percent of that amount going to the Tobacco Use Education and Cessation Fund, a subfund of the General Fund.

In addition, the State levies a tax on other tobacco products imported into the State for sale, at a rate of 75 percent of the wholesale price, which is the established price at which a manufacturer sells other tobacco products to a distributor. All proceeds from the other tobacco products tax go to the General Fund.

Approximately \$21.6 million of revenue from cigarette taxes was deposited into the Public School Trust Fund in FY 2015 to be used for the rehabilitation, construction, repair and associated insurance costs of State school facilities. Cigarette tax revenue deposited in the Tobacco Education and Cessation Fund in FY 2015 was \$3.1 million, and remaining General Fund cigarette tax revenue was \$27.7 million. The State expects the General Fund cigarette tax revenue will be approximately

\$28.9 million in FY 2016 and \$27.2 million in FY 2017. In addition, the General Fund received \$12.8 million in other tobacco products tax revenue in FY 2015 and forecasts receipts of approximately \$14.2 million and \$14.9 million in FYs 2016 and 2017. See “LITIGATION – Tobacco Company Litigation.”

Motor Fuel Taxes. The State generally levies a motor fuel tax at rates that vary from 3.2 cents per gallon for jet fuel to 8 cents per gallon for highway use, on some motor fuel sold, transferred or used within Alaska. Aviation-related fuel is restricted to airport-related uses, and 60 percent of aviation fuel taxes attributed to aviation gasoline sales at municipal airports is shared with the municipalities (approximately \$140,000 in FY 2015) and is considered restricted revenue. The motor fuel tax generated approximately \$41.9 million in unrestricted revenue in FY 2015 and is forecast to be approximately \$43 million in FY 2016 and in FY 2017.

Fishery Business Taxes. The State imposes a number of fishery-related taxes and fees, including a fisheries business tax charged to fish processors (one percent to five percent of the value of raw fish) and a fishery resource landing tax of from one percent to three percent on the value of fish landed in Alaska but processed outside State boundaries. Fifty percent of proceeds from these fishery taxes (before credits) is shared with qualified municipalities. The State’s share of these fishery taxes was \$32.7 million, in FY 2012, \$24.7 million in FY 2013, \$32.2 million in FY 2014, and \$26.4 million in FY 2015. These numbers do not include smaller fish taxes that are designed for specific purposes and therefore considered restricted revenue. The Spring 2016 Revenue Sources Book forecasted income from the fisheries tax of \$19.3 million in FY 2016 and \$21.9 million in FY 2017.

Federal Revenue. The federal government is a significant employer in Alaska, directly and indirectly, as a result of procurement contracts, grants and other spending. See “Federal Spending” in Appendix A. In addition to expenditures in connection with federal military bases and other activities in Alaska, the State receives funding from the federal government, approximately \$2.4 billion in FY 2013, \$2.5 billion in FY 2014 and \$2.5 billion in FY 2015. The Spring 2016 Revenue Sources Book forecasts Restricted Federal Revenue of approximately \$3.46 billion for FY 2016, and \$3.2 billion for FY 2017. The funds are primarily used for road and airport improvements, aid to schools and Medicaid payments, all of which are restricted by legislative appropriation to specific use. Federal funds most often are transferred to the State on a reimbursement basis, and all transfers are subject to audit.

Investment Income. The State earns unrestricted and restricted investment earnings from a number of internal funds. The primary sources of investment income for the State are two Constitutionally-mandated funds, the Permanent Fund and the Constitutional Budget Reserve Fund. The Permanent Fund had a fund balance (principal and the earnings reserve) of approximately \$52.8 billion as of June 30, 2015, \$51.2 billion as of June 30, 2014, \$44.8 billion as of June 30, 2013, \$40.3 billion as of June 30, 2012, and \$40.1 billion as of June 30, 2011. The Earnings Reserve Account, in the Permanent Fund, had a fund balance of approximately \$7.2 billion as of June 30, 2015, \$6.2 billion as of June 30, 2014, \$4.1 billion as of June 30, 2013, \$2.1 billion as of June 30, 2012, and \$2.3 billion as of June 30, 2011. Appropriation of the Fund’s principal balance requires amendment of the State Constitution.

The Constitutional Budget Reserve Fund had a fund balance of approximately \$10.1 billion as of June 30, 2015, \$12.8 billion as of June 30, 2014, \$11.6 billion as of June 30, 2013, \$10.6 billion as of June 30, 2012, and \$10.3 billion as of June 30, 2011. The balance of the Constitutional Budget Reserve Fund is available for appropriation with a three-fourths vote of each house of the Legislature, and as described below, the State borrows from the Constitutional Budget Reserve Fund when needed to address mismatches between revenue receipts and expenditures in the General Fund and/or to balance the budget at the end of the FY. See “Government Funds – The Constitutional Budget Reserve Fund” and “—The Alaska Permanent Fund.”

Although not as significant, the State also has in the past received the earnings on the Statutory Budget Reserve Fund (“SBRF”). This fund had a balance of \$288 million as of June 30, 2015, \$2.8 billion as of June 30, 2014, and \$4.7 billion as of June 30, 2013. These earnings are considered General Fund unrestricted revenue and in October 2015 the remaining balance in the SBRF was transferred to the General Fund. See “Government Funds – The Statutory Budget Reserve Fund.”

In addition to investment income from the above-described funds, the State receives investment income (including interest paid) from investment of other, unrestricted funds (\$47.9 million in FY 2015, \$130.2 million in FY 2014, \$28.1 million in FY 2013, \$107.8 million in FY 2012, and \$96.3 million in FY 2011). The State has forecast investment income of other unrestricted funds to total approximately \$19 million in FY 2016 and approximately \$35.4 million in FY 2017. See “Government Funds.”

Major Components of State Revenues. Table 3 summarizes the sources of unrestricted and restricted revenues available to the State in FYs 2006 through 2015.

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Table 3
Total State Government Revenue by Major Component
FYs Ended June 30, 2006 – 2015
(\$ millions)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenue Source										
<u>Unrestricted</u>										
Oil Revenue.....	\$3,699.2	\$4,481.4	\$9,956.0	\$5,181.0	\$4,912.9	\$7,048.9	\$8,857.8	\$6,352.0	\$4,755.3	\$1,687.9
Non-Oil Revenue										
	447.9	537.1	544.4	402.6	414.0	527.7	519.6	548.4	508.5	520.7
Investment Earnings.....	53.3	140.1	248.8	247.6	184.0	96.3	107.8	28.1	130.2	47.9
Subtotal.....	\$4,200.4	\$5,158.6	\$10,749.1	\$5,831.2	\$5,513.3	\$7,672.9	\$9,485.2	\$6,928.5	\$5,394.0	\$2,256.5
<u>Restricted</u>										
Oil Revenue.....	\$659.7	\$660.3	\$1,332.1	\$888.2	\$1,281.2	\$1,041.2	\$1,062.5	\$1,036.1	\$934.4	\$670.5
Non-Oil Revenue										
	536.5	684.9	604.4	545.8	467.1	473.6	452.7	485.0	473.5	491.2
Investment Earnings.....	3,173.3	3,737.8	(1,483.5)	(6,894.5)	4,291.9	7,928.5	144.3	4,977.8	7,927.7	2,603.4
Federal Revenue.....	1,966.2	1,971.9	1,902.5	2,088.4	2,387.9	2,407.9	2,455.5	2,383.2	2,511.9	2,512.7
Subtotal.....	\$6,335.7	\$7,054.9	\$2,355.5	(\$3,372.1)	\$8,428.2	\$11,851.2	\$4,079.0	\$8,882.1	\$11,847.5	\$6,277.8
Total.....	\$10,536.1	\$12,213.5	\$13,083.7	\$2,459.1	\$13,940.9	\$19,524.2	\$13,564.2	\$15,810.6	\$17,241.5	\$8,534.3

Note: "Restricted Oil Revenue" includes oil revenue for NPR-A Rents, Royalties, and Bonuses shared by the Federal government. In FY 2015 this shared revenue totaled \$3.2 million.

Source: State of Alaska Department of Revenue.

Government Budgets and Appropriations

The Legislature is responsible for enacting the laws of the State, including laws that impose State taxes, and for appropriating money to operate the government. The State is limited by its Constitution and statutes and also by policy in how it manages its funds and, as in other states, no funds, regardless of source, may be spent without a valid appropriation from the Legislature. The Legislature has a 90-day statutory time limit, and a constitutional time limit of 120 days with an allowance for up to an additional 10 days, to approve a budget. If the Legislature fails to approve a budget, or if other limited purpose legislation needs to be considered, the Governor or Legislature may call a special session to consider such matters. See "— General Appropriations."

Budgets. The State's FY begins on July 1 and ends on the following June 30, and the Legislature meets in regular session beginning on the fourth Monday of January in each year. The Governor is required by AS 37.07.020(a) to prepare a (1) statutorily conforming budget for the succeeding fiscal year, including capital, operating and mental health budgets setting forth all proposed expenditures (including expenditures of federal and other funds not generated by the State) and anticipated income of all departments, offices and agencies of the State; (2) a general appropriation bill to authorize proposed expenditures; and (3) in the case of proposed new or additional revenues, one or more bills containing recommendations for such new or additional revenues. The Governor's budget must be made public and be submitted to the Legislature by December 15. In accordance with AS 37.07.020(b), the Governor also is required to prepare a six-year capital budget covering the succeeding six FYs and a 10-year fiscal plan. To assist the Governor in preparing budgets, proposed appropriation bills and fiscal plans, the Department of Revenue's Tax Division prepares forecasts of annual revenues in December and April of each year. See "State Revenues" and Table 1 above and "Government Funds" and "General Fund Forecasts" below.

The State Constitution prohibits the withdrawal from the treasury of any funds, regardless of source, without an appropriation, and so the Governor's proposed budget and the Legislature's appropriation bills include federal and other funds as well as funds from the State. The Constitution also prohibits the dedication to a special purpose of the proceeds of "any State tax or license," with the exception of dedications required by federal law, mandated by the State's Constitution or in existence prior to statehood.

General Appropriations. The Governor is required by State law to submit the three budgets — an operating budget, a mental health budget and a capital budget — by December 15 and to introduce the budgets and appropriation bills formally to the Legislature in January by the fourth day of the regular Legislative session. These three budgets then go to the House Finance Committee, and are voted upon by the House of Representatives. The three budgets then go to the Senate Finance Committee, are voted upon by the full Senate and may go to a conference committee to work out differences between the House and Senate versions (and then submitted to both bodies for final votes). Bills passed by both bodies and are delivered to the Governor for signature. The Governor may veto one or more of the appropriations made by the Legislature in an appropriations bill (a "line-item veto") or may sign the bill or permit the bill to become law without a signature or veto. The Legislature may override a veto by the Governor (by a vote of three-fourths of the members of each body of the Legislature in the case of appropriation bills and by a vote of two-thirds of the members of each body in the case of other bills). Either the Governor or the Legislature may initiate supplemental appropriations during the fiscal year to deal with new or changed revenue receipts, to correct errors or for any other reason.

The Governor is permitted to prioritize or restrict expenditures, to redirect funds within an operating appropriation to fund core services and to expend unanticipated federal funds or program receipts. Historically, Alaskan Governors have placed restrictions on authorized operating and capital expenditures during years in which actual revenues were less than forecast and budgeted. Such expenditure restrictions have included deferring capital expenditures, State employment hiring freezes, lay-offs and furloughs and restrictions on non-core operating expenses. As described below, General Fund revenues and operating and capital expenditures have been declining since FY 2015 and declines in operating and capital expenditures have included use of administrative restrictions on spending.

As shown in Table 1 and Table 3, projected State Unrestricted General Fund Revenue has diminished from \$5.39 billion in FY 2014 to \$2.26 billion in FY 2015, to a projected \$1.34 billion in FY 2016 and a projected \$1.25 billion in FY 2017. In response to the diminished State revenue forecasts, Governor Walker proposed a reduction in unrestricted General Fund State operating budget spending of 9 percent and a reduction in the capital budget of more than 80% for FY 2016. The Legislature increased the operating budget reduction to more than 12%. Governor Walker additionally issued an Administrative Order to limit or stop State spending on State "Mega Projects" including the Juneau Access road, the Knik Arm Crossing, the Susitna Hydroelectric project, a small diameter in-State gas pipeline project, and a proposed State road to the Ambler Mining District.

The Governor's proposed FY 2017 budget resulted in additional declines in unrestricted General Fund State operating budget expenditures and a capital budget comparable to the capital budget in FY 2016. On May 18, 2016 the second session of the 29th Legislature reached the constitutional time limit and adjourned. On May 19, 2016 the Governor issued an executive proclamation calling the Legislature into special session starting on May 23, 2016 to consider both budget bills as well as other bills previously introduced related to increasing revenues and decreasing expenditures of the State. On May 31, 2016 the Legislature approved a FY 2017 operating and capital budget, authorizing \$4,417.4 million of spending. At the same time, the Legislature supplemented the FY 2016 budget with \$642.1 million of appropriation comprised of \$430.0 million in oil and gas tax credits, \$92.0 million of capital expenses, \$30.1 million of agency operating expenses, and \$90.0 million for retirement system

funding. The proposed level of spending results in a projected \$642.1 million increase in the deficit in FY2016 and a \$3,171.4 million deficit in FY 2017. The budget bills were transmitted to the Governor on June 20, 2016. On June 29, 2016 the Governor signed the budgets and exercised his line item veto authority to reduce the FY 2017 appropriations by approximately \$1.29 billion. The reductions were comprised of \$190 million to State government, K-12 education, and the University of Alaska, \$430 million of oil and gas tax credits, and \$655 million to the October 2016 permanent fund dividend distribution. The vetoes were not overridden. See “General Fund Expenditure Trends.”

The Unrestricted General Fund deficit was \$3.85 billion in FY 2015 (which was managed by using transfers from the Statutory Reserve Fund and by eliminating the forward funding of K-12 education). The Unrestricted General Fund deficit for FY 2016 was previously projected to be \$3.7 billion. If proposed amendments to the FY 2016 budget are approved, however, the draw on reserves will grow to \$4.3 billion.

As part of his FY 2017 budget Governor Walker introduced 10 bills as part of a comprehensive plan to modify how revenue of the state is accounted for, to increase user fees and charges, increase taxes, diminish certain waivers, credits and deductions, and to implement new taxes. The bill with the most impact was the Alaska Permanent Fund Protection Act that would shift the Alaska Permanent Fund to a sovereign wealth model. The Governor included all of these bills on the special session agenda. On June 6, 2016 the Legislature approved the first of these bills, House Bill 247 diminishing state oil and gas tax credits. None of the additional legislation was approved. See “General Fund Expenditure Trends.”

The Legislature must appropriate to create the authority to expend General Fund revenue. If an expenditure of General Fund revenue is required mid-budget cycle, a special session of the Legislature would be required to provide the authority to make such expenditure.

Appropriations for Debt and Appropriations for Subject-to-Appropriation Obligation. The Governor’s proposed appropriations bills include separate subsections for appropriations for State debt and other subject-to-appropriation obligations and specify the sources of funds to pay such obligations. For the State’s outstanding, voter-approved general obligation bonds (including the Bonds) and bond anticipation notes and for revenue anticipation notes to which the State’s full faith and credit are pledged, moneys are appropriated from the General Fund and if necessary, from other funds, including the Permanent Fund, to the Committee to make all required payments of principal, interest and redemption premium. For these full faith and credit obligations, the State legally is required to raise taxes if State revenues are not sufficient to make the required payments.

The Governor’s proposed appropriation bills also include separate subsections for appropriations for subject-to-appropriation obligations, including various outstanding capital leases, lease-purchase financings, State-supported local-government debt for school construction and certain other limited projects and some State “moral obligation” debt. Such appropriations are made from the General Fund or from appropriations transferring to the General Fund moneys available in other funds such as the Constitutional Budget Reserve Fund, the Power Cost Equalization Fund, unencumbered funds of the State’s public corporations and the Permanent Fund earnings reserves.

Appropriation Limits. The State Constitution does not limit expenditures but does provide for an appropriation limit and reserves one-third of the amount within the limit for capital projects and loan appropriations. Because State appropriations have never approached the limit, the reservation for capital projects and loan appropriations has not been a constraint. The appropriation limit does not include appropriations for Permanent Fund dividends described below, appropriations of revenue bond proceeds, appropriations to pay general obligation bonds or appropriations of funds received in trust from a non-State source for a specific purpose. In general, under the State Constitution, appropriations that do

not qualify for an exception may not exceed \$2.5 billion by more than the cumulative change, derived from federal indices, in population and inflation since July 1, 1981. For FY 2016, the appropriations limit was approximately \$10.3 billion.

Government Funds

Because the State is dependent upon taxes, royalties, fees and other revenues that can be volatile, the State has developed a framework of constitutionally, statutorily, and customarily restricted revenue that is held in a variety of reserve funds to provide long-term and short-term options to address cash flow mismatches and budgetary deficits. For FY 2015 revenue available for appropriation totaled \$5,952.4 million, \$3,695.9 million more than the \$2,256.5 million of revenue classified as unrestricted. Investment income represented the majority of the revenue classified as restricted by custom but available for appropriation. The largest component was the Alaska Permanent Fund realized earnings at \$2,931.4 million followed by the Constitutional Budget Reserve at \$197.7 million. Projections for Revenue Subject to Appropriation for FY 2016 are \$3,906.2 million and for FY 2017 \$4,321.1 million.

The State Constitution provides that with three exceptions, the proceeds of State taxes or licenses “shall not be dedicated to any special purpose.” The three exceptions are when required by the federal government for State participation in federal programs, any dedication existing before statehood and when restricted for savings in the Permanent Fund or Constitutional Budget Reserve Fund as required by constitutional amendment. State revenue restricted for deposit into the Permanent Fund and Constitutional Budget Reserve Fund is then only available for appropriation as prescribed by the constitutional provisions described below.

State funding options available on a statutory basis include unrestricted revenue of the General Fund, use of the earnings or the principal balance of the Statutory Budget Reserve Fund, borrowing restricted earnings revenue or principal balance from the Constitutional Budget Reserve Fund, use of the statutorily restricted royalty oil revenue currently flowing to the Permanent Fund, and use of the unrestricted earnings revenue of the Permanent Fund. To balance revenues and expenditures in a time of financial stress, each of these funds can be drawn upon, either immediately, in the case of the Constitutional Budget Reserve Fund following a year-over-year revenue decline, or by a vote of the Legislature and with the approval of the Governor (by a three-fourths vote of each house in the case of appropriations from the Constitutional Budget Reserve Fund and by a simple majority vote in the case of appropriations from the Statutory Budget Reserve Fund and from the Permanent Fund Earnings Reserve).

Additional options for the State to manage budget funding include reducing State expenditures, transferring spending authority among line items, providing additional incentives to develop petroleum or mining resources, reinstituting a State personal income tax or imposing other broad-based statewide taxes. Most of these options, including the imposition of personal income taxes or other taxes, would require action by the Legislature.

The General Fund. Unrestricted State revenue is annually deposited to the General Fund, which serves as the State’s primary operating fund and accounts for most of the State’s unrestricted financial resources. The State has, however, created more than 55 subfunds and “cash pools” within the General Fund to account for funds allocated to particular purposes or reserves, including the Constitutional Budget Reserve Fund; the Statutory Budget Reserve Fund, an Alaska Capital Income Fund, and a debt retirement fund. In terms of long-term and short-term financial flexibility, the Constitutional Budget Reserve Fund and the Statutory Budget Reserve Fund (subfunds within the General Fund) are of particular importance to the State.

The Constitutional Budget Reserve Fund. The State Constitution requires that oil and gas dispute-related revenue be deposited to the Constitutional Budget Reserve Fund. The State Constitution provides that other than money required to be deposited to the Permanent Fund, all money received by the State after July 1, 1990 as a result of the termination, through settlement or otherwise, of an administrative proceeding or of litigation involving mineral lease bonuses, rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments or bonuses or involving taxes imposed on mineral income, production or property, are required to be deposited in the Constitutional Budget Reserve Fund. Money in the Constitutional Budget Reserve Fund may be appropriated (i) for any public purpose, upon the affirmative vote of three-fourths of the members of each house of the Legislature; or (ii) if the amount available to the State for appropriation for a FY is less than the amount appropriated for the previous FY; however, the amount appropriated may not exceed the amount necessary, when added to other funds available for appropriation, to provide for total appropriations equal to the amount of appropriations made in the previous calendar year for the previous FY. The State Constitution also provides that until the amount appropriated from the Constitutional Budget Reserve Fund is repaid, excess money in the General Fund at the end of each FY must be deposited in the Constitutional Budget Reserve Fund.

The FY 2015 capital budget included a \$3 billion transfer from the Constitutional Budget Reserve Fund to the Public Employees Retirement System (“PERS”) and Teachers Retirement System (“TRS”). The PERS received \$1 billion and the TRS received \$2 billion. The impact of these deposits will be reflected in the actuarial analysis for FY 2015 to be released in June 2016. See “STATE PENSION AND OTHER POST-EMPLOYMENT BENEFIT RESPONSIBILITIES.”

The State historically has borrowed from the Constitutional Budget Reserve Fund as part of its cash management plan to address timing mismatches between revenues and disbursements within a FY and also to balance the budget when necessary at the end of the FY. Prior to draws in FY 2015, the Legislature had last appropriated funds from the Constitutional Budget Reserve Fund in FY 2005. As of June 30, 2009, the balance owed by the General Fund to the Constitutional Budget Reserve Fund for draws prior to 2005 was completely repaid.

The balance in the Constitutional Budget Reserve Fund as of June 30, 2013 was \$11.6 billion, with earnings of \$618.1 million. The balance in the Constitutional Budget Reserve Fund as of June 30, 2014 was \$12.8 billion, with earnings of \$1.0 billion. The balance in the Constitutional Budget Reserve Fund as of June 30, 2015 was \$10.1 billion, with earnings of \$197.7 million. The Spring 2016 Revenue Sources Book forecasted that investment earnings on the Constitutional Budget Reserve Fund will be \$54.8 million in FY 2016, and based on results through April 30, 2016 earnings are expected to be above \$120 million for FY 2016 and the forecast for FY 2017 is \$67 million. The projected tax and royalty settlements to the Constitutional Budget Reserve are \$100 million in both FY 2016 and FY 2017.

The Statutory Budget Reserve Fund. The Statutory Budget Reserve Fund has existed in the State’s accounting structure since 1986, and as for most of the years it has existed is not expected to have a balance for at least the next several years. When funded, the Statutory Budget Reserve Fund is available for use for legal purposes with a simple majority vote of the Legislature and with approval by the Governor. If the unrestricted amount available for appropriation in the fiscal year is insufficient to cover General Fund appropriations, the amount necessary to balance revenue and General Fund appropriations or to prevent a cash deficiency in the General Fund was appropriated from the Statutory Budget Reserve Fund to the General Fund. For FY 2015, this resulted in a year-end transfer from the Statutory Budget Reserve Fund to the General Fund of \$2.5 billion. As of June 30, 2015, the Statutory Budget Reserve Fund held \$288 million. The market value of the Statutory Budget Reserve Fund as of October 31, 2015 was zero due to transfers to the general fund for expenditures. Any earnings on the Statutory Budget Reserve Fund are considered unrestricted investment revenue and flow to the General Fund.

The Alaska Permanent Fund. The Permanent Fund was established by a voter-approved Constitutional amendment that took effect February 21, 1977. The amendment provides that “at least twenty-five percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State shall be placed in a permanent fund, the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for permanent fund investments” and that “all income from the permanent fund shall be deposited in the General Fund unless otherwise provided by law.”

In 1980, legislation was enacted that provided for the management of the Alaska Permanent Fund by the Alaska Permanent Fund Corporation, a public corporation and government instrumentality within the DOR, managed by a board of trustees. The same legislation modified the contribution rate to the Permanent Fund from 25 percent (the minimum constitutionally mandated contribution) to 50 percent of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares, federal mineral revenue sharing payments and bonuses received by the State from mineral leases issued after December 1, 1979 or, in the case of bonuses, after May 1, 1980. The statutory contribution rate was changed back to 25 percent by legislation as of July 1, 2003 but then returned to 50 percent as of October 1, 2008. For FY 2015, State oil and mineral revenues deposited into the Permanent Fund were \$600 million compared to \$779 million in FY 2014. In addition to these constitutionally and statutorily mandated transfers to the Permanent Fund prior to FY 2006, the Legislature has made special appropriations from the State’s General Fund to the Permanent Fund several times, totaling in the aggregate approximately \$2.7 billion as of June 30, 2015.

The Permanent Fund tracks earnings on a GASB basis in the compilation of the financial statements of the Fund. Fund balance consists of two parts: (1) principal, which is non-spendable, and (2) earnings reserve, which is spendable with an appropriation by the Legislature. By statute, only realized gains are deposited into the earnings reserve, thus unrealized gains and losses associated with principal remain allocated to principal. Because realized gains deposited into the earnings reserve account are invested alongside the principal, however, the unrealized gains and losses associated with the earnings reserve are spendable with an appropriation of the Legislature.

Pursuant to legislation enacted in 1982, annual appropriations are made from the earnings reserve of the Permanent Fund, first for dividends to qualified Alaska residents and then for inflation-proofing. Between 1982 and 2015, \$23 billion of dividends (\$2,072 per person, for a total of approximately \$1.3 billion, in FY 2015, a 10% increase compared to FY 2014) were paid to Alaska residents and \$16.2 billion of Permanent Fund income has been added to principal for inflation proofing purposes (for FY 2015 the inflation proofing transfer was \$624 million, up from the FY 2014 amount of \$546 million). In addition to the statutorily directed inflation proofing transfers, the Legislature has made special appropriations from the earnings reserve account of the Permanent Fund to the principal balance of the Permanent Fund, totaling approximately \$4.2 billion as of June 30, 2015.

If any income remains after these transfers (except the portion transferred to the Alaska Capital Income Fund as described below), it remains in the Permanent Fund’s earnings reserve as undistributed income. The Legislature may appropriate funds from the earnings reserve at any time for any other lawful purpose. The principal portion of the Permanent Fund (\$45.6 billion as of June 30, 2015, up from \$45.0 billion as of June 30, 2014) may not be spent without amending the State Constitution. The earnings reserve portion of the Permanent Fund (\$7.2 billion as of June 30, 2015, up from \$6.2 billion as of June 30, 2014) may be spent with a simple majority vote of the Legislature. The Permanent Fund has an unaudited balance of \$53.16 billion as of April 30, 2016.

During FYs 1990 through 1999, the Permanent Fund received dedicated State revenues from settlements of a number of North Slope royalty cases (known collectively as State v. Amerada Hess,

et al.). The total of the settlements and retained income thereon, as of June 30, 2015, is approximately \$424 million. Earnings on the settlements are excluded from the dividend calculation in accordance with State law and beginning in 2005, the settlement earnings have been appropriated to the Alaska Capital Income Fund, a subfund within the General Fund. Funds in the Alaska Capital Income Fund and interest thereon (approximately \$24.0 million in FY 2015) are unrestricted and have been appropriated for capital expenditures.

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Table 4
State of Alaska
Available Funds and Recurring and Discretionary General Fund Expenditures
FYs Ended June 30, 2004-2015

FORECAST for FYs Ending June 30, 2016-2017
(\$ millions)

FY	General Purpose Unrestricted Revenue ⁽¹⁾	Recurring & Discretionary General Fund Expenditures ⁽²⁾	Surplus/ (Deficit)	Net Draw on CBRF	CBRF Available Balance ⁽⁵⁾	Perm. Fund Earnings Reserve ⁽⁶⁾
2004	\$2,346	\$2,319	\$26	\$0	\$2,064.2	\$859.3
2005	3,189	2,646	543	0	2,235.7	1,439.9
2006	4,200	3,247	953	0	2,267.1	2,584.8
2007	5,159	4,272	886	0	2,549.0	4,132.0
2008	10,749	5,473	5,256	0	5,601.0	4,969.0
2009	5,831	6,000	(169)	0	7,114.4	440.6
2010	5,515	4,995	520	0	8,664.0	1,209.8
2011	7,673	6,355	1,318	0	10,330.0	2,307.8
2012	9,485	7,252	2,233	0	10,642.4	2,080.6
2013	6,929	7,455	(526)	0	11,564.4	4,053.8
2014	5,394	7,314	(1,920)	0	12,779.7	6,211.3
2015	2,257	4,760	(2,503) ⁽⁴⁾	(2,876) ⁽³⁾	10,101.4	7,162.4
F 2016 ⁽⁷⁾	1,337	4,971	(3,634)	(3,125) ⁽³⁾	6,976.4	7,744.2
F 2017 ⁽⁷⁾	1,246	4,816	(3,570)	(3,370) ⁽³⁾	3,606.4	7,510.0

- (1) State of Alaska Department of Revenue, Tax Division. FY 2016 & 2017 forecast based on Spring 2016 Revenue Sources Book.
- (2) Excludes amounts set-aside to fund programs and reserve deposits. State of Alaska Office of Management & Budget. FY 2016 & 2017 forecast based on General fund expense projections from budget summary in FY 2017 10-year Plan.
- (3) Net draws for FY 2015 (transfer to the State of Alaska pension system) differ from borrowing reported in the State's financial statements due to restricted revenue and cash accounting impact. Net draws for FY 2016 & 2017 include projections for investment earnings and tax and royalty settlements.
- (4) SBRF was used to balance the FY 2015 deficit, with \$288 million remaining at June 30, 2015 per the State of Alaska FY 2015 CAFR. In FY 2016, the remaining balance in the SBRF was transferred to the General Fund. Net draw forecast for FY 2016 and FY 2017 depict the use of the CBRF to balance the budget; however, actual funding source to balance any projected budget shortfall may differ. See "Government Funds – The Statutory Budget Reserve Fund."
- (5) CBRF available balance represents the market value and the projected market value of the Constitutional Budget Reserve Fund.
- (6) Projection for the Permanent Fund Earnings Reserve as of APFC's April 30, 2016 release of Fund Financial History & Projections, with current month's market value used as ending projection for FY 2016.
- (7) FORECAST derived from the Spring 2016 Revenue Sources Book, Department of Revenue, Tax Division with best information available at that time.

Source: State of Alaska Department of Revenue

Restricted Revenue Forecast

The State regularly prepares forecasts of restricted revenue generation. Table 5 provides a summary of the State's most recent restricted revenue forecasts from FY 2016 through 2025. Of necessity, the forecasts include assumptions about events that are not within the State's control.

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Table 5
State of Alaska Restricted Revenue For Savings
Actuals through 2015 and Forecast Summary
FYs Ending June 30, 2016 through 2025⁽¹⁾
(millions)

FY	CBRF Investment Earnings	Tax & Royalty Settlements to CBRF	Alaska Permanent Fund Investment Revenue ⁽²⁾	Alaska Permanent Fund Dedicated Oil Revenue ⁽³⁾	Total State Revenue Currently Restricted for Reserves
2011	\$1,026.9	\$167.3	\$6,812.0	\$887.0	\$8,893.2
2012	191.1	102.1	(100.0)	915.0	1,108.2
2013	618.2	176.6	4,314.0	840.0	5,948.8
2014	1,006.1	141.4	6,848.0	779.0	8,774.5
2015	197.7	149.0	2,383.9	600.0	3,330.6
Projected					
2016	120.9	100.0	(2,082.0)	225.0	0.0
2017	99.8	100.0	3,311.0	219.0	3,729.8
2018	40.2	100.0	3,450.0	244.0	3,834.2
2019	0.0	100.0	3,603.0	280.0	3,983.0
2020	0.0	100.0	3,774.0	296.0	4,170.0
2021	0.0	100.0	3,959.0	299.0	4,358.0
2022	0.0	100.0	4,148.0	278.0	4,526.0
2023	0.0	100.0	4,345.0	260.0	4,705.0
2024	0.0	100.0	4,549.0	242.0	4,891.0
2025	0.0	100.0	4,760.0	226.0	5,086.0

- (1) This table displays actual results for FYs 2011 through 2015, and forecasted amounts for FYs 2016 through 2025. Forecasts are derived from the Spring 2016 Revenue Sources Book for the CBRF and APFC dedicated oil revenue, with updates to Investment Earnings of the CBRF through April 30, 2016. APFC investment revenue is derived from Alaska Permanent Fund Corporation's April 30, 2016 Fund Financial History and Projections. The table reflects the State's statutory requirement to restrict a significant portion of FY revenues and investment earnings.
- (2) Both realized and unrealized gains and losses are included per GASB 34 as interpreted by the Finance Division of the Department of Administration in its *Comprehensive Annual Financial Report*. The value for Alaska Permanent Fund Corporation's (APFC) Investment Revenue (GASB) for FY 2015 uses the accounting (GAAP) net income as of June 30, 2015. APFC mid case projections, as of April 30, 2016, are used for FY 2016 through 2025.
- (3) Comprised of 50% of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments, and bonuses received by the State. 50% of this amount is restricted by the Constitution and 50% is restricted by Statute.

Sources: State of Alaska Department of Revenue, Tax Division and State of Alaska Office of Management and Budget Forecasts from the Spring 2016 Revenue Sources Book for the CBRF. Alaska Permanent Fund Corporation forecasts are based on the Monthly Financial Report for April 30, 2016.

General Fund Forecasts

The State regularly prepares General Fund financial forecasts for planning and budgetary purposes. Table 6 provides a summary of the State's most recent General Fund revenue and expenditure forecasts, including forecast beginning and ending balances of available funds in the Constitutional Budget Reserve Fund and Permanent Fund Earnings Reserve through 2019 and forecast oil prices and production levels during the same time period.

Of necessity, such forecasts include assumptions about events that are not within the State's control. The forecast oil production volumes include only production on State land and only current production and production expected from projects currently under development or evaluation on State land. The forecast does not include any revenues that could be received if a natural gas pipeline is constructed. In making its forecasts, the State makes assumptions about, among other things, the demand for oil and national and international economic factors and assumes that the Legislature will not amend

current laws to change materially the sources and uses of State revenue and that no major calamities such as earthquakes or catastrophic damage to TAPS will occur. Portions of TAPS are located in areas that have experienced and may in the future again experience major earthquakes. Actual revenues and expenditures will vary, perhaps materially, from year to year, particularly if any one or more of the assumptions upon which the State's forecasts are based proves to be incorrect or if other unexpected events occur. See "Government Funds" for a description of some of the actions the State can take when revenues prove to be lower than expected.

Table 6
State of Alaska Unrestricted General Fund and Budget Reserve Scenario
FYs Ending June 30, 2016 through 2019⁽¹⁾

FY	General Purpose Unrestricted Revenues (\$mil)	Recurring & Discretionary General Fund Expenditures (\$mil) ⁽¹⁾	Unrestricted Revenue Surplus/ (Deficit) (\$mil)	Ending CBRF Reserves Available Balance (\$mil)	Permanent Fund Earnings Reserve Balance (\$mil) ⁽²⁾	Oil Price Forecasts (\$/barrel)	ANS Oil Production Forecasts (thousand barrels per day)
2016	\$1,336.8	\$4,970.5	(\$3,633.7)	\$6,976.4	\$7,744.2	\$39.99	520.2
2017	1,246.5	4,816.4	(3,569.9)	3,606.4	7,510.0	38.89	507.1
2018	1,346.3	4,717.5	(3,371.2)	375.4	7,881.0	43.79	488.8
2019	1,445.9	4,722.9	(3,277.0)	0.0	5,650.4	48.89	484.4

(1) This table represents one possible scenario taken from the revenue and expenditure projections as of the Spring 2016 Revenue Sources Book release for revenues, and general fund expense projections used in the budget summary in the FY 2017 10-year Plan. Projections in the plan do not represent a commitment by the Administration to propose spending or generate revenue at a particular level in FY 2016, FY 2017 or any future year. The forecasts show that unanticipated budget shortfalls during the period presented could be filled primarily through use of reserve funds; however, other fiscal tools including spending reductions and the State's fund structure would likely be used in addition to, or in lieu of, reserve funds.

(2) FY 2016 Permanent Fund Earnings Reserve Fund Balance uses current value as of April 30, 2016. FY 2017 through 2019 Permanent Fund Earnings Reserve Balance uses mid-case projections as of Alaska Permanent Fund Corporation's April 30, 2016 Monthly Financial Report, and forecasts available at that time. The anticipated deficit for FY 2019 reflects a projected appropriation from the Permanent Fund Earnings Reserve to balance the State budget; however, APFC's forecasted net change to the assigned balance has not been adjusted for a draw from the fund. Includes estimated draw from the Permanent Fund Earnings Reserve Balance in the amount of \$2,801.6 million.

Sources: State of Alaska Department of Revenue, Tax Division and State of Alaska Office of Management and Budget. Forecasts from the Spring 2016 Revenue Sources Book for the CBRF, oil price, production and unrestricted revenue. Alaska Permanent Fund Corporation forecasts are based on the Monthly Financial Report for April 30, 2016.

As reflected in Table 6 projecting the State's historical definition of general purpose unrestricted revenue, maintaining an Alaska Permanent Fund Dividend distribution to residents, maintaining a relatively flat recurring and discretionary general fund expenditure level, and not relying on the Permanent Fund's Earnings Reserve becomes unsustainable in FY 2019. The Governor has proposed, as described in "Fiscal Year 2017 10-Year Plan," and the Legislature had been considering, a fiscal plan to redefine general purpose unrestricted revenue to include other sources and diminish recurring and discretionary general fund expenditures. Although it is uncertain if the fiscal plan will be adopted in whole or part in a future Legislative session, it provides for a sustainable budget as reflected in Table 7.

General Fund Expenditure Trends

From FY 2005 through FY 2015, recurring Unrestricted General Fund expenditures have grown by an average of 5.1% annually. A significant portion of the expenditures during this time frame was for savings, to forward-fund future FY obligations as well as making targeted capital investments. More recently expenditure trends have reversed with FY 2013 through FY 2015 Unrestricted General Fund

expenditures diminishing by an annualized rate of over 3.6%. The enacted FY 2016 budget included approximately \$4.954 billion in Unrestricted General Fund appropriations.

The Governor's proposed FY 2017 Unrestricted General Fund expenditure authorizations presented to the Legislature authorizes \$5.556 billion of spending comprised of \$5.406 billion of operating costs and \$150.3 million of capital items. The Alaska Legislature approved an FY 2017 budget on May 31, 2016 that appropriates \$4.417 billion in conjunction with \$642.1 million of supplementary spending in FY 2016. The budget bills were transmitted to the Governor on June 20, 2016. On June 29, 2016 the Governor signed the budgets and exercised his line item veto authority to reduce the FY 2017 appropriations by approximately \$1.29 billion. The reductions were comprised of \$190 million to State government, K-12 education, and the University of Alaska, \$430 million of oil and gas tax credits, and \$655 million to the October 2016 permanent fund dividend distribution. The vetoes were not overridden in the special session that began on July 11, 2016.

Fiscal Year 2017 10-Year Plan

The Executive branch is obligated by statute to provide a 10-year plan on an annual basis. This plan is provided in complete form on the Office of Management and Budget's website.

The FY 2017 10-Year Plan includes an explanation of Governor Walker's fiscal plan, "The New Sustainable Alaska Plan". The Governor introduced the plan in response to the decline in the price of oil and correlated decrease in oil and gas revenue that the State has historically used to provide for the vast majority of unrestricted general fund spending. The plan includes the five strategies of reducing government spending, supporting key investments for Alaska's future, transition to a sovereign wealth approach for funding government, adjust existing and implement new taxes, and maximize additional revenue sources.

The first strategy emphasizes a lean spending plan scrutinizing all operations and programs to create a more cost-effective delivery of public services. State general fund spending has decreased 37 percent since FY 2013, from \$8 billion to \$5 billion. The FY 2016 budget implements agency operating reductions of \$400 million (10 percent) and resulted in approximately 600 fewer state employees, and the Governor's FY 2017 budget proposes another \$140 million reduction in agency operating cuts, although the Legislatively approved budget makes cuts that are closer to \$600 million compared to FY 2016. Action items include reducing executive agency and legislative operating costs, privatize some government services, target cross agency efficiencies to improve services and reduce costs, and reform the oil and gas tax credit system to reduce state expenditures, reward Alaskan hire, and build a new system of direct loans. In addition to efforts of the Executive Branch, the Legislature is likewise considering a variety of budgetary reductions including elimination or diminishing roles of state agencies, state public corporations, state grant programs, or other items historically funded by the State budget.

The second strategy maintains a strategic commitment to key investments in Alaska's future, spending to protect existing infrastructure, effective public education, ensure earliest possible new revenue streams through a natural gas pipeline project, and create economic stimulus with pipeline pre-construction and construction jobs. The strategy vigorously pursues an Alaska liquefied natural gas project, establishes a capital budget using general obligation bonds in 2016 and 2018 to support only those funding requirements that would otherwise require cash payments, like transportation matches and disciplined deferred maintenance investments, and only re-introduce a sustainable general fund capital budget after stabilizing the operating budget. The Legislature is not considering a general obligation bond authorization at this time and no additional general obligation authorization is expected.

The third strategy transitions the State to a sovereign wealth approach, using financial assets in a calculated, formulaic, sustainable way, to provide a stable source of revenue. The transition re-works the flow of funding in the state's fiscal structure by diverting volatile resource revenue away from being the primary sources of funding for the State's annual budget and putting it directly into the Permanent Fund. A transfer of approximately \$3 billion from the Constitutional Budget Reserve Fund into the Earnings Reserve on a one-time basis to provide the initial starting balance is required to permit a sustainable draw. The approach provides a stable and consistent withdrawal from the earnings of the Permanent Fund, while still allowing the Permanent Fund to grow over time. The current dividend program in Alaska is largely tied to performance of the global equity market, not resource development. The New Sustainable Alaska Plan would tie dividends directly to the State resource revenue by distributing a 50 percent share of annual natural resource royalty revenue as dividends to Alaskans. The proposal sets a 2016 transitional dividend at \$1,000; but dividends are expected to remain in the \$1,000 range going forward based on current estimates of future royalty revenues. The remaining 50 percent of annual natural resource royalties and 100 percent of production tax revenues will go into the Permanent Fund. Investment earnings from the fund will continue to flow to the Earnings Reserve as they do today. The Legislature continues to consider this framework in Special Session, but already appropriated the full dividend amount based on the historical formula for the 2016 distribution in the FY 2016 budget. The Legislatively approved FY 2017 budget did not include an appropriation for the calendar year 2017 dividend, a break from historical practice. On June 13, 2016 the Alaska Senate approved SB 128 restructuring the Alaska Permanent Fund earnings and calculation of permanent fund dividends. If approved, SB 128 would diminish the calendar year 2016 dividend.

The fourth strategy adjusts and implements new taxes to close the remaining gap using a balanced suite of targeted and broad-based taxes; as well as cross-industry tax adjustments, to include the tightening of current tax loopholes. Participation is expected from oil and gas, mining, fishing, tourism, Alaskans, and non-resident workers. Despite anticipated changes, the tax burden on individual Alaskans will still remain among the lowest in the nation. The New Sustainable Alaska Plan calls for an increase to alcohol, tobacco, and motor fuel taxes, and implementation of an income tax based on a percentage of federal tax liability. The plan also calls for the modification of the state's oil and gas tax credit system to reduce those expenditures, while honoring existing claims and continuing to provide meaningful development assistance. Only House Bill 247, diminishing state oil and gas tax credits, has been approved by the Legislature.

The fifth strategy calls for maximization of other revenue sources. Action items include leveraging Federal matching funds for transportation and Medicaid to serve Alaskans and to strengthen the state's private economy, assure revenue plans are developed when programs are introduced, and maximize dividends from state corporations.

At this time it remains uncertain to what extent, if any, the Fiscal Year 2017 10-Year Plan will be adopted by the Legislature. In addition to the Governor's plan, members of the Legislature had also introduced legislation to change how the State utilizes revenue historically restricted by custom and to generate new revenue through taxation. The current legislative leadership has also publicly declared its focus on diminishing the level of State spending prior to considering increasing revenue measures. An updated Fiscal Year 2018 10-Year Plan is expected to be adopted in December of 2016. The Fiscal year 2017 10-Year Plan does not include the forecasts contained in the Spring 2016 Revenue Sources Book.

The following Table 7 summarizes forecasted revenue detail and budget outlays from FY 2016 through 2026 as contained in the Fiscal Year 2017 10-Year Plan.

Table 7
State of Alaska
Forecast Summary of the State Budget & Proposed Revenue Detail
FY 2017 10-year Plan, Office of Management & Budget
FYs Ending June 30, 2016-2026
(\$ millions)

	FY 2016 Management Plan	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Existing Revenue											
Oil & Gas Royalty	\$650.5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Oil & Gas Production Tax	172.1	-	-	-	-	-	-	-	-	-	-
All Other Unrestricted Revenue	770.4	839.5	904.3	932.6	946.5	1,000.0	1,040.0	1,081.6	1,124.9	1,169.9	1,216.7
Total Existing Revenue	1,593.0	839.5	904.3	932.6	946.5	1,000.0	1,040.0	1,081.6	1,124.9	1,169.9	1,216.7
New Revenues											
Mining	-	10.0	12.0	12.3	12.8	13.3	13.8	14.4	14.9	15.5	16.1
Fishing	-	19.0	20.0	20.5	21.3	22.1	23.0	23.9	24.9	25.9	26.9
Tourism	-	14.0	15.0	15.3	16.0	16.6	17.3	17.9	18.7	19.4	20.2
Motor Fuel	-	44.0	44.0	45.0	46.8	48.7	50.6	52.6	54.7	56.9	59.2
Alcohol	-	38.0	39.0	39.9	41.5	43.1	44.9	46.7	48.5	50.5	52.5
Tobacco	-	25.0	25.0	25.6	26.6	27.6	28.8	29.9	31.1	32.3	33.6
Oil & Gas	-	100.0	100.0	102.3	106.3	110.6	115.0	119.6	124.4	129.4	134.6
Individual Income Tax	-	100.0	195.0	199.4	207.4	215.7	224.3	233.3	242.6	252.3	262.4
Total New Revenues	-	350.0	450.0	460.3	478.7	497.7	517.7	538.3	559.8	582.2	605.5
Earnings Reserve Draw	-	3,300.0	3,300.0	3,300.0	3,372.0	3,445.6	3,520.9	3,597.9	3,676.6	3,757.0	3,839.3
Annual Earnings Draw¹	-	-	135.0	130.2	123.1	141.6	159.0	193.8	198.9	200.3	175.0
Gasline Revenue²	-	-	-	-	-	-	-	-	-	-	1,500.0
Draw on Savings	3,377.5	426.9	28.2	-	-	-	-	-	-	-	-
Total Revenue	\$4,970.5	\$4,916.4	\$4,817.5	\$4,823.1	\$4,920.3	\$5,084.9	\$5,237.6	\$5,411.6	\$5,560.2	\$5,709.4	\$7,336.5
Total Budget³	\$4,970.5	\$4,816.4	\$4,717.5	\$4,722.9	\$4,820.1	\$4,984.9	\$5,137.5	\$5,311.5	\$5,460.1	\$5,609.4	\$6,022.2

- (1) On savings and other cash balances - may require attention to corporate dividends such as Alaska Housing Finance Corporation and Alaska Industrial Development and Export Authority beginning in FY2021.
- (2) Gasline revenues after cost for financings expected to start in 2026 will be redirected to the Permanent Fund.
- (3) For simplicity only management plan expenditures are shown. Supplemental budgets occur regularly but are unpredictable. Revenue in excess of spending would be the source for supplementals.
- (4) Projections in the plan do not represent a commitment by the Administration to propose spending or generate revenue at a particular level in FY2016 or any future year.

Source: Fiscal Year 2017 10-Year Plan.

Other Funds Maintained by the State

The State maintains other types of funds, such as Enterprise Funds, Trust and Agency Funds, Capital Projects Funds and Special Revenue Funds.

Enterprise Funds are operated by the State for “self-supported” activities that provide goods and/or services to the public on a charged payment basis. The International Airports Revenue Fund and a number of State loan program funds are Enterprise Funds.

Trust and Agency Funds are maintained to account for assets held by the State acting in the capacity of custodian or fiduciary agent. In addition to the Permanent Fund and the retirement systems funds, major funds in this category include the Public School Trust Fund, the Mental Health Trust Fund, the Alaska Children’s Trust Fund, the Power Cost Equalization Endowment and the University of Alaska Endowment.

Capital Projects Funds account for the use of the proceeds of general obligation bond issues and matching federal funds for capital outlays. In general, all capital outlay projects are accounted for through Capital Projects Funds except capital projects being financed by the General Fund through direct appropriations and capital projects financed with moneys in the International Airports Revenue Fund.

Special Revenue Funds are maintained in connection with the State’s issuance of revenue bonds, such as revenue bonds issued by the Alaska International Airports System and the Sport Fishing Revenue Bonds.

State Ownership of Land and Natural Resources

Alaska includes approximately 586,412 square miles (approximately 365 million acres) of land and is the largest state in the United States, roughly equivalent in size to one-fifth of all of the other 49 states combined. Unlike the other 49 states, where significant portions of the land may be owned by individuals or entities in the private sector, less than one percent of the land in Alaska is owned by private, non-Alaska Native owners.

In 1959, when Alaska became a state, 99.8 percent of the land was owned by the federal government. The Statehood Act, as modified by the Alaska Land Transfer Acceleration Act of 2004, gave the State the right to select and acquire approximately 105.5 million of the nearly 365 million acres of federal lands in Alaska. As of December 31, 2015, close to 95 percent, or approximately 100 million acres, of this grant has been conveyed to the State. In addition, the State owns approximately 65 million acres of submerged and tide lands, some of which overlie areas with the potential for natural resource production.

Land ownership in Alaska is also shaped by the Alaska Native Claims Settlement Act (“ANCSA”) enacted by Congress in 1971. Under ANCSA, 13 regional corporations and more than 200 village corporations were established with Alaska Natives as their shareholders and beneficiaries. These corporations were authorized to select approximately 44 million acres of federal lands and the associated subsurface and surface rights for transfer into their ownership.

In summary, Alaska Natives and ANCSA corporations own approximately 13 percent of Alaska lands, the State owns approximately 26 percent, and the federal government owns approximately 60 percent, with less than one percent of Alaska lands owned by private, non-Native owners. As described below, the State obtains significant revenues from companies that lease State-owned lands for extraction of oil, natural gas, coal, gold, silver, zinc, copper and other minerals and shares with the federal

government revenues from oil, natural gas and other assets extracted from federal lands leased by private companies. Additionally, the State receives indirect benefits and tax revenues from development and activity on ANCSA corporation-owned lands.

For State land, Article 8, Section 1 of the State Constitution provides that, “it is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest.” The DNR is the State entity entrusted with executing this objective on the approximately 165 million acre upland and tideland portfolio. Consequently DNR has a stewardship and public trust responsibility for all State-owned land, water and resources in addition to regulatory responsibilities on private lands.

As part of this work, DNR manages the State’s mineral, coal, oil and gas, geothermal, timber, material and water resources, provides land use authorizations for surface activities on State land, receives title from the federal government in accordance with the Statehood Act and the Alaska Land Transfer Acceleration Act and conveys land to private purchasers. DNR manages and distributes a large volume of technical data, public records, land records and geospatial information.

Oil and Gas Reserves. The majority of the State’s annual revenues have been generated from oil exploration and production since 1968, when the first large oil and gas reservoir on the Arctic Coast was discovered. To enable the production of this resource, the TAPS, an 800-mile, 48-inch crude oil pipeline from the State’s Arctic Coast to Valdez in south-central Alaska was constructed in the 1970s and came online in 1977. This nationally important piece of infrastructure has transmitted approximately 17.7 billion barrels of crude oil from the North Slope of Alaska to market through calendar year 2015.

At peak production levels in 1988, over 2 million barrels per day were flowing through TAPS from the Prudhoe Bay field, the Kuparuk field (the State’s second largest oil-producing area), as well as from the Endicott and Lisburne satellite fields.

The Alaska North Slope continues to see new oil being produced from reworking existing fields, as well as new developments that will bring future production. This new production on the North Slope has helped to offset some of the volume decline since the 1988 peak. The DOR Spring 2016 forecast for North Slope crude oil production is 520,200 barrels per day in FY 2016 and 507,100 in FY 2017.

In the DOR Spring 2016 Revenue Sources Book, the State forecasted that crude oil production on the North Slope will continue to decline over the 10 year forecast period to 302,100 barrels per day by FY 2025.

In 2012, the DOR began reporting future production as a risk-weighted value in order to account for the risk involved in bringing new projects online as an appropriate measure to prepare the State’s budget. In 2013, the DOR further reduced forecast production due to the increase in natural gas liquids re-injection, more extensive maintenance projections, and reduced oil well performance and recovery response expectation. While this ensures conservative financial planning further into the future, the DOR projected high production case indicates that production could be as high as 377,000 barrels of oil per day in 2035 under the right economic conditions. Production could also be higher with technological breakthroughs or major changes in current conditions. The State does not include any potential production from the Arctic National Wildlife Refuge (“ANWR”) or other fields yet to be discovered in its forecasts. In January 2015, the Obama Administration proposed designating 12 million acres of the ANWR as a protected wilderness area, thereby permanently precluding oil extraction. Only Congress can authorize such designation. No statement is made as to the outcome of this proposal.

FY 2015 capital expenditures on the North Slope of about \$4 billion were the highest in at least a decade. Capital expenditure on the North Slope is forecast to decrease by 8-9% per year in FY 2016 and FY 2017. For most companies, at least some development drilling, exploration or other projects are being deferred until oil prices improve. At the same time, companies have proceeded with major projects that were currently in progress, such as development of the Point Thomson field, CD-5 (Alpine West), Mustang, and Moose's Tooth. Development drilling also continues in most major currently producing area.

Oil production from the smaller fields within the Cook Inlet Basin, in south-central Alaska, has increased for the last five years as new participants enter the Alaska market. Some of these fields have now been in production for over 60 years, but new discoveries in the basin continue to be made. Cook Inlet production has grown from 8,900 barrels per day in 2010 to 18,000 barrels in 2015. The State does not attempt to forecast projects under development or under evaluation for Cook Inlet at this time. Currently producing areas are forecasted to decline down to 9,000 in 2025 although it is likely that new projects will continue to trend upward and that 2025 production will be higher.

Alaska also features potential for future production from known (discovered but undeveloped) and unknown (undiscovered) hydrocarbon resources on the North Slope. To highlight the potential of Alaska's North Slope it is often compared to the State of Wyoming. The North Slope is approximately the same size as the State of Wyoming, but while Wyoming has had approximately 19,000 exploratory wells drilled, the North Slope has had fewer than 600. In August 2007, the U.S. Department of Energy ("DOE") released "Alaska North Slope Oil and Gas: A Promising Future or an Area in Decline?" – a report that assessed the potential for Alaska to remain a major producer of oil and gas under various development scenarios. The report examined near-term potential (2007-2015) and long-term potential (2015-2050). According to the report, the North Slope is a relatively underexplored petroleum province that may provide oil and increasingly, natural gas, for years to come.

The 2007 U.S. DOE report evaluated geologic and commercial viability of future oil and gas production from five areas or provinces: 1) the State-owned area between the Colville and Canning Rivers (and adjacent State waters), 2) the "1002" area of the Arctic National Wildlife Refuge, 3) the National Petroleum Reserve in Alaska ("NPR-A"), 4) the Beaufort Sea Outer Continental Shelf ("OCS"), and 5) the Chukchi Sea OCS.

Under the most optimistic scenario, DOE reported mean technically recoverable oil resources of 38.2 billion barrels and mean technically recoverable gas resources of 186.5 trillion cubic feet ("TCF") from these five areas. The State benefits from the production of federal oil within the State (especially in the NPR-A, where the State is entitled to 50 percent of all royalties, bonuses and rents) and benefits to some extent from the production of federal oil from non-State lands shipped through TAPS. These estimates are not included in the DOR's projections of oil production from the North Slope.

In the next ten years, the State anticipates new developments on State and federal lands, both of which benefit the State. Many of the opportunities to add production from State lands are from expanded heavy and viscous oil development, shale oil, continued satellite development at Alpine, and continued developments at Oooguruk and Nikaitchuq.

The Point Thomson field, 20 miles east of the existing Badami development, together with three known satellite fields, is estimated to hold more than eight TCF of gas reserves and more than 500 million barrels of liquid hydrocarbons. Production at Point Thomson began in FY 2016 with daily production of approximately 10,000 barrels per day. Another new field that may begin production is Umiat, first discovered in 1946 by the U.S. Navy. It is estimated to have one billion barrels of oil in place with

approximately 200 million recoverable barrels. It has not been developed due to its remoteness, but production at the Umiat field could provide significant production volumes going forward.

The State continues to see strong interest in bidding on leases of State land for oil and gas exploration and production on the North Slope and Cook Inlet. On November 18, 2015, the State received 134 valid bids for North Slope leases from 3 different bidding groups, resulting in 131 tracts sold encompassing 186,400 acres. Bidders included major international producers and established independent companies. Winning bids totaled more than \$9.5 million.

In 2015, no bids were placed in the Alaska Peninsular, Beaufort Sea, and North Slope Foothills areas. In May 2015, the State received 8 bids and sold 7 tracts comprising 20,839 acres in Cook Inlet for \$671 thousand.

Natural Gas Pipeline Developments. Natural gas development on the Alaska North Slope has been limited because a pipeline to transport recovered natural gas to market outside Alaska has never been constructed. As a result, natural gas produced in conjunction with oil production on the North Slope is not yet sold commercially in significant volumes. Most of the produced gas is re-injected into the North Slope oil fields for use in enhanced oil recovery projects at the Prudhoe Bay field or at the Kuparuk field while some is used on site or is sold to the TAPS and used to heat field camps, run electrical generators or power the TAPS pump stations. Although there are currently an estimated 35 TCF of known contingent gas resources on the North Slope, mostly in the Prudhoe Bay and Point Thomson fields, geologic estimates for the greater Alaska region by the U.S. Geological Survey (onshore and state waters) and the Bureau of Ocean Energy Management (Outer Continental Shelf waters) place the amount of undiscovered technically recoverable resources at more than 200 TCF.

The State's production tax and royalty provisions apply to natural gas products as well as to oil, and the State's long-term financial planning is based in part on efforts to develop natural gas resources as oil production declines. See "State Revenues—Oil and Gas Revenues" herein.

To spur commercialization of Alaska natural gas, the Legislature enacted the Alaska Gasline Inducement Act ("AGIA") in 2007. In August 2008, following an extensive application and evaluation process, the Legislature authorized the State to award an AGIA license to TransCanada Alaska, a wholly-owned subsidiary of the TransCanada Corporation ("TransCanada"). TransCanada partnered with ExxonMobil, one of the three major North Slope producers.

Pursuant to the AGIA license, TransCanada committed to initiate pre-development activities and to obtain necessary permits to build a 1,715-mile natural gas pipeline from a natural gas treatment plant at Prudhoe Bay to the Alberta Hub in Canada. Under AGIA, the State had agreed to provide matching funds of up to \$500 million to reimburse TransCanada for a portion of the development costs of the proposed pipeline. The AGIA license obligated TransCanada to complete certain predevelopment and regulator steps but did not require them to proceed with construction. The project conducted its initial open season in 2010, receiving multiple bids from potential shippers. In 2012, TransCanada, ExxonMobil, ConocoPhillips and BP formally agreed on a work plan under the AGIA framework and pertinent milestones to explore and develop a concept for a liquefied natural gas project and associated pipeline to Southcentral Alaska.

In January of 2014, a Heads of Agreement ("HOA") was signed by the Commissioners of the DNR and DOR with ExxonMobil, BP, and ConocoPhillips, expressing an agreement to advance a proposed Alaska LNG ("AKLNG") project, which would transport natural gas from the North Slope to provide gas to Alaskans and then to tidewater in Cook Inlet where it would be liquefied and be one of the largest export projects of its kind in the world. Under the HOA, the State would assume a 20%-25%

equity share in the Alaska LNG Project commensurate with its royalty and production tax interest in North Slope natural gas production from the Prudhoe Bay and Point Thomson fields. The HOA served as a guidance document to the Legislature during its review of legislation proposed during the 2014 Legislative session. The HOA provided that if acceptable enabling legislation was passed, the Alaska LNG Project would ramp up the Pre-Front End Engineering Design (Pre-FEED) stage and establish a framework for negotiating multiple project-enabling agreements. Those agreements include, but are not limited to contracts for the disposition of the State gas share, individually developed joint marketing agreements for the State's share of LNG, a proposed tailored regulatory framework for the project, and expansion terms that will allow third-party access to all of the project components, including possible construction of a new LNG train at the liquefaction plant.

In 2014, the Legislature approved Senate Bill ("SB") 138, which provides the authorization for DNR to modify leases, allows the State to enter into certain commercial agreements, revises the production tax for natural gas from leases that are contributing to a North Slope gas commercialization project to allow the State to have an approximate 25% equity share in the project, authorizes a subsidiary of the Alaska Gasline Development Corporation (AGDC) to participate in the project on behalf of the State, and makes other changes to enable progress on a large-scale, integrated LNG project. Considered enabling legislation by the HOA parties, SB 138 allowed the parties to align commercially in a Joint Venture Agreement ("JVA") signed in July 2014 and ramp up the Pre-FEED stage for the Alaska LNG project. Activities to date have included the formal filing of an application with the U.S. Department of Energy to export LNG to both free trade and non-free trade countries, key summer field season activities, additional engineering and design work, and filing of initial resource reports to the Federal Energy Regulatory Commission ("FERC"). Concurrently with the development of the AKLNG project, AGDC has progressed an alternative, smaller scale project designed to meet domestic gas demand should the larger project falter. AGDC has aligned its schedule to match the AKLNG project and new spending on the AKLNG project has been curtailed until a front end engineering and design ("FEED") decision is made on AKLNG.

In June 2014, the Department of Natural Resources and TransCanada Alaska Midstream LP signed the Precedent Agreement, which authorized TransCanada to pay upfront capital costs and hold the State's 25 percent share of ownership in AKLNG's midstream components including the gas treatment plant and pipeline.

On September 24, 2015, Governor Walker issued an executive proclamation calling the Legislature into special session. The subjects of the special session were to consider an act to monetize certain natural gas reserves through the levy of a gas reserves tax and an act making supplemental appropriations to fund the state's activities related to the development of the state's natural gas including appropriation to exercise the states option to acquire TransCanada's interest in the Alaska Liquefied Natural Gas Project. On October 23, 2015 the Governor withdrew the act to monetize certain natural gas reserves through the levy of a gas reserves tax from the call to special session. On November 4, 2015 the Legislature approved SB 3001 an act making supplemental appropriations to fund the state's activities related to the development of the state's natural gas including appropriation to exercise the states option to acquire TransCanada's interest in the Alaska Liquefied Natural Gas Project, and on November 20, 2015 Governor Walker signed the bill into law. On November 24, 2015 the state paid approximately \$68.5 million to terminate the Precedent Agreement removing the direct participation of TransCanada Alaska Midstream LP from the AKLNG project.

The State is currently responsible for 25% of the Pre-FEED costs of the AKLNG Project. If a decision to move into the FEED phase is made by the parties, the State will be responsible for 25% of the FEED costs. If a decision to move to the construction phase is made by the parties, the State will be responsible for its royalty and gas share of the construction costs, currently anticipated at approximately

25%. The State may elect to finance all or a portion of its share of the costs of the AKLNG Project through existing State reserve funds or the issuance of debt. The current estimate of the total FEED and construction costs for the AKLNG project is \$55-60 billion, and the State's share of that estimated cost would be \$13.75-15 billion.

As of January 2016, the AKLNG Project team updated the legislature on the progress of the Pre-FEED stage activities. The legislature was informed that the initial design scope was 85% complete and that the team was finalizing project design/execution bases for cost and schedule estimating. The 2016 priorities included targeting a final pipeline size decision by April 2016, continuing additional field work to support FERC resource reports finalization, preparing contract strategy development and market engagement to ensure the project is globally competitive and maximizes opportunities for Alaskans. Finally, the team anticipated completing the Pre-FEED work and providing the project participants information necessary to make a FEED decision anticipated during FY 2017. During the Pre-FEED stage, the project participants are also continuing to negotiate the commercial agreements necessary to move forward with a project.

On February 17, 2016 Governor Walker and AKLNG partners ExxonMobil, BP and ConocoPhillips announced a commitment to continue to work together to explore options to advance the AKLNG project. The technical work associated with the work plan is on track to have the pre-FEED work completed in the Fall of 2016. The partners acknowledged the difficult business environment that is currently being experienced.

Mineral Resources. According to USGS the State contains large amounts of the world's mineral resources including 17% of the coal, 8% of the gold, 5% of the Zinc, 4% of the copper, 3% of the lead, & 2% of the silver. Six large mines that produce zinc, gold, lead, silver, and coal are currently in operation and several other large mines are under development or exploration. There are also more than 400 smaller scale placer gold, and sand and gravel mining operations.

The six major Alaska mines are:

- Red Dog Mine, a surface mine and mill that produces zinc, lead and silver in concentrates in the Northwest Arctic Borough. It is a joint venture between Teck and an Alaska Native Corporation ("NANA Regional Corporation"). Red Dog is one of the largest zinc mines in the world, both in terms of production and reserves.
- Fort Knox Mine, owned by Kinross, has been the largest gold producer in Alaska since production began in 1996 and is located 25 miles northeast of Fairbanks.
- Pogo Mine is an underground gold mining operation that began producing gold in 2006, operated by Sumitomo Metal Mining.
- Usibelli Coal Mine, located outside Healy, in the interior of the State, is the only operating coal mine in Alaska and was established in 1943.
- Greens Creek Mine, located on Admiralty Island, in southeast Alaska near Juneau, is an underground polymetallic mine producing silver, gold, zinc and lead since 1989. It is owned by Hecla and is one of the world's top 10 silver producers.
- Kensington Gold Mine, located on the east side of Lynn Canal about 45 miles north-northwest of Juneau, is owned by Coeur Alaska. It began production in 2010.

Mining claims and prospecting sites covered approximately 3.6 million acres of Alaska in 2014, with 6,003 active Federal and 40,729 active state mining claims. State 40- and 160-acre claim staking decreased by almost 50 percent in 2014, while staking of state prospecting sites decreased by 32 percent. More than 75 percent fewer Federal claims were staked in 2014.

The total reported value of Alaska's mineral industry decreased in 2014 to \$3.66 billion, more than 7% lower than its \$3.95 billion value in 2013. The total value is a composite of the year's expenditures on exploration and development plus the estimated first market value of the commodities produced. Alaska's mineral production sector remained strong despite slowdowns in exploration and development spending. Zinc was the top metal produced in 2014, according to its production value of almost 44 percent of total Alaska metal production. Gold followed at 37.5 percent, along with silver at 9.5 percent, and lead at 9.2 percent. The decreased mineral production value in 2014 compared with 2013 resulted primarily from lower metal prices. The average 2014 price for gold dropped 10.3 percent from the previous year's average, while the price of zinc rose 12.6 percent.

In calendar year 2014, the value of Alaska's large mine gross mineral production was \$3.28 billion, down 4 percent compared to \$3.42 billion in 2013, and \$3.44 billion in 2012. Exploration expenditures in 2014 totaled \$96.2 million, compared with \$176 million in 2013, and \$335 million in 2012. Total value spent on exploration since 1981 is estimated at \$3.3 billion. The industry spent an estimated \$282 million on mine construction and other capital investment in 2014, down 21.5% compared to \$359 million in 2013, and \$342 million in 2012. Alaska's mining industry also provided an estimated 4,400 direct mining industry jobs in Alaska in 2014, with 8,700 total direct and indirect jobs, and \$620 million in total direct and indirect payroll.¹

Mining companies are among the largest taxpayers in the City and Borough of Juneau, the Fairbanks North Star Borough, the Denali Borough and the Northwest Arctic Borough. In 2012, the estimated value of gold production in Alaska for both domestic and international markets (more than \$1.5 billion) overtook the zinc production value for the first time since 1989 (when Red Dog Mine began commercial production of zinc). Even so, zinc and lead produced by Red Dog Mine accounted for approximately 41 percent of the entire value of Alaska's mineral production in 2013. Minerals are the State's second largest non-oil export commodity, behind seafood, and accounted for export value of \$1.75 billion, or 34 percent of the State's non-oil export total in 2014.

Advanced exploration or development stage mineral projects in Alaska include:

- The Donlin Gold Project in southwest Alaska, a large open-pit gold deposit.
- The Chuitna Coal Project, located in the Beluga Coal Field of south-central Alaska.
- Bornite, Ambler and Lik projects in northwest Alaska, all base-metal sulfide deposits.
- The Pebble Project, an initiative to develop a copper, gold and molybdenum deposit in the Bristol Bay region of southwest Alaska.
- The Livengood gold project north of Fairbanks, which completed a feasibility study in 2013.
- The Niblack and Palmer projects in southeast Alaska, for the production of gold, silver, copper, lead and zinc.
- The Bokan Mountain project, a rare earth minerals deposit in southeast Alaska, on Price of Wales Island.
- The Graphite Creek graphite project on the Seward Peninsula north of Nome.
- The high-grade gold veins at the Terra project in the western Alaska Range.

As described below, the State's revenues from mining are derived primarily from mining license taxes, corporate income taxes, annual rentals and production royalties. Production may end over the next decade at several of the mines that currently contribute most of the State's mining-related revenue. In most cases, as is common in the industry, new resource areas are being explored for expansions and extensions of the mine life. In addition, several projects are in advanced exploration or the permitting phase. Overall, in calendar 2014, over \$102.2 million of reported and estimated revenues were paid to the

¹ McDowell Group, Inc. January 2015 – The Economic Benefits of Alaska's Mining Industry, 2014 Estimated

State and municipalities by Alaska's mineral industry, with a state total of \$83.7 million, and an estimated municipality total of \$18.5 million. Additional revenues went to the Mental Health Trust, and native corporations. There was an estimated \$144 million in payments to Alaska Native corporations in 2014.¹ See "State Revenues – Non-Oil Revenues."

Alaska has a number of deposits of rare earth elements, which are used in magnets, batteries, refining and other metallurgical applications. Finished products in which they are critical include smart phones, hybrid cars, military hardware, advanced consumer electronics, fiber optics and windmills. Bokan Mountain, which is located in Southeast Alaska, on Prince of Wales Island near Ketchikan, has inferred resources of between 1.0 and 6.7 million metric tons. There are three other known deposits of rare earth elements located on Prince of Wales Island, as well as near Nome and Fairbanks that are currently under evaluation. The Alaska Division of Geological & Geophysical Surveys is currently engaged in a major project to detail Alaska's potential to develop rare earth elements and other strategic and critical minerals.

In 2014, SB 99 was approved providing authorization for the Alaska Industrial Development and Export Authority (AIDEA) to issue bonds to finance the infrastructure and construction costs of the Bokan-Dotson Ridge rare earth element project, and the Niblack project. The principal amount of the bonds provided by AIDEA for the Bokan-Dotson Ridge rare earth element project may not exceed \$145 million. The principal amount of the bonds provided by AIDEA for the Niblack project may not exceed \$125 million.

Other Major Resources. Fish and game have long been important resources in Alaska, and taxes on fish landings and processing represent a share of the State's non-petroleum revenues. With increased air and cruise services to Alaska in the last 10 years, tourism is now another important source of revenue for the State. Although passenger fee revenues are restricted revenue and not available for general appropriations, the large commercial passenger cruise vessels are subject to the State corporate income tax, the proceeds of which are unrestricted. See "State Revenues—Other Non-Oil and Non-Mineral Revenues" below.

Public Debt and Other Obligations of the State

State debt includes general obligation bonds and revenue anticipation notes, and State-supported debt includes lease-purchase financings and revenue bonds. The State also provides guarantees and other support for certain debt and operates a school debt and capital project debt reimbursement program. These programs do not constitute indebtedness of the State but do provide, annually on a subject-to-appropriation basis, financial support for general obligation bonds of State agencies and political subdivisions.

Outstanding State Debt. State debt includes general obligation bonds and revenue anticipation notes. The State Constitution provides that general obligation bonds must be authorized by law and be ratified by the voters and permits authorization of general obligation bonds only for capital improvements. The amount and timing of a bond sale must be approved by the State Bond Committee. For both general obligation bonds and revenue anticipation notes, the full faith, credit and resources of the State are pledged to the payment of principal and interest. If future State revenues are insufficient to make the required principal and interest payments, the State is legally required to raise taxes to provide sufficient funds for this purpose. \$744.2 million of general obligation bonds were outstanding as of June 30, 2015. See "—Summary of Outstanding Debt" and Tables 8 - 10 below.

On November 6, 2012, voters approved \$453,499,200 in general obligation bonds for the purpose of design and construction of State transportation projects. To date, the State has obtained

\$343,150,957.77 in funding (including the State's issuance on June 30, 2016 of \$128,300,000 aggregate principal amount of General Obligation Bonds, Series 2016B) leaving \$110,348,242.23 of unissued authority.

The following other debt and debt programs of the State were outstanding as of June 30, 2015, except as otherwise noted.

State Guaranteed Debt. The only purpose for which State guaranteed debt may be issued is for payment of principal and interest on revenue bonds issued for the Veterans Mortgage Program by the Alaska Housing Finance Corporation (AHFC) for the purpose of purchasing mortgage loans made for residences of qualifying veterans. These bonds are general obligation bonds of the State, and they must be authorized by law, ratified by the voters and approved by the State Bond Committee. These bonds are known as "double-barrel bonds" because there are two distinct forms of security behind the bonds. The principal source of payment is the revenue stream generated by payments on the mortgage loans made from bond proceeds. Additional security to bondholders is provided by the general obligation pledge of the State to make the required debt service payments in the event that pledged revenues from mortgage repayments are insufficient. Approximately \$56.9 million of State guaranteed debt was outstanding as of June 30, 2015. On November 7, 2010 the voters approved an additional \$600 million of State guaranteed veteran's mortgage bonds, and the total current unissued authorization is \$694.6 million. On June 6, 2016, the State Bond Committee approved the issuance by AHFC of bonds to refund a portion of the guaranteed bonds that remain outstanding.

State Supported Debt. State supported debt is debt for which the ultimate source of payment is, or may include, appropriations from the General Fund. The State does not pledge its full faith and credit to State-supported debt, but another public issuer may have pledged its full faith and credit to it. State supported debt is not considered "debt" under the State Constitution, because the State's payments on this debt are subject to annual appropriation by the Legislature. Voter approval of such debt is not required. State supported debt includes lease-purchase financing obligations (including lease revenue capital lease bonds and certificates of participation issued by lessors of facilities used by the State) and the share of municipal general obligation bonds issued for school construction and other capital projects that is reimbursable by the State on a subject to appropriation basis. Approximately \$1,206.0 million of State supported debt was outstanding as of June 30, 2015. As of June 30, 2015, the State was obligated on \$30.8 million of lease purchase financing obligations, \$244.0 million of capital lease bonds and \$35.84 million of capital project reimbursements. As of June 30, 2015, the State was reimbursing local municipalities on the debt service of \$895.4 million of bonds under the School Reimbursement Program.

House Bill 23 was approved in the 2014 Legislative Session authorizing the issuance of up to \$300 million of State-supported toll revenue bonds for the purpose of partially funding a bridge from Anchorage to the Matanuska-Susitna Borough across Knik Arm. In addition to the State-supported toll revenue bonds, the bill authorized the State to enter into a maximum sized TIFIA Loan and contemplated the appropriation of additional Federal Highway Administration funds to the project. Toll collections are to be pledged to the TIFIA Loan first and the State toll revenue bonds second. Based on projected cash flows the State would expect to pay debt service on the State toll revenue bonds using annual State appropriations. The project currently is on hold.

State Moral Obligation Debt. State moral obligation debt consists of bonds issued by certain State agencies or authorities that are secured, in part, by a debt service reserve fund benefited by a discretionary replenishment provision that permits, but does not legally obligate, the Legislature to appropriate to the particular State agency or authority the amount necessary to replenish the debt service reserve fund up to its funding requirement (generally the maximum amount of debt service required in any year). State moral obligation debt is payable in the first instance by revenues generated from loan

repayments or by the respective projects financed from bond proceeds. Among those State agencies that have the ability to issue State moral obligation debt are: Alaska Aerospace Development Corporation (“AADC”) which has not issued any debt; Alaska Energy Authority (“AEA”); Alaska Housing Finance Corporation (“AHFC”); Alaska Industrial Development and Export Authority (“AIDEA”); Alaska Municipal Bond Bank (“AMBB”); and Alaska Student Loan Corporation (“ASLC”). Approximately \$1,200.4 million of State moral obligation debt was outstanding as of June 30, 2015.

State and University Revenue Debt. This type of debt is issued by the State or by the University of Alaska but is secured only by revenues derived from projects financed from bond proceeds. Revenue debt is not a general obligation of the State or of the University and does not require voter approval. Such debt is authorized by law and issued by the State Bond Committee or the University of Alaska for projects approved by the Commissioner of Transportation and Public Facilities or the University of Alaska. This type of debt includes Sportfish Revenue Bonds, International Airports Revenue Bonds, various University Revenue Bonds and Notes and Toll Facilities Revenue Bonds. A total of \$693.0 million of revenue bonds, including \$174.4 million of University of Alaska Revenue Bonds, Notes and Contracts, \$31.3 million of Sportfish Revenue Bonds and \$487.3 million of Airport Revenue Bonds were outstanding as of June 30, 2015.

State Agency Debt. State agency debt is secured by revenues generated from the use of bond proceeds or the assets of the agency issuing the bonds. This debt is not a general obligation of the State nor does the State provide security for the debt in any other manner, i.e., by appropriations, guarantees, or moral obligation pledges. As of June 30, 2015, there was \$493.8 million principal amount of State agency debt outstanding comprised of \$16.9 million AHFC obligations; \$10.4 million AMBB Coastal Energy Bonds payable to the National Oceanic and Atmospheric Administration; \$119.9 million Alaska Railroad Notes; and \$346.6 million of obligations of the Northern Tobacco Securitization Corporation.

State Agency Collateralized or Insured Debt. As security for State agency collateralized or insured debt, the particular State agency pledges mortgage loans or other securities as primary security which, in turn, may be 100 percent insured or guaranteed by another party with a superior credit standing. This upgrades the credit rating on the debt and lowers the interest cost and makes it less likely that the State will assume responsibility for the debt. At June 30, 2015, the total principal amount outstanding of State agency collateralized or insured debt was approximately \$2,218.1 million comprised of approximately \$2,083.4 million issued by AHFC and \$134.7 million issued by AIDEA.

Through the Alaska Pension Obligation Bond Corporation, the State is authorized to issue up to \$5,000 million of bonds and/or enter into contracts to finance the payment by governmental employers of their share of the unfunded accrued actuarial liabilities (“UAALs”) of the retirement systems. The Governor included a proposal to issue up to \$2.5 billion of this authorization in calendar year 2016 if the Legislature supports the issuance. At this time, it is uncertain if this issuance will proceed. See also “STATE PENSION AND OTHER POST-EMPLOYMENT BENEFIT RESPONSIBILITIES” below.

Summary of Outstanding Debt. Table 8 lists, by type, the outstanding State-related debt as of June 30, 2015. In March 2016, the State issued \$134.8 million in General Obligation Bonds, Series 2016A to refinance the State’s 2015A General Obligation Bond Anticipation Note and on June 30, 2016 issued \$128,300,000 aggregate principal amount of General Obligation Bonds, Series 2016B to fund various transportation projects. Other categories of debt have not been compiled beyond June 30, 2015.

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Table 8

State of Alaska Debt and State-Related Debt by Type
as of June 30, 2015
(\$ in millions)

	Principal Outstanding	Interest to Maturity	Total Debt Service to Maturity
State Debt			
State of Alaska General Obligation Bonds	\$753.8	\$274.0	\$1,027.8
State Supported Debt			
Lease-Purchase Financings	30.8	11.5	42.3
State Reimbursement of Municipal School Debt Service	895.4	300.6	1,196.0
State Reimbursement of Capital Projects	35.8	14.7	50.5
Capital Leases	244.0	121.1	365.1
Total State Supported Debt	<u>1,206.0</u>	<u>447.0</u>	<u>1,653.9</u>
State Guaranteed Debt			
Alaska Housing Finance Corporation State Guaranteed Bonds (Veterans' Mortgage Program)	56.9	37.7	94.6
State Moral Obligation Debt			
Alaska Municipal Bond Bank: 1976, 2005 & 2010 General Resolution General Obligation Bonds	940.9	471.2	1,412.1
Alaska Energy Authority: Power Revenue Bonds #1 through #5	71.2	14.1	85.3
Alaska Student Loan Corporation Student Loan Revenue Bonds	68.2	4.6	72.8
Education Loan Backed Notes	120.1	<u>1.7</u>	<u>121.8</u>
Student Capital Project Revenue Bonds	0.0	0.0	0.0
Total State Moral Obligation Debt	<u>1,200.4</u>	<u>491.6</u>	<u>1,692.0</u>
State Revenue Debt			
Sportfish Revenue Bonds	31.3	7.6	38.9
International Airports Revenue Bonds	487.3	215.5	702.8
University of Alaska Debt			
University of Alaska Revenue Bonds	132.2	41.2	173.4
University Lease Liability and Notes Payable	41.0	18.4	59.4
Installment Contracts	1.2	0.1	1.3
Total University of Alaska Debt	<u>174.4</u>	<u>59.7</u>	<u>234.1</u>
Total State Revenue and University Debt	<u>693.0</u>	<u>275.2</u>	<u>968.2</u>
State Agency Debt			
Alaska Housing Finance Corporation Commercial Paper	16.9	N/A	16.9
Alaska Municipal Bond Bank Coastal Energy Loan Bonds	10.4	2.4	12.8
Alaska Railroad	119.9	19.9	139.8
Northern Tobacco Securitization Corporation 2006 Tobacco Settlement Asset-Backed Bonds	346.6	394.9	741.5
Total State Agency Debt	<u>493.8</u>	<u>417.2</u>	<u>911.0</u>
State Agency Collateralized or Insured Debt			
Alaska Housing Finance Corporation Collateralized Home Mortgage Bonds & Mortgage Revenue Bonds: 2002 Through 2011 (First Time Homebuyer Program)	852.5	477.6	1,330.1
General Mortgage Revenue Bonds 2012	129.1	67.4	196.5
Government Purpose Bonds 1997 & 2001	128.2	33.9	162.1
State Capital Project Bonds, 2002-2011	202.2	76.3	278.5
State Capital Project Bonds, II 2012-2014	771.4	300.9	1,072.3
Alaska Industrial Development and Export Authority Revolving Fund and Refunding Revolving Fund Bonds	64.7	21.8	86.5
Power Revenue Bonds, First Series (Snettisham Hydro Project)	70.0	42.5	112.5
Total State Agency Collateralized or Insured Debt	<u>2,218.1</u>	<u>1,020.4</u>	<u>3,238.5</u>
Total State and State Agency Debt	<u>6,622.0</u>		
Municipal Debt			
School G.O. Debt	1,299.4	\$ N/A	\$ N/A
Other G.O. Debt	1,095.5	N/A	N/A
Revenue Debt	954.3	N/A	N/A
Total Municipal Debt	<u>3,349.2</u>		
Less: State Reimbursable School Debt Reported by Municipalities	<u>-1,175.2</u>		
Less: Alaska Municipal Bond Bank Debt included in Municipal Debt	<u>-927.7</u>		
	<u>1,246.3</u>		
Total Alaska Public Debt (2)	<u><u>\$7,868.3</u></u>		

(1) University debt owed to AHFC is double counted in detail, but eliminated from Total Alaska Public Debt.

(2) Reimbursable school G.O. debt is included in "State Supported Debt"; Capital Leases are included in "State Agency Collateralized or Insured Debt and Municipal Debt"; State Reimbursement of Capital Projects is included in "University and Municipal Debt."

Sources: Annual reports and financial statements of AHFC, AMBB, AIDEA, AEA, University of Alaska, Alaska Railroad, and directly from agencies.

General Fund Supported Obligations. General Fund support is pledged and required for only a portion of the total outstanding Alaska Public Debt. General Obligation Bonds are unconditionally supported, and Certificates of Participation and Capital Leases are subject-to-appropriation commitments with associated obligations. The School Debt and Capital Project Reimbursement Programs provide discretionary annual payments to municipal issuers for qualified general obligation bonds that are eligible by statute to participate in the programs. Over the last 20 years, the State has fully funded these programs. Tables 9 and 10 show the historical level of support the State has provided from the General Fund for these outstanding obligations and the forecast support required to retire the outstanding obligations. In 2015, the Legislature passed a moratorium on all school reimbursement agreements for municipal general obligation and authorizations approved after January 1, 2015. See “State Debt Capacity.”

Table 9
State of Alaska
Debt Service on State Supported Debt
FYs Ended June 30, 1986 – 2015
(\$ millions)

FY	State G.O.	University Revenue Debt	Lease / Purchase	Capital Leases (1)	School Debt Reimbursement	Capital Project Reimbursements	Total Debt Service (2)
1986	\$163.2	\$1.8	\$10.4	—	\$106.3	—	\$281.7
1987	154.9	1.8	11.2	—	115.8	—	283.7
1988	147.9	1.5	11.2	—	109.5	—	270.1
1989	135.5	2.2	11.7	—	110.2	—	259.6
1990	120.3	2.2	12.0	—	107.4	—	241.9
1991	95.5	2.7	12.0	—	116.3	—	226.5
1992	68.2	2.7	11.8	—	127.3	—	210.0
1993	59.7	3.7	11.2	—	124.9	—	199.5
1994	33.8	0.2	8.5	—	98.6	—	141.1
1995	22.9	0.2	10.2	—	93.7	—	127.0
1996	21.3	0.2	9.6	—	79.2	—	110.3
1997	16.5	0.2	9.5	—	62.5	—	88.7
1998	14.2	0.2	10.3	—	61.6	—	86.3
1999	8.8	0.2	15.5	—	62.0	—	86.5
2000	2.4	—	15.0	\$3.5	64.4	—	85.3
2001	—	—	12.8	3.5	52.1	—	68.4
2002	—	—	12.4	8.8	54.1	—	75.3
2003	—	—	11.9	8.8	52.0	—	72.7
2004	19.4	—	12.1	8.8	60.6	\$0.3	101.2
2005	46.4	—	13.8	8.8	71.4	0.2	140.6
2006	45.7	—	13.2	8.6	81.1	2.2	150.8
2007	45.0	—	13.2	9.1	86.9	3.6	157.8
2008	44.4	—	11.1	11.8	91.1	4.2	162.7
2009	43.9	—	8.0	20.4	93.3	3.9	169.5
2010	48.9	—	8.0	29.6	95.8	5.2	187.5
2011	53.8	—	8.0	29.7	99.6	5.3	196.4
2012	78.8	—	7.5	29.1	100.9	5.8	222.1
2013	76.3	—	7.0	28.6	112.3	5.4	229.6
2014	76.2	—	1.8	28.7	109.8	5.5	222.0
2015	73.5	—	1.8	28.7	118.0	5.5	227.5

(1) Three facilities are financed with capital leases.

(2) Totals may not add due to rounding.

Source: State of Alaska.

Table 10
State of Alaska
Existing Debt Service on Outstanding State Supported Debt
for FYs Ending June 30, 2016 - 2040
\$ (millions)

FY	State G.O. (1)	University Revenue Debt	Lease / Purchase (2)	Capital Leases (3)	School Debt Reimbursement (4)	Capital Project Reimbursements	Total Debt Service (5)
2016	\$61.3	-	\$4.7	\$26.2	\$111.4	\$4.6	\$208.2
2017	63.0	-	2.9	23.7	105.5	4.6	199.7
2018	62.9	-	2.9	23.7	101.1	4.6	195.2
2019	62.7	-	2.9	20.2	94.3	4.5	184.6
2020	51.6	-	2.9	20.2	90.0	4.5	169.2
2021	51.0	-	2.9	20.2	88.2	3.6	165.9
2022	40.8	-	2.9	20.2	76.3	3.6	143.8
2023	40.8	-	2.9	20.2	72.3	3.6	139.8
2024	40.9	-	2.9	20.2	61.2	3.6	128.8
2025	36.1	-	2.9	20.2	51.7	3.6	114.5
2026	36.1	-	2.9	20.2	40.4	2.8	102.4
2027	35.6	-	2.9	20.9	36.3	2.6	98.3
2028	35.1	-	2.9	17.6	33.6	2.2	94.7
2029	35.0	-	2.9	17.6	28.3	0.9	84.7
2030	35.1	-	-	17.6	25.2	0.9	78.8
2031	23.4	-	-	17.6	22.7	0.4	64.1
2032	23.3	-	-	17.6	19.4	-	60.3
2033	23.2	-	-	17.6	12.4	-	53.2
2034	23.1	-	-	-	9.9	-	33.0
2035	0.1	-	-	-	-	-	0.1
2036	0.1	-	-	-	-	-	0.1
2037	0.1	-	-	-	-	-	0.1
2038	12.0	-	-	-	-	-	12.0
2039	-	-	-	-	-	-	0.0
2040	-	-	-	-	-	-	0.0

(1) State G.O. debt service is net of federal subsidies for interest expenses from 2016 through 2040.

(2) A prison, a building and a parking garage have been financed with capital leases.

(3) Information as of January 23, 2015, provided by the Department of Education & Early Development.

(4) FY 2016 – 2040 payments are estimated. Totals may not add due to rounding.

(5) Does not include issuance of the Bonds.

Source: *State of Alaska.*

Payment History. The State has never defaulted on its bond obligations nor has it ever failed to appropriate funds for any outstanding securitized lease obligations.

State Debt Capacity. The State has historically used the ratio of debt service to revenue as a guideline for determining debt capacity of the State. This policy was established due to the State's relatively small population and high per capita revenue due to oil resource-generated revenue. Historically the State's policy has been that debt service should not exceed five percent of unrestricted revenue when considering only general obligation bonds and certificates of participation that are State supported. More recently, the State has included more discretionary General Fund supported obligations and programs, including the School Debt Reimbursement Program, the Capital Project Reimbursement Program and certain capital leases. With the more inclusive funding, the State's policy allows the annual payments on these items to range up to eight percent of unrestricted revenue. Access to the School Debt Reimbursement Program was restricted during the 1990's due to State budgetary pressure. Beginning in the early 2000's, and carrying through 2014, the program was generally available for any qualified

municipal project. In 2015, the legislature passed a moratorium on State school debt reimbursement and the Alaska Department of Education and Early Development will not issue agreements to reimburse debt from school bonds that voters approved after January 1, 2015, but before July 1, 2020.

Table 11
State of Alaska
Debt Service on Outstanding Obligations to Unrestricted Revenues⁽¹⁾
FYs June 30, 1986 – 2025

FY	Unrestricted Revenues	State G.O. Debt Service	State Supported Debt Service	Total State Debt Service	School Debt Reimbursement	Total Debt Service to Revenues
	(\$Millions)	%	%	%	%	%
1986	3,075.5	5.3	0.4	5.7	3.5	9.2
1987	1,799.4	8.6	0.7	9.3	6.4	15.8
1988	2,305.8	6.4	0.6	7.0	4.7	11.7
1989	2,186.2	6.2	0.6	6.8	5.0	11.9
1990	2,507.2	4.8	0.6	5.4	4.3	9.6
1991	2,986.6	3.2	0.5	3.7	3.9	7.6
1992	2,462.6	2.8	0.6	3.4	5.2	8.5
1993	2,352.0	2.5	0.6	3.2	5.3	8.5
1994	1,652.5	2.0	0.5	2.6	6.0	8.5
1995	2,082.9	1.1	0.5	1.6	4.5	6.1
1996	2,133.3	1.0	0.5	1.5	3.7	5.2
1997	2,494.9	0.7	0.4	1.1	2.5	3.6
1998	1,825.5	0.8	0.6	1.4	3.4	4.7
1999	1,348.4	0.7	1.2	1.8	4.6	6.3
2000	2,081.7	0.1	0.9	1.0	3.1	4.1
2001	2,281.9	0.0	0.7	0.7	2.3	3.0
2002	1,660.3	0.0	1.3	1.3	3.3	4.5
2003	1,947.6	0.0	1.1	1.1	2.7	3.7
2004	2,345.6	0.8	0.9	1.7	2.6	4.3
2005	3,188.8	1.5	0.7	2.2	2.2	4.4
2006	4,200.4	1.1	0.6	1.7	1.9	3.6
2007	5,158.6	0.9	0.5	1.4	1.7	3.1
2008	10,728.2	0.4	0.3	0.6	0.8	1.4
2009	5,831.2	0.8	0.6	1.3	1.6	2.9
2010	5,513.3	0.9	0.8	1.7	1.7	3.4
2011	7,673.0	0.7	0.6	1.3	1.3	2.6
2012	9,485.2	0.8	0.4	1.3	1.1	2.3
2013	6,928.5	1.1	0.6	1.7	1.6	3.3
2014	5,390.1	1.4	0.7	2.1	2.0	4.1
2015	2,257.3	3.3	1.6	4.8	5.2	10.1
Projected						
2016	1,593.0	3.8	2.2	6.1	7.0	13.1
2017	1,796.4	3.5	1.7	5.2	5.9	11.1
2018	2,021.0	3.1	1.5	4.7	5.0	9.7
2019	2,130.0	2.9	1.3	4.2	4.4	8.7
2020	2,111.3	2.4	1.3	3.8	4.3	8.0
2021	2,173.3	2.3	1.2	3.6	4.1	7.6
2022	2,131.8	1.9	1.3	3.2	3.6	6.7
2023	2,076.5	2.0	1.3	3.3	3.5	6.7
2024	2,060.6	2.0	1.3	3.3	3.0	6.3
2025	2,046.1	1.8	1.3	3.1	2.5	5.6

(1) Unrestricted revenue projection for FY 2016 -2025 is based on Fall 2015 Revenue Source Book. Debt Service is based on June 30, 2015 balances, not adjusted for cash defeasances.

Source: State of Alaska.

STATE PENSION AND OTHER POST-EMPLOYMENT BENEFIT RESPONSIBILITIES

General

The State, through the Department of Administration (“DOA”), administers five retirement systems, a healthcare trust, a deferred compensation plan and a supplemental annuity plan. The two largest retirement systems are the Public Employees’ Retirement System (“PERS”) and the Teachers’ Retirement System (“TRS”). Smaller systems are the Alaska National Guard and Naval Militia Retirement System (“NGNMRS”) and the Judicial Retirement System (“JRS”). The fifth system, the smallest, is the Elected Public Officers Retirement System (“EPORS”), which provides benefits to elected officials who served in 1976.

PERS and TRS each had funding ratios in excess of 100 percent (i.e., were “overfunded”) as recently as 2001. Since that time, as a result of investment losses, recalibration of other post-employment benefit (“OPEB”) liabilities and changes in actuarial assumptions and valuation methodologies, PERS and TRS each has had an unfunded accrued actuarial liability (a “UAAL”) and increasing actuarially determined employer contribution rates. The NGNMRS and JRS, although much smaller systems, also had UAALs until May 2008, when the Legislature made additional contributions in amounts calculated to eliminate the entire UAAL of both the NGNMRS and JRS as of June 30, 2006. The NGNMRS has been fully funded or close to fully funded since June 30, 2010. Despite the additional funding in 2008, the JRS system has continued to have a UAAL through June 30, 2014. The State maintains EPORS as a cash-funded, pay-as-you go arrangement and pays benefits each year as they arise. No assets are set aside to pay EPORS benefit costs.

In January 2016, the State’s actuary provided a draft June 30, 2015 valuation for PERS and TRS. The June 30, 2015 valuation was reviewed at the February 18, 2016 ARM Board meeting and approved at the Board’s meeting on June 24, 2016. As reflected in the following table, the valuation demonstrates the benefit of the \$3 billion transfer into the retirement systems in FY 2015 as well as some favorable actuarial adjustments. The valuation produces a PERS defined benefit pension funding level of 67.0% and Other Post-Employment Benefits funding level of 99.1%, and a total funding level of 78.3%. The 2015 valuation report shows a TRS defined benefit pension funding level of 76.9% as of June 30, 2015, an Other Post-Employment Benefits funding level of 100.3%, and a total funding level of 83.3% as reflected in Table 12.

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Table 12
Draft Actuarial Valuation Report⁽¹⁾
As of June 30, 2015

Funded Status as of June 30 (\$'s in 000's)	PERS		TRS	
	2014	2015	2014	2015
Defined Benefit ("DB") – Pension				
a. Actuarial Accrued Liability	\$12,947,759	\$13,337,929	\$6,921,362	\$7,051,724
b. Valuation Assets	7,731,438	8,931,160	3,771,139	5,422,651
c. Funded Ratio based on Valuation Assets, (b) ÷ (a)	59.7%	67.0%	54.5%	76.9%
DB – Healthcare				
a. Actuarial Accrued Liability	\$7,949,613	\$7,310,734	\$2,919,670	\$2,677,393
b. Valuation Assets	6,913,160	7,242,299	2,248,135	2,686,272
c. Funded Ratio based on Valuation Assets, (b) ÷ (a)	87.0%	99.1%	77.0%	100.3%
DB – Total				
a. Actuarial Accrued Liability	\$20,897,372	\$20,648,663	\$9,841,032	\$9,729,117
b. Valuation Assets	14,644,598	16,173,459	6,019,274	8,108,923
c. Funded Ratio based on Valuation Assets, (b) ÷ (a)	70.1%	78.3%	61.2%	83.3%
Defined Contribution Retirement ("DCR") – Pension				
a. Actuarial Accrued Liability	\$3,627	\$5,049	\$23	\$29
b. Valuation Assets	14,995	19,014	2,820	3,114
c. Funded Ratio based on Valuation Assets, (b) ÷ (a)	413.4%	376.6%	12,260.9%	10,737.9%
DCR – Healthcare				
a. Actuarial Accrued Liability	\$50,217	\$58,683	\$16,273	\$19,768
b. Valuation Assets	26,466	44,188	10,791	17,733
c. Funded Ratio based on Valuation Assets, (b) ÷ (a)	52.7%	75.3%	66.3%	89.7%
DCR – Total				
a. Actuarial Accrued Liability	\$53,844	\$63,732	\$16,296	\$19,797
b. Valuation Assets	41,461	63,202	13,611	20,847
c. Funded Ratio based on Valuation Assets, (b) ÷ (a)	77.0%	79.2%	83.5%	105.3%

(1) The FY 2015 actuarial valuation was adopted by the ARM Board on June 24, 2016.

Source: Actuarial Valuation as of June 30, 2015 from Actuarial Valuation Report Presentation dated June 24, 2016.

The ARM Board

The Alaska Retirement Management ("ARM") Board is the fiduciary for funds of three of the retirement systems: PERS, TRS and the NGNMRS and has investment oversight of all of the systems. The ARM Board's mission is to serve as the trustee of the assets of the State's retirement systems, the supplemental annuity plan, the deferred compensation program for State employees and the Retiree Healthcare Trusts (for the PERS, TRS, JRS, and the Retiree Health Fund).

Administration of the Systems

The Commissioner of the DOA or the Commissioner's designee is the administrator, and the Attorney General is the legal counsel, for each of the State's retirement systems. The Treasury Division of the DOR provides investment and cash management services, together with 55 external money managers and consultants, for the ARM Board and for each of the retirement systems and healthcare trusts.

Valuation Reports

PERS and TRS are funded by a combination of mandatory employee contributions at rates that are determined by statute, investment income, and employer contributions at rates adopted by the ARM Board based upon recommendations of the consulting actuary in its valuation reports. State law limits PERS and TRS contribution rates, and statutes provide that the State contribute additional amounts up to

the actuarially determined contribution rate. State law requires that actuarial valuation reports be prepared annually for PERS and TRS and that the work of the actuary be reviewed by a second, independent actuary. State law requires in addition that every four years a different independent actuary be retained to conduct a separate, complete valuation for comparison purposes.

Employer Contribution Rates. Employer contribution rates are adopted by the ARM Board and are based upon State law, administrative regulations and the actuarial determined employer contribution rates based upon results of the actuary's valuations. Employer rates represent a percentage of payroll based upon (i) the normal cost (a uniform rate for all employers within a specific pension program (e.g., PERS and TRS) calculated to reflect the cost of benefits accruing in the applicable FY, less the value of the employees' contributions during that year, plus (ii) the past service cost (amortization of the UAAL over the remaining amortization period). The PERS employer contribution rate is set by law at 22.0 percent; the TRS contribution employer rate is set by law at 12.56 percent. Compensation used to determine required employer contribution rates is total compensation to all active members, including those who are not members of the defined benefit plans. If the actuarially determined employer contribution rate adopted by the ARM Board to fund the plans exceeds these statutorily established rates, the State is required to consider annually appropriating an amount that, when combined with the total employer contributions, will be sufficient to pay the plans' past service liability for that FY.

Employee Contributions. Employee contributions are established by statute and vary for each program and for tiers within a program. If statutorily permitted, employees may also make additional, voluntary contributions, which are accounted for separately.

The Public Employees' Retirement System

General. PERS, formed in 1961, is the largest of the State's retirement systems with 159 employers comprising three State entities, 78 municipalities, 53 school districts and 27 other public entities. The three State entities represent approximately 50 percent of active PERS members. PERS is a cost-sharing, multiple employer plan composed of both a defined benefit ("DB") plan and a defined contribution ("DC") plan. Membership in either plan is dependent upon the participant date of hire. The PERS DB plan was closed to all new members effective July 1, 2006.

At June 30, 2015, the PERS DB membership consisted of 17,988 active members and 32,045 retirees, and beneficiaries and the PERS DC membership consisted of 17,456 active members. PERS provides pension and other post-employment benefits, death and disability benefits prior to retirement and death benefits and survivor benefits after retirement, in a combination of defined benefit (Tiers 1, 2 and 3) and defined contribution (Tier 4) plans. PERS also provides a voluntary savings plan for the DB tiers and beginning in FY 2007 is funding costs of healthcare benefits through the separate Retiree Healthcare Trust within PERS. Membership in PERS is mandatory for all full- and part-time (15-30 hours per week) employees of the State and of the other participating governmental employers (other than employees exempted by statute or employer participation agreements or who belong to another of the State's retirement systems).

Participants first hired before July 1, 1986 are Tier 1 participants of PERS and are eligible for retirement and for health insurance premiums paid by PERS earlier than members hired after June 30, 1986 (Tier 2). Members first hired after June 30, 1996 (Tier 3) have a 10-year requirement for system-paid premiums, and members who are not peace officer/firefighter members have a different final average earnings calculation than members from Tiers 1 and 2.

Shift to Defined Contribution Plan. In 2005, the Legislature closed the PERS DB plan to members first hired on or after July 1, 2006 and created for Tier 4 employees a DC retirement plan, which is composed of a participant-directed investment account, retiree major medical benefits, a health reimbursement arrangement, and occupational disability and death benefits.

The PERS DC participant account is funded with employee contributions of 8 percent and an employer match of 5 percent. Each participant designates how both employee and employer contributions (regardless of vesting status) are to be allocated among various investment options. Participants are 100 percent vested in their employee contribution and related earnings. Employer contributions to the participant account, plus any earnings they generate are vested as shown in the following Table 13:

Table 13

PERS DC Vesting Schedule

<u>Years of Service</u>	<u>Vested Percentage of Employer Contributions</u>
1 year	0%
2 years	25%
3 years	50%
4 years	75%
5 years	100%

Source: State of Alaska, Division of Retirement & Benefits

Employee Contributions. The PERS DB member contribution rates are 7.5 percent for peace officers and firefighters, 9.6 percent for certain school district employees, and 6.75 percent for general members, as required by statute. The DB member contributions earn interest at the rate of 4.5 percent per annum, compounded semiannually.

The PERS DC Plan member contribution rate is 8.0 percent, as required by statute.

Employer Contributions. The employer contribution rate is determined by the consulting actuary and adopted by the ARM Board annually. AS 39.35.255(a) sets the employer contribution rate at 22.0 percent. The employer contribution rate is paid based on all eligible salaries of the employer without regard to the participant's tier status. The difference between the actuarially determined contribution rate and the statutory employer effective rate is paid by the State as a direct appropriation, also known as the "Additional State Contribution" set out in AS 39.35.280.

Employer contributions made on behalf of DC members also include funding of the DC Retiree Major Medical Plan, Occupational Death and Disability Plan, and the Health Reimbursement Arrangement. DC employer contribution rates are determined by the ARM Board and are based upon State law, administrative regulations, and the actuary's recommended employer contribution rates based upon results of the actuary's valuations. Table 14 provides a seven-year history of the employer contribution rates.

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Table 14
PERS Employer Contribution Rates

FY	ARM Board Adopted Rate	DB Employer Effective Rate	DC Employer Match	DC Retiree Medical Plan	DC Occupational Death and Disability - Police/Fire	DC Occupational Death and Disability – All Others	DC Health Reimbursement Arrangement ⁽¹⁾
2009	35.22%	22.00%	5.00%	0.99%	1.33%	0.58%	\$ 1,616.81
2010	27.65%	22.00%	5.00%	0.83%	1.33%	0.30%	\$ 1,699.71
2011	27.96%	22.00%	5.00%	0.55%	1.18%	0.31%	\$ 1,720.70
2012	33.49%	22.00%	5.00%	0.51%	0.97%	0.20%	\$ 1,778.09
2013	35.84%	22.00%	5.00%	0.48%	0.99%	0.14%	\$ 1,848.43
2014	35.68%	22.00%	5.00%	0.48%	1.14%	0.20%	\$ 1,896.60
2015 ⁽²⁾	31.90%	22.00%	5.00%	1.66%	1.06%	0.22%	\$ 1,960.53

(1) The employer contribution to the Health Reimbursement Arrangement is expressed as a dollar amount that must be paid in full on an annual basis for each year of service.

(2) Table 14 shows the ARMB adopted rate for FY 2015 based on a level percentage of payroll. The actual contribution for FY 2015 was the one-time transfer of \$3 billion from the Constitutional Budget Reserve Fund (\$1 billion to PERS and \$2 billion to TRS) described under “Recent Pension Reforms.”

Source: State of Alaska Division of Retirement and Benefits.

Contributions from the State of Alaska. AS 39.35.280 provides that the State is obligated to annually consider appropriating to contribute each July 1 or, as soon after July 1 as funds become available, an amount for the ensuing FY that, when combined with the total employer contribution rate of 22.0 percent, is sufficient to pay the PERS DB past service liability at the consolidated actuarially determined contribution rate (“ADC”) adopted by the ARM Board for the FY. Table 15 provides a seven-year history of the additional PERS contributions from the State under AS 39.35.280. For FY 2015, the State total contribution to PERS was a one-time payment of \$1 billion. Due to the one time contributions, additional legislative and actuarial adjustments in analyzing the pension systems, employer contributions have diminished from levels shown in Table 15. For FY 2016, the Alaska Retirement Management Board has adopted a PERS contribution rate attributable to participating employers at 27.19%. This results in employer contributions of \$535,998,000 and an additional State contribution under AS 39.35.280 of \$126,521,000.

Table 15
Additional PERS Contribution from the State (under AS 39.35.280)

FY	Legislative Bill	Amount Provided by State under AS 39.35.280 (\$000s)	Total Employer Contributions to PERS DB (\$000s)	% of Contributions made by State (1)
2008	Senate Bill 53	\$185,000	\$549,078	33.69%
2009	House Bill 310	241,600	649,052	37.22
2010	House Bill 81	107,953	500,300	21.58
2011	House Bill 300	165,841	566,450	29.28
2012	House Bill 108	242,609	648,548	37.41
2013	House Bill 284	307,302	717,268	42.84
2014	House Bill 65	312,473	723,456	43.19

(1) Percent of Contributions made by State under AS 39.35.280.

Source: State of Alaska Division of Retirement and Benefits.

Pension Benefits. PERS DB members are eligible for normal retirement at age 55 or early retirement at age 50 (Tier 1) or normal retirement at age 60 and early retirement at age 55 (for Tiers 2 and

3), in each case with at least five years of paid-up PERS service or other qualifying service. Members may retire at any age when they have at least 30 years of paid-up service.

PERS DC members are immediately and fully vested in member contributions and related earnings (losses). A member is fully vested in the employer contributions made on that member's behalf, and related earnings (losses), after five years of service. See Table 13 for vesting percentages.

Other Post-Employment Benefits. PERS pays provider major medical healthcare benefits for all Tier 1 retirees, for Tier 2 retirees who are at least 60, and for Tier 3 retirees with ten years of credited service without premium cost to the member. Retirees in Tiers 1, 2, and 3 with 30 years of service (20 years for Tier 1 peace officers and firefighters and 25 years for other peace officers and firefighters) receive benefits with premiums paid by PERS regardless of their age or Tier. For Tier 4 retirees who are eligible for Medicare, PERS pays a portion (70-90 percent of the cost, depending upon length of service) of health insurance premiums.

PERS DC members are eligible for major medical benefits through the retiree medical plan after certain requirements have been met. In addition, PERS DC members have access to a health reimbursement arrangement plan and Occupational Death and Disability Benefits.

Actuarial Valuation – PERS DB. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

The FY 2014 contribution requirements were determined as a percentage of total payroll, and reflect the cost of benefits accruing and a fixed 25-year amortization as a level percentage of payroll of the initial unfunded accrued liability and subsequent gains/losses and other changes. The payroll used to determine the contribution rates is the total payroll of all active members in the system, including those hired after July 1, 2006 who are in the DC plan. The amortization period is set by the ARM Board. Contribution rates are recommended by the consulting actuary and adopted by the ARM Board each year.

The Legislature has discretion to deviate from the rates recommended by the ARM Board; however, they have not historically done so except as described under "Recent Pension Reforms."

The most recent funding objective of the plan, as adopted by the ARM Board for FY 2015, is to set an employer contribution rate that will pay the normal cost and amortize the initial UAAL and each subsequent annual change in the UAAL over a closed 25-year period as a level percentage of payroll amortization. After the ARM Board's adoption of the contribution rate for FY 2015, the Legislature provided for one-time deposits of \$1 billion to PERS and \$2 billion to TRS in the FY 2015 capital budget, and amended statutes to require a level percentage of payroll method for determining contributions in the future.

Table 16 presents a summary of the funding status of PERS as a whole, including pension and post-employment healthcare benefits combined, as of June 30, 2003 through 2014. The information presented in Table 16 is derived from the 2014 PERS Valuation Report and from the 2015 Valuation Presentation and differs from the information about PERS prepared for accounting purposes.

Table 16
PERS Funding Status (1)
(as of June 30)

Actuarial Valuation Year	Aggregate Accrued Liability (000s)	Valuation of Assets (000s)	Unfunded Liability (000s)	Funded Ratio (%)
2003	\$ 10,561,653	\$ 7,687,281	\$ 2,874,372	72.8%
2004 (2)	11,443,916	8,030,414	3,413,502	70.2
2005	12,844,841	8,442,919	4,401,922	65.7
2006	14,388,413	9,040,908	5,347,505	62.8
2007 (3)	14,570,933	9,900,960	4,669,973	68.0
2008	15,888,141	11,040,106	4,848,035	69.5
2009	16,579,371	10,242,978	6,336,393	61.8
2010	18,132,492	11,157,464	6,975,028	61.5
2011	18,740,550	11,813,774	6,926,776	63.0
2012	19,292,361	11,832,030	7,460,331	61.3
2013	19,992,759	12,162,626	7,830,133	60.8
2014	20,897,372	14,644,598	6,252,774	70.1
2015	20,648,663	16,173,459	4,475,204	78.3
See "Recent Pension Reforms".				
(1)	For PERS Tiers I-III and pension and other post-employment benefits combined.			
(2)	Change in valuation assumptions (particularly the healthcare cost assumptions) and change in methods.			
(3)	Tier 4, the PERS defined contribution plan, became effective for employees first hired after June 30, 2006 when the defined benefit plans were closed. Change in healthcare cost assumptions.			

Source: 2015 PERS Valuation Report presentation.

Table 17 presents the Schedule of Contributions from Employers and the State. This schedule shows the dollar amount of the annual required contribution and the percent of the ADC contributed by employers and by the State (under AS 39.35.280).

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Table 17
PERS Schedule of Contributions from Employers and the State
(as of June 30)

<u>Year Ended June 30</u>	<u>Actuarial Valuation year ended June 30 (1)</u>	<u>Annual required contribution</u>			<u>Pension percentage contributed</u>		<u>Postemployment healthcare percentage contributed</u>		<u>By State</u>	<u>Total Percentage contributed</u>
		<u>Pension (000s)</u>	<u>Postemployment healthcare (000s)</u>	<u>Total (000s)</u>	<u>By employer</u>	<u>By State</u>	<u>By employer</u>	<u>By State</u>		
2005	2002	\$ 234,361	\$ 142,393	\$ 376,754	47.3%	—%	47.3%	47.3%	—%	47.3%
2006	2003	249,488	166,749	416,237	61.0	4.4	65.4	61.0	4.4	65.4
2007	2004	268,742	189,495	458,237	73.2	4.1	77.3	73.2	4.1	77.3
2008	2005	140,729	370,456	511,185	71.2	36.2	107.4	71.2	36.2	107.4
2009	2006	166,016	391,321	557,337	68.1	48.0	116.1	68.1	41.4	109.5
2010 (2)	2007	217,080	790,793	1,007,873	65.5	20.5	86.0	31.6	54.8	86.4
2011	2008	220,419	525,075	745,494	63.1	29.6	92.7	49.8	21.6	71.4
2012	2009	351,674	498,433	850,107	52.0	37.2	89.2	44.8	28.8	73.6
2013	2010	382,889	612,792	995,681	47.0	42.9	89.9	37.5	25.1	62.6

(1) Actuarial valuation related to annual required contribution for FY.

(2) Beginning in the year ended June 30, 2010, the postemployment healthcare annual required contribution and percentage contributed includes the Medicare Part D subsidy.

Source: PERS Financial Statement as of June 30, 2014.

With implementation of GASB 67, information as presented in Table 17 is no longer provided in the PERS financial statements. The annual actuarially determined contribution (ADC) for pension for FY 2013 was \$382,889,000, for FY 2014 was \$358,718,000 and for FY 2015 was \$529,264,000. The contributions in relation to the ADC for FY 2013 was \$344,063,000 for FY 2014 was \$382,998,000, and for FY 2015 was \$1,226,136,000, \$38,826,000 less than the ADC in FY 2013 and \$24,280,000 and \$696,872,000 more than the ADC in FY 2014 and 2015 respectively. Postemployment healthcare contributions in FY 2014 for the actuarial valuation year ended June 30, 2011 were \$783,827,000 of which 26.1% was paid by employers and 19.5% was paid by the State for a total percentage contributed of 45.6%.

Projections of benefits for financial report purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations. Additional information as of the 2014 actuarial valuation follows.

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Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal Level Percentage of Pay normal cost basis for Pension Level Dollar normal cost basis for Healthcare
Amortization Method	Level percentage of pay, closed
Equivalent Single Amortization Period	25 years
Asset Valuation Method	5-year smoothed fair value, reinitialized to fair value as of June 30, 2014
Actuarial Assumptions:	
Investment rate of return*	8.00% for pension, 4.90% for healthcare.
Projected salary increases	Peace Officer/Firefighter: Merit – 2.75% per year for the first 4 years of employment, grading down to 0.5% at 7 years and thereafter. Productivity – 0.5% per year. Others: Merit – 6.00% per year grading down to 2.00% after 5 years; for more than 6 years of service, 1.50% grading down to 0%. Productivity – 0.5% per year.
*Includes price inflation at	3.12%
Cost-of-living adjustment	Post-retirement Pension Adjustment.

Changes in Actuarial Assumptions Since the 2013 Valuation. The ARM Board contracted for an experience analysis to be performed of the actuarial assumptions underlying the PERS actuarial valuation. As a result of the experience analysis the following changes were made as of June 30, 2014 actuarial valuation. There have been no changes in methodology since the June 30, 2014 valuation.

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Defined benefit pension and postemployment healthcare benefit plan:

	June 30, 2013	June 30, 2014
Salary Scale	Based on actual experience from 2005 to 2009.	Rates adjusted on actual experience from 2010-2013. Increased most rates.
Pre-termination Mortality	Peace Officer/Firefighter: 1994 GAM table, sex-district, 1994 base year without margin projected to 2013 using projection scale AA, 80% of the male table for males and 60% of the female table for females. Others: 1994 GAM table, sex-district, 1994 base year without margin projected to 2013 using projection scale AA, 75% of the male table for males and 55% of the female table for females.	Based upon 2010-2013 actual mortality experience. 60% of male rates and 65% of female rates of the post termination mortality rates
Post-termination Mortality	1994 GAM Table, sex-district, 1994 base year without margin projected to 2013 using projection scale AA for males with a one year set-forward for females.	96% of all rates of the RP-2000 table, 2000 base year projected to 2018 with projection scale BB.
Disability Mortality	RP-2000 Disabled Retiree Mortality Table.	RP-2000 Disabled retiree table, 2000 base year projected to 2018 with projection scale BB.
Turnover	Rates adjusted based on actual experience from 2005-2009.	Based upon the 2010-2013 actual withdrawal experience.
Disability	Peace Officer/Firefighter: No change except to stop rates at earliest retirement age. Others: Male/Female rates decreased based on actual experience from 2005 to 2009 and stop rates at earliest retirement age.	Incidence rates based on 2010-2013 actual experience. Peace officer/firefighter: Decreased rates by 5%. Others: Decreased rates by 30%.
Retirement	Rates were adjusted based on actual experience from 2005 to 2009.	Retirement rates based upon the actual 2010-2013 experience.
Deferred vested commencement date	Peace officer/firefighter: Tier 1 age 53 Tier 2 and 3 age 57 Others: Earliest unreduced age	Peace officer/firefighter: Tier 1 age 55 Tier 2 and 3 age 60 Others: Earliest unreduced age
COLA	Of those benefit recipients who are eligible for the COLA, 70% are assumed to remain in Alaska and receive the COLA.	Of those benefit recipients who are eligible for the COLA, 70% of others and 65% of peace officer/firefighters are assumed to remain in Alaska and receive the COLA.
Occupational Death and Disability	Others: 55% Peace officer/firefighters: 75%	Others: 50% Peace officer/firefighters: 70%

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Defined contribution occupational death and disability and retiree medical benefits plan:

	June 30, 2013	June 30, 2014
Salary Scale	Based on actual experience from 2005-2009. Peace officer/firefighter: rates are increased for the first four years. Decreased at year five. Others: Based on actual experience from 2005-2009. Increased most rates.	Inflation – 3.12% per year Productivity – 0.50% per year
Pre-termination Mortality	Peace Officer/Firefighter: 80% of the male rates and 60% of the female rates of the 1994 GAM table, 1994 base year without margin projected to 2013 using projection scale AA. Others: 75% of the male rates and 55% of the female rates of the 1994 GAM table, 1994 base year without margin projected to 2013 using projection scale AA.	Based upon 2010-2013 actual mortality experience. 60% of male rates and 65% of female rates of the post termination mortality rates. Deaths are assumed to be occupational 70% of the time for peace officers/firefighters, 50% of the time for others.
Post-termination Mortality	1994 GAM Table, 1994 base year without margin projected to 2013 using projection scale AA for males with a one year set-forward for females.	96% of all rates of the RP-2000 table, 2000 base year projected to 2018 with projection scale BB.
Disability	RP-2000 disabled retiree mortality table.	Incidence rates based on 2010-2013 actual experience. Post termination disabled mortality in accordance with RP-2000 disabled retiree mortality table, 2000 base year projected to 2018 with projection scale BB. Disabilities are assumed to be occupational 70% of the time for peace officer/firefighters, 50% of the time for others.
Turnover	Rates adjusted based on actual PERS DB Plan experience from 2005-2009. Ultimate rates are equal to PERS DB Plan rates loaded by 10%.	Based upon the 2010-2013 actual withdrawal experience.
Occupational Death and Disability	Others: 55% Peace officer/firefighters: 75%	Others: 50% Peace officer/firefighters: 70%

Teachers' Retirement System

General. TRS was established in 1955 to provide pension and other post-employment benefits to teachers and other eligible participants. TRS includes 58 employers (including the 53 school districts). TRS is a cost-sharing, multiple employer plan composed of both a defined benefit ("DB") plan and a defined contribution ("DC") plan. Membership in either plan is dependent upon the participant date of hire. The TRS DB plan is closed to all new members effective July 1, 2006.

At June 30, 2015 the TRS DB membership consisted of 5,606 active members and 12,080 retirees and beneficiaries and the TRS DC membership consisted of 4,076 active members. TRS provides pension and other post-employment benefits, death and disability benefits prior to retirement and death benefits and survivor benefits after retirement, in a combination of defined benefit (Tiers 1 and 2) and defined contribution (Tier 3) plans. TRS also funds costs of healthcare benefits through the separate Retiree Healthcare Trust within TRS. Membership in TRS is mandatory for all full- and part-time employees, including employees who are certificated elementary and secondary teachers, school nurses and certificated employees in positions requiring teaching certificates, employees in Department of Education and Early Development and Department of Labor and Workforce Development positions that

require teaching certificates, University of Alaska full- and part-time teachers and with the approval of the TRS administrator, full-time administrative employees in positions requiring academic standing and certain full-time or part-time teachers of Alaska Native language or culture who elect to be covered under TRS.

Participants first hired before July 1, 1990 are Tier 1 participants of TRS and are eligible for retirement and for health insurance premiums paid by TRS earlier than members hired after July 1, 1990 (Tier 2).

Shift to Defined Contribution Plan. In 2005, the Legislature closed the TRS DB plan to members first hired on or after July 1, 2006 and created for Tier 3 employees a DC retirement plan, which is composed of a participant-directed investment account, medical benefits, a health reimbursement arrangement, and occupational disability and death benefits.

The TRS DC participant account is funded with employee contributions of 8 percent and an employer match of 7 percent. Each participant designates how contributions are to be allocated among various investment options. Participants are 100 percent vested in their employee contribution and related earnings. Employer contributions to the participant account, plus any earnings they generate are vested as shown in the following Table 18:

Table 18

TRS DC Vesting Schedule

<u>Years of Service</u>	<u>Vested Percentage of Employer Contributions</u>
1 year	0%
2 years	25%
3 years	50%
4 years	75%
5 years	100%

Source: State of Alaska, Division of Retirement & Benefits

Employee Contributions. The TRS DB member contribution rates are 8.65 percent as required by statute. Eligible TRS DB members contribute an additional 1.00 percent of their salary under a supplemental contribution provision. The DB member contributions earn interest at the rate of 7.0 percent per annum, compounded annually on June 30.

The TRS DC member contribution rate is 8.0 percent, as required by statute.

Employer Contributions. The employer contribution rate is determined by the consulting actuary and adopted by the ARM Board annually. AS 14.25.070(a) sets the employer contribution rate at 12.56 percent. The employer contribution rate is paid based on all eligible salaries of the employer without regard to the participant's tier status. The difference between the actuarially determined contribution rate and the statutory employer effective rate is paid by the State as a direct appropriation, also known as the "Additional State Contribution" under AS 14.25.085.

Employer contributions made on behalf of DC members also include funding of the DC Retiree Major Medical Plan, Occupational Death and Disability Plan, and the Health Reimbursement Arrangement. DC employer contribution rates are determined by the ARM Board and are based upon

State law, administrative regulations, and the actuary's recommended employer contribution rates based upon results of the actuary's valuations.

Table 19 provides a history of the employer contribution rates from FY 2008 through FY 2015.

Table 19
TRS Employer Contribution Rates

FY	ARM Board Adopted Rate	Employer Effective Rate	DC Employer Match	DC Retiree Medical Plan	DC Occupational Death and Disability	DC Health Reimbursement Arrangement ⁽¹⁾
2009	44.17%	12.56%	7.00%	0.99%	0.62%	\$1,616.81
2010	39.53%	12.56%	7.00%	1.03%	0.32%	1,699.71
2011	38.56%	12.56%	7.00%	0.68%	0.28%	1,720.70
2012	45.55%	12.56%	7.00%	0.58%	0.00%	1,778.09
2013	52.67%	12.56%	7.00%	0.49%	0.00%	1,848.43
2014	53.62%	12.56%	7.00%	0.47%	0.00%	1,896.60
2015 ⁽²⁾	48.69%	12.56%	7.00%	2.04%	0.00%	1,960.53

(1) The employer contribution to the Health Reimbursement Arrangement is expressed as a dollar amount that must be paid in full on an annual basis for each year of service.

(2) Table 19 shows the ARMB adopted rate for FY 2015 based on a level percentage of payroll. The actual contribution for FY 2015 was the one-time transfer of \$3 billion from the Constitutional Budget Reserve Fund (\$1 Billion to PERS and \$2 Billion to TRS) discussed in "Recent Pension Reforms."

Source: State of Alaska Division of Retirement and Benefits.

Contributions from the State of Alaska. AS 14.25.085 provides that the State is obligated to annually consider appropriating to contribute each July 1 or, as soon after July 1 as funds become available, an amount for the ensuing FY that, when combined with the total employer contribution rate of 12.56 percent, is sufficient to pay the DB past service liability at the consolidated ADC adopted by the ARM Board for the FY.

Table 20 provides a history of the TRS contributions from the State under AS 14.25.085 from FY 2008 through FY 2014. For FY 2015, the State total contribution to TRS was a one-time payment of \$2 billion. For FY 2016, the ARM Board has adopted a TRS contribution rate attributable to participating employers at 29.27%. This results in employer contributions of \$97,789,000 and an additional State contribution under AS 14.25.085 of \$130,108,000.

Table 20
TRS Contribution from the State (under AS 14.25.085)

FY	Legislative Bill	Amount Provided by State under AS 14.25.085 (\$000s)	Total Employer Contributions to TRS DB Plan (\$000s)	% of Contributions made by State (1)
2008	Senate Bill 53	\$269,992	\$345,002	78.26%
2009	House Bill 310	206,300	292,428	70.55%
2010	House Bill 81	173,462	249,956	69.40%
2011	House Bill 300	190,850	266,871	71.51%
2012	House Bill 108	234,517	308,987	75.90%
2013	House Bill 284	302,777	375,442	80.65%
2014	House Bill 65	316,846	386,397	82.00%

(1) Percent of Contributions made by State under AS 14.25.085.

Source: State of Alaska Division of Retirement and Benefits.

Pension Benefits. Tier 1 members were hired before July 1, 1990 and are eligible for normal retirement at age 55 or for early retirement at age 50, and Tier 2 members were hired after June 30, 1990 and before July 1, 2006 and are eligible for normal retirement at age 60 and for early retirement at 55, and generally with at least eight years of paid-up membership service or other qualifying service. Members may retire at any age when they have at least 20 years of paid-up membership service or 20-25 years of a combination of paid-up membership service and other types of service. TRS members are also eligible for normal retirement if they have, for each of 20 school years, at least one-half year of membership service as a part-time teacher.

Tier 3 employees were hired after June 30, 2006 and are 100 percent vested in their own contributions from the beginning and vest in their employers' seven-percent contributions over five years: 25 percent after two years of service, 50 percent after three years of service, 75 percent after four years of service and 100 percent after five years of service. Tier 3 pension payments (the account balance plus investment income) are payable in a lump sum or over time at the employee's option.

Other Post-employment Benefits. TRS provides major medical healthcare benefits for all Tier 1 members who are at least 50 or who are any age with at least 20 years of paid-up service receive healthcare benefits and Tier 2 members who are 60 or older or who have 25 years of paid-up membership service or are disabled also receive healthcare benefits. Tier 2 members may receive coverage prior to age 60 if they pay the premiums. Medical benefits are supplemental to Medicare. For both Tier 1 and Tier 2, coverage includes coverage for eligible dependents.

For Tier 3, the TRS healthcare plan is a coinsurance major medical and prescription drug plan intended to maintain over time coinsurance levels at approximately 80 percent by the plan and 20 percent by the participant, with a maximum annual coinsurance payable by the participant of \$2,500 per person and a maximum lifetime benefit payable by the plan, less any amounts paid by Medicare.

Actuarial Valuation – TRS DB. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

The FY 2014 contribution requirements are determined as a percentage of payroll, and reflect the cost of benefits accruing and a fixed 25-year amortization as a level percentage of payroll of the initial unfunded accrued liability and subsequent assumption changes and gains/losses. The payroll used to determine the contribution rates is the total payroll of all active members in the System, including those hired after July 1, 2006 who are in the Defined Contribution Retirement Plan. The amortization period is set by the ARM Board. Contribution levels are recommended by the consulting actuary and adopted by the ARM Board each year.

The Legislature has discretion to deviate from the rates recommended by the ARM Board; however, the Legislature has not historically done so, except as described under "Recent Pension Reforms."

The most recent funding objective of the plan, as adopted by the ARM Board for FY 2015, was to set an employer contribution rate that will pay the normal cost and amortize the initial UAAL and each subsequent annual change in the UAAL over a closed 25-year period as a level percentage of payroll amortization.

The information about TRS funding status included in Table 21 reflects the status of TRS as of June 30, 2015, after the deposit from the Constitutional Budget Reserve Fund in FY 2015. Information about TRS assets and liabilities allocable to State employers alone is not shown because most non-State TRS employers make these contributions primarily from funds provided by the State. See “Recent Pension Reforms.”

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Table 21
TRS Funding Status (1)
(as of June 30)

Actuarial Valuation Year	Aggregate Accrued Liability (000s)	Valuation Assets (000s)	Unfunded Accrued Liability (000s)	Funded Ratio (%)
2003	\$ 5,835,609	\$ 3,752,285	\$ 2,083,324	64.3%
2004 (2)	6,123,600	3,845,370	2,278,230	62.8
2005	6,498,556	3,958,939	2,539,617	60.9
2006	7,229,851	4,141,700	3,088,151	57.3
2007	7,189,403	4,424,399	2,765,004	61.5
2008	7,619,178	4,936,976	2,682,202	64.8
2009	7,847,514	4,472,958	3,374,556	57.0
2010	8,847,788	4,739,128	4,108,660	53.6
2011	9,128,795	4,937,937	4,190,858	54.1
2012	9,346,444	4,869,154	4,477,290	52.1
2013	9,592,107	4,974,076	4,618,031	51.9
2014	9,841,032	6,019,274	3,821,758	61.2
2015	9,729,117	8,108,923	1,620,194	83.3
See "Recent Pension Reforms."				
(1)	Includes pension benefits and other post-employment benefits.			
(2)	Change in asset valuation method.			

Source: 2015 TRS Valuation Report presentation.

Table 22 presents the schedule of contributions from employers and the State. This schedule shows the dollar amount of the annual required contribution and the percent of the ARC contributed by employers and by the State (under AS 14.25.085).

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Table 22
TRS Schedule of Contributions from Employers and the State
(as of June 30)

Year Ended June 30	Actuarial Valuation year ended June 30 (1)	Annual required contribution			Pension percentage contributed			Postemployment healthcare percentage contributed		
		Pension (000s)	Postemployment healthcare (000s)	Total (000s)	By employer	By State	Total Percentage contributed	By employer	By State	Total Percentage contributed
2005	2002	\$ 152,168	\$55,783	\$207,951	45.0%	0.0%	45.0%	45.0%	0.0%	45.0%
2006	2003	170,019	66,719	236,738	54.1	0.0	54.1	54.1	0.0	54.1
2007	2004	169,974	76,879	246,853	62.2	0.0	62.2	62.2	0.0	62.2
2008	2005	134,544	185,271	319,815	23.3	82.7	106.0	23.6	85.7	109.3
2009	2006	94,388	164,171	258,559	28.7	110.6	139.3	28.7	62.1	90.8
2010 (2)	2007	170,788	312,922	483,710	19.8	58.8	78.6	13.6	38.8	52.4
2011	2008	167,978	167,686	335,664	19.5	65.1	84.6	25.8	51.5	77.3
2012	2009	229,509	192,700	422,209	16.6	68.6	85.2	18.8	46.6	65.4
2013	2010	259,786	330,411	590,197	14.5	80.4	94.9	10.7	33.3	44.0

(1) Actuarial valuation related to annual required contribution for FY.

(2) Beginning in the year ended June 30, 2010, the postemployment healthcare annual required contribution and percentage contributed includes the Medicare Part D subsidy.

Source: TRS Financial Statement as of June 30, 2013.

With implementation of GASB 67, information as presented in Table 21 is no longer provided in the PERS financial statements. The annual actuarially determined contribution (ADC) for pension for FY 2013 was \$259,786,000, FY 2014 was \$240,366,000 and for FY 2015 was \$321,971,000. The contributions in relation to the ADC for FY 2013 was \$234,317,000 FY 2014 was \$246,461,000, and FY 2015 was \$1,699,074,000, \$25,469,000 less than the ADC in FY 2013 and \$6,095,000 and \$1,377,103,000 more than the ADC in FY 2014 and 2015 respectively. Postemployment healthcare contributions in FY 2014 for the actuarial valuation year ended June 30, 2011 were \$320,797,000 of which 10.0% was paid by employers and 35.6% was paid by the State for a total percentage contributed of 45.6%.

Projections of benefits for financial report purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations. Additional information as of the latest actuarial valuation follows.

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Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal Level Percentage of Pay normal cost basis for pension and healthcare
Amortization Method	Level percentage of pay, closed
Equivalent Single Amortization Period	25 years
Asset Valuation Method	5-year smoothed fair value, reinitialized to fair value as of June 30, 2014
Actuarial Assumptions:	
Investment rate of return*	8.00% for pension, 5.08% for healthcare
Projected salary increases	6.11% for first 5 years of service grading down to 3.62% after 20 years
*Includes inflation at	3.12%
Cost-of-living adjustment	Post-retirement Pension Adjustment.

Changes in Actuarial Assumptions Since the 2013 Valuation. The ARM Board contracted for an experience analysis to be performed of the actuarial assumptions underlying the TRS actuarial valuation. As a result of the experience analysis the following changes were made as of June 30, 2014 actuarial valuation. There have been no changes in actuarial method since June 20, 2014.

	June 30, 2013	June 30, 2014
Salary Scale	Based on actual experience from 2005 to 2009.	Rates adjusted on actual experience from 2010 to 2013.
Pre-termination Mortality	The 1994 GAM Sex-distinct Table, 1994 Base Year projected to 2013 using Projection Scale AA, adjusted 45% for males, and 55% for females.	68% of male rates and 60% of female rates of RP-2000, 2000 Base Year projected to 2018 with Projection Scale BB. Deaths are assumed to result from non-occupational causes 85% of the time.
Post-termination Mortality	The 1994 GAM Sex-distinct Table, 1994 Base Year projected to 2013 using Projection Scale AA, setback 3 years for females and 4-year setback for males	94% of male rates and 97% of female rates of RP-2000, 2000 Base Year projected to 2018 with Projection Scale BB, with a three year setback for males and a four year setback for females.
Disability Mortality	RP-2000 Disabled Retiree Mortality Table.	RP-2000 Disabled Retiree Mortality Table, 2000 Base Year projected to 2018 with Projection Scale BB.
Turnover	Rates adjusted based on actual experience from 2005 to 2009.	Select and ultimate rates based upon the 2010-2013 actual withdrawal experience.
Disability	Based on actual experience from 2005 to 2009.	Retirement rates based on 2010-2013 experience. Male/female rates increased and changed to Unisex rates. Disabilities are assumed to result from occupational causes 15% of the time.
Retirement	Based on actual experience from 2005 to 2009.	Retirement rates based on 2010-2013 experience.
Part-time Service	0.60 years of credited service per year.	Part-time employees are assumed to earn 0.75 years of credited service per year.

Recent Pension Reforms

In the past several years, to mitigate expected pension costs and rising employer contribution rates, the Legislature enacted a range of statutory changes to the retirement systems and to the State's approach to managing pension and OPEB costs. In 2005, the Legislature closed the PERS and TRS DB plans and to establish DC plans, each with a healthcare component, for new employees.

In 2007, the Legislature enacted Senate Bill 123, which created the Alaska Retiree Health Care Trusts (the “Retiree Healthcare Trusts”). Senate Bill 123 directed that all separately calculated employer contributions for other post-employment benefits under the DB plans and all appropriations, earnings and reserves for the payment of retiree medical obligations be credited to these separate trusts. The State received a ruling from the IRS confirming that the State could reallocate a portion of the assets of PERS and TRS to the Retiree Healthcare Trusts, which it did.

In 2008, the Legislature enacted two additional reform bills: Senate Bill 125 and the Retirement Cost Funding Act. The Retirement Cost Funding Act authorizes issuers, including the Alaska Pension Obligation Bond Corporation (“POBC”), to issue bonds and/or to enter into contracts to finance the payment by governmental employers of their share of the UAALs of the retirement systems. The Governor’s budget for FY 2017 included an appropriation to the POBC in anticipation of a potential bond issuance. The proposed bonds were to be structured to realize a 90% funding level in TRS and to minimize the State’s non-employer payments to the retirement system. Projected savings were to be concentrated in the final 8 years of the amortization of the unfunded liability. On February 16, 2016, the Governor’s budget was amended and the appropriation to the POBC was eliminated. At this time, it is uncertain whether the POBC will be issuing bonds.

Senate Bill 125 converted PERS to a cost-sharing system, similar to TRS, and shifted to the State more of the cost of funding the UAALs of PERS and TRS. Senate Bill 125 set employer contribution rates at the higher of (i) 22 percent of total payroll for PERS and 12.56 percent of payroll for TRS and (ii) in each case, the rate required to cover the actuarially determined normal cost plus amounts required to be contributed to the DC plans’ Retiree Health Care Trusts.

As proposed by the Governor, the 2014 Legislature funded a \$3 billion transfer from the State’s Constitutional Budget Reserve Fund to the PERS and TRS retirement trust funds as part of a plan to manage the ongoing cost of funding the unfunded liabilities. The Legislature directed \$2 billion being transferred to the TRS trust and \$1 billion being transferred to the PERS trust in the FY 2015 capital budget. As part of the agreement for the transfer, the Legislature also approved HB 385 that provides for any excess assets at the termination of the plan be deposited in the General Fund and that the contribution rate for liquidating past service liabilities be based on a level percent of pay method based on amortization of the past service liability for a closed term of 25 years. An additional adjustment in 2014 was provided for in SB 119, which eliminated effective in FY 2015 the two year lag in actuarial analysis for rate setting. In October, 2014, the State’s consulting actuary estimated the impact of the one-time contributions and programmatic adjustments to increase the PERS projected June 30, 2015 funding ratio to 71.8% and the projected 2015 TRS funding ratio to 77.0%. This estimate was updated in the valuation approved in June 2016 to a PERS June 30, 2015 funding ratio of 78.3% and the 2015 TRS funding ratio of 83.3%.

The Other Retirement Systems

The Alaska National Guard and Alaska Naval Militia Retirement System. The NGNMRS was established in 1973 and includes members of the Alaska National Guard and members of the Alaska Naval Militia. Members receive voluntary retirement benefits, which do not include healthcare benefits. The Legislature made a supplemental appropriation in May 2008 of \$10 million to eliminate the June 30, 2006 NGNMRS UAAL of \$9.87 million. The total contribution for FY 2015 was \$627,300 and for FY 2014 was \$740,100.

The Judicial Retirement System. The JRS was established in 1963 and provides pension and other post-employment benefits to Supreme Court Justices and Superior, District and Appellate Court judges and the administrative director of the court system. In May 2008, the Legislature made a

supplemental appropriation of \$49 million to eliminate the June 30, 2006 JRS UAAL. The experience following the extra appropriation has continued within the JRS with pensions funded at 65.8% representing a \$66.4 million gap and OPEB funded at 139.9% representing a \$6.9 million surplus as of June 30, 2014. The total contributions for FY 2015 as a result of HB 266 were \$0 for other postemployment benefits and \$5,241,619 for pensions. The total contributions for FY 2014 as a result of HB 65 were \$177,445 for other postemployment benefits and \$4,282,876 for pensions.

The Elected Public Officers Retirement System. The EPORS was enacted as a retirement system for elected State officials who held office between January 1, 1976 and October 14, 1976. As of June 30, 2014, the actuarial accrued liability was \$20.1 million, with an expected annual benefit payment and claims cost of approximately \$1.63 million. No assets are set aside to pay EPORS benefit costs.

State's Supplemental Benefits System

In 1979, State employees elected to withdraw from the Social Security system. The State established a benefit program, effective January 1, 1980, which supplements the existing public employee retirement plans. Participation in the supplemental benefits system is mandatory for each State employee and the 21 other employers participating in the supplemental benefits system. A combined employer/employee contribution of 12.26 percent of wages (one-half contributed by employees up to the wage limit in effect for Social Security in a current year) is deposited into each employee's annuity plan account. Separate contributions are allowed to a cafeteria style supplemental benefit plan to provide death, survivor, disability and health benefits.

As of June 30, 2015, the supplemental benefits system had approximately 43,800 participants. At June 30, 2015, net assets available for system benefits were \$3.4 billion. These assets are held in trust by the State for the exclusive benefit of covered employees and their beneficiaries.

State's Deferred Compensation Plan

The State maintains an optional Deferred Compensation Plan (the "Plan") for the benefit of its employees. Participants under the Plan defer receipt of a portion of their salary until termination of State employment. As of June 30, 2015, the Plan had approximately 11,100 participants. As of June 30, 2015, the net assets available for Plan benefits were \$815.8 million. These assets are held in trust by the State for the exclusive benefit of the covered employees and their beneficiaries.

State's Annual/Personal Leave and Sick Leave

The cost of annual/personal leave and sick leave for State employees is charged against agency appropriations when leave is used rather than when leave is earned, except when an employee's State service is terminated. In that instance, the accumulated annual/personal leave balance is charged to a terminal leave liability account that is funded by a charge to each agency's operating budget.

INVESTMENT POLICIES

General Fund, Constitutional Budget Reserve Fund and Other Subfunds

By statute, the Commissioner of the DOR is the fiduciary for many of the State's funds, including the Constitutional Budget Reserve Fund, General Fund and subfunds within the General Fund, such as the Statutory Budget Reserve Fund and the Alaska Capital Income Fund. The Commissioner's responsibilities for these funds include establishing investment policy, providing accounting and custody for the assets and monitoring and reporting the performance and characteristics of the funds and

investment options. The Commissioner reviews capital market assumptions and sets an appropriate asset allocation for the General Fund, the Constitutional Budget Reserve Fund and the other subfunds, consistent with each fund's objectives and constraints. As of July 1, 2015, the target asset allocation for the Statutory Budget Reserve Fund is 32 percent intermediate-term fixed income and 68 percent liquidity pool / short-term fixed income investments.

As of August 13, 2015, the target asset allocation for the General Fund is 32 percent intermediate-term fixed income and 68 percent liquidity pool / short-term fixed income investments.

As of July 1, 2015 the Constitutional Budget Reserve Fund main account, with an intermediate time horizon, has a target asset allocation of 23 percent broad-market fixed income, 70 percent short-term fixed income, 5 percent domestic equity pool and 2 percent international equity pool investments.

Annually, the Commissioner of the DOR adopts specific investment policies for each asset class. These investment policies specify asset class characteristics, monitoring requirements and risk controls. The Commissioner may revise the investment policies as market conditions warrant. The State employs industry consultants and a professional staff to assist in monitoring and evaluating investments.

The Permanent Fund

A governor-appointed Alaska Permanent Fund Corporation (the "APFC") Board of Trustees (the "APFC Board") sets the APFC investment policy. The policy is required to be consistent with the prudent investor rule stated in AS 37.13.120, which provides: "The prudent-investor rule as applied to investment activity of the fund means that the corporation shall exercise the judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the designation and management of large investments entrusted to it, not in regard to speculation, but in regard to the permanent disposition of funds, considering preservation of the purchasing power of the fund over time while maximizing the expected total return from both income and the appreciation of capital."

At least once each calendar year, the APFC Board reviews its asset allocation policy for the investment of fund assets for the coming year, and was last amended on May 19, 2015. This review is conducted under the guidance of APFC investment staff, with the assistance and advice of the APFC Board's investment consultant. The APFC Board's long-term investment goal is to achieve an average annual real rate of return of five percent at acceptable risk levels (measured by expected volatility).

The APFC Board has created a three-person investment advisory council to provide the APFC Board with independent advice from professionals with significant, direct experience in the management and operation of large investment funds. The role of the members of the investment advisory council is to make recommendations to the APFC Board concerning investment policies, investment strategy and investment procedures; and provide other advice as requested by the APFC Board.

The APFC Board's investment allocation includes multiple asset classes having varying risk and correlation assumptions. The APFC investment policy seeks to optimize expected return versus expected risk. The fund's current target asset allocation is: 36 percent stocks, 20 percent bonds and cash, 12 percent real estate, 17 percent private equity and absolute return, 4 percent infrastructure investments, and 11 percent other investments. The APFC Board also establishes policies and guidelines for the asset classes in which fund assets are invested.

To allow for market fluctuations and to minimize transaction costs, the APFC Board has adopted ranges that permit percentage deviations from the strategic asset allocation targets in accordance with specified reporting requirements and other procedures. Generally, for each risk and asset class, the

APFC's chief investment officer has discretionary authority to permit target deviations within one specified range (referred to as the "green zone" in the investment policy), the APFC's executive director can approve target deviations for up to 90 days within a broader range (the "yellow zone"), and the APFC Board can approve operating for longer than 30 days within a third range (the "red zone").

LITIGATION

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

Upon the delivery of the Bonds, the State will furnish a certificate, to the effect that, among other things, there is no litigation pending in any State court to restrain or enjoin the issuance or delivery of the Bonds or in any way contesting the validity or enforceability of the Bonds.

At any given time, including the present, there are numerous civil actions filed by or pending against the State, which could positively or negatively impact revenue sources or cash flow. A short description of such material litigation is provided below.

Oil and Gas Tax Litigation

Administrative Litigation: There are a number of disputed tax assessments against oil and gas corporations that are at the administrative level and thus confidential under AS 43.05.230(a). The assessments involve the corporate income tax (AS 43.20) or the oil and gas production tax (AS 43.55). Because the taxpayers, the tax years, and the amounts involved are confidential, a more detailed description of the cases cannot be given. Due to the confidentiality statute and because the disputed tax assessments are ongoing, the State cannot give an estimate of how much is expected to be eventually recovered through settlement, the administrative proceedings, or adjudication. Moneys recovered are required to be transferred to the Constitutional Budget Reserve Fund.

Litigation Pending Before the Alaska Superior Court and the Alaska Supreme Court:

Elf Aggregation: Five owners of working interests in certain participating areas of the Prudhoe Bay Unit appealed DOR's January 12, 2005 decision aggregating participating areas of the Prudhoe Bay Unit for purposes of calculating Economic Limit Factors used to determine production tax liability. On October 13, 2012, the Office of Administrative Hearings granted DOR's motion for summary judgment, concluding that the aggregation decision did not constitute a regulation requiring compliance with the Administrative Procedure Act. On January 9, 2013, these working interest owners appealed the Office of Administrative Hearings decision to the State Superior Court. The Superior Court affirmed the Office of Administrative Hearings decision in its entirety. The owners have appealed to the Alaska Supreme Court (S-15891). Briefing is complete, oral argument was held on February 17, 2016. This appeal is worth several hundred million dollars in production tax revenues and interest. Any settlement on this appeal would be deposited into the Constitutional Budget Reserve Fund.

Pipeline Tariff Litigation

The State is a party to TAPS tariff litigation matters before the Regulatory Commission of Alaska (RCA) and the Federal Energy Regulatory Commission (FERC) regarding the TAPS Carriers' inclusion in the tariff rate of several hundred million dollars of imprudent expenditures made since 2004 on the TAPS Strategic Reconfiguration project (SR). The factual bases and legal standards for the SR

imprudence challenge are substantially the same at the RCA and FERC. After a concurrent hearing with the RCA and FERC, the FERC Administrative Law Judge issued a favorable decision that removed these imprudent costs from the carrier's rate base for 2009 and 2010, which will in turn lower tariff rates. The ALJ's decision was recently upheld by the full FERC Commission. The RCA adopted the FERC decision on February 29, 2016. The TAPS owners have filed petitions for review of the FERC decision before the United States Court of Appeals for the D.C. Circuit. The impact of this decision would result in payment to the state of additional royalties and production taxes for 2009 and 2010 of over \$200 million. Tariff filings for 2011 and forward were held in abeyance pending a decision on the 2009 and 2010 tariff issues, but have recently been revived for settlement discussion and potential hearings. The result of these tariff proceedings may require additional refunds of production taxes and royalties by the State, but the amounts, if any, are unknown at this time.

Education and Public School Trust Matters

Citizens Alliance Protecting School Lands v. State (Public School Trust). A non-profit corporation organized to advocate for school lands issues filed suit for declaratory relief against the State in April 2013. The complaint alleges numerous breaches of trust by the State respecting public school trust lands. The Court on January 20, 2015 granted the State summary judgment dismissing most allegations including that the State has not obtained from the United States all school trust land entitlements under the Alaska Statehood Act. The parties stipulated that the remaining claims involve whether the Territory of Alaska before statehood breached trust duties to obtain more school trust lands, whether the State is responsible for any breach by the Territory, and whether any of the State's defenses apply. The State's second summary judgment motion to dismiss all remaining trust claims was granted on March 2016 and final judgment in favor of the State was entered on April 14, 2016. An appeal has been filed.

Environmental Litigation

State of Alaska v. Williams Alaska Petroleum, Inc. et al., Case No. 4FA-14-01544CI Consolidated. This case involves litigation over environmental liabilities for the North Pole Refinery, including sulfolane pollution of the North Pole drinking water aquifer. Defendant refinery operators have asserted counterclaims seeking contribution from the State due to its role of lessor of the property during 27 out of 37 years the refinery operated.

Tort Claims

The Attorney General's Office is involved in defending numerous tort claims asserted against the State and agencies. No estimate can be given as to the likelihood or financial effect on the outcome of such claims.

Medicaid Payment Rate Appeals

The Attorney General's Office is involved in defending numerous Medicaid payment rate appeals filed by providers. No estimate can be given as to the likelihood or financial effect on the outcome of such appeals.

Employment Claims

The Attorney General's Office is involved in defending numerous employment-related claims filed by present or former employees. No estimate can be given as to the likelihood or financial effect on the outcome of such claims.

Tobacco Company Litigation

In 1998, Alaska was among 46 states that entered into a settlement of claims against the nation's major tobacco companies. The companies agreed to pay \$4.5 billion in 2000 with annual increases until payments reach \$9 billion in 2019 and each year thereafter. The State's share, based upon its proportionate tobacco consumption, is about .034 percent of the yearly payment. This income stream is indefinite as long as Americans continue to consume tobacco products.

The Legislature authorized the State to sell to the AHFC 80 percent of the State's annual settlement income. AHFC's purchase was financed through the issuance of revenue bonds by the Northern Tobacco Securitization Corporation (the "NTSC"), a subsidiary the AHFC established and to which the right to receive 80 percent of the settlement revenues was transferred. In 2006, NTSC issued additional revenue bonds to refinance its purchase of the State's annual settlement income. The NTSC is using the income stream to pay debt service on the bonds. When the bonds are paid, the settlement income reverts to the State. The State used the bond proceeds to pay for a variety of construction and maintenance projects including rural schools, ports and harbors.

The master settlement agreement provides for a payment adjustment mechanism that, when triggered, could result in the impairment of the State's right to receive the remaining 20 percent of revenue that is not pledged to the NTSC and the NTSC could suffer a revenue shortfall. This payment adjustment mechanism has been triggered for the years 2003 - 2010. States that have diligently enforced their qualifying statute are exempted from the application of this adjustment mechanism. In July 2010, an arbitration commenced regarding which states "diligently enforced" their qualifying statutes in 2003. During that arbitration, Alaska and 15 other states/territories received notice that the participating manufacturers (tobacco companies that joined the master settlement agreement) no longer contested their diligence, rendering those states exempt from the 2003 adjustment. Arbitration for the 2004 adjustment is likely to begin in 2016. The State believes it is exempt from the adjustment for 2004 and subsequent years. The State continues to monitor and participate in this case.

Other Litigation or Threatened Litigation

Legislative Information Office (LIO) Anchorage: The Legislative Affairs Agency (LAA) entered into an agreement in 2013 with its landlord 716 West Fourth Avenue LLC (716) to renovate and expand the existing LIO office in Anchorage and to extend the lease for the premises. A suit was brought in superior court by a plaintiff claiming the lease extension was not in compliance with state procurement law. In a March, 2016 decision, the superior court entered a declaratory judgment finding the lease invalid under state procurement law. A motion for reconsideration is pending before the superior court. The time for appeal to the Alaska Supreme Court has not expired.

During the 2016 legislative session, the legislature has considered purchasing the current LIO office building and also considered leaving the LIO and purchasing or leasing another building in Anchorage. The legislature is still in session and no appropriation measures have been enacted into law to accomplish either option.

On May 10, 2016, EverBank submitted a letter to the LAA contending that the LAA may be in breach of contract if it does not fulfill its lease of the LIO. The bank asserts it loaned \$28,600,000 to the landlord (716) to finance renovations to the LIO building and in connection with that lending agreement, the LAA entered into a subordination, non-disturbance and attornment agreement (SNDA) with the landlord that the bank relied upon.

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APPENDIX B

FINANCIAL STATEMENTS OF THE CORPORATION

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a component unit of the State of Alaska

**Quarterly Unaudited
Financial Statements**

March 31, 2016

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This publication of Alaska Housing Finance Corporation. For comments or questions:
 Website: <http://www.ahfc.us/pros/investors/financials-history> or
 E-Mail: jniemann@ahfc.us

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET POSITION

As of March 31, 2016

(in thousands of dollars)

	Administrative Fund	Grant Programs	Mortgage or Bond Funds	Other Funds or Programs
ASSETS				
Cash	39,912	5,351	97	22,747
Investments	481,475	-	186,198	300
Accrued interest receivable	2,754	-	8,949	91
Inter-fund due to/from	(16,614)	(10,698)	37,649	(1,298)
Mortgage loans, notes and other loans	222,275	-	2,524,579	34,274
Net investment in direct financing lease	-	-	34,555	-
Capital assets - non-depreciable	82	-	2,401	14,193
Capital assets - depreciable, net	4,029	48	12,537	74,688
Other assets	13,384	8,871	-	404
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	412	16,841	-	197
Total Assets	747,709	20,413	2,806,965	145,596
DEFERRED OUTFLOW OF RESOURCES				
	2,685	-	213,114	-
LIABILITIES				
Bonds payable	-	-	2,164,365	-
Short term debt	23,985	-	-	-
Accrued interest payable	2,349	-	25,071	-
Other liabilities	36,435	517	1,547	1,279
Derivative instrument - interest rate swaps	-	-	194,064	-
Intergovernmental payable	31	-	97	-
Total Liabilities	62,800	517	2,385,144	1,279
DEFERRED INFLOW OF RESOURCES				
	3,277	-	-	-
NET POSITION				
Net investment in capital assets	4,111	48	14,938	88,881
Restricted by bond resolutions	-	-	576,830	-
Restricted by contractual or statutory agreements	62,431	21,781	-	56,139
Unrestricted or (deficit)	617,775	(1,933)	43,167	(703)
Total Net Position	684,317	19,896	634,935	144,317

See accompanying notes to the financial statements.

Exhibit A

Total Programs and Funds	Alaska Corporation for Affordable Housing	Total March 31, 2016
68,107	2,255	70,362
667,973	-	667,973
11,794	28	11,822
9,039	(9,039)	-
2,781,128	18,185	2,799,313
34,555	-	34,555
16,676	3,667	20,343
91,302	-	91,302
22,659	238	22,897
-	-	-
17,450	-	17,450
3,720,683	15,334	3,736,017
215,799	-	215,799
2,164,365	-	2,164,365
23,985	-	23,985
27,420	-	27,420
39,778	5	39,783
194,064	-	194,064
128	-	128
2,449,740	5	2,449,745
3,277	-	3,277
107,978	3,667	111,645
576,830	-	576,830
140,351	12,883	153,234
658,306	(1,221)	657,085
1,483,465	15,329	1,498,794

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Nine Months Ended March 31, 2016

(in thousands of dollars)

	Administrative Fund	Grant Programs	Mortgage or Bond Funds	Other Funds or Programs
OPERATING REVENUES				
Mortgage and loans revenue	8,536	-	87,201	741
Investment interest	189	7	2,608	227
Net change in the fair value of investments	1,827	-	150	(157)
Net change of hedge termination	-	-	(431)	-
Total Investment Revenue	2,016	7	2,327	70
Externally funded programs	1,319	80,843	-	9,875
Rental	308	-	-	7,404
Other	1,117	585	-	22
Total Operating Revenues	13,296	81,435	89,528	18,112
OPERATING EXPENSES				
Interest	42	-	52,415	-
Mortgage and loan costs	1,587	-	6,959	66
Financing expenses	194	-	2,640	(1)
Provision for loan loss	545	-	(5,378)	209
Operations and administration	15,298	8,792	3,368	11,908
Rental housing operating expenses	11	352	-	11,414
Housing grants and subsidies	-	78,195	-	5
Total Operating Expenses	17,677	87,339	60,004	23,601
Operating Income (Loss)	(4,381)	(5,904)	29,524	(5,489)
NONOPERATING EXPENSES, SPECIAL ITEM & TRANSFERS				
Contributions to the State of Alaska or other State agencies	(34)	-	-	-
Special Item	-	-	-	-
Transfers - Internal	(60,532)	6,013	50,783	(1,753)
Change in Net Position	(64,947)	109	80,307	(7,242)
Net position at beginning of year	749,264	19,787	554,628	151,559
Cumulative effect of accounting change	-	-	-	-
Revised net position at beginning of year	749,264	19,787	554,628	151,559
Net Position at End of Period	684,317	19,896	634,935	144,317

See accompanying notes to the financial statements.

Exhibit B

Total Programs and Funds	Alaska Corporation for Affordable Housing	Total March 31, 2016
96,478	28	96,506
3,031	2	3,033
1,820	-	1,820
(431)	-	(431)
4,420	2	4,422
92,037	1	92,038
7,712	45	7,757
1,724	-	1,724
202,371	76	202,447
52,457	-	52,457
8,612	-	8,612
2,833	-	2,833
(4,624)	470	(4,154)
39,366	3	39,369
11,777	6	11,783
78,200	-	78,200
188,621	479	189,100
13,750	(403)	13,347
(34)	-	(34)
-	-	-
(5,489)	5,489	-
8,227	5,086	13,313
1,475,238	10,243	1,485,481
-	-	-
1,475,238	10,243	1,485,481
1,483,465	15,329	1,498,794

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS

For the Nine Months Ended March 31, 2016

(in thousands of dollars)

	Administrative Fund	Grant Programs	Mortgage or Bond Funds	Other Funds or Programs
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	5,033	-	81,277	645
Principal payments received on mortgages and loans	5,683	-	236,149	1,156
Disbursements to fund mortgages and loans	(369,752)	-	-	-
Receipt (payment) for loan transfers between funds	214,982	-	(184,638)	(30,344)
Mortgage and loan proceeds	312,984	-	-	-
Payment of mortgage and loan proceeds to funds	(318,706)	-	-	-
Payments to employees and other payroll disbursements	(19,265)	(4,161)	-	(6,857)
Payments for goods and services	(7,034)	(1,765)	(140)	(10,185)
Cash received for externally funded programs	1,319	62,179	-	9,697
Cash received for Federal HAP subsidies	-	24,606	-	-
Payments for Federal HAP subsidies	-	(26,612)	-	-
Interfund receipts (payments)	(7,322)	(3,201)	-	4,322
Grant payments to other agencies	(655)	(52,034)	-	-
Other operating cash receipts	8,640	1,004	71	7,518
Other operating cash payments	(898)	(60)	(147)	(27)
Net cash provided by (used for) operating activities	(174,991)	(44)	132,572	(24,075)
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	103,037	-
Principal paid on bonds	-	-	(129,979)	-
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	(319)	-	-	-
Interest paid	(37)	-	(38,132)	-
Proceeds from issuance of short term debt	195,950	-	-	-
Payment of short term debt	(188,869)	-	-	-
Contributions to the State of Alaska or other State agencies	(3)	-	-	-
Transfers (to) from other funds	16,392	(84)	(21,908)	-
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	23,114	(84)	(86,982)	-
<u>Cash flows from capital financing activities:</u>				
Acquisition of capital assets	(598)	(23)	-	(599)
Proceeds from the disposal of capital assets	53	-	-	6
Proceeds from the issuance of capital notes	-	-	-	-
Principal paid on capital notes	-	-	(5,217)	-
Payment of bond issuance costs	-	-	-	-
Interest paid on capital notes	-	-	(2,477)	-
Proceeds from direct financing leases	-	-	6,771	-
Other cash payments	-	-	-	-
Net cash provided by (used for) capital financing activities	(545)	(23)	(923)	(593)
<u>Cash flows from investing activities:</u>				
Purchase of investments	(1,809,483)	-	(1,058,139)	(28,110)
Proceeds from maturity of investments	1,977,222	-	1,012,306	56,292
Interest received from investments	253	7	1,089	363
Net cash provided by (used for) investing activities	167,992	7	(44,744)	28,545
Net Increase (decrease) in cash	15,570	(144)	(77)	3,877
Cash at the beginning of year	24,342	5,495	174	18,870
Cash at the end of period	39,912	5,351	97	22,747
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	(4,381)	(5,904)	29,524	(5,489)
<i>Adjustments:</i>				
Depreciation expense	340	12	450	4,776
Provision for loan losses	545	-	(5,378)	209
Net change in the fair value of investments	(1,827)	-	(150)	157
Transfers between funds for operating activity	(16,277)	6,096	5,865	4,427
Interest received from investments	(253)	(7)	(1,089)	(363)
Interest paid	37	-	40,609	-
<i>Changes in assets, liabilities and deferred resources:</i>				
Net increase (decrease) in mortgages and loans	(149,087)	-	51,511	(29,188)
Net increase (decrease) in assets, liabilities, and deferred resources	(4,088)	(241)	11,230	1,396
Net cash provided by (used for) operating activities	(174,991)	(44)	132,572	(24,075)
Noncash investing, capital and financing activities:				
Deferred outflow of resources-derivatives			(43,434)	
Derivative instruments liability			43,865	
Net change of hedge termination			(431)	
Transfer of direct financing lease between mortgage or bond funds			(6,173)	
Transfer of direct financing lease between mortgage or bond funds			6,173	
See accompanying notes to the financial statements.				

Exhibit C

Total Programs and Funds	Alaska Corporation for Affordable Housing	Total March 31. 2016
86,955	-	86,955
242,988	-	242,988
(369,752)	(10,819)	(380,571)
-	-	-
312,984	-	312,984
(318,706)	-	(318,706)
(30,283)	-	(30,283)
(19,124)	(18)	(19,142)
73,195	-	73,195
24,606	-	24,606
(26,612)	-	(26,612)
(6,201)	6,201	-
(52,689)	-	(52,689)
17,233	53	17,286
(1,132)	(231)	(1,363)
(66,538)	(4,814)	(71,352)
103,037	-	103,037
(129,979)	-	(129,979)
-	-	-
(319)	-	(319)
(38,169)	-	(38,169)
195,950	-	195,950
(188,869)	-	(188,869)
(3)	-	(3)
(5,600)	5,600	-
-	-	-
(63,952)	5,600	(58,352)
(1,220)	-	(1,220)
59	-	59
-	-	-
(5,217)	-	(5,217)
-	-	-
(2,477)	-	(2,477)
6,771	-	6,771
-	-	-
(2,084)	-	(2,084)
(2,895,732)	-	(2,895,732)
3,045,820	-	3,045,820
1,712	2	1,714
151,800	2	151,802
19,226	788	20,014
48,881	1,467	50,348
68,107	2,255	70,362
13,750	(403)	13,347
5,578	-	5,578
(4,624)	470	(4,154)
(1,820)	-	(1,820)
111	(111)	-
(1,712)	(2)	(1,714)
40,646	-	40,646
(126,764)	(10,819)	(137,583)
8,297	6,051	14,348
(66,538)	(4,814)	(71,352)

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NOTES TO FINANCIAL STATEMENTS

FOOTNOTE INDEX

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NOTES TO FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED MARCH 31, 2016

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, not 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: Provides resources to assist in the financing of loan programs or to fund Legislature appropriations.

Other Funds or Programs: Includes the Low Rent program and other affordable housing for low income families managed under contract with HUD, owned by AHFC. Also includes the Home Ownership Fund and the Senior Housing Revolving Loan Fund.

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. 18 State Authorizations and Commitments, for further details) and resources of the Affordable Housing Development Program. The remaining resources of the Administrative Fund are unrestricted.

The other financial activities of the Corporation are restricted by the Corporation's bond indentures, 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 major 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 threshold 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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System ("PERS") and additions to/from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

GASB Statement 72, Fair Value Measurement and Application, will be effective for AHFC'S fiscal year 2016. This Statement provides guidance for determining a fair value measurement for financial reporting purposes.

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):

	March 31, 2016
Restricted cash	\$ 30,450
Unrestricted	39,912
Carrying amount	<u>\$ 70,362</u>
Bank Balance	<u>\$ 71,658</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 1	1-5	6-10	More Than 10		March 31, 2016
U. S. Treasury securities	291	130	-	-		421
Securities of U. S. Government agencies and corporations	-	66	-	-		66
Certificates of deposit	-	-	-	-		-
Negotiable Certificates of Deposit	-	-	-	-		-
Commercial paper & medium- term notes	185,438	-	-	-		185,438
Money market funds	114,783	-	-	-		114,783
Subtotal	<u>\$ 300,512</u>	<u>\$ 196</u>	<u>\$ -</u>	<u>\$ -</u>		<u>300,708</u>
GeFONSI pool						367,265
Total AHFC Portfolio					<u>\$</u>	<u>667,973</u>

Restricted Investments

A large portion of the Corporation's investments, \$235,534,000, are restricted by bond resolutions, contractual agreements, and statutory agreements, and the remainder, \$432,439,000, 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):

	March 31, 2016
Ending unrealized holding gain	\$ 29,660
Beginning unrealized holding gain	<u>27,310</u>
Net change in unrealized holding gain	2,350
Net realized gain (loss)	<u>(530)</u>
Net increase (decrease) in fair value	<u>\$ 1,820</u>

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.

NOTES TO FINANCIAL STATEMENTS

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.

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.

NOTES TO FINANCIAL STATEMENTS

The credit quality ratings of the Corporation's investments as of March 31, 2016, as determined by nationally recognized statistical rating organizations, are shown below (in thousands). The Corporation's investments included \$421,000 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.

	S & P	Moody's	Investment Fair Value
Securities of U. S. Government agencies and Corporations:	AAA	Aaa	\$ 66
Commercial paper, medium-term notes:			
	AA+	Aa1	620
	AA+	A1	598
	AA	Aa2	710
	AA	Aa3	250
	AA	A1	275
	AA-	A1	1,545
	AA-	--	501
	AA-	Aa3	1,150
	A+	A1	1,507
	--	Aa3	200
	A	A1	600
	A	A2	2,485
	--	A1e	500
	A--1+	P-1	120,552
	A--1	P-1	50,945
	A-2	A2	501
			<u>182,939</u>
Money market funds:			
	AAAm	--	<u>114,783</u>
Unrated investments:			
Commercial paper, medium term notes	--	--	<u>2,499</u>
			<u>\$ 300,287</u>

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

NOTES TO FINANCIAL STATEMENTS

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 March 31, 2016, 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
State of Alaska	\$ 367,265	54.98 %
Goldman Sachs	114,778	17.18
Toyota Motor Credit	97,988	14.67

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 \$71,658,000 bank balance at March 31, 2016, cash deposits in the amount of \$737,000 were uninsured and uncollateralized. Additional cash deposits in the amount of \$47,576,000 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.

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 March 31, 2016:

	Investment Fair Value	Modified Duration
U. S. Treasury securities:		
Treasury coupon securities	\$ 421	1.190
Securities of U. S. Government agencies and corporations:		
Federal agency coupon securities		
Federal agency pass through securities	66	1.297
Certificates of deposit		
Commercial paper & medium-term notes:		
Commercial paper discounts	171,339	0.086
Corporate bonds	-	
Medium-term notes	14,099	0.465
Money market funds	114,783	
	<u>\$ 300,708</u>	
Portfolio modified duration		0.033

NOTES TO FINANCIAL STATEMENTS

4 INTERFUND RECEIVABLE/PAYABLE

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

Due From	Due From						Total
	Administrative Fund	Grant Programs	Mortgage or Bond Programs	Other Funds or Programs	Alaska Corporation for Affordable Housing		
Administrative Fund	\$ -	\$ 12,123	\$ -	\$ 1,298	\$ 7,614		\$ 21,035
Grant Programs	-	-	-	-	1,425		1,425
Mortgage or Bond Programs	37,649	-	-	-	-		37,649
Other Funds or Programs	-	-	-	-	-		-
Alaska Corporation for Affordable Housing	-	-	-	-	-		-
Total	\$ 37,649	\$ 12,123	\$ -	\$ 1,298	\$ 9,039		\$ 60,109

The balance 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 balance due to the Administrative Fund from the Grant Programs and the Other Funds or Programs 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 due to the Administrative Fund from ACAH resulted primarily from cash advanced by the Administrative Fund to ACAH.

The balance due to the Grant Programs from ACAH resulted from a 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):

	March 31, 2016
Mortgage loans	\$ 2,428,846
Multifamily loans	339,543
Other notes receivable	98,630
	<u>2,867,019</u>
Less:	
Allowance for losses	(67,706)
Net Mortgage loans, notes and other loans	<u>\$ 2,799,313</u>

Of the \$2,867,019,000 mortgage loans, notes, and other loans, \$85,746,000 is due within a year.

Other notes receivable include monies due to AHFC for various unconventional loan programs, monies that weren't expended by grant recipients and notes receivable due to ACAH of \$19,430,000. Included in the allowance for losses is \$1,245,000 for ACAH's notes receivable bringing ACAH's net notes receivable to \$18,185,000.

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

	March 31, 2016
<u>Delinquencies and foreclosures:</u>	
Loans delinquent 30 days or more	\$ 80,013
Foreclosures during period	5,969
Loans in foreclosure process	14,283
<u>Mortgage-related commitments:</u>	
To purchase mortgage loans	79,179

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 after June 1, 2017, which is the end of the lease. In March 2015, the Corporation issued the State Capital Project Bonds, 2015 Series A, to refund the General Housing Purpose Bonds, 2005 Series C, which were previously issued in May 2005 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 was \$44,000,000, and 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 after December 1, 2027, which is the end of the lease. In December 2015, and June 2015, the Corporation issued the State Capital Project Bonds, 2015 Series C and the State Capital Project Bonds, 2015 Series B, respectively, to partially refund the State Capital Project Bonds, 2007 Series A, which were originally issued in September 2007 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 March 31,	Future Minimum Payments Due		
	Parking Garage	Building	Total
2017	\$ 3,304	\$ 3,467	\$ 6,771
2018	3,304	-	3,304
2019	3,304	-	3,304
2020	3,304	-	3,304
2021	3,304	-	3,304
Thereafter	23,122	-	23,122
Gross payments due	39,642	3,467	43,109
Less: Unearned revenue	(8,452)	(102)	(8,554)
Net investment in direct financing lease	\$ 31,190	\$ 3,365	\$ 34,555

NOTES TO FINANCIAL STATEMENTS

8 CAPITAL ASSETS

Capital assets activity for the nine months ended March 31, 2016, and a summary of balances are shown below (in thousands):

	June 30, 2015	Additions	Reductions	March 31, 2016
Non-Depreciable Capital Assets:				
Land	\$ 19,687		\$ (9)	\$ 19,678
Construction in progress	156	509		665
Total Non-Depreciable	19,843	509	(9)	20,343
Depreciable Capital Assets:				
Buildings	242,359	323	-	242,682
Computers & Equipment	2,266	230	(245)	2,251
Vehicles	1,983	113	(33)	2,063
Less: Accumulated depreciation				
Buildings	(146,844)	(5,278)		(152,122)
Computers & Equipment	(1,850)	(207)	245	(1,812)
Vehicles	(1,700)	(93)	33	(1,760)
Total Depreciable, Net	96,214	(4,912)	-	91,302
Total Capital Assets, Net	\$ 116,057	\$ (4,403)	\$ (9)	\$ 111,645

The above capital assets include \$3,667,000 of land and land improvements that belong to ACAH.

The depreciation expense charged by the Corporation was \$5,578,000 for the nine months ended March 31, 2016.

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 \$3,413,000 at March 31, 2016.

9 DEFERRED OUTFLOWS OF RESOURCES

The Government Accounting Standards Board 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 March 31, 2016, were interest rate swap derivatives of \$191,116,000, deferred debt refunding expense of \$21,998,000, and pension deferred outflows of \$2,685,000.

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 March 31, 2016, there were 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 Amount	March 31, 2016
First-Time Home Buyer Program		
<i>Mortgage Revenue Bonds, Tax-Exempt:</i>		
• 2009 Series A-1; 3.07%, due 2027-2041	\$ 64,350	\$ 50,440
• 2009 Series A-2; 2.32%, due 2026-2041	128,750	94,310
• 2010 Series A; 2.15% to 4.00%, due 2016-2027 Unamortized discount	43,130	31,685 (146)
• 2010 Series B; 2.15% to 4.625%, due 2016-2040	35,680	31,865
• 2011 Series B; 2.10% to 4.05%, due 2016-2026	71,360	52,280
<i>Mortgage Revenue Bonds, Taxable:</i>		
• 2011 Series A; 2.80% due 2016-2026	28,945	6,635
Total Mortgage Revenue Bonds	372,215	267,069
<i>Home Mortgage Revenue Bonds, Tax-Exempt:</i>		
• 2002 Series A; Floating Rate*; 0.43% at March 31, 2016, due 2032-2036 Unamortized swap termination penalty	170,000	79,060 (4,772)
• 2007 Series A; Floating Rate*; 0.45% at March 31, 2016, due 2017-2041	75,000	75,000
• 2007 Series B; Floating Rate*; 0.41% at March 31, 2016, due 2017-2041	75,000	75,000
• 2007 Series D; Floating Rate*; 0.41% at March 31, 2016, due 2017-2041	89,370	89,370
• 2009 Series A; Floating Rate*; 0.48% at March 31, 2016, due 2020-2040	80,880	80,880
• 2009 Series B; Floating Rate*; 0.41% at March 31, 2016, due 2020-2040	80,880	80,880
• 2009 Series D; Floating Rate*; 0.38% at March 31, 2016, due 2020-2040	80,870	80,870
Total Home Mortgage Revenue Bonds	652,000	556,288
Veterans Mortgage Program Bonds:		
<i>Collateralized State Guaranteed Bonds, Tax-Exempt:</i>		
• 2006 First Series; 4.15% to 4.90%, due 2016-2037	190,000	34,350
• 2007 & 2008 First Series; 3.875% to 5.25%, due 2016-2038	57,885	12,435
Total Veterans Mortgage Program Bonds	247,885	46,785
Other Housing Bonds:		
<i>General Mortgage Revenue Bonds, Tax-Exempt:</i>		
• 2012 Series A; 1.15% to 4.30%, due 2016-2040 Unamortized discount Unamortized premium	145,890	125,300 (622) 541
<i>Governmental Purpose Bonds, Tax-Exempt:</i>		
• 1997 Series A; Floating Rate*, monthly payments, 0.39% at March 31, 2016, due 2027	33,000	14,600
• 2001 Series A; Floating Rate*; 0.40% at March 31, 2016, due 2016-2030 Unamortized swap termination penalty	76,580	49,910 (5,825)
• 2001 Series B; Floating Rate*; 0.38% at March 31, 2016, due 2016-2030	93,590	60,985
Total Other Housing Bonds	349,060	244,889

NOTES TO FINANCIAL STATEMENTS

	Original Amount	March 31, 2016
Non-Housing Bonds:		
State Capital Project Bonds, Tax-Exempt:		
• 2002 Series C; Floating Rate*, 0.39% at March 31, 2016, due 2016-2022	60,250	40,420
• 2006 Series A; 3.50% to 5.00%, due 2016-2040	100,890	1,987
• 2007 Series A & B; 4.00% to 5.25%, due 2016-2029	95,525	32,470
Unamortized discount		(35)
Unamortized premium		405
• 2011 Series A; 4.25% to 5.00%, due 2016-2027	105,185	74,670
Unamortized discount		(71)
Unamortized premium		1,060
• 2012 Series A; 3.00% to 5.00%, due 2016-2032	99,360	85,310
Unamortized discount		(111)
Unamortized premium		8,117
• 2013 Series A; 4.00% to 5.00%, due 2017-2032	86,765	86,765
Unamortized premium		8,968
• 2014 Series A; 3.00% to 5.00%, due 2016-2033	95,115	95,115
Unamortized discount		(64)
Unamortized premium		7,269
• 2014 Series B; 4.00% to 5.00%, due 2016-2029	29,285	29,085
Unamortized premium		3,643
• 2014 Series D; 2.00% to 5.00%, due 2016-2029	78,105	78,105
Unamortized premium		12,635
• 2015 Series A; 2.00% to 5.00%, due 2016-2030	111,535	111,535
Unamortized premium		16,100
• 2015 Series B; 3.00% to 5.00%, due 2016-2036	93,365	93,365
Unamortized discount		(231)
Unamortized premium		8,572
• 2015 Series C; 2.00% to 5.00%, due 2016-2035	55,620	55,620
Unamortized premium		8,630
State Capital Project Bonds, Taxable:		
• 2013 Series B; Indexed Floating Rate*, monthly payments 1.24% at March 31, 2016, due 2043	50,000	50,000
• 2014 Series C; Indexed Floating Rate*, 0.94% at March 31, 2016, due 2029	140,000	140,000
Total Non-Housing Bonds	1,201,000	1,049,334
Total Bonds Payable	\$ 2,822,160	\$ 2,164,365

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 nine months ended March 31, 2016, the Corporation made \$31,345,000 special revenue redemptions and no current refundings.

Advance Refundings

In December 2015, AHFC issued \$55,620,000 in State Capital Projects Bonds II, 2015 Series C (the "Bonds"). The Bonds were issued mainly to refund \$37,420,000 of State Capital Project Bonds, 2006 Series A and \$3,765,000 of State Capital Bonds 2007 Series B (the "Refunded Bonds"). Net proceeds of the Bonds totaled \$64,566,000, including a premium of \$8,946,000. \$42,335,000 of the proceeds was deposited into an irrevocable trust with an escrow agent to completely pay off the Refunded Bonds on the first optional redemption dates in June 2016 and December 2017. The Refunded Bonds have been legally defeased, and the trust account assets and the liability for the Refunded Bonds have been removed from the Statement of Net Position. This advance refunding decreases debt service payments by \$10,425,000 over the next 25 years, resulting in Net Present Value savings of \$4,310,000.

In the fiscal year ended June 30, 2015, the Corporation also effected an advanced refunding where the proceeds of issued bonds were used to defease outstanding debt of the Corporation.

A summary of all defeased debt follows (in thousands):

	Defeased Date	March 31, 2016
State Capital Project Bonds, 2006 Series A	June 2015	\$ 47,270
State Capital Project Bonds, 2007 Series A and B	June 2015	34,230
State Capital Project Bonds, 2006 Series A	December 2015	37,420
State Capital Project Bonds, 2007 Series B	December 2015	3,765
		<u>\$ 122,685</u>

Debt Service Requirements**

For all bonds in the preceding schedules, the Corporation's debt service requirements through 2020 and in five year increments thereafter to maturity are shown below (in thousands):

12 Months Ended March 31	Total Debt Service		
	Principal	Interest*	Total
2017	\$ 48,335	\$ 76,844	\$ 125,179
2018	59,950	75,194	135,144
2019	57,115	73,005	130,120
2020	65,500	70,702	136,202
2021	111,135	67,847	178,982
2022-2026	437,320	277,794	715,114
2027-2031	633,240	176,520	809,760
2032-2036	338,680	88,658	427,338
2037-2041	274,305	31,671	305,976
2042-2044	74,720	2,023	76,743
	<u>\$ 2,100,300</u>	<u>\$ 940,258</u>	<u>\$ 3,040,558</u>

* Interest requirements for variable-rate bonds have been computed using the effective interest rate at March 31, 2016

** 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.

NOTES TO FINANCIAL STATEMENTS

A summary of all conduit debt follows (in thousands):

	Maximum Issue Amount	Balance at March 31, 2016
Tax Exempt Direct Purchase Bonds (ANC MV Phase I Limited Partnership Project), Series 2014	\$14,682	\$8,575
Tax Exempt Revenue Bonds 2015 (Creekview Plaza 49 Senior Housing Project)	8,500	2,678
Tax Exempt Direct Purchase Bonds (325 E. 3rd Limited Partnership), Series 2016	4,000	639

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.

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 March 31, 2016, the Corporation had not posted any collateral and was not required to post any collateral.

Hedging Derivatives

The significant terms and credit ratings of the Corporation's hedging derivatives as of March 31, 2016, are shown below:

Related Bond Issue	Effective Date	Fixed Rate Paid	Variable Rate Received	Swap Termination Date	Counterparty Credit Rating ⁷
GP01A ¹	12/01/08	2.4530	67% of 1M LIBOR ⁴	12/01/30	BBB+/A3
GP01B	08/02/01	4.1427	67% of 1M LIBOR	12/01/30	AA-/Aa3
E021A1 ²	10/09/08	2.9800	70% of 3M LIBOR ⁵	06/01/32	AA+/Aa2
E021A2	10/09/08	3.4480	70% of 1M LIBOR	12/01/36	AA-/Aa3
SC02C ³	12/05/02	4.3030	SIFMA ⁶ +0.115%	07/01/22	A+/Aa2
E071AB	05/31/07	3.7345	70% of 3M LIBOR	12/01/41	AA+/Aa2
E071BD	05/31/07	3.7200	70% of 3M LIBOR	12/01/41	A+/Aa2
E091A	05/28/09	3.7610	70% of 3M LIBOR	12/01/40	A/A1
E091B	05/28/09	3.7610	70% of 3M LIBOR	12/01/40	AA+/Aa2
E091ABD	05/28/09	3.7400	70% of 3M LIBOR	12/01/40	A+/Aa2

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

NOTES TO FINANCIAL STATEMENTS

The change in fair value and ending balance of the hedging derivatives as of March 31, 2016, is shown below (in thousands). The fair value is reported as a deferred outflow / inflow of resources in the Statement of Net Position.

Related Bond Issue	Notional Amounts	Present Values	Fair Values		Change in Fair Value
			March 31, 2016	June 30, 2015	
GP01A	\$ 49,910	\$ 55,366	\$ (5,456)	\$ (3,732)	\$ (1,724)
GP01B	60,985	75,468	(14,483)	(12,810)	(1,673)
E021A1	39,800	46,020	(6,220)	(4,501)	(1,719)
E021A2	39,260	40,883	(1,623)	(2,508)	885
SC02C	40,420	45,031	(4,611)	(5,085)	474
E071AB	143,622	190,203	(46,581)	(35,022)	(11,559)
E071BD	95,748	126,568	(30,820)	(23,039)	(7,781)
E091A	72,789	97,344	(24,555)	(18,478)	(6,077)
E091B	72,789	97,261	(24,472)	(18,392)	(6,080)
E091ABD	97,052	129,347	(32,295)	(24,115)	(8,180)
Total	\$ 712,375	\$ 903,491	\$ (191,116)	\$ (147,682)	\$ (43,434)

As of March 31, 2016, 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 Ending June 30	VRDO Principal	VRDO Interest	Swap Net Payment	Total Payments
2016	\$ 3,910	\$ 1,385	\$ 10,790	\$ 16,085
2017	15,990	2,900	22,883	41,773
2018	19,235	2,831	22,307	44,373
2019	20,110	2,754	21,663	44,527
2020	24,320	2,673	20,991	47,984
2021-2025	141,380	11,666	91,119	244,165
2026-2030	157,375	8,737	68,170	234,282
2031-2035	142,185	5,573	43,589	191,347
2036-2040	154,595	2,521	19,677	176,793
2041-2045	33,275	122	951	34,348
	\$ 712,375	\$ 41,162	\$ 322,140	\$ 1,075,677

Credit Risk

As of March 31, 2016, 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 36.0% of the total notional amount of the swaps is held with one counterparty rated "AA+/Aa2". Another 32.7% of the total notional amount of the swaps is held with another counterparty rated "A+/Aa2". Of the remaining swaps, one counterparty is rated "AA-/Aa3", another counterparty is rated "A/A1", and the remaining counterparty is rated "BBB+/A2", approximating 14.1%, 10.2%, and 7.0% 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 March 31, 2016, SIFMA was 0.4% and 1-month LIBOR was 0.43725%, resulting in a SIFMA/LIBOR ratio of 91.5%. The 3-month LIBOR was 0.6286%, resulting in a SIFMA/LIBOR ratio of 63.6%. The SIFMA/LIBOR ratios have fluctuated since the agreements became effective but the anticipated cost savings from the swaps increases as the ratios decrease.

NOTES TO FINANCIAL STATEMENTS

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.

Investment Derivative

The State Capital Project Bonds, 2002 Series B, were fully redeemed in fiscal year 2009, so the associated interest rate swap is 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 March 31, 2016, are shown below:

Related Bond Issue	Effective Date	Fixed Rate Paid	Variable Rate Received	Swap	
				Termination Date	Counterparty Credit Rating
SC02B	12/05/02	3.77%	70% of 1M LIBOR	07/01/24	A+/Aa2

The change in fair value of the investment derivatives as of March 31, 2016, 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 Bond Issue	Notional Amounts	Present Values	Fair Values		Change in Fair Value
			March 31, 2016	June 30, 2015	
SC02B	\$ 14,555	\$ 17,503	\$ (2,948)	\$ (2,517)	\$ (431)

Credit Risk

As of March 31, 2016, 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+/Aa2".

12 LONG TERM LIABILITIES

The activity for the nine months ended March 31, 2016 is summarized in the following schedule (in thousands):

	June 30, 2015	Additions	Reductions	March 31, 2016	Due Within One Year
Total bonds and notes payable	\$ 2,201,527	\$ 64,565	\$ (101,727)	\$ 2,164,365	\$ 48,335
Pension liability	28,368	-	-	28,368	-
Compensated absences	4,631	2,220	(2,184)	4,667	1,846
Other liabilities	858	-	(9)	849	-
Total long-term liabilities	\$ 2,235,384	\$ 66,785	\$ (103,920)	\$ 2,198,249	\$ 50,181

NOTES TO FINANCIAL STATEMENTS

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 nine months ended March 31, 2016, was 0.12% and the highest was 0.48%.

Short term debt activity for the nine months ended March 31, 2016, is summarized in the following schedule (in thousands):

	June 30, 2015	Additions	Reductions	March 31, 2016
Commercial paper	\$ 16,900	\$ 196,006	\$ (188,906)	\$ 24,000
Unamortized discount	(1)	(51)	37	(15)
Commercial paper, net	\$ 16,899	\$ 195,955	\$ (188,869)	\$ 23,985

14 DEFERRED INFLOWS OF RESOURCES

The Government Accounting Standards Board has defined deferred inflows of resources as the acquisition of resources that are applicable to a future period. AHFC's deferred inflows of resources at March 31, 2016, represent the difference between projected and actual investment earnings in State of Alaska's Public Employees' Retirement System Defined Benefit Retirement Plan of \$3,277,000.

15 TRANSFERS

Transfers for the nine months ended March 31, 2016, are summarized in the following schedule (in thousands):

		Due From					
		Administrative Fund	Grant Programs	Mortgage or Bond Programs	Other Funds or Programs	Alaska Corporation for Affordable Housing	Total
D	Administrative Fund	\$ -	\$ 106	\$ 24,524	\$ 6,828	\$ 3,557	\$ 35,015
u	Grant Programs	6,150	-	-	-	-	6,150
e	Mortgage or Bond Programs	75,307	-	5,404	-	-	80,711
	Other Funds or Programs	5,044	31	-	-	-	5,075
T	Alaska Corporation for						
o	Affordable Housing	9,046	-	-	-	-	9,046
	Total	\$ 95,547	\$ 137	\$ 29,928	\$ 6,828	\$ 3,557	\$ 135,997

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; or
- (5) record any unreimbursable expenditures paid by the Administrative Fund on behalf of ACAH and cash transferred between the Administrative Fund and ACAH.

16 OTHER CREDIT ARRANGEMENTS

The Corporation currently has certain outstanding debt obligations with 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 March 31, 2016, the Corporation had unused standby bond purchase agreements of \$561,060,000 and bond insurance of \$34,455,000.

NOTES TO FINANCIAL STATEMENTS

17 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 nine months ended March 31, 2016 was (\$9,000). No arbitrage was paid for the nine months ended March 31, 2016.

18 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."

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 March 31, 2016, (in thousands):

	Dividend Due to State	Expenditures	Remaining Commitments
State General Fund Transfers	\$ 788,948	\$ (788,948)	\$ -
State Capital Projects Debt Service	434,866	(421,026)	13,840
State of Alaska Capital Projects	253,761	(249,045)	4,716
AHFC Capital Projects	479,608	(449,128)	30,480
Total	<u>\$ 1,957,183</u>	<u>\$ (1,908,147)</u>	<u>\$ 49,036</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.

NOTES TO FINANCIAL STATEMENTS

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.

19 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):

	March 31, 2016
▪ Beneficiaries and Special Needs Housing	\$ 990
▪ Continuum of Care Homeless Assistance	1,456
▪ Domestic Violence	1,185
▪ Drug Elimination	13
▪ Emergency Shelter Grant (ESG)	87
▪ Energy Efficiency Monitoring Research	504
▪ Energy Efficient Home Program	10,046
▪ HOME Investment Partnership	1,484
▪ Homeless Assistance Program	5,201
▪ Housing Choice Vouchers	23,062
▪ Housing Loan Program	4,907
▪ Housing Opportunities for Persons with AIDS	420
▪ Low Income Weatherization Assistance	17,013
▪ Non-Elderly Disabled (NED)	181
▪ Parolees (TBRA)	430
▪ Section 8 Rehabilitaton	320
▪ Senior Citizen Housing Development Grant	3,571
▪ Supplemental Housing Grant	5,916
▪ Technical Assistance Grant	15
▪ Utility Allowance Payments for Low Rent	5
▪ Veterans Affairs Supportive Housing	1,281
▪ Youth (TBRA)	113
Total Housing Grants and Subsidies Expenses	\$ 78,200

In addition to grant payments made, the Corporation had advanced grant funds of \$7,484,000 and committed to third parties a sum of \$68,700,000 in grant awards as of March 31, 2016.

20 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

NOTES TO FINANCIAL STATEMENTS

21 PENSION AND POST EMPLOYMENT HEALTHCARE PLANS

Description of Plans

As of March 31, 2016, 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.

PERS audited financial statements are available at www.doa.alaska.gov/drb.

Defined Benefit Pension and Post Employment Health Care Plans (*Employees hired prior to July 1, 2006*)

Employee Benefits:

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.

This plan was closed to new entrants as of June 30, 2006.

Funding Policy:

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 fiscal year 2016, 13.25% of covered salary is for the pension plan and 8.75% of covered salary is for the Post Employment Healthcare Plan.

Under AS39.35.255, the difference between the actuarial required contribution of 27.19% for fiscal year 2016 and the employer rate of 22% is funded by the State.

The Corporation's contributions to the defined benefit post-employment healthcare plan for the nine months ended March 31, 2016, totaled \$1,009,000 and for the years ended June 30, 2015, and June 30, 2014, totaled \$1,543,000 and \$1,953,000, respectively.

NOTES TO FINANCIAL STATEMENTS

Pension Liabilities:

The pension liability for the nine months ended March 31, 2016 is not available at this time.

At June 30, 2015, the Corporation reported a liability for its proportionate share to the net pension liability in the amount of \$28,368,000. This amount reflected a reduction in State pension support provided to the Corporation of \$22,645,000. The total net pension liability associated with the Corporation was \$51,013,000.

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the new pension liability was determined by an actuarial valuation as of June 30, 2013 and rolled forward to June 30, 2014.

Pension Expense:

The pension expense for the nine months ended March 31, 2016 is not available at this time.

For the year ended June 30, 2015, the Corporation recognized pension expense of \$3,473,000 and revenue of \$1,217,000 for support provided by the State.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

The deferred outflows of resources and deferred inflows of resources related to pensions for the nine months ended March 31, 2016 is not available at this time.

As of June 30, 2015, the Corporation's deferred outflows of resources related to pensions of \$2,685,000 were due to a change in its proportionate share of contributions to the pension plan of \$282,000 and contributions to the pension plan subsequent to the measurement date of \$2,403,000. The Corporation's deferred inflows of resources related to pension of \$3,277,000 were due to a difference between expected versus actual investment returns.

The amounts recognized as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows (in thousands):

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
2016	\$ 2,620	\$ (819)	\$ 1,801
2017	65	(819)	(754)
2018	-	(819)	(819)
2019	-	(820)	(820)
	<u>\$ 2,685</u>	<u>\$ (3,277)</u>	<u>\$ (592)</u>

Actuarial Assumptions:

The total pension liability as of June 30, 2015, was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014. The valuation was prepared assuming an inflation rate of 3.12%. Salary increases were determined by grading by age and service to range from 3.62% to 9.60%. Investment rate of return was calculated at 8.00%, net of pension plan investment expenses, based on an average inflation rate of 3.12% and a real rate of return of 4.88%.

Mortality rates were based on the 1994 Group Annuity Mortality ("GAM") Table, sex distinct

The actuarial assumptions used in the June 30, 2013, actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2005 to June 30, 2009, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized in the following table (note that the rates shown below exclude the inflation component):

NOTES TO FINANCIAL STATEMENTS

Asset Class	Long-term Expected Real Rate of Return
Domestic Equity	6.77 %
International Equity	7.50
Private Equity	10.86
Fixed Income	2.05
Real Estate	3.63
Absolute Return	4.80

Discount rate:

The discount rate used to ensure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that the Corporation and non-employer State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Corporation's proportionate share of the net pension liability to changes in the discount rate:

The following presents the Corporation's proportionate share of the net pension liability using the discount rate of 8% and what it would be if the discount was 1% (7%) lower or 1% higher (9%), (in thousands).

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Corporation's proportionate share of the net pension liability	\$20,934	\$28,368	\$37,196

Defined Contribution Pension and Post-Employment Health Care Plans (Employees hired on or after July 1, 2006):

Employee Benefits

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.

Funding Policy

Under State law, covered employees are required to contribute 8% of their annual covered salary. For fiscal year 2016, 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 fiscal year 2016, the Corporation is required to contribute 1.68% of the annual covered salary plus an annual flat dollar amount of \$2,004.52 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 defined benefit plan's unfunded liability. For the nine months ended March 31, 2016, the Corporation paid additional contributions of \$555,000. These contributions equal \$334,000 for the defined benefit pension and \$221,000 for the defined benefit post-employment healthcare plans.

The contributions to the pension plan for the nine months ended March 31, 2016, by the employees totaled \$375,000 and by the Corporation totaled \$245,000.

The Corporation contributed \$233,000 to a health reimbursement arrangement for the nine months ended March 31, 2016.

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 \$1,296,000 as of March 31, 2016.

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.

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):

	2015	2014	June 30, 2013	2012	2011
Assets					
Cash	\$ 50,348	\$ 77,026	\$ 59,207	\$ 64,631	\$ 73,411
Investments	816,244	1,063,200	1,218,693	1,231,890	1,362,107
Accrued interest receivable	11,606	12,357	11,559	12,423	13,305
Mortgage loans, notes and other loans	2,662,893	2,536,596	2,305,667	2,525,004	2,759,511
Net investment in direct financing lease	39,732	44,664	48,777	53,192	57,476
Unamortized bond issuance costs	-	-	10,855	14,110	16,880
Capital assets, net	116,057	120,248	125,483	125,366	121,968
Other assets	47,982	44,533	64,919	46,275	36,446
Derivative instrument - interest rate swaps	-	-	-	-	-
Total Assets	3,744,862	3,898,624	3,845,160	4,072,891	4,441,104
Deferred Outflow of Resources	171,440	156,579	136,070	215,757	100,936
Liabilities					
Bonds and notes payable	2,201,527	2,308,710	2,257,875	2,407,864	2,721,113
Short term debt	16,899	64,993	28,388	68,685	86,976
Accrued interest payable	9,397	10,147	9,947	11,323	12,688
Other liabilities	49,522	21,079	20,857	27,153	24,549
Derivative instrument - interest rate swaps	150,199	140,366	138,635	219,480	102,895
Total Liabilities	2,427,544	2,545,295	2,455,702	2,734,505	2,948,221
Deferred Inflow of Resources	3,277	-	-	-	-
Total Net Position	\$ 1,485,481	\$ 1,509,908	\$ 1,525,528	\$ 1,554,143	\$ 1,593,819
Operating Revenues					
Mortgage and loans revenue	\$ 126,140	\$ 120,740	\$ 125,059	\$ 147,078	\$ 164,242
Investment interest	4,388	6,532	6,385	6,793	8,454
Net change in fair value of investments	1,627	2,450	1,545	7,667	7,766
Net change of hedge termination	11	37	1,158	(1,765)	410
Total Investment Revenue	6,026	9,019	9,088	12,695	16,630
Externally funded programs	146,236	163,739	168,152	179,704	194,411
Rental	9,342	8,951	8,701	8,554	7,996
Other	2,355	5,637	4,325	3,147	2,416
Total Operating Revenues	290,099	308,086	315,325	351,178	385,695
Operating Expenses					
Interest	75,349	81,184	94,409	111,558	122,138
Mortgage and loan costs	11,327	9,442	10,098	11,131	11,587
Operations and administration	53,287	58,771	56,663	57,126	54,100
Financing expenses	5,064	4,415	12,419	7,807	8,692
Provision for loan loss	(5,741)	(5,688)	(4,753)	(1,542)	(6,673)
Housing grants and subsidies	125,222	149,188	150,460	179,194	196,168
Rental housing operating expenses	17,086	14,159	13,924	16,373	12,594
Total Operating Expenses	281,594	311,471	333,220	381,647	398,606
Operating Income (Loss)	8,505	(3,385)	(17,895)	(30,469)	(12,911)
Non-Operating & Special Item					
Contribution to State or State agency	(3,825)	(1,380)	(10,720)	(9,207)	(20,349)
Special item	-	-	-	-	3,088
Change in Net Position	\$ 4,680	\$ (4,765)	\$ (28,615)	\$ (39,676)	\$ (30,172)

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Corporation's Proportionate Share of the Net Pension Liability (in thousands):

	2015	2014
The Corporation's proportion of the net pension liability (asset)	0.60821387%	0.59869601%
The Corporation's proportionate share of the net pension liability (asset)	\$ 28,368	\$ 31,440
State's proportionate share of the net pension liability (asset) associated with the Corporation	22,644	26,434
Total	<u>\$ 51,012</u>	<u>\$ 57,874</u>
The Corporation's covered employee payroll	\$ 16,314	\$ 17,189
The Corporation's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	138.80%	153.78%
Plan fiduciary net position as a percentage of the total pension liability	62.37%	56.04%

Information regarding the Corporation's proportionate share of the net pension liability for the three months ended September 30, 2015, is not available at this time.

Information in this table is presented based on the Plan measurement date. For June 30, 2015, the plan measurement date is June 30, 2014.

This pension table is intended to present 10 years of information. Additional years will be added to the schedule as they become available.

The Plan is reporting no changes in benefit terms from the prior measurement period.

The Plan is reporting no changes in assumptions from the prior measurement period.

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REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Corporation's Contributions (in thousands)

	2015	2014
Contractually required contributions	\$ 2,403	\$ 2,128
Contributions in relation to the contractually required contributions	2,403	2,128
Contribution deficiency (excess)	-	-
The Corporation's covered employee payroll	16,314	17,189
Contributions as a percentage of covered-employee payroll	14.73%	12.38%

Information regarding the Corporation's contributions for the three months ended September 30, 2015, is not available at this time.

This table reports the Corporation's pension contributions to PERS during fiscal year 2015. These contributions are reported as a deferred outflow of resources on the June 30, 2015 basic financial statements.

This pension table is intended to present 10 years of information. Additional years will be added to the schedule as they become available.

The Plan is reporting no changes in benefit terms from the prior measurement period.

The Plan is reporting no changes in assumptions from the prior measurement period.

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET POSITION

COMBINED - ALL FUNDS

As of March 31, 2016

(in thousands of dollars)

	Combined Revolving Funds	Combined Mortgage Revenue Bonds	Combined Home Mortgage Revenue Bonds	Combined Veterans Mortgage Program Bonds
ASSETS				
Cash	39,912	-	-	-
Investments	481,775	23,932	62,621	16,069
Accrued interest receivable	2,845	905	2,600	375
Inter-fund due to/from	(16,193)	3,700	14,455	1,604
Mortgage loans, notes and other loans	256,549	298,802	739,623	64,478
Net investment in direct financing lease	-	-	-	-
Capital assets, non-depreciable	82	-	-	-
Capital assets - depreciable, net	4,029	-	-	-
Other assets	13,384	-	-	-
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	412	-	-	-
Total Assets	782,795	327,339	819,299	82,526
DEFERRED OUTFLOW OF RESOURCES				
	2,685	-	174,498	-
LIABILITIES				
Bonds payable	-	267,069	556,288	46,785
Short term debt	23,985	-	-	-
Accrued interest payable	2,349	2,684	6,311	771
Other liabilities	36,443	85	221	28
Derivative instrument - interest rate swaps	-	-	166,566	-
Intergovernmental payable	31	-	-	-
Total Liabilities	62,808	269,838	729,386	47,584
DEFERRED INFLOW OF RESOURCES				
	3,277	-	-	-
NET POSITION				
Net investment in capital assets	4,111	-	-	-
Restricted by bond resolutions	-	57,501	264,411	34,942
Restricted by contractual or statutory agreements	97,509	-	-	-
Unrestricted or (deficit)	617,775	-	-	-
Total Net Position	719,395	57,501	264,411	34,942

Schedule 1

Combined Other Housing Bonds	Combined Non-Housing Bonds	Combined Other Programs	Combined Total
-	97	30,353	70,362
33,989	49,587	-	667,973
1,118	3,951	28	11,822
4,032	13,858	(21,456)	-
427,703	993,973	18,185	2,799,313
-	34,555	-	34,555
-	2,401	17,860	20,343
-	12,537	74,736	91,302
-	-	9,513	22,897
-	-	-	-
-	-	17,038	17,450
466,842	1,110,959	146,257	3,736,017
21,205	17,411	-	215,799
244,889	1,049,334	-	2,164,365
-	-	-	23,985
2,638	12,667	-	27,420
605	608	1,793	39,783
19,939	7,559	-	194,064
-	97	-	128
268,071	1,070,265	1,793	2,449,745
-	-	-	3,277
-	14,938	92,596	111,645
219,976	-	-	576,830
-	-	55,725	153,234
-	43,167	(3,857)	657,085
219,976	58,105	144,464	1,498,794

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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 March 31, 2016

(in thousands of dollars)

	Administrative Fund	Home Ownership Fund	Senior Housing Revolving Loan Fund	Combined Total
ASSETS				
Cash	39,912	-	-	39,912
Investments	481,475	60	240	481,775
Accrued interest receivable	2,754	13	78	2,845
Inter-fund due to/from	(16,614)	218	203	(16,193)
Mortgage loans, notes and other loans	222,275	5,206	29,068	256,549
Net investment in direct financing lease	-	-	-	-
Capital assets - non-depreciable	82	-	-	82
Capital assets - depreciable, net	4,029	-	-	4,029
Other assets	13,384	-	-	13,384
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	412	-	-	412
Total Assets	747,709	5,497	29,589	782,795
DEFERRED OUTFLOW OF RESOURCES				
	2,685	-	-	2,685
LIABILITIES				
Bonds payable	-	-	-	-
Short term debt	23,985	-	-	23,985
Accrued interest payable	2,349	-	-	2,349
Other liabilities	36,435	1	7	36,443
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental payable	31	-	-	31
Total Liabilities	62,800	1	7	62,808
DEFERRED INFLOW OF RESOURCES				
	3,277	-	-	3,277
NET POSITION				
Net investment in capital assets	4,111	-	-	4,111
Restricted by bond resolutions	-	-	-	-
Restricted by contractual or statutory agreements	62,431	5,496	29,582	97,509
Unrestricted or (deficit)	617,775	-	-	617,775
Total Net Position	684,317	5,496	29,582	719,395

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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 March 31, 2016

(in thousands of dollars)

	Bonds 2009 A-1 2010 A, B	Bonds 2009 A-2 2011 A, B	Mortgage Revenue Bonds Combined Total
ASSETS			
Cash	-	-	-
Investments	8,909	15,023	23,932
Accrued interest receivable	372	533	905
Inter-fund due to/from	968	2,732	3,700
Mortgage loans, notes and other loans	115,766	183,036	298,802
Net investment in direct financing lease	-	-	-
Capital assets - non-depreciable	-	-	-
Capital assets - depreciable, net	-	-	-
Other assets	-	-	-
Derivative instrument - interest rate swaps	-	-	-
Intergovernmental receivable	-	-	-
Total Assets	126,015	201,324	327,339
DEFERRED OUTFLOW OF RESOURCES			
	-	-	-
LIABILITIES			
Bonds payable	113,844	153,225	267,069
Short term debt	-	-	-
Accrued interest payable	1,325	1,359	2,684
Other liabilities	34	51	85
Derivative instrument - interest rate swaps	-	-	-
Intergovernmental payable	-	-	-
Total Liabilities	115,203	154,635	269,838
DEFERRED INFLOW OF RESOURCES			
	-	-	-
NET POSITION			
Net investment in capital assets	-	-	-
Restricted by bond resolutions	10,812	46,689	57,501
Restricted by contractual or statutory agreements	-	-	-
Unrestricted or (deficit)	-	-	-
Total Net Position	10,812	46,689	57,501

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 March 31, 2016

(in thousands of dollars)

	Bonds 2002 A,B	Bonds 2007 A	Bonds 2007 B	Bonds 2007 D
ASSETS				
Cash	-	-	-	-
Investments	16,025	7,034	6,060	8,245
Accrued interest receivable	411	273	307	407
Inter-fund due to/from	2,461	1,544	1,905	1,225
Mortgage loans, notes and other loans	99,395	82,692	82,212	107,104
Net investment in direct financing lease	-	-	-	-
Capital assets - non-depreciable	-	-	-	-
Capital assets - depreciable, net	-	-	-	-
Other assets	-	-	-	-
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	-	-	-	-
Total Assets	118,292	91,543	90,484	116,981
DEFERRED OUTFLOW OF RESOURCES				
	7,843	25,746	25,731	30,510
LIABILITIES				
Bonds payable	74,288	75,000	75,000	89,370
Short term debt	-	-	-	-
Accrued interest payable	775	863	863	1,027
Other liabilities	35	25	27	35
Derivative instrument - interest rate swaps	7,843	24,325	24,310	28,768
Intergovernmental payable	-	-	-	-
Total Liabilities	82,941	100,213	100,200	119,200
DEFERRED INFLOW OF RESOURCES				
	-	-	-	-
NET POSITION				
Net investment in capital assets	-	-	-	-
Restricted by bond resolutions	43,194	17,076	16,015	28,291
Restricted by contractual or statutory agreements	-	-	-	-
Unrestricted or (deficit)	-	-	-	-
Total Net Position	43,194	17,076	16,015	28,291

Schedule 4

Bonds 2009 A	Bonds 2009 B	Bonds 2009 D	Home Mortgage Revenue Bonds Combined Total
-	-	-	-
7,768	7,850	9,639	62,621
382	363	457	2,600
2,597	2,331	2,392	14,455
115,635	124,660	127,925	739,623
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
126,382	135,204	140,413	819,299
28,377	28,294	27,997	174,498
80,880	80,880	80,870	556,288
-	-	-	-
837	835	1,111	6,311
32	30	37	221
27,247	27,164	26,909	166,566
-	-	-	-
108,996	108,909	108,927	729,386
-	-	-	-
-	-	-	-
45,763	54,589	59,483	264,411
-	-	-	-
-	-	-	-
45,763	54,589	59,483	264,411

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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 March 31, 2016

(in thousands of dollars)

	Collateralized Bonds 2006 First Series	Collateralized Bonds 2007 & 2008 First Series	Combined Total
ASSETS			
Cash	-	-	-
Investments	12,246	3,823	16,069
Accrued interest receivable	311	64	375
Inter-fund due to/from	1,348	256	1,604
Mortgage loans, notes and other loans	49,488	14,990	64,478
Net investment in direct financing lease	-	-	-
Capital assets - non-depreciable	-	-	-
Capital assets - depreciable, net	-	-	-
Other assets	-	-	-
Derivative instrument - interest rate swaps	-	-	-
Intergovernmental receivable	-	-	-
Total Assets	63,393	19,133	82,526
DEFERRED OUTFLOW OF RESOURCES			
	-	-	-
LIABILITIES			
Bonds payable	34,350	12,435	46,785
Short term debt	-	-	-
Accrued interest payable	561	210	771
Other liabilities	23	5	28
Derivative instrument - interest rate swaps	-	-	-
Intergovernmental payable	-	-	-
Total Liabilities	34,934	12,650	47,584
DEFERRED INFLOW OF RESOURCES			
	-	-	-
NET POSITION			
Net investment in capital assets	-	-	-
Restricted by bond resolutions	28,459	6,483	34,942
Restricted by contractual or statutory agreements	-	-	-
Unrestricted or (deficit)	-	-	-
Total Net Position	28,459	6,483	34,942

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ALASKA HOUSING FINANCE CORPORATION

Schedule 6

(A Component Unit of the State of Alaska)

STATEMENT OF NET POSITION**OTHER HOUSING BONDS**

As of March 31, 2016

(in thousands of dollars)

	General Mortgage Revenue Bonds II 2012 A & B	Governmental Purpose Bonds 1997 A	Governmental Purpose Bonds 2001 A-D	Combined Total
ASSETS				
Cash	-	-	-	-
Investments	11,244	8,800	13,945	33,989
Accrued interest receivable	448	76	594	1,118
Inter-fund due to/from	1,571	-	2,461	4,032
Mortgage loans, notes and other loans	194,935	13,586	219,182	427,703
Net investment in direct financing lease	-	-	-	-
Capital assets - non-depreciable	-	-	-	-
Capital assets - depreciable, net	-	-	-	-
Other assets	-	-	-	-
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	-	-	-	-
Total Assets	208,198	22,462	236,182	466,842
DEFERRED OUTFLOW OF RESOURCES				
	1,266	-	19,939	21,205
LIABILITIES				
Bonds payable	125,219	14,600	105,070	244,889
Short term debt	-	-	-	-
Accrued interest payable	1,468	2	1,168	2,638
Other liabilities	42	-	563	605
Derivative instrument - interest rate swaps	-	-	19,939	19,939
Intergovernmental payable	-	-	-	-
Total Liabilities	126,729	14,602	126,740	268,071
DEFERRED INFLOW OF RESOURCES				
	-	-	-	-
NET POSITION				
Net investment in capital assets	-	-	-	-
Restricted by bond resolutions	82,735	7,860	129,381	219,976
Restricted by contractual or statutory agreements	-	-	-	-
Unrestricted or (deficit)	-	-	-	-
Total Net Position	82,735	7,860	129,381	219,976

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET POSITION

NON-HOUSING BONDS

As of March 31, 2016

(in thousands of dollars)

	State Capital Project Bonds 2002 A, B, C	State Capital Project Bonds 2006 A	State Capital Project Bonds 2007 A & B	State Capital Project Bonds 2011 A	State Capital Project Bonds II 2012 A & B
ASSETS					
Cash	-	-	97	-	-
Investments	3,045	1,734	765	4,547	3,489
Accrued interest receivable	208	4	36	313	379
Inter-fund due to/from	445	15	37	1,282	681
Mortgage loans, notes and other loans	46,719	1,123	3,695	76,815	89,650
Net investment in direct financing lease	-	-	31,190	-	-
Capital assets - non-depreciable	-	-	-	2,401	-
Capital assets - depreciable, net	-	-	-	12,537	-
Other assets	-	-	-	-	-
Derivative instrument - interest rate swaps	-	-	-	-	-
Intergovernmental receivable	-	-	-	-	-
Total Assets	50,417	2,876	35,820	97,895	94,199
DEFERRED OUTFLOW OF RESOURCES					
	4,612	-	947	-	-
LIABILITIES					
Bonds payable	40,420	1,987	32,840	75,659	93,316
Short term debt	-	-	-	-	-
Accrued interest payable	544	28	501	1,226	1,288
Other liabilities	16	-	3	24	18
Derivative instrument - interest rate swaps	7,559	-	-	-	-
Intergovernmental payable	-	-	97	-	-
Total Liabilities	48,539	2,015	33,441	76,909	94,622
DEFERRED INFLOW OF RESOURCES					
	-	-	-	-	-
NET POSITION					
Net investment in capital assets	-	-	-	14,938	-
Restricted by bond resolutions	-	-	-	-	-
Restricted by contractual or statutory agreements	-	-	-	-	-
Unrestricted or (deficit)	6,490	861	3,326	6,048	(423)
Total Net Position	6,490	861	3,326	20,986	(423)

Schedule 7

State Capital Project Bonds II 2013 A & B	State Capital Project Bonds II 2014 A	State Capital Project Bonds II 2014 B	State Capital Project Bonds II 2014 C	State Capital Project Bonds II 2014 D	State Capital Project Bonds II 2015 A	State Capital Project Bonds II 2015 B	State Capital Project Bonds II 2015 C	General Housing Purpose Bonds 2005 B & C	Combined Total
-	-	-	-	-	-	-	-	-	97
4,176	4,762	1,707	7,420	2,563	6,346	5,568	3,465	-	49,587
754	375	131	390	267	466	419	209	-	3,951
2,168	1,323	460	1,795	1,617	1,778	1,771	486	-	13,858
142,433	100,415	30,445	143,249	89,489	111,668	97,964	60,308	-	993,973
-	-	-	-	-	3,365	-	-	-	34,555
-	-	-	-	-	-	-	-	-	2,401
-	-	-	-	-	-	-	-	-	12,537
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
149,531	106,875	32,743	152,854	93,936	123,623	105,722	64,468	-	1,110,959
-	-	-	-	-	5,263	4,753	1,836	-	17,411
145,733	102,320	32,728	140,000	90,740	127,635	101,706	64,250	-	1,049,334
-	-	-	-	-	-	-	-	-	-
1,387	1,531	482	419	1,300	1,641	1,400	920	-	12,667
21	29	12	36	26	376	31	16	-	608
-	-	-	-	-	-	-	-	-	7,559
-	-	-	-	-	-	-	-	-	97
147,141	103,880	33,222	140,455	92,066	129,652	103,137	65,186	-	1,070,265
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	14,938
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
2,390	2,995	(479)	12,399	1,870	(766)	7,338	1,118	-	43,167
2,390	2,995	(479)	12,399	1,870	(766)	7,338	1,118	-	58,105

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET POSITION

OTHER PROGRAM FUNDS

As of March 31, 2016

(in thousands of dollars)

	Energy Programs	Low Rent Program	Market Rate Rental Housing Programs	Section 8 Vouchers Programs
ASSETS				
Cash	1,028	11,325	11,422	4,165
Investments	-	-	-	-
Accrued interest receivable	-	-	-	-
Inter-fund due to/from	(7,441)	(837)	(882)	(1,764)
Mortgage loans, notes and other loans	-	-	-	-
Net investment in direct financing lease	-	-	-	-
Capital assets - non-depreciable	-	12,554	1,639	-
Capital assets - depreciable, net	-	56,656	18,032	48
Other assets	2,168	385	19	308
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	10,509	197	-	110
Total Assets	6,264	80,280	30,230	2,867
DEFERRED OUTFLOW OF RESOURCES				
	-	-	-	-
LIABILITIES				
Bonds payable	-	-	-	-
Short term debt	-	-	-	-
Accrued interest payable	-	-	-	-
Other liabilities	384	1,018	253	120
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental payable	-	-	-	-
Total Liabilities	384	1,018	253	120
DEFERRED INFLOW OF RESOURCES				
	-	-	-	-
NET POSITION				
Net investment in capital assets	-	69,210	19,671	48
Restricted by bond resolutions	-	-	-	-
Restricted by contractual or statutory agreements	7,368	10,731	10,330	3,112
Unrestricted or (deficit)	(1,488)	(679)	(24)	(413)
Total Net Position	5,880	79,262	29,977	2,747

Schedule 8

Other Grants	Alaska Corporation for Affordable Housing	Combined Total
158	2,255	30,353
-	-	-
-	28	28
(1,493)	(9,039)	(21,456)
-	18,185	18,185
-	-	-
-	3,667	17,860
-	-	74,736
6,395	238	9,513
-	-	-
6,222	-	17,038
11,282	15,334	146,257
-	-	-
-	-	-
-	-	-
-	-	-
13	5	1,793
-	-	-
-	-	-
13	5	1,793
-	-	-
-	-	-
-	3,667	92,596
-	-	-
11,301	12,883	55,725
(32)	(1,221)	(3,857)
11,269	15,329	144,464

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 Nine Months Ended March 31, 2016

(in thousands of dollars)

	Combined Revolving Funds	Combined Mortgage Revenue Bonds	Combined Home Mortgage Revenue Bonds	Combined Veterans Mortgage Program Bonds
OPERATING REVENUES				
Mortgage and loans revenue	9,277	8,792	25,277	2,918
Investment interest	414	119	134	46
Net change in the fair value of investments	1,670	18	75	4
Net change of hedge termination	-	-	-	-
Total Investment Revenue	2,084	137	209	50
Externally funded program	1,319	-	-	-
Rental	308	-	-	-
Other	1,117	-	-	-
Total Operating Revenues	14,105	8,929	25,486	2,968
OPERATING EXPENSES				
Interest	42	6,213	15,442	1,855
Mortgage and loan costs	1,653	825	2,199	232
Financing expenses	193	26	1,897	5
Provision for loan loss	754	(916)	(1,764)	(497)
Operations and administration	15,322	388	936	78
Rental housing operating expenses	11	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	17,975	6,536	18,710	1,673
Operating Income (Loss)	(3,870)	2,393	6,776	1,295
NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS				
Contributions to the State of Alaska or other State agencies	(34)	-	-	-
Special Items	-	-	-	-
Transfers - Internal	(66,642)	870	827	83
Change in Net Position	(70,546)	3,263	7,603	1,378
Net position at beginning of year	789,941	54,238	256,808	33,564
Cumulative effect of accounting change	-	-	-	-
Revised net position at beginning of year	789,941	54,238	256,808	33,564
Net Position at End of Period	719,395	57,501	264,411	34,942

Schedule 9

Combined Other Housing Bonds	Combined Non-Housing Bonds	Combined Other Programs	Combined Total
11,756	38,458	28	96,506
532	1,777	11	3,033
42	11	-	1,820
-	(431)	-	(431)
574	1,357	11	4,422
-	-	90,719	92,038
-	-	7,449	7,757
-	-	607	1,724
12,330	39,815	98,814	202,447
6,296	22,609	-	52,457
1,004	2,699	-	8,612
110	602	-	2,833
(468)	(1,733)	470	(4,154)
412	1,554	20,679	39,369
-	-	11,772	11,783
-	-	78,200	78,200
7,354	25,731	111,121	189,100
4,976	14,084	(12,307)	13,347
-	-	-	(34)
-	-	-	-
4,787	44,216	15,859	-
9,763	58,300	3,552	13,313
210,213	(195)	140,912	1,485,481
-	-	-	-
210,213	(195)	140,912	1,485,481
219,976	58,105	144,464	1,498,794

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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 Nine Months Ended March 31, 2016

(in thousands of dollars)

	Administrative Fund	Home Ownership Fund	Senior Housing Revolving Loan Fund	Combined Total
OPERATING REVENUES				
Mortgage and loans revenue	8,536	117	624	9,277
Investment interest	189	84	141	414
Net change in the fair value of investments	1,827	(59)	(98)	1,670
Net change of hedge termination	-	-	-	-
Total Investment Revenue	2,016	25	43	2,084
Externally funded program	1,319	-	-	1,319
Rental	308	-	-	308
Other	1,117	-	-	1,117
Total Operating Revenues	13,296	142	667	14,105
OPERATING EXPENSES				
Interest	42	-	-	42
Mortgage and loan costs	1,587	12	54	1,653
Financing expenses	194	(1)	-	193
Provision for loan loss	545	53	156	754
Operations and administration	15,298	4	20	15,322
Rental housing operating expenses	11	-	-	11
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	17,677	68	230	17,975
Operating Income (Loss)	(4,381)	74	437	(3,870)
NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS				
Contributions to the State of Alaska or other State agencies	(34)	-	-	(34)
Special Items	-	-	-	-
Transfers - Internal	(60,532)	(6,200)	90	(66,642)
Change in Net Position	(64,947)	(6,126)	527	(70,546)
Net position at beginning of year	749,264	11,622	29,055	789,941
Cumulative effect of accounting change	-	-	-	-
Revised net position at beginning of year	749,264	11,622	29,055	789,941
Net Position at End of Period	684,317	5,496	29,582	719,395

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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 Nine Months Ended March 31, 2016

(in thousands of dollars)

	Bonds 2009 A-1 2010 A, B	Bonds 2009 A-2 2011 A, B	Mortgage Revenue Bonds Combined Total
OPERATING REVENUES			
Mortgage and loans revenue	3,587	5,205	8,792
Investment interest	50	69	119
Net change in the fair value of investments	7	11	18
Net change of hedge termination	-	-	-
Total Investment Revenue	57	80	137
Externally funded program	-	-	-
Rental	-	-	-
Other	-	-	-
Total Operating Revenues	3,644	5,285	8,929
OPERATING EXPENSES			
Interest	3,047	3,166	6,213
Mortgage and loan costs	327	498	825
Financing expenses	11	15	26
Provision for loan loss	(329)	(587)	(916)
Operations and administration	142	246	388
Rental housing operating expenses	-	-	-
Housing grants and subsidies	-	-	-
Total Operating Expenses	3,198	3,338	6,536
Operating Income (Loss)	446	1,947	2,393
NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS			
Contributions to the State of Alaska or other State agencies	-	-	-
Special Items	-	-	-
Transfers - Internal	468	402	870
Change in Net Position	914	2,349	3,263
Net position at beginning of year	9,898	44,340	54,238
Cumulative effect of accounting change	-	-	-
Revised net position at beginning of year	9,898	44,340	54,238
Net Position at End of Period	10,812	46,689	57,501

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 Nine Months Ended March 31, 2016

(in thousands of dollars)

	Bonds 2002 A,B	Bonds 2007 A	Bonds 2007 B	Bonds 2007 D
OPERATING REVENUES				
Mortgage and loans revenue	4,144	2,922	2,993	3,801
Investment interest	28	15	14	19
Net change in the fair value of investments	24	7	7	9
Net change of hedge termination	-	-	-	-
Total Investment Revenue	52	22	21	28
Externally funded program	-	-	-	-
Rental	-	-	-	-
Other	-	-	-	-
Total Operating Revenues	4,196	2,944	3,014	3,829
OPERATING EXPENSES				
Interest	2,490	2,031	2,030	2,420
Mortgage and loan costs	365	274	263	327
Financing expenses	514	93	105	120
Provision for loan loss	(376)	(179)	(159)	(269)
Operations and administration	192	110	103	133
Rental housing operating expenses	-	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	3,185	2,329	2,342	2,731
Operating Income (Loss)	1,011	615	672	1,098
NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Special Items	-	-	-	-
Transfers - Internal	(599)	231	(370)	174
Change in Net Position	412	846	302	1,272
Net position at beginning of year	42,782	16,230	15,713	27,019
Cumulative effect of accounting change	-	-	-	-
Revised net position at beginning of year	42,782	16,230	15,713	27,019
Net Position at End of Period	43,194	17,076	16,015	28,291

Schedule 12

Bonds 2009 A	Bonds 2009 B	Bonds 2009 D	Home Mortgage Revenue Bonds Combined Total
3,472	3,714	4,231	25,277
18	20	20	134
9	9	10	75
-	-	-	-
27	29	30	209
-	-	-	-
-	-	-	-
-	-	-	-
3,499	3,743	4,261	25,486
2,091	2,089	2,291	15,442
295	316	359	2,199
358	281	426	1,897
(175)	(197)	(409)	(1,764)
117	130	151	936
-	-	-	-
-	-	-	-
2,686	2,619	2,818	18,710
813	1,124	1,443	6,776
-	-	-	-
-	-	-	-
578	455	358	827
1,391	1,579	1,801	7,603
44,372	53,010	57,682	256,808
-	-	-	-
44,372	53,010	57,682	256,808
45,763	54,589	59,483	264,411

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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 Nine Months Ended March 31, 2016

(in thousands of dollars)

	Collateralized Bonds 2006 First Series	Collateralized Bonds 2007 & 2008 First Series	Combined Total
OPERATING REVENUES			
Mortgage and loans revenue	2,219	699	2,918
Investment interest	36	10	46
Net change in the fair value of investments	3	1	4
Net change of hedge termination	-	-	-
Total Investment Revenue	39	11	50
Externally funded program	-	-	-
Rental	-	-	-
Other	-	-	-
Total Operating Revenues	2,258	710	2,968
OPERATING EXPENSES			
Interest	1,353	502	1,855
Mortgage and loan costs	178	54	232
Financing expenses	4	1	5
Provision for loan loss	(387)	(110)	(497)
Operations and administration	58	20	78
Rental housing operating expenses	-	-	-
Housing grants and subsidies	-	-	-
Total Operating Expenses	1,206	467	1,673
Operating Income (Loss)	1,052	243	1,295
NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS			
Contributions to the State of Alaska or other State agencies	-	-	-
Special Items	-	-	-
Transfers - Internal	63	20	83
Change in Net Position	1,115	263	1,378
Net position at beginning of year	27,344	6,220	33,564
Cumulative effect of accounting change	-	-	-
Revised net position at beginning of year	27,344	6,220	33,564
Net Position at End of Period	28,459	6,483	34,942

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ALASKA HOUSING FINANCE CORPORATION

Schedule 14

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**OTHER HOUSING BONDS**

For the Nine Months Ended March 31, 2016

(in thousands of dollars)

	General Mortgage Revenue Bonds II 2012 A & B	Governmental Purpose Bonds 1997 A	Governmental Purpose Bonds 2001 A-D	Combined Total
OPERATING REVENUES				
Mortgage and loans revenue	4,956	359	6,441	11,756
Investment interest	32	13	487	532
Net change in the fair value of investments	11	14	17	42
Net change of hedge termination	-	-	-	-
Total Investment Revenue	43	27	504	574
Externally funded program	-	-	-	-
Rental	-	-	-	-
Other	-	-	-	-
Total Operating Revenues	4,999	386	6,945	12,330
OPERATING EXPENSES				
Interest	3,284	3	3,009	6,296
Mortgage and loan costs	426	-	578	1,004
Financing expenses	9	31	70	110
Provision for loan loss	(107)	(12)	(349)	(468)
Operations and administration	173	-	239	412
Rental housing operating expenses	-	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	3,785	22	3,547	7,354
Operating Income (Loss)	1,214	364	3,398	4,976
NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Special Items	-	-	-	-
Transfers - Internal	4,649	31	107	4,787
Change in Net Position	5,863	395	3,505	9,763
Net position at beginning of year	76,872	7,465	125,876	210,213
Cumulative effect of accounting change	-	-	-	-
Revised net position at beginning of year	76,872	7,465	125,876	210,213
Net Position at End of Period	82,735	7,860	129,381	219,976

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 Nine Months Ended March 31, 2016

(in thousands of dollars)

	State Capital Project Bonds 2002 A, B, C	State Capital Project Bonds 2006 A	State Capital Project Bonds 2007 A & B	State Capital Project Bonds 2011 A	State Capital Project Bonds II 2012 A & B
OPERATING REVENUES					
Mortgage and loans revenue	1,781	983	324	3,068	3,851
Investment interest	12	11	1,332	15	13
Net change in the fair value of investments	1	-	-	1	1
Net change of hedge termination	(431)	-	-	-	-
Total Investment Revenue	(418)	11	1,332	16	14
Externally funded program	-	-	-	-	-
Rental	-	-	-	-	-
Other	-	-	-	-	-
Total Operating Revenues	1,363	994	1,656	3,084	3,865
OPERATING EXPENSES					
Interest	1,718	772	1,249	2,608	1,920
Mortgage and loan costs	142	66	26	240	208
Financing expenses	47	3	15	4	5
Provision for loan loss	(78)	(606)	(184)	(101)	(422)
Operations and administration	80	19	13	603	58
Rental housing operating expenses	-	-	-	-	-
Housing grants and subsidies	-	-	-	-	-
Total Operating Expenses	1,909	254	1,119	3,354	1,769
Operating Income (Loss)	(546)	740	537	(270)	2,096
NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS					
Contributions to the State of Alaska or other State agencies	-	-	-	-	-
Special Items	-	-	-	-	-
Transfers - Internal	5,276	(2,892)	(877)	5,887	4,089
Change in Net Position	4,730	(2,152)	(340)	5,617	6,185
Net position at beginning of year	1,760	3,013	3,666	15,369	(6,608)
Cumulative effect of accounting change	-	-	-	-	-
Revised net position at beginning of year	1,760	3,013	3,666	15,369	(6,608)
Net Position at End of Period	6,490	861	3,326	20,986	(423)

Schedule 15

State Capital Project Bonds II 2013 A & B	State Capital Project Bonds II 2014 A	State Capital Project Bonds II 2014 B	State Capital Project Bonds II 2014 C	State Capital Project Bonds II 2014 D	State Capital Project Bonds II 2015 A	State Capital Project Bonds II 2015 B	State Capital Project Bonds II 2015 C	General Housing Purpose Bonds 2005 B & C	Combined Total
6,937	3,672	1,172	4,573	2,964	4,195	4,066	872	-	38,458
17	21	7	22	11	291	19	6	-	1,777
1	1	-	2	1	1	1	1	-	11
-	-	-	-	-	-	-	-	-	(431)
18	22	7	24	12	292	20	7	-	1,357
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
6,955	3,694	1,179	4,597	2,976	4,487	4,086	879	-	39,815
2,342	2,476	614	831	1,722	3,294	2,431	632	-	22,609
207	274	106	426	289	347	300	68	-	2,699
8	6	2	8	5	7	153	339	-	602
(396)	(230)	(80)	(95)	2	(143)	(9)	609	-	(1,733)
58	70	57	140	92	157	149	58	-	1,554
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
2,219	2,596	699	1,310	2,110	3,662	3,024	1,706	-	25,731
4,736	1,098	480	3,287	866	825	1,062	(827)	-	14,084
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
3,755	10,195	2,844	7,982	(5,998)	11,326	737	1,945	(53)	44,216
8,491	11,293	3,324	11,269	(5,132)	12,151	1,799	1,118	(53)	58,300
(6,101)	(8,298)	(3,803)	1,130	7,002	(12,917)	5,539	-	53	(195)
-	-	-	-	-	-	-	-	-	-
(6,101)	(8,298)	(3,803)	1,130	7,002	(12,917)	5,539	-	53	(195)
2,390	2,995	(479)	12,399	1,870	(766)	7,338	1,118	-	58,105

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 Nine Months Ended March 31, 2016

(in thousands of dollars)

	Energy Programs	Low Rent Program	Market Rate Rental Housing Programs	Section 8 Vouchers Programs
OPERATING REVENUES				
Mortgage and loans revenue	-	-	-	-
Investment interest	1	1	1	6
Net change in the fair value of investments	-	-	-	-
Net change of hedge termination	-	-	-	-
Total Investment Revenue	1	1	1	6
Externally funded program	29,025	8,274	1,601	29,018
Rental	-	5,639	1,765	-
Other	2	20	2	6
Total Operating Revenues	29,028	13,934	3,369	29,030
OPERATING EXPENSES				
Interest	-	-	-	-
Mortgage and loan costs	-	-	-	-
Financing expenses	-	-	-	-
Provision for loan loss	-	-	-	-
Operations and administration	3,015	9,538	2,346	3,770
Rental housing operating expenses	60	9,148	2,266	158
Housing grants and subsidies	27,563	5	-	26,571
Total Operating Expenses	30,638	18,691	4,612	30,499
Operating Income (Loss)	(1,610)	(4,757)	(1,243)	(1,469)
NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Special Items	-	-	-	-
Transfers - Internal	1,750	2,870	1,487	499
Change in Net Position	140	(1,887)	244	(970)
Net position at beginning of year	5,740	81,149	29,733	3,717
Cumulative effect of accounting change	-	-	-	-
Revised net position at beginning of year	5,740	81,149	29,733	3,717
Net Position at End of Period	5,880	79,262	29,977	2,747

Schedule 16

Other Grants	Alaska Corporation for Affordable Housing	Combined Total
-	28	28
-	2	11
-	-	-
-	-	-
-	2	11
22,800	1	90,719
-	45	7,449
577	-	607
23,377	76	98,814
-	-	-
-	-	-
-	-	-
-	470	470
2,007	3	20,679
134	6	11,772
24,061	-	78,200
26,202	479	111,121
(2,825)	(403)	(12,307)
-	-	-
-	-	-
3,764	5,489	15,859
939	5,086	3,552
10,330	10,243	140,912
-	-	-
10,330	10,243	140,912
11,269	15,329	144,464

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS

COMBINED - ALL FUNDS

For the Nine Months Ended March 31, 2016

(in thousands of dollars)

	Combined Revolving Funds	Combined Mortgage Revenue Bonds	Combined Home Mortgage Revenue Bonds	Combined Veterans Mortgage Program Bonds
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	5,678	8,095	23,434	2,749
Principal payments received on mortgages and loans	6,839	29,983	75,060	11,798
Disbursements to fund mortgages and loans	(369,752)	-	-	-
Receipt (payment) for loan transfers between funds	184,638	(35,679)	(40,634)	1,144
Mortgage and loan proceeds	312,984	-	-	-
Payment of mortgage and loan proceeds to funds	(318,706)	-	-	-
Payments to employees and other payroll disbursements	(19,265)	-	-	-
Payments for goods and services	(7,034)	-	(140)	-
Cash received for externally funded programs	1,319	-	-	-
Cash received for Federal HAP subsidies	-	-	-	-
Payments for Federal HAP subsidies	-	-	-	-
Interfund receipts (payments)	(7,322)	-	-	-
Grant payments to other agencies	(655)	-	-	-
Other operating cash receipts	8,640	-	-	-
Other operating cash payments	(898)	-	-	-
Net cash provided by (used for) operating activities	(203,534)	2,399	57,720	15,691
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	80,881	-
Principal paid on bonds	-	(16,065)	(89,016)	(10,070)
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	(319)	-	-	-
Interest paid	(37)	(4,218)	(9,889)	(1,312)
Proceeds from issuance of short term debt	195,950	-	-	-
Payment of short term debt	(188,869)	-	-	-
Contributions to the State of Alaska or other State agencies	(3)	-	-	-
Transfers (to) from other funds	16,392	72	(4,458)	-
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	23,114	(20,211)	(22,482)	(11,382)
<u>Cash flows from capital financing activities:</u>				
Acquisition of capital assets	(598)	-	-	-
Proceeds from the disposal of capital assets	53	-	-	-
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	-	-	-	-
Net cash provided by (used for) capital financing activities	(545)	-	-	-
<u>Cash flows from investing activities:</u>				
Purchase of investments	(1,837,593)	(252,606)	(230,264)	(67,110)
Proceeds from maturity of investments	2,033,514	270,296	194,888	62,755
Interest received from investments	614	122	138	46
Net cash provided by (used for) investing activities	196,535	17,812	(35,238)	(4,309)
Net Increase (decrease) in cash	15,570	-	-	-
Cash at the beginning of year	24,342	-	-	-
Cash at the end of period	39,912	-	-	-
<u>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</u>				
Operating income (loss)	(3,870)	2,393	6,776	1,295
<u>Adjustments:</u>				
Depreciation expense	340	-	-	-
Provision for loan losses	754	(916)	(1,764)	(497)
Net change in the fair value of investments	(1,670)	(18)	(75)	(4)
Transfers between funds for operating activity	(16,159)	624	2,822	83
Interest received from investments	(614)	(122)	(138)	(46)
Interest paid	37	4,218	9,889	1,312
<u>Changes in assets, liabilities and deferred resources:</u>				
Net increase (decrease) in mortgages and loans	(178,275)	(5,696)	34,426	12,942
Net increase (decrease) in assets, liabilities and deferred resources	(4,077)	1,916	5,784	606
Net cash provided by (used for) operating activities	(203,534)	2,399	57,720	15,691

Schedule 17

Combined Other Housing Bonds	Combined Non-Housing Bonds	Combined Other Programs	Combined Total
10,926	36,073	-	86,955
39,765	79,543	-	242,988
-	-	(10,819)	(380,571)
(43,191)	(66,278)	-	-
-	-	-	312,984
-	-	-	(318,706)
-	-	(11,018)	(30,283)
-	-	(11,968)	(19,142)
-	-	71,876	73,195
-	-	24,606	24,606
-	-	(26,612)	(26,612)
-	-	7,322	-
-	-	(52,034)	(52,689)
-	71	8,575	17,286
-	(147)	(318)	(1,363)
7,500	49,262	(390)	(71,352)
-	22,156	-	103,037
(6,440)	(8,388)	-	(129,979)
-	-	-	-
-	-	-	(319)
(4,113)	(18,600)	-	(38,169)
-	-	-	195,950
-	-	-	(188,869)
-	-	-	(3)
(7)	(17,515)	5,516	-
-	-	-	-
(10,560)	(22,347)	5,516	(58,352)
-	-	(622)	(1,220)
-	-	6	59
-	-	-	-
-	(5,217)	-	(5,217)
-	-	-	-
-	(2,477)	-	(2,477)
-	6,771	-	6,771
-	-	-	-
-	(923)	(616)	(2,084)
(171,114)	(337,045)	-	(2,895,732)
173,568	310,799	-	3,045,820
606	177	11	1,714
3,060	(26,069)	11	151,802
-	(77)	4,521	20,014
-	174	25,832	50,348
-	97	30,353	70,362
4,976	14,084	(12,307)	13,347
-	450	4,788	5,578
(468)	(1,733)	470	(4,154)
(42)	(11)	-	(1,820)
598	1,738	10,294	-
(606)	(177)	(11)	(1,714)
4,113	21,077	-	40,646
(3,426)	13,265	(10,819)	(137,583)
2,355	569	7,195	14,348
7,500	49,262	(390)	(71,352)

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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 Nine Months Ended March 31, 2016

(in thousands of dollars)

	Administrative Fund	Home Ownership Fund	Senior Housing Revolving Loan Fund	Combined Total
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	5,033	99	546	5,678
Principal payments received on mortgages and loans	5,683	56	1,100	6,839
Disbursements to fund mortgages and loans	(369,752)	-	-	(369,752)
Receipt (payment) for loan transfers between funds	214,982	(11,743)	(18,601)	184,638
Mortgage and loan proceeds	312,984	-	-	312,984
Payment of mortgage and loan proceeds to funds	(318,706)	-	-	(318,706)
Payments to employees and other payroll disbursements	(19,265)	-	-	(19,265)
Payments for goods and services	(7,034)	-	-	(7,034)
Cash received for externally funded programs	1,319	-	-	1,319
Cash received for Federal HAP subsidies	-	-	-	-
Payments for Federal HAP subsidies	-	-	-	-
Interfund receipts (payments)	(7,322)	-	-	(7,322)
Grant payments to other agencies	(655)	-	-	(655)
Other operating cash receipts	8,640	-	-	8,640
Other operating cash payments	(898)	-	-	(898)
Net cash provided by (used for) operating activities	(174,991)	(11,588)	(16,955)	(203,534)
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	-	-
Principal paid on bonds	-	-	-	-
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	(319)	-	-	(319)
Interest paid	(37)	-	-	(37)
Proceeds from issuance of short term debt	195,950	-	-	195,950
Payment of short term debt	(188,869)	-	-	(188,869)
Contributions to the State of Alaska or other State agencies	(3)	-	-	(3)
Transfers (to) from other funds	16,392	-	-	16,392
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	23,114	-	-	23,114
<u>Cash flows from capital financing activities:</u>				
Acquisition of capital assets	(598)	-	-	(598)
Proceeds from the disposal of capital assets	53	-	-	53
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	-	-	-	-
Net cash provided by (used for) capital financing activities	(545)	-	-	(545)
<u>Cash flows from investing activities:</u>				
Purchase of investments	(1,809,483)	(10,942)	(17,168)	(1,837,593)
Proceeds from maturity of investments	1,977,222	22,388	33,904	2,033,514
Interest received from investments	253	142	219	614
Net cash provided by (used for) investing activities	167,992	11,588	16,955	196,535
Net Increase (decrease) in cash	15,570	-	-	15,570
Cash at the beginning of year	24,342	-	-	24,342
Cash at the end of period	39,912	-	-	39,912
<u>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</u>				
Operating income (loss)	(4,381)	74	437	(3,870)
<u>Adjustments:</u>				
Depreciation expense	340	-	-	340
Provision for loan losses	545	53	156	754
Net change in the fair value of investments	(1,827)	59	98	(1,670)
Transfers between funds for operating activity	(16,277)	29	89	(16,159)
Interest received from investments	(253)	(142)	(219)	(614)
Interest paid	37	-	-	37
<u>Changes in assets, liabilities and deferred resources:</u>				
Net increase (decrease) in mortgages and loans	(149,087)	(11,687)	(17,501)	(178,275)
Net increase (decrease) in assets, liabilities and deferred resources	(4,088)	26	(15)	(4,077)
Net cash provided by (used for) operating activities	(174,991)	(11,588)	(16,955)	(203,534)

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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 Nine Months Ended March 31, 2016

(in thousands of dollars)

	Bonds 2009 A-1 2010 A, B	Bonds 2009 A-2 2011 A, B	Mortgage Revenue Bonds Combined Total
<u>Cash flows from operating activities:</u>			
Interest income on mortgages and loans	3,311	4,784	8,095
Principal payments received on mortgages and loans	10,707	19,276	29,983
Disbursements to fund mortgages and loans	-	-	-
Receipt (payment) for loan transfers between funds	(18,233)	(17,446)	(35,679)
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	-	-	-
Net cash provided by (used for) operating activities	(4,215)	6,614	2,399
<u>Cash flows from noncapital financing activities:</u>			
Proceeds from the issuance of bonds	-	-	-
Principal paid on bonds	(4,605)	(11,460)	(16,065)
Payment to defease bonds	-	-	-
Payment of bond issuance costs	-	-	-
Interest paid	(2,049)	(2,169)	(4,218)
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	91	(19)	72
Other cash payments	-	-	-
Net cash provided by (used for) noncapital financing activities	(6,563)	(13,648)	(20,211)
<u>Cash flows from capital financing activities:</u>			
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	-	-	-
Net cash provided by (used for) capital financing activities	-	-	-
<u>Cash flows from investing activities:</u>			
Purchase of investments	(107,740)	(144,866)	(252,606)
Proceeds from maturity of investments	118,466	151,830	270,296
Interest received from investments	52	70	122
Net cash provided by (used for) investing activities	10,778	7,034	17,812
Net Increase (decrease) in cash	-	-	-
Cash at the beginning of year	-	-	-
Cash at the end of period	-	-	-
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	446	1,947	2,393
Adjustments:			
Depreciation expense	-	-	-
Provision for loan losses	(329)	(587)	(916)
Net change in the fair value of investments	(7)	(11)	(18)
Transfers between funds for operating activity	255	369	624
Interest received from investments	(52)	(70)	(122)
Interest paid	2,049	2,169	4,218
Changes in assets, liabilities and deferred resources:			
Net increase (decrease) in mortgages and loans	(7,526)	1,830	(5,696)
Net increase (decrease) in assets, liabilities and deferred resources	949	967	1,916
Net cash provided by (used for) operating activities	(4,215)	6,614	2,399

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 Nine Months Ended March 31, 2016

(in thousands of dollars)

	Bonds 2002 A,B	Bonds 2007 A	Bonds 2007 B	Bonds 2007 D
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	3,841	2,705	2,788	3,538
Principal payments received on mortgages and loans	11,419	9,871	8,430	11,583
Disbursements to fund mortgages and loans	-	-	-	-
Receipt (payment) for loan transfers between funds	(2,783)	(5,443)	(4,772)	(7,451)
Mortgage and loan proceeds	-	-	-	-
Payment of mortgage and loan proceeds to funds	-	-	-	-
Payments to employees and other payroll disbursements	-	-	-	-
Payments for goods and services	(140)	-	-	-
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	-	-	-	-
Net cash provided by (used for) operating activities	12,337	7,133	6,446	7,670
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	-	-
Principal paid on bonds	(8,135)	-	-	-
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid	(1,273)	(1,346)	(1,345)	(1,604)
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	(1,180)	(446)	(681)	(203)
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(10,588)	(1,792)	(2,026)	(1,807)
<u>Cash flows from capital financing activities:</u>				
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	-	-	-	-
Net cash provided by (used for) capital financing activities	-	-	-	-
<u>Cash flows from investing activities:</u>				
Purchase of investments	(53,128)	(25,718)	(22,955)	(32,846)
Proceeds from maturity of investments	51,351	20,362	18,521	26,963
Interest received from investments	28	15	14	20
Net cash provided by (used for) investing activities	(1,749)	(5,341)	(4,420)	(5,863)
Net Increase (decrease) in cash	-	-	-	-
Cash at the beginning of year	-	-	-	-
Cash at the end of period	-	-	-	-
<u>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</u>				
Operating income (loss)	1,011	615	672	1,098
<i>Adjustments:</i>				
Depreciation expense	-	-	-	-
Provision for loan losses	(376)	(179)	(159)	(269)
Net change in the fair value of investments	(24)	(7)	(7)	(9)
Transfers between funds for operating activity	581	231	234	288
Interest received from investments	(28)	(15)	(14)	(20)
Interest paid	1,273	1,346	1,345	1,604
<i>Changes in assets, liabilities and deferred resources:</i>				
Net increase (decrease) in mortgages and loans	8,636	4,428	3,658	4,132
Net increase (decrease) in assets, liabilities and deferred resources	1,264	714	717	846
Net cash provided by (used for) operating activities	12,337	7,133	6,446	7,670

Schedule 20

Bonds 2009 A	Bonds 2009 B	Bonds 2009 D	Home Mortgage Revenue Bonds Combined Total
3,228	3,440	3,894	23,434
10,365	12,246	11,146	75,060
-	-	-	-
(6,373)	(7,827)	(5,985)	(40,634)
-	-	-	-
-	-	-	-
-	-	-	(140)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
7,220	7,859	9,055	57,720
-	80,881	-	80,881
-	(80,881)	-	(89,016)
-	-	-	-
-	-	-	-
(1,442)	(1,440)	(1,439)	(9,889)
-	-	-	-
-	-	-	-
-	-	-	-
(345)	(1,054)	(549)	(4,458)
-	-	-	-
(1,787)	(2,494)	(1,988)	(22,482)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
(29,884)	(32,908)	(32,825)	(230,264)
24,432	27,521	25,738	194,888
19	22	20	138
(5,433)	(5,365)	(7,067)	(35,238)
-	-	-	-
-	-	-	-
-	-	-	-
813	1,124	1,443	6,776
-	-	-	-
(175)	(197)	(409)	(1,764)
(9)	(9)	(10)	(75)
514	455	519	2,822
(19)	(22)	(20)	(138)
1,442	1,440	1,439	9,889
3,992	4,419	5,161	34,426
662	649	932	5,784
7,220	7,859	9,055	57,720

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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 Nine Months Ended March 31, 2016

(in thousands of dollars)

	Collateralized Bonds 2006 First Series	Collateralized Bonds 2007 & 2008 First Series	Combined Total
<u>Cash flows from operating activities:</u>			
Interest income on mortgages and loans	2,087	662	2,749
Principal payments received on mortgages and loans	8,999	2,799	11,798
Disbursements to fund mortgages and loans	-	-	-
Receipt (payment) for loan transfers between funds	747	397	1,144
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	-	-	-
Net cash provided by (used for) operating activities	11,833	3,858	15,691
<u>Cash flows from noncapital financing activities:</u>			
Proceeds from the issuance of bonds	-	-	-
Principal paid on bonds	(7,720)	(2,350)	(10,070)
Payment to defease bonds	-	-	-
Payment of bond issuance costs	-	-	-
Interest paid	(957)	(355)	(1,312)
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	-	-	-
Net cash provided by (used for) noncapital financing activities	(8,677)	(2,705)	(11,382)
<u>Cash flows from capital financing activities:</u>			
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	-	-	-
Net cash provided by (used for) capital financing activities	-	-	-
<u>Cash flows from investing activities:</u>			
Purchase of investments	(51,517)	(15,593)	(67,110)
Proceeds from maturity of investments	48,325	14,430	62,755
Interest received from investments	36	10	46
Net cash provided by (used for) investing activities	(3,156)	(1,153)	(4,309)
Net Increase (decrease) in cash	-	-	-
Cash at the beginning of year	-	-	-
Cash at the end of period	-	-	-
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	1,052	243	1,295
<i>Adjustments:</i>			
Depreciation expense	-	-	-
Provision for loan losses	(387)	(110)	(497)
Net change in the fair value of investments	(3)	(1)	(4)
Transfers between funds for operating activity	63	20	83
Interest received from investments	(36)	(10)	(46)
Interest paid	957	355	1,312
<i>Changes in assets, liabilities and deferred resources:</i>			
Net increase (decrease) in mortgages and loans	9,746	3,196	12,942
Net increase (decrease) in assets, liabilities and deferred resources	441	165	606
Net cash provided by (used for) operating activities	11,833	3,858	15,691

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ALASKA HOUSING FINANCE CORPORATION
Schedule 22

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS
OTHER HOUSING BONDS

For the Nine Months Ended March 31, 2016

(in thousands of dollars)

	General Mortgage Revenue Bonds II 2012 A, B	Governmental Purpose Bonds 1997 A	Governmental Purpose Bonds 2001 A-D	Combined Total
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	4,620	326	5,980	10,926
Principal payments received on mortgages and loans	19,570	1,174	19,021	39,765
Disbursements to fund mortgages and loans	-	-	-	-
Receipt (payment) for loan transfers between funds	(12,077)	-	(31,114)	(43,191)
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	-	-	-	-
Net cash provided by (used for) operating activities	12,113	1,500	(6,113)	7,500
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	-	-
Principal paid on bonds	(3,760)	-	(2,680)	(6,440)
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid	(2,253)	(2)	(1,858)	(4,113)
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	-	-	(7)	(7)
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(6,013)	(2)	(4,545)	(10,560)
<u>Cash flows from capital financing activities:</u>				
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	-	-	-	-
Net cash provided by (used for) capital financing activities	-	-	-	-
<u>Cash flows from investing activities:</u>				
Purchase of investments	(50,443)	(23,314)	(97,357)	(171,114)
Proceeds from maturity of investments	44,311	21,802	107,455	173,568
Interest received from investments	32	14	560	606
Net cash provided by (used for) investing activities	(6,100)	(1,498)	10,658	3,060
Net Increase (decrease) in cash	-	-	-	-
Cash at the beginning of year	-	-	-	-
Cash at the end of period	-	-	-	-
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	1,214	364	3,398	4,976
Adjustments:				
Depreciation expense	-	-	-	-
Provision for loan losses	(107)	(12)	(349)	(468)
Net change in the fair value of investments	(11)	(14)	(17)	(42)
Transfers between funds for operating activity	267	31	300	598
Interest received from investments	(32)	(14)	(560)	(606)
Interest paid	2,253	2	1,858	4,113
Changes in assets, liabilities and deferred resources:				
Net increase (decrease) in mortgages and loans	7,493	1,174	(12,093)	(3,426)
Net increase (decrease) in assets, liabilities and deferred resources	1,036	(31)	1,350	2,355
Net cash provided by (used for) operating activities	12,113	1,500	(6,113)	7,500

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS

NON-HOUSING BONDS

For the Nine Months Ended March 31, 2016

(in thousands of dollars)

	State Capital Project Bonds 2002 A,B,C	State Capital Project Bonds 2006 A	State Capital Project Bonds 2007 A & B	State Capital Project Bonds 2011 A	State Capital Project Bonds II 2012 A & B
<u>Cash flows from operating activities:</u>					
Interest income on mortgages and loans	1,665	1,013	320	2,856	3,655
Principal payments received on mortgages and loans	5,784	3,091	1,224	7,645	5,349
Disbursements to fund mortgages and loans	-	-	-	-	-
Receipt (payment) for loan transfers between funds	(6,467)	(4,117)	-	(2,943)	(3,384)
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	-	-	71	-	-
Other operating cash payments	-	-	(95)	-	-
Net cash provided by (used for) operating activities	982	(13)	1,520	7,558	5,620
<u>Cash flows from noncapital financing activities:</u>					
Proceeds from the issuance of bonds	-	-	-	-	-
Principal paid on bonds	(370)	-	(3,845)	(2,058)	(2,015)
Payment to defease bonds	-	-	-	-	-
Payment of bond issuance costs	-	-	-	-	-
Interest paid	(168)	(816)	(923)	(1,651)	(1,972)
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	5,280	-	-	-	-
Other cash payments	-	-	-	-	-
Net cash provided by (used for) noncapital financing activities	4,742	(816)	(4,768)	(3,709)	(3,987)
<u>Cash flows from capital financing activities:</u>					
Acquisition of capital assets	-	-	-	-	-
Proceeds from the disposal of capital assets	-	-	-	-	-
Proceeds from the issuance of capital notes	-	-	-	-	-
Principal paid on capital notes	(4,910)	-	-	(307)	-
Payment of bond issuance costs	-	-	-	-	-
Interest paid on capital notes	(2,230)	-	-	(247)	-
Proceeds from direct financing leases	-	-	3,304	-	-
Other cash payments	-	-	-	-	-
Net cash provided by (used for) capital financing activities	(7,140)	-	3,304	(554)	-
<u>Cash flows from investing activities:</u>					
Purchase of investments	(30,092)	(13,155)	(11,210)	(26,413)	(20,086)
Proceeds from maturity of investments	31,495	13,972	11,125	23,103	18,441
Interest received from investments	13	12	5	15	12
Net cash provided by (used for) investing activities	1,416	829	(80)	(3,295)	(1,633)
Net Increase (decrease) in cash	-	-	(24)	-	-
Cash at the beginning of year	-	-	121	-	-
Cash at the end of period	-	-	97	-	-
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	(546)	740	537	(270)	2,096
Adjustments:					
Depreciation expense	-	-	-	450	-
Provision for loan losses	(78)	(606)	(184)	(101)	(422)
Net change in the fair value of investments	(1)	-	-	(1)	(1)
Transfers between funds for operating activity	144	(177)	1	167	91
Interest received from investments	(13)	(12)	(5)	(15)	(12)
Interest paid	2,398	816	923	1,898	1,972
Changes in assets, liabilities and deferred resources:					
Net increase (decrease) in mortgages and loans	(683)	(1,026)	1,224	4,702	1,965
Net increase (decrease) in assets, liabilities and deferred resources	(239)	252	(976)	728	(69)
Net cash provided by (used for) operating activities	982	(13)	1,520	7,558	5,620

State Capital Project Bonds II 2013 A & B	State Capital Project Bonds II 2014 A	State Capital Project Bonds II 2014 B	State Capital Project Bonds II 2014 C	State Capital Project Bonds II 2014 D	State Capital Project Bonds II 2015 A	State Capital Project Bonds II 2015 B	State Capital Project Bonds II 2015 C	General Housing Purpose Bonds 2005 B & C	Combined Total
6,705	3,472	1,085	4,189	2,690	3,918	3,815	690	-	36,073
3,430	10,543	3,443	10,804	3,353	12,361	11,305	1,211	-	79,543
-	-	-	-	-	-	-	-	-	-
(5,095)	(8,358)	(2,987)	(8,459)	(4,264)	(11,981)	(7,809)	(414)	-	(66,278)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	71
-	-	-	-	-	(52)	-	-	-	(147)
5,040	5,657	1,541	6,534	1,779	4,246	7,311	1,487	-	49,262
-	-	-	-	-	-	-	22,156	-	22,156
-	-	(100)	-	-	-	-	-	-	(8,388)
-	-	-	-	-	-	-	-	-	-
(2,399)	(2,297)	(725)	(492)	(1,949)	(3,446)	(1,762)	-	-	(18,600)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	53	(2,610)	(20,185)	(53)	(17,515)
-	-	-	-	-	-	-	-	-	-
(2,399)	(2,297)	(825)	(492)	(1,949)	(3,393)	(4,372)	1,971	(53)	(22,347)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	(5,217)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	(2,477)
-	-	-	-	-	3,467	-	-	-	6,771
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	3,467	-	-	-	(923)
(23,878)	(35,755)	(10,719)	(32,960)	(18,696)	(48,549)	(33,695)	(31,836)	(1)	(337,045)
21,222	32,375	9,996	26,897	18,855	44,206	30,738	28,373	1	310,799
15	20	7	21	11	23	18	5	-	177
(2,641)	(3,360)	(716)	(6,042)	170	(4,320)	(2,939)	(3,458)	-	(26,069)
-	-	-	-	-	-	-	-	(53)	(77)
-	-	-	-	-	-	-	-	53	174
-	-	-	-	-	-	-	-	-	97
4,736	1,098	480	3,287	866	825	1,062	(827)	-	14,084
-	-	-	-	-	-	-	-	-	450
(396)	(230)	(80)	(95)	2	(143)	(9)	609	-	(1,733)
(1)	(1)	-	(2)	(1)	(1)	(1)	(1)	-	(11)
89	154	90	196	567	(158)	201	373	-	1,738
(15)	(20)	(7)	(21)	(11)	(23)	(18)	(5)	-	(177)
2,399	2,297	725	492	1,949	3,446	1,762	-	-	21,077
(1,665)	2,185	456	2,345	(911)	380	3,496	797	-	13,265
(107)	174	(123)	332	(682)	(80)	818	541	-	569
5,040	5,657	1,541	6,534	1,779	4,246	7,311	1,487	-	49,262

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS

OTHER PROGRAM FUNDS

For the Nine Months Ended March 31, 2016

(in thousands of dollars)

	Energy Programs	Low Rent Program	Market Rate Rental Housing Programs	Section 8 Vouchers Programs
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	-	-	-	-
Principal payments received on mortgages and loans	-	-	-	-
Disbursements to fund 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	(793)	(5,593)	(1,264)	(2,740)
Payments for goods and services	(1,200)	(8,132)	(2,053)	(249)
Cash received for externally funded programs	30,757	8,097	1,600	6,139
Cash received for Federal HAP subsidies	-	-	-	24,606
Payments for Federal HAP subsidies	-	-	-	(26,612)
Interfund receipts (payments)	(1,002)	3,170	1,152	(1,344)
Grant payments to other agencies	(27,946)	-	-	(43)
Other operating cash receipts	9	5,738	1,780	373
Other operating cash payments	-	(24)	(3)	(48)
Net cash provided by (used for) operating activities	(175)	3,256	1,212	82
<u>Cash flows from noncapital financing activities:</u>				
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	-	-	-	-
Net cash provided by (used for) noncapital financing activities	-	-	-	-
<u>Cash flows from capital financing activities:</u>				
Acquisition of capital assets	-	(90)	(509)	(23)
Proceeds from the disposal of capital assets	-	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	-	-	-	-
Net cash provided by (used for) capital financing activities	-	(84)	(509)	(23)
<u>Cash flows from investing activities:</u>				
Purchase of investments	-	-	-	-
Proceeds from maturity of investments	-	-	-	-
Interest received from investments	1	1	1	6
Net cash provided by (used for) investing activities	1	1	1	6
Net Increase (decrease) in cash	(174)	3,173	704	65
Cash at the beginning of year	1,202	8,152	10,718	4,100
Cash at the end of period	1,028	11,325	11,422	4,165
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	(1,610)	(4,757)	(1,243)	(1,469)
<i>Adjustments:</i>				
Depreciation expense	-	3,858	918	12
Provision for loan losses	-	-	-	-
Net change in the fair value of investments	-	-	-	-
Transfers between funds for operating activity	1,750	2,822	1,487	499
Interest received from investments	(1)	(1)	(1)	(6)
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	(314)	1,334	51	1,046
Net cash provided by (used for) operating activities	(175)	3,256	1,212	82

Schedule 24

Other Grants	Alaska Corporation for Affordable Housing	Combined Total
-	-	-
-	-	-
-	(10,819)	(10,819)
-	-	-
-	-	-
-	-	-
(628)	-	(11,018)
(316)	(18)	(11,968)
25,283	-	71,876
-	-	24,606
-	-	(26,612)
(855)	6,201	7,322
(24,045)	-	(52,034)
622	53	8,575
(12)	(231)	(318)
49	(4,814)	(390)

-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
(84)	5,600	5,516
-	-	-
(84)	5,600	5,516

-	-	(622)
-	-	6
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	(616)

-	-	-
-	-	-
-	2	11
-	2	11

(35)	788	4,521
193	1,467	25,832
158	2,255	30,353

(2,825)	(403)	(12,307)
-	-	4,788
-	470	470
-	-	-
3,847	(111)	10,294
-	(2)	(11)
-	-	-
-	(10,819)	(10,819)
(973)	6,051	7,195
49	(4,814)	(390)

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a component unit of the State of Alaska

Financial Statements
And Independent Auditor's Report

June 30, 2015

With Summarized Financial Information for
June 30, 2014

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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, 2015, 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.

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, 2015, 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.

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Change in Accounting Principle

As discussed in Note 25 to the financial statements for fiscal year 2015, the Corporation adopted the provisions of Governmental Accounting Standards Board (GASB) Statement number 68, *Accounting and Financial Reporting for Pensions*. 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 3 through 8 and the schedules of net pension liability, and pension contributions on pages 44 and 45 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 December 11, 2015 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
December 11, 2015

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 rules. 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 fiscal year 2015 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 for the fiscal year ended June 30, 2015. This information is 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 the Corporation's 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 or unrestricted. Assets are restricted when their use is subject to external limits or rules 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 or (loss) and change in net position. It can be used to determine whether the Corporation has successfully recovered all of its expenses 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 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 and 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 the 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 Basic Financial Statements. The *Notes to Financial Statements* follow *Exhibit C*.

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 2015, the Corporation reports the following major funds:

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 of Alaska and debt service payments for debt issued on behalf of the State.

As of June 30, 2015, the Administrative Fund reported a net position of \$749.3 million, a decrease of \$29.7 million from June 30, 2014. The decrease in net position is the net result of an operating loss of \$9.3 million, contributions to the State of Alaska of \$3.8 million, net transfers of \$12.5 million, and the cumulative effect of an accounting change of \$29.1 million. The cumulative effect of an accounting change was the result of the implementation of the Government Accounting Standards Board ("GASB") Statement No. 68, Accounting and Financial Reporting for Pensions. See the Financial Highlights section for more details on GASB Statement No. 68 and its effects on the financial statements. Transfers to the Administrative Fund were primarily from the Mortgage and Bond Funds. Approximately \$4.3 million, or 0.6%, of the Administrative Fund's net position is invested in capital assets; \$58.6 million, or 7.8% of the total net position, is restricted by contractual or statutory agreements; and \$686.4 million, or 91.6%, is unrestricted and may be used for operations and to meet the continuing obligations of the Corporation. This represents a decrease of 3.8% from unrestricted net position as of June 30, 2014.

The *Grant Program Funds* include 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 Alaskan 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 Energy Programs, the Section 8 Voucher Programs, and Other Grants. As of June 30, 2015, the net position for these three programs combined was \$19.8 million, an increase of \$2.9 million from June 30, 2014. Despite an operating loss of \$9.7 million for fiscal year 2015, there were \$12.6 million in transfers from other funds, which generated the increase in net position. The operating loss for fiscal year 2015 was \$5.4 million less than fiscal year 2014, largely due to decreased operating expenses.

The *Mortgage or Bond Funds* include resources used to assist in the financing of loan programs or to fund legislative 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, 2015, the Mortgage or Bond Funds reported a net position of \$583.7 million, a decrease of less than 1% from the June 30, 2014 net position of \$586.3 million. The Mortgage and Bond Funds had a net operating income of \$34.3 million in fiscal year 2015. The decrease in net position is the result of transfers out to the Administrative Fund and the Grant Program Funds of \$36.9 million in total. Expenses in the Mortgage or Bond Funds decreased by \$3.3 million, or 3.7%, largely due to lower interest costs. Approximately \$15.1 million of the Mortgage or Bond Fund's net position is invested in capital assets, \$554.8 million is restricted by bond resolutions, \$29.1 million is restricted by contractual or statutory agreements and a deficit of \$15.3 million is unrestricted compared to a deficit in unrestricted net position as of June 30, 2014 of \$23.2 million.

The *Other Funds or Programs* include AHFC-owned housing for low income families that is managed under contract with HUD. These programs include the Low Rent Program, the Market Rental Housing Program, and the inactive Homeowner Assistance Program. As of June 30, 2015, there was a 1.6% decrease in net position from \$124.4 million to \$122.5 million. An operating loss of \$6.0 million was offset by transfers in from other funds of \$4.0 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The *Alaska Corporation for Affordable Housing* ("ACAH") is 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.

The fiscal year ended June 30, 2015 was ACAH's second full year of operations. ACAH's net position at June 30, 2015 was \$10.2 million, a \$6.9 million increase in net position from that of June 30, 2014. An operating loss for the fiscal year ended June 30, 2015 of \$0.9 million was offset by \$7.8 million of funds transferred in from other funds.

FINANCIAL HIGHLIGHTS

- Operating income for fiscal year 2015 for the Corporation as a whole was \$8.5 million compared to an operating loss of \$3.4 million for fiscal year 2014. This signifies an increase of \$11.9 million, or 351.3%.
- The Corporation's assets and deferred outflow of resources exceeded its liabilities and deferred inflow of resources as of June 30, 2015, by \$1.5 billion (net position). The net position for the Corporation as a whole decreased by \$24.4 million due primarily to the implementation of GASB Statement No. 68.
- During the fiscal year ended June 30, 2015, the investment portfolio earned approximately 0.41% overall, as compared with 0.54% for the fiscal year ended June 30, 2014.
- The Corporation's mortgage loan portfolio is one of its primary assets. During the fiscal year ended June 30, 2015, mortgage loans increased by 5.0%, and the bond portfolio used to finance the loans decreased by 4.6%.
- As of June 30, 2015, the weighted average interest rate on the mortgage portfolio was 4.77% and the weighted average interest rate on the bond portfolio was 3.65%, yielding a net interest margin of 1.12%.
- During the fiscal year ended June 30, 2015, the Corporation's total assets decreased by \$153.8 million, or 3.9% and total liabilities decreased by \$117.8 million, or 4.6%.
- During the fiscal year ended June 30, 2015, new bonds were issued on August 27, 2014 (\$140,000,000 State Capital Project Bonds II, 2014 Series C), November 6, 2014 (\$78,105,000 State Capital Project Bonds II, 2014 Series D), March 19, 2015 (\$111,535,000 State Capital Project Bonds II, 2015 Series A), and also on June 30, 2015 (\$93,365,000 State Capital Project Bonds II, 2015 Series B). All bond issues are tax-exempt, except the State Capital Project Bonds II, 2014 Series C, which are taxable. The State Capital Project Bonds II, 2014 Series C and Series D both mature in 2029. The State Capital Project Bonds II, 2015 Series A and Series B mature in 2030 and 2036, respectively.
- During the fiscal year ended June 30, 2015, the Corporation implemented GASB Statement 68, Accounting and Financial Reporting for Pensions. The Statement revises accounting and financial reporting standards relating to pension plans and as a result, the Corporation's financial statements for the fiscal year ended June 30, 2015 include its proportional share of the collective pension costs and obligations of the Alaska Public Employees' Retirement System ("PERS") Defined Benefit Retirement Plan. See Footnote 22 "Pension and Post Employment Healthcare Plans" in the Notes to the Financial Statements for more information.

CONDENSED STATEMENT OF NET POSITION

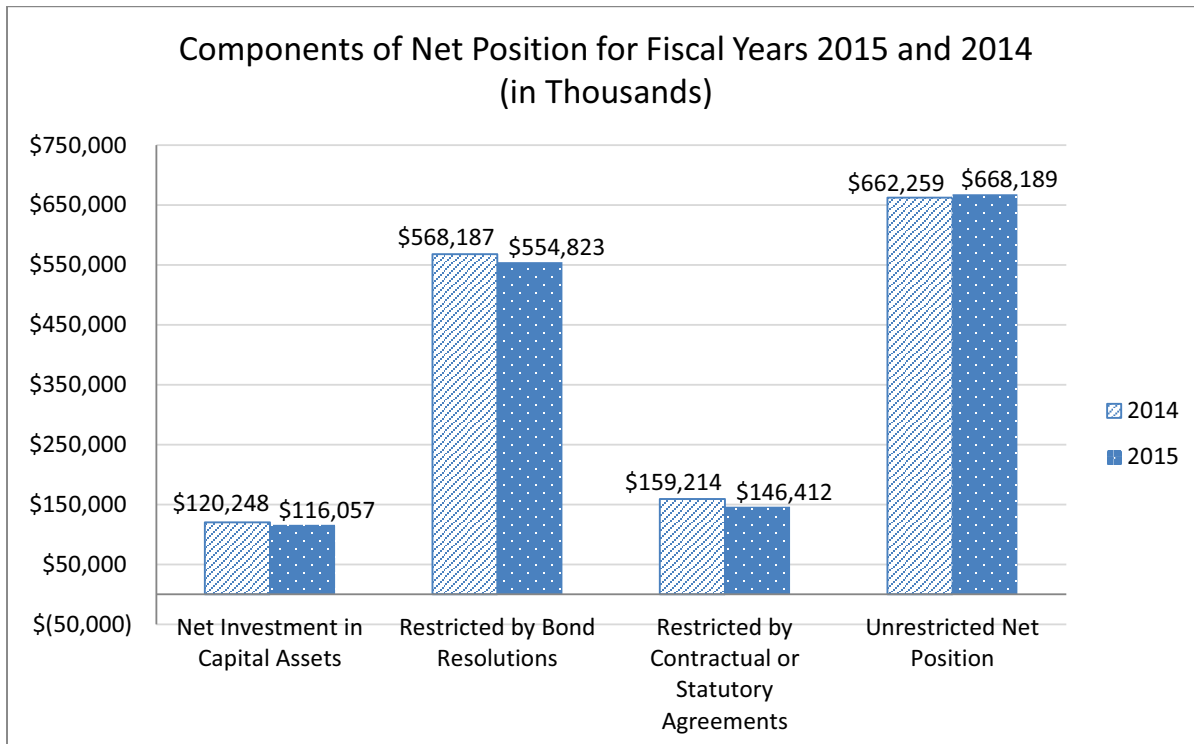
The following table presents condensed information about the financial position of the Corporation as of June 30, 2015 and 2014, and changes in the balances during the fiscal year ended June 30, 2015 (in thousands):

MANAGEMENT'S DISCUSSION AND ANALYSIS

	2015	2014	Increase/(Decrease)	
Cash and investments	\$ 866,592	\$ 1,140,226	\$ (273,634)	-24.0%
Mortgage loans, notes and other loans, net	2,662,893	2,536,596	126,297	5.0%
Capital assets, net	116,057	120,248	(4,191)	-3.5%
Other assets	99,320	101,554	(2,234)	-2.2%
Total Assets	3,744,862	3,898,624	(153,762)	-3.9%
Deferred outflow of resources	171,440	156,579	14,861	9.5%
Bonds and notes payable, net	2,201,527	2,308,710	(107,183)	-4.6%
Short term debt	16,899	64,993	(48,094)	-74.0%
Accrued interest payable	9,397	10,147	(750)	-7.4%
Derivatives	150,199	139,704	10,495	7.5%
Other liabilities	49,522	21,741	27,781	127.8%
Total liabilities	2,427,544	2,545,295	(117,751)	-4.6%
Deferred inflow of resources	3,277	-	3,277	
Total net position	\$ 1,485,481	\$ 1,509,908	\$ (24,427)	-1.6%

The decrease in total assets during FY 2015 can be attributed largely to a decrease in cash and investments. Because of the low short-term rate environment, the Corporation used some of its liquid cash to purchase longer term assets and redeem higher-rate bond debt, hence the corresponding reduction in liabilities. The increase in mortgage loans was largely due to more competitive mortgage rates, expanded loan parameters and increased outreach to our industry partners.

The chart below shows the change in the various components of net position from fiscal year 2014 to fiscal year 2015.



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, 2015 and 2014, and the variances from the prior fiscal year (in thousands):

	2015	2014	Increase/(Decrease)	
Mortgage and loan revenue	\$ 126,140	\$ 120,740	\$ 5,400	4.5%
Investment interest income	4,399	6,569	(2,170)	-33.0%
Net change in fair value of investments	1,627	2,450	(823)	-33.6%
Externally funded programs	146,236	163,739	(17,503)	-10.7%
Rental and other revenue	11,697	14,588	(2,891)	-19.8%
Total operating revenue	290,099	308,086	(17,987)	-5.8%
Interest expense	75,349	81,184	(5,835)	-7.2%
Mortgage, loan and financing costs	10,650	8,169	2,481	30.4%
Operations and administration	70,373	72,930	(2,557)	-3.5%
Housing grants and subsidies	125,222	149,188	(23,966)	-16.1%
Total operating expense	281,594	311,471	(29,877)	-9.6%
Operating income(loss)	8,505	(3,385)	11,890	351.3%
Contributions to the State of Alaska	(3,825)	(1,380)	(2,445)	177.2%
Cumulative effect of accounting change	(29,107)	-	(29,107)	
Change in net position	\$ (24,427)	\$ (4,765)	\$ (19,662)	-412.6%

Total operating revenues decreased by \$18.0 million, or 5.8%, during fiscal year 2015 primarily due to decreases in investment interest and externally funded program revenue.

Total operating expenses also decreased in 2015. The total decrease was \$29.9 million, or 9.6%, during fiscal year 2015. The decreases were primarily in interest expense due to a reduction in the debt portfolio, and a decrease in grant expense.

The net effect of changes in operating revenues and expenses was an \$11.9 million increase in operating income.

Total net position decreased in fiscal year 2015 by \$19.7 million. The decrease was largely due to the implementation of GASB Statement No. 68, which required the Corporation to recognize in its financial statements its proportionate share of the collective pension costs and obligations of the State of Alaska's multiemployer cost sharing defined benefit pension plan. Total net pension liability as of June 30, 2015 was \$29.1 million.

The Corporation continued its series of annual transfers 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, contributions to the State for fiscal year 2015 were approximately \$3.8 million and for FY 2014 were approximately \$1.4 million. See Note No. 17 for details about the Transfer Plan calculation for FY 2015.

DEBT ADMINISTRATION

As of June 30, 2015, the Corporation had \$2.2 billion in bonds and notes payable secured by assets held and the general obligation pledge of the Corporation. The Corporation's general obligation is rated by three major rating agencies as follows.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Significant debt activity during the year included the following:

- Issued \$423.0 million of State Capital Project Bonds;
- Redeemed bonds through special revenue redemption provisions of their respective indentures in the amount of \$85.0 million. Current refundings for fiscal year 2015 totaled \$216.5 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.

The Corporation's main sources of revenue 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 these prepayments to redeem higher rate bonds, thus lowering the interest expense incurred on the Corporation's overall portfolio, 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. For inquiries about this report or to request additional financial information please call (907) 330-8322 or email finance@ahfc.us.

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET POSITION

As of June 30, 2015

(in thousands of dollars)

	Administrative Fund	Grant Programs	Mortgage or Bond Funds	Other Funds or Programs
ASSETS				
Cash	24,342	5,495	174	18,870
Investments	647,387	-	157,293	11,564
Accrued interest receivable	2,228	-	9,320	58
Inter-fund due to/from	(22,672)	(16,065)	41,613	(151)
Mortgage loans, notes and other loans	142,688	-	2,512,369	-
Net investment in direct financing lease	-	-	39,732	-
Capital assets - non-depreciable	139	-	2,401	13,636
Capital assets - depreciable, net	4,138	38	12,664	79,374
Other assets	7,723	18,412	-	585
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	446	20,794	-	19
Total Assets	806,419	28,674	2,775,566	123,955
DEFERRED OUTFLOW OF RESOURCES				
	2,685	-	168,755	-
LIABILITIES				
Bonds payable	-	-	2,201,527	-
Short term debt	16,899	-	-	-
Accrued interest payable	2,227	-	7,170	-
Other liabilities	37,437	8,887	1,568	1,121
Derivative instrument - interest rate swaps	-	-	150,199	-
Intergovernmental payable	-	-	174	330
Total Liabilities	56,563	8,887	2,360,638	1,451
DEFERRED INFLOW OF RESOURCES				
	3,277	-	-	-
NET POSITION				
Net investment in capital assets	4,277	38	15,065	93,010
Restricted by bond resolutions	-	-	554,823	-
Restricted by contractual or statutory agreements	58,563	21,253	29,055	29,705
Unrestricted or (deficit)	686,424	(1,504)	(15,260)	(211)
Total Net Position	749,264	19,787	583,683	122,504

See accompanying notes to the financial statements.

Exhibit A

Total Programs and Funds	Alaska Corporation for Affordable Housing	Total June 30, 2015
48,881	1,467	50,348
816,244	-	816,244
11,606	-	11,606
2,725	(2,725)	-
2,655,057	7,836	2,662,893
39,732	-	39,732
16,176	3,667	19,843
96,214	-	96,214
26,720	3	26,723
-	-	-
21,259	-	21,259
3,734,614	10,248	3,744,862
171,440	-	171,440
2,201,527	-	2,201,527
16,899	-	16,899
9,397	-	9,397
49,013	5	49,018
150,199	-	150,199
504	-	504
2,427,539	5	2,427,544
3,277	-	3,277
112,390	3,667	116,057
554,823	-	554,823
138,576	7,836	146,412
669,449	(1,260)	668,189
1,475,238	10,243	1,485,481

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, 2015

(in thousands of dollars)

	Administrative Fund	Grant Programs	Mortgage or Bond Funds	Other Funds or Programs
OPERATING REVENUES				
Mortgage and loans revenue	9,429	-	116,711	-
Investment interest	289	9	3,842	244
Net change in the fair value of investments	1,796	-	42	(211)
Net change of hedge termination	-	-	11	-
Total Investment Revenue	2,085	9	3,895	33
Externally funded programs	1,349	127,744	-	17,143
Rental	4	-	-	9,307
Other	1,740	595	-	20
Total Operating Revenues	14,607	128,348	120,606	26,503
OPERATING EXPENSES				
Interest	54	-	75,295	-
Mortgage and loan costs	2,308	-	9,019	-
Financing expenses	406	-	4,658	-
Provision for loan loss	643	-	(7,159)	-
Operations and administration	20,475	12,165	4,463	16,059
Rental housing operating expenses	25	688	-	16,366
Housing grants and subsidies	-	125,193	-	29
Total Operating Expenses	23,911	138,046	86,276	32,454
Operating Income (Loss)	(9,304)	(9,698)	34,330	(5,951)
NONOPERATING EXPENSES, SPECIAL ITEM & TRANSFERS				
Contributions to the State of Alaska or other State agencies	(3,825)	-	-	-
Special Item	-	-	-	-
Transfers - Internal	12,488	12,585	(36,905)	4,009
Change in Net Position	(641)	2,887	(2,575)	(1,942)
Net position at beginning of year	779,012	16,900	586,258	124,446
Cumulative effect of accounting change	(29,107)	-	-	-
Revised net position at beginning of year	749,905	16,900	586,258	124,446
Net Position at End of Period	749,264	19,787	583,683	122,504

See accompanying notes to the financial statements.

Exhibit B

Total Programs and Funds	Alaska Corporation for Affordable Housing	Total June 30, 2015
126,140	-	126,140
4,384	4	4,388
1,627	-	1,627
11	-	11
6,022	4	6,026
146,236	-	146,236
9,311	31	9,342
2,355	-	2,355
290,064	35	290,099
75,349	-	75,349
11,327	-	11,327
5,064	-	5,064
(6,516)	775	(5,741)
53,162	125	53,287
17,079	7	17,086
125,222	-	125,222
280,687	907	281,594
9,377	(872)	8,505
(3,825)	-	(3,825)
-	-	-
(7,823)	7,823	-
(2,271)	6,951	4,680
1,506,616	3,292	1,509,908
(29,107)	-	(29,107)
1,477,509	3,292	1,480,801
1,475,238	10,243	1,485,481

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2015

(in thousands of dollars)

	Administrative Fund	Grant Programs	Mortgage or Bond Funds	Other Funds or Programs
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	5,321	-	108,572	-
Principal payments received on mortgages and loans	8,836	-	315,481	-
Disbursements to fund mortgages and loans	(457,716)	-	-	-
Receipt (payment) for loan transfers between funds	370,001	-	(370,001)	-
Mortgage and loan proceeds	431,852	-	-	-
Payment of mortgage and loan proceeds to funds	(422,818)	-	-	-
Payments to employees and other payroll disbursements	(25,607)	(4,684)	-	(8,640)
Payments for goods and services	(17,716)	(2,707)	(562)	(8,285)
Cash received for externally funded programs	1,759	90,668	-	18,047
Cash received for Federal HAP subsidies	-	31,019	-	-
Payments for Federal HAP subsidies	-	(33,935)	-	-
Interfund receipts (payments)	20,086	(8,643)	-	(13,826)
Grant payments to other agencies	(19,924)	(75,703)	-	-
Other operating cash receipts	23,648	1,440	175	9,501
Other operating cash payments	(1,598)	(304)	(228)	(144)
Net cash provided by (used for) operating activities	(83,876)	(2,849)	53,437	(3,347)
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	258,485	-
Principal paid on bonds	-	-	(350,410)	-
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	(1,285)	-	-	-
Interest paid	(57)	-	(77,628)	-
Proceeds from issuance of short term debt	326,552	-	-	-
Payment of short term debt	(374,643)	-	-	-
Contributions to the State of Alaska or other State agencies	(3,982)	-	-	-
Transfers (to) from other funds	63,299	(40)	(65,317)	(3,350)
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	9,884	(40)	(234,870)	(3,350)
<u>Cash flows from capital financing activities:</u>				
Acquisition of capital assets	(4,009)	(27)	-	(120)
Proceeds from the disposal of capital assets	-	8	-	18
Proceeds from the issuance of capital notes	-	-	-	-
Principal paid on capital notes	-	-	(12,990)	-
Payment of bond issuance costs	-	-	-	-
Interest paid on capital notes	-	-	(2,872)	-
Proceeds from direct financing leases	-	-	6,772	-
Other cash payments	(29)	-	-	-
Net cash provided by (used for) capital financing activities	(4,038)	(19)	(9,090)	(102)
<u>Cash flows from investing activities:</u>				
Purchase of investments	(4,657,588)	-	(1,802,612)	(22,476)
Proceeds from maturity of investments	4,718,603	-	1,990,884	21,778
Interest received from investments	325	9	2,198	281
Net cash provided by (used for) investing activities	61,340	9	190,470	(417)
Net Increase (decrease) in cash	(16,690)	(2,899)	(53)	(7,216)
Cash at the beginning of year	41,032	8,394	227	26,086
Cash at the end of period	24,342	5,495	174	18,870
<u>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</u>				
Operating income (loss)	(9,304)	(9,698)	34,330	(5,951)
<u>Adjustments:</u>				
Depreciation expense	467	15	475	6,510
Provision for loan losses	643	-	(7,159)	-
Net change in the fair value of investments	(1,796)	-	(42)	211
Transfers between funds for operating activity	(29,189)	12,626	7,225	6,923
Interest received from investments	(325)	(9)	(2,198)	(281)
Interest paid	57	-	80,500	-
<u>Changes in assets, liabilities and deferred resources:</u>				
Net increase (decrease) in mortgages and loans	(78,879)	-	(54,520)	-
Net increase (decrease) in assets, liabilities, and deferred resources	34,450	(5,783)	(5,174)	(10,759)
Net cash provided by (used for) operating activities	(83,876)	(2,849)	53,437	(3,347)
<u>Noncash investing, capital and financing activities:</u>				
Deferred outflow of resources-derivatives	-	-	(10,506)	-
Derivative instruments liability	-	-	10,495	-
Net change of hedge termination	-	-	11	-
Non cash transfer of investments	1,924	-	(1,924)	-
Deceased bonds	-	-	(206,745)	-
Investments used to defease bonds	-	-	206,745	-
Transfer of direct financing lease between mortgage of bond funds	-	-	(6,173)	-
Transfer of direct financing lease between mortgage of bond funds	-	-	6,173	-
Transfer of building improvements	(2,838)	-	2,838	-
See accompanying notes to the financial statements.				

Exhibit C

Total Programs and Funds	Alaska Corporation for Affordable Housing	Total June 30, 2015
113,893	-	113,893
324,317	-	324,317
(457,716)	(7,631)	(465,347)
-	-	-
431,852	-	431,852
(422,818)	-	(422,818)
(38,931)	-	(38,931)
(29,270)	(11)	(29,281)
110,474	-	110,474
31,019	-	31,019
(33,935)	-	(33,935)
(2,383)	2,383	-
(95,627)	-	(95,627)
34,764	28	34,792
(2,274)	-	(2,274)
(36,635)	(5,231)	(41,866)
258,485	-	258,485
(350,410)	-	(350,410)
-	-	-
(1,285)	-	(1,285)
(77,685)	-	(77,685)
326,552	-	326,552
(374,643)	-	(374,643)
(3,982)	-	(3,982)
(5,408)	5,408	-
-	-	-
(228,376)	5,408	(222,968)
(4,156)	-	(4,156)
26	-	26
-	-	-
(12,990)	-	(12,990)
-	-	-
(2,872)	-	(2,872)
6,772	-	6,772
(29)	-	(29)
(13,249)	-	(13,249)
(6,482,676)	-	(6,482,676)
6,731,265	-	6,731,265
2,813	3	2,816
251,402	3	251,405
(26,858)	180	(26,678)
75,739	1,287	77,026
48,881	1,467	50,348
9,377	(872)	8,505
7,467	-	7,467
(6,516)	775	(5,741)
(1,627)	-	(1,627)
(2,415)	2,415	-
(2,813)	(3)	(2,816)
80,557	-	80,557
(133,399)	(7,631)	(141,030)
12,734	85	12,819
(36,635)	(5,231)	(41,866)

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NOTES TO FINANCIAL STATEMENTS

FOOTNOTE INDEX

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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: Housing for low income families managed under contract with HUD, owned by AHFC.

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. 18 State Authorizations and Commitments, for further details) and resources of the Affordable Housing Development Program. 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.

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.

NOTES TO FINANCIAL STATEMENTS

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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System ("PERS") and additions to/from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Governmental Accounting Standard Board ("GASB") Statement 68, Accounting and Financial Reporting for Pensions, is effective for AHFC's fiscal year 2015. The 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 pension benefits. This is the first time that the Corporation has recognized 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.

GASB Statement 72, Fair Value Measurement and Application, will be effective for AHFC'S fiscal year 2016. This Statement establishes guidelines for the measurement and reporting of fair value.

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, 2015
Restricted cash	\$ 26,006
Unrestricted	24,342
Carrying amount	<u>\$ 50,348</u>
Bank Balance	<u>\$ 51,379</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 1	1-5	6-10	More Than 10		June 30, 2015
Bank investment contracts	\$ 18,725	\$ -	\$ -	\$ -	\$	18,725
U. S. Treasury securities	912	421	-	-	-	1,333
Securities of U. S. Government agencies and corporations	-	-	99	-	-	99
Certificates of deposit	-	1,000	-	-	-	1,000
Negotiable Certificates of Deposit	1,999	-	-	-	-	1,999
Commercial paper & medium- term notes	230,510	-	-	-	-	230,510
Money market funds	116,251	-	-	-	-	116,251
Subtotal	<u>\$ 368,397</u>	<u>\$ 1,421</u>	<u>\$ 99</u>	<u>\$ -</u>		<u>369,917</u>
GeFONSI pool						446,327
Total AHFC Portfolio					<u>\$</u>	<u>816,244</u>

Restricted Investments

A large portion of the Corporation's investments, \$215,354,000, are restricted by bond resolutions, contractual agreements, and statutory agreements, and the remainder, \$600,890,000, 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, 2015
Ending unrealized holding gain	\$ 27,310
Beginning unrealized holding gain	<u>25,310</u>
Net change in unrealized holding gain	2,000
Net realized gain (loss)	<u>(373)</u>
Net increase (decrease) in fair value	<u>\$ 1,627</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, 2015, as determined by nationally recognized statistical rating organizations, are shown below (in thousands). The Corporation's investments included \$1,333,000 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.

	S & P	Moody's	Investment Fair Value
Securities of U. S. Government agencies and Corporations:	AA+	Aaa	\$ 99
Certificates of deposit:	A+	Aa2	1,000
Negotiable certificates of deposit:	--	Aa3	1,000
	--	Aa2e	500
	--	A1e	499
			1,999
Commercial paper, medium-term notes:	AA+	A1	2,012
	AA	A2	535
	AA-	Aa1	1,519
	AA	Aa2	1,381
	AA-	Aa2	3,123
	A+	Aa2	1,003
	A+	Aa3	1,248
	AA-	Aa3	1,986
	A+	A1	1,807
	A+	A2	200
	A	A1	340
	A	A2	4,553
	A-	A1	1,502
	A-	A2	1,501
	A	Baa1	1,546
	BBB+	A3	1,484
	A+	P-1	203,266
			229,006
Money market funds:	AAA	--	116,251
Unrated investments:			
Bank investment contracts			18,725
Commercial paper			1,504
			20,229
			\$ 368,584

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, 2015, 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
State of Alaska	\$ 446,327	54.68 %
Goldman Sachs	116,251	14.24
Toyota Motor Credit	50,081	6.14

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 \$51,379,000 bank balance at June 30, 2015, cash deposits in the amount of \$47,000 were uninsured and uncollateralized. Additional cash deposits in the amount of \$31,789,000 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, 2015:

	Investment Fair Value	Modified Duration
Bank investment contracts	\$ 18,725	0.000
U. S. Treasury securities:		
Treasury coupon securities	1,333	0.785
Securities of U. S. Government agencies and corporations:		
Federal agency coupon securities		
Federal agency pass through securities	99	1.504
Certificates of deposit	1,000	3.223
Negotiable certificates of deposit	1,999	0.267
Commercial paper & medium-term notes:		
Commercial paper discounts	191,943	0.169
Corporate bonds	4,685	0.625
Medium-term notes	33,882	0.386
Money market funds	116,251	0.000
	<u>\$ 369,917</u>	
Portfolio modified duration		0.065

Investment in GeFONSI Pool

The Department of Revenue, Treasury Division ("Treasury") has created a pooled environment by which it manages the investments the Commissioner has fiduciary responsibility for. 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 Fund is shown in the Comprehensive Annual Financial Report available from the Department of Administration, Division of Finance.

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

NOTES TO FINANCIAL STATEMENTS

At June 30, 2015, the Corporation's share of pool investments was as follows:

Investment Type	Fair Value			Total
	Short-Term Fixed Income Pool	Short-term Liquidity Fixed Income Pool	Intermediate- term Fixed Income Pool	
Deposits	\$ 156	\$ -	\$ 1	\$ 157
Certificate of Deposit	389	-	350	739
Commercial Paper	-	-	-	-
Corporate Bonds	6,288	-	11,850	18,138
Mortgage Backed	5,304	-	4,783	10,087
Municipal Bonds	193	-	-	193
Mutual Fund	-	-	-	-
Other Asset Backed	154,122	-	7,240	161,362
Overnight Sweep Account (Imcs)	-	-	-	-
Repurchase Agreement	24,601	-	-	24,601
Short-term Investment Fund	-	-	-	-
U.S. Government Agency Discount Notes	-	-	-	-
U.S. Government Agency	-	-	97	97
U.S. Treasury Bills, Notes, Bonds, and TIPS	47,533	65,637	120,416	233,586
Yankees:				
Yankee Corporate	2,798	-	3,070	5,868
Yankee Government	-	-	575	575
Total Invested Assets	241,384	65,637	148,382	455,403
Pool related net assets (liabilities)	(10,292)	-	1,216	(9,076)
Net Invested Assets	231,092	65,637	149,598	446,327
Participant Unallotted Cash	-	-	-	-
Net Cash and Investments	\$ 231,092	\$ 65,637	\$ 149,598	\$ 446,327

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, 2015, the expected average life of individual fixed rate securities ranged from 10 days to 3.3 years and the expected average life of floating rate securities ranged from 10 days to 14.5 years.

NOTES TO FINANCIAL STATEMENTS

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 issues, for which settlement date applies. At June 30, 2015, the days to maturity of fixed rate securities ranged from 65 to 170 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 limited the effective duration of its other fixed income pools 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, 2015 was 1.80 years.

	Intermediate-term Fixed Income Pool
Certificate of Deposit	0.14
Corporate Bonds	1.63
Mortgage Backed	1.03
Municipal Bonds	-
Other Asset Backed	0.61
U.S. Government Agency	3.96
U.S. Treasury Bills, Notes, Bonds, and TIPS	1.96
Yankee Corporate	0.94
Yankee Government	1.08
Portfolio Effective Duration	1.81

Credit Risk GeFONSI Pool

Credit risk is the risk that an issuer or other counterparty 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 and 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".

Short-term Liquidity Pool investments are limited to U.S. Treasury obligations or other U.S. government securities 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 and 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

At June 30, 2015, 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		%	Short-term		%
		Fixed	Liquidity		Fixed Income	Intermediate-term Fixed	
		Income Pool	Pool		Pool	Income Pool	
Certificate of Deposit	Not Rated	0.17	-	%	-	0.23	%
Corporate Bonds	AAA	-	-		-	0.15	
Corporate Bonds	AA	1.42	-		-	1.26	
Corporate Bonds	A	1.30	-		-	4.67	
Corporate Bonds	BBB	-	-		-	1.54	
Corporate Bonds	BB	-	-		-	-	
Corporate Bonds	Not Rated	-	-		-	0.01	
Deposits	Not Rated	0.07	-		-	-	
Mortgage Backed	AAA	1.18	-		-	0.81	
Mortgage Backed	AA	0.88	-		-	0.70	
Mortgage Backed	A	0.19	-		-	0.54	
Mortgage Backed	BBB	-	-		-	-	
Mortgage Backed	BB	-	-		-	0.01	
Mortgage Backed	Not Rated	0.05	-		-	1.02	
Municipal Bonds	AA	0.08	-		-	-	
Municipal Bonds	A	-	-		-	-	
Other Asset Backed	AAA	47.26	-		-	3.06	
Other Asset Backed	AA	1.27	-		-	-	
Other Asset Backed	A-1	1.54	-		-	-	
Other Asset Backed	Not Rated	16.63	-		-	1.60	
Repurchase Agreement	AAA	7.85	-		-	-	
Repurchase Agreement	Not Rated	2.80	-		-	-	
U.S. Government Agency	AA	-	-		-	0.06	
U.S. Treasury Bills, Notes, Bonds, and TIPS	AA	20.57	99.99		-	77.57	
Yankee Corporate	AAA	-	-		-	0.03	
Yankee Corporate	AA	0.62	-		-	0.86	
Yankee Corporate	A	0.59	-		-	0.87	
Yankee Corporate	BBB	-	-		-	0.22	
Yankee Government	AAA	-	-		-	-	
Yankee Government	AA	-	-		-	0.10	
Yankee Government	A	-	-		-	0.13	
Yankee Government	BBB	-	-		-	0.08	
Yankee Government	Not Rated	-	-		-	0.07	
Other Pool Ownership	Not Rated	-	0.01		-	3.63	
No Credit Risk		(4.47)	-		-	0.78	
		100.00	100.00	%	100.00	100.00	%

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, 2015, no pool had exposure to any one issuer greater than 5% of total invested assets.

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	\$ -	\$ 17,490	\$ -	\$ 151	\$ 1,300	\$ 18,941
Grant Programs	-	-	-	-	1,425	1,425
Mortgage or Bond Programs	41,613	-	-	-	-	41,613
Other Funds or Programs	-	-	-	-	-	-
Alaska Corporation for Affordable Housing	-	-	-	-	-	-
Total	\$ 41,613	\$ 17,490	\$ -	\$ 151	\$ 2,725	\$ 61,979

The balance of \$41,613,000 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 \$17,490,000 and \$151,000 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 \$1,300,000 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, 2015
Mortgage loans	\$ 2,314,620
Multifamily loans	328,258
Other notes receivable	91,931
	<u>2,734,809</u>
Less:	
Allowance for losses	(71,916)
Net Mortgage loans, notes and other loans	<u>\$ 2,662,893</u>

Other notes receivable include monies due to AHFC for various unconventional loan programs, monies that weren't expended by grant recipients and notes receivable (net of allowance for losses) due to ACAH of \$7,836,000.

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

	June 30, 2015
<u>Delinquencies and foreclosures:</u>	
Loans delinquent 30 days or more	\$ 102,610
Foreclosures during period	11,818
Loans in foreclosure process	10,599
<u>Mortgage-related commitments:</u>	
To purchase mortgage loans	109,987

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 after June 1, 2017, which is the end of the lease. In March 2015, the Corporation issued the State Capital Project Bonds, 2015 Series A, to refund the General Housing Purpose Bonds, 2005 Series C, which were previously issued in May 2005 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 was \$44,000,000. 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 after December 1, 2027, which is the end of the lease. In June 2015, the Corporation issued the State Capital Project Bonds, 2015 Series B, to partially refund the State Capital Project Bonds, 2007 Series A, which were originally issued in September 2007 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 Garage	Building	Total
2016	\$ 3,304	\$ 3,467	\$ 6,771
2017	3,304	3,467	6,771
2018	3,304	-	3,304
2019	3,304	-	3,304
2020	3,304	-	3,304
Thereafter	26,425	-	26,425
Gross payments due	42,945	6,934	49,879
Less: Unearned revenue	(9,778)	(369)	(10,147)
Net investment in direct financing lease	\$ 33,167	\$ 6,565	\$ 39,732

NOTES TO FINANCIAL STATEMENTS

8 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015, and a summary of balances are shown below (in thousands):

	June 30, 2014	Additions	Reductions	June 30, 2015
Non-Depreciable Capital Assets:				
Land	\$ 19,687	\$ -	\$ -	\$ 19,687
Construction in progress	1,068	92	(1,004)	156
Total Non-Depreciable	20,755	92	(1,004)	19,843
Depreciable Capital Assets:				
Buildings	238,476	3,883	-	242,359
Computers & Equipment	2,147	158	(39)	2,266
Vehicles	2,017	147	(181)	1,983
Less: Accumulated depreciation				
Buildings	(139,806)	(7,038)	-	(146,844)
Computers & Equipment	(1,572)	(317)	39	(1,850)
Vehicles	(1,769)	(112)	181	(1,700)
Total Depreciable, Net	99,493	(3,279)	-	96,214
Total Capital Assets, Net	\$ 120,248	\$ (3,187)	\$ (1,004)	\$ 116,057

The above capital assets include \$3,667,000 of land and land improvements that belong to ACAH.

The depreciation expense charged by the Corporation was \$7,467,000 for the year ended June 30, 2015. 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 \$3,994,000 at June 30, 2015.

9 DEFERRED OUTFLOWS OF RESOURCES

The Government Accounting Standards Board 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, 2015, were interest rate swap derivatives of \$147,682,000, deferred debt refunding expense of \$21,073,000, and pension deferred outflows of \$2,685,000.

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, 2015, there were 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 Amount	June 30, 2015
First-Time Home Buyer Program		
<i>Mortgage Revenue Bonds, Tax-Exempt:</i>		
• 2009 Series A-1; 3.07%, due 2027-2041	\$ 64,350	\$ 53,470
• 2009 Series A-2; 2.32%, due 2026-2041	128,750	100,450
• 2010 Series A; 1.90% to 4.00%, due 2015-2027	43,130	32,865
Unamortized discount		(160)
• 2010 Series B; 1.90% to 4.63%, due 2015-2040	35,680	32,260
• 2011 Series B; 1.80% to 4.05%, due 2015-2026	71,360	55,210
<i>Mortgage Revenue Bonds, Taxable:</i>		
• 2011 Series A; 2.80% due 2015-2026	28,945	9,025
Total Mortgage Revenue Bonds	372,215	283,120
<i>Home Mortgage Revenue Bonds, Tax-Exempt:</i>		
• 2002 Series A; Floating Rate*; 0.11% at June 30, 2015, due 2032-2036	170,000	87,195
Unamortized swap termination penalty		(5,428)
• 2007 Series A; Floating Rate*; 0.12% at June 30, 2015, due 2017-2041	75,000	75,000
• 2007 Series B; Floating Rate*; 0.11% at June 30, 2015, due 2017-2041	75,000	75,000
• 2007 Series D; Floating Rate*; 0.13% at June 30, 2015, due 2017-2041	89,370	89,370
• 2009 Series A; Floating Rate*; 0.07% at June 30, 2015, due 2020-2040	80,880	80,880
• 2009 Series B; Floating Rate*; 0.05% at June 30, 2015, due 2020-2040	80,880	80,880
• 2009 Series D; Floating Rate*; 0.06% at June 30, 2015, due 2020-2040	80,870	80,870
Total Home Mortgage Revenue Bonds	652,000	563,767
Veterans Mortgage Program Bonds:		
<i>Collateralized State Guaranteed Bonds, Tax-Exempt:</i>		
• 2006 First Series; 4.10% to 4.90%, due 2015-2037	190,000	42,070
• 2007 & 2008 First Series; 3.88% to 5.25%, due 2016-2038	57,885	14,785
Total Veterans Mortgage Program Bonds	247,885	56,855
Other Housing Bonds:		
<i>General Mortgage Revenue Bonds, Tax-Exempt:</i>		
• 2012 Series A; 1.05% to 4.30%, due 2015-2040	145,890	129,060
Unamortized discount		(654)
Unamortized premium		676
<i>Governmental Purpose Bonds, Tax-Exempt:</i>		
• 1997 Series A; Floating Rate*, monthly payments, 0.06% at June 30, 2015, due 2027	33,000	14,600
• 2001 Series A; Floating Rate*; 0.06% at June 30, 2015, due 2015-2030	76,580	51,115
Unamortized swap termination penalty		(6,122)
• 2001 Series B; Floating Rate*; 0.06% at June 30, 2015, due 2015-2030	93,590	62,460
Total Other Housing Bonds	349,060	251,135

NOTES TO FINANCIAL STATEMENTS

	Original Amount	June 30, 2015
Non-Housing Bonds:		
State Capital Project Bonds, Tax-Exempt:		
• 2002 Series C; Floating Rate*, 0.06% at June 30, 2015, due 2015-2022	60,250	45,700
• 2006 Series A; 3.50% to 5.00%, due 2016-2040	100,890	39,405
Unamortized discount		(860)
Unamortized premium		25
• 2007 Series A & B; 4.00% to 5.25%, due 2015-2029	95,525	40,080
Unamortized discount		(40)
Unamortized premium		539
• 2011 Series A; 4.25% to 5.00%, due 2015-2027	105,185	77,035
Unamortized discount		(79)
Unamortized premium		1,267
• 2012 Series A; 3.00% to 5.00%, due 2015-2032	99,360	87,325
Unamortized discount		(117)
Unamortized premium		9,135
• 2013 Series A; 4.00% to 5.00%, due 2017-2032	86,765	86,765
Unamortized premium		10,038
• 2014 Series A; 3.00% to 5.00%, due 2016-2033	95,115	95,115
Unamortized discount		(67)
Unamortized premium		8,242
• 2014 Series B; 3.00% to 5.00%, due 2015-2029	29,285	29,185
Unamortized premium		4,115
• 2014 Series D; 2.00% to 5.00%, due 2016-2029	78,105	78,105
Unamortized premium		13,837
• 2015 Series A; 2.00% to 5.00%, due 2016-2030	111,535	111,535
Unamortized premium		17,751
• 2015 Series B; 3.00% to 5.00%, due 2016-2036	93,365	93,365
Unamortized discount		(242)
Unamortized premium		9,491
State Capital Project Bonds, Taxable:		
• 2013 Series B; Indexed Floating Rate*, monthly payments 0.98% at June 30, 2015, due 2043	50,000	50,000
• 2014 Series C; Indexed Floating Rate*, 0.68% at June 30, 2015, due 2029	140,000	140,000
Total Non-Housing Bonds	1,145,380	1,046,650
Total Bonds Payable	\$ 2,766,540	\$ 2,201,527

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.

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, 2015, the Corporation made \$85,095,000 special revenue redemptions and \$216,470,000 current refundings.

NOTES TO FINANCIAL STATEMENTS

Advance Refundings

In March 2015, AHFC issued \$111,535,000 in State Capital Projects Bonds II, 2015 Series A (the "Bonds"). The Bonds were issued mainly to defease \$109,905,000 of General Housing Purpose Bonds, 2005 Series B and \$6,565,000 of General Housing Purpose Bonds, Series C (the "Refunded Bonds"). Net proceeds of the Bonds totaled \$129,907,000 including a premium of \$18,372,000. \$119,476,000 of these proceeds was deposited with an escrow agent to pay off the Refunded Bonds on the first original redemption date of June 1, 2015. The Refunded Bonds have been legally defeased, and the liability for the Refunded Bonds has been removed from the Statement of Net Position. This advance refunding decreases debt service payments by \$23,767,000 over the next sixteen years. This results in a Net Present Value savings \$22,506,000. The Refunded Bonds were paid in full in June 2015.

In June 2015, AHFC issued \$93,365,000 in State Capital Projects Bonds II, 2015 Series B (the "Bonds"). The Bonds were issued mainly to refund \$47,270,000 of State Capital Project Bonds, 2006 Series A and \$34,230,000 of State Capital Bonds 2007 Series A and B (the "Refunded Bonds"). Net proceeds of the Bonds totaled \$102,614,000, including a premium of \$9,248,000. \$87,269,000 of the proceeds was deposited with an escrow agent to completely pay off the Refunded Bonds on the first optional redemption dates in June 2016 and December 2017. The Refunded Bonds have been legally defeased, and the liability for the Refunded Bonds has been removed from the Statement of Net Position. This advance refunding decreases debt service payments by \$9,567,000 over the next 21 years, resulting in Net Present Value savings of \$6,939,000.

Debt Service Requirements**

For all bonds in the preceding schedules, the Corporation's debt service requirements through 2020 and in five year increments thereafter to maturity are shown below (in thousands):

12 Months Ending June 30	Total Debt Service		
	Principal	Interest*	Total
2016	\$ 40,985	\$ 78,364	\$ 119,349
2017	55,995	76,261	132,256
2018	58,300	74,234	132,534
2019	59,980	71,997	131,977
2020	73,995	69,505	143,500
2021-2025	446,085	288,753	734,838
2026-2030	638,025	190,390	828,415
2031-2035	358,780	100,901	459,681
2036-2040	307,140	40,292	347,432
2041-2043	100,895	3,003	103,898
	<u>\$ 2,140,180</u>	<u>\$ 993,700</u>	<u>\$ 3,133,880</u>

* Interest requirements for variable-rate bonds have been computed using the effective interest rate at June 30, 2015

** 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 commitments to issue up to \$5,000,000 of Revenue Bonds 2014 (Eklutna Estates II Senior Housing Projects), up to \$14,682,018 of Tax Exempt Direct Purchase Bonds (ANC MV Phase I Limited Partnership Project), Series 2014, and up to \$8,500,000 of Tax Exempt Revenue Bonds 2015 (Creekview Plaza 49 Senior Housing Project). As of June 30, 2015, the outstanding bonds were \$4,263,000, \$6,682,000, and \$76,000 respectively.

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.

NOTES TO FINANCIAL STATEMENTS

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.

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, 2015, the Corporation had not posted any collateral and was not required to post any collateral.

Hedging Derivatives

The significant terms and credit ratings of the Corporation's hedging derivatives as of June 30, 2015, are shown below:

Related Bond Issue	Effective Date	Fixed Rate Paid	Variable Rate Received	Swap Termination Date	Counterparty Credit Rating ⁷
GP01A ¹	12/01/08	2.4530	67% of 1M LIBOR ⁴	12/01/30	A/A2
GP01B	08/02/01	4.1427	67% of 1M LIBOR	12/01/30	A+/Aa3
E021A1 ²	10/09/08	2.9800	70% of 3M LIBOR ⁵	06/01/32	AAA/Aa2
E021A2	10/09/08	3.4480	70% of 1M LIBOR	12/01/36	A+/Aa3
SC02C ³	12/05/02	4.3030	SIFMA ⁶ +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 June 30, 2015, is shown below (in thousands). The fair value is reported as a deferred outflow / inflow of resources in the Statement of Net Position.

Related Bond Issue	Notional Amounts	Present Values	Fair Values		Change in Fair Value
			June 30, 2015	June 30, 2014	
GP01A	\$ 51,115	\$ 54,847	\$ (3,732)	\$ (3,353)	\$ (379)
GP01B	62,460	75,270	(12,810)	(13,103)	293
E021A1	40,520	45,021	(4,501)	(4,195)	(306)
E021A2	46,675	49,183	(2,508)	(4,091)	1,583
SC02C	45,700	50,785	(5,085)	(5,981)	896
E071AB	143,622	178,644	(35,022)	(31,412)	(3,610)
E071BD	95,748	118,787	(23,039)	(20,577)	(2,462)
E091A	72,789	91,267	(18,478)	(16,520)	(1,958)
E091B	72,789	91,181	(18,392)	(16,461)	(1,931)
E091ABD	97,052	121,167	(24,115)	(21,483)	(2,632)
Total	\$ 728,470	\$ 876,152	\$ (147,682)	\$ (137,176)	\$ (10,506)

NOTES TO FINANCIAL STATEMENTS

As of June 30, 2015, 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 Ending June 30	VRDO Principal	VRDO Interest	Swap Net Payment	Total Payments
2016	\$ 13,155	\$ 624	\$ 25,216	\$ 38,995
2017	16,146	614	24,744	41,504
2018	19,399	600	24,121	44,120
2019	20,280	584	23,424	44,288
2020	24,500	567	22,697	47,764
2021-2025	142,530	2,499	98,541	243,570
2026-2030	158,861	1,898	73,778	234,537
2031-2035	144,716	1,224	47,173	193,113
2036-2040	155,608	554	21,150	177,312
2041-2043	33,275	32	1,021	34,328
	<u>\$ 728,470</u>	<u>\$ 9,196</u>	<u>\$ 361,865</u>	<u>\$ 1,099,531</u>

Credit Risk

As of June 30, 2015, 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 35.3% of the total notional amount of the swaps is held with one counterparty rated "AAA/Aa2". Another 32.7% 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 15.0%, 10.0%, and 7.0% 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, 2015, SIFMA was 0.07% and 1-month LIBOR was 0.1865%, resulting in a SIFMA/LIBOR ratio of 37.5%. The 3-month LIBOR was 0.2832%, resulting in a SIFMA/LIBOR ratio of 24.75%. 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.

NOTES TO FINANCIAL STATEMENTS

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.

Investment Derivative

The State Capital Project Bonds, 2002 Series B, were fully redeemed in fiscal year 2009, so the associated interest rate swap is 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, 2015, are shown below:

Related Bond Issue	Effective Date	Fixed Rate Paid	Variable Rate Received	Swap Termination Date	Counterparty 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, 2015, 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 Bond Issue	Notional Amounts	Present Values	Fair Values		Change in Fair Value
			June 30, 2015	June 30, 2014	
SC02B	\$ 14,555	\$ 17,072	\$ (2,517)	\$ (2,528)	\$ 11

Credit Risk

As of June 30, 2015, 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, 2015 is summarized in the following schedule (in thousands):

	June 30, 2014	Additions	Reductions	June 30, 2015	Due Within One Year
Total bonds and notes payable	\$ 2,308,710	\$ 465,491	\$ (572,674)	\$ 2,201,527	\$ 40,985
Pension liability	-	31,440	(3,072)	28,368	-
Compensated absences	5,285	2,736	(3,390)	4,631	2,630
Other liabilities	837	21	-	858	-
Total long-term liabilities	\$ 2,314,832	\$ 499,688	\$ (579,136)	\$ 2,235,384	\$ 43,615

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, 2015, was 0.13% and the highest was 0.17%.

Short term debt activity for the year ended June 30, 2015, is summarized in the following schedule (in thousands):

	June 30, 2014	Additions	Reductions	June 30, 2015
Commercial paper	\$ 65,000	\$ 326,600	\$ (374,700)	\$ 16,900
Unamortized discount	(7)	(51)	57	(1)
Commercial paper, net	\$ 64,993	\$ 326,549	\$ (374,643)	\$ 16,899

NOTES TO FINANCIAL STATEMENTS

14 DEFERRED INFLOWS OF RESOURCES

The Government Accounting Standards Board has defined deferred inflows of resources as the acquisition of resources that are applicable to a future period. AHFC's deferred inflows of resources at June 30, 2015, represent the difference between projected and actual investment earnings in State of Alaska's Public Employees' Retirement System Defined Benefit Retirement Plan of \$3,277,000.

15 TRANSFERS

Transfers for the year ended June 30, 2015, are summarized in the following schedule (in thousands):

		Due From					
		Administrative	Grant	Mortgage or	Other	Alaska	
		Fund	Programs	Bond	Funds or	Corporation for	
				Programs	Programs	Affordable	Total
						Housing	
D	Administrative Fund	\$ -	\$ 17,658	\$ 319,101	\$ 3,055	\$ 1,358	\$ 341,172
u	Grant Programs	30,284	-	-	-	-	30,284
e	Mortgage or Bond Programs	282,196	-	131,452	-	-	413,648
	Other Funds or Programs	10,548	41	-	-	-	10,589
T	Alaska Corporation for						
o	Affordable Housing	5,656	-	-	3,525	-	9,181
	Total	\$ 328,684	\$ 17,699	\$ 450,553	\$ 6,580	\$ 1,358	\$ 804,874

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; or
- (5) record any unreimbursable expenditures paid by the Administrative Fund on behalf of ACAH and cash transferred between the Administrative Fund and ACAH.

16 OTHER CREDIT ARRANGEMENTS

The Corporation currently has certain outstanding debt obligations with 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, 2015, the Corporation had unused standby bond purchase agreements of \$488,315,000 and bond insurance of \$78,485,000.

17 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, 2015 was \$21,000. No arbitrage was paid for the year ended June 30, 2015.

18 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 June 30, 2015, (in thousands):

	Dividend Due to State	Expenditures	Remaining Commitments
State General Fund Transfers	\$ 788,921	\$ (788,921)	\$ -
State Capital Projects Debt Service	422,438	(412,071)	10,367
State of Alaska Capital Projects	253,761	(249,011)	4,750
AHFC Capital Projects	466,112	(434,731)	31,381
Total	\$ 1,931,232	\$ (1,884,734)	\$ 46,498

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

19 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, 2015
▪ Affordable Housing Development Program	\$ -
▪ Alaska Corporation for Affordable Housing	-
▪ Beneficiaries and Special Needs Housing	611
▪ Continuum of Care Homeless Assistance	2,255
▪ Domestic Violence	1,580
▪ Drug Elimination	66
▪ Emergency Shelter Grant (ESG)	322
▪ Energy Efficiency Monitoring Research	470
▪ Energy Efficient Home Program	19,645
▪ HOME Investment Partnership	4,950
▪ Homeless Assistance Program	7,760
▪ Housing Choice Vouchers	29,370
▪ Housing Loan Program	6,437
▪ Housing Opportunities for Persons with AIDS	663
▪ Low Income Weatherization Assistance	37,085
▪ Low Income Home Energy Assistance	300
▪ Neighborhood Stabilization Program (NSP)	46
▪ Non-Elderly Disabled (NED)	270
▪ Parolees (TBRA)	432
▪ Section 8 Rehabilitaton	428
▪ Senior Citizen Housing Development Grant	3,417
▪ State Energy Program	34
▪ Supplemental Housing Grant	7,355
▪ Technical Assistance Grant	8
▪ Veterans Affairs Supportive Housing	1,514
▪ Youth (TBRA)	175
▪ Utility Allowance Payments for Low Rent	29
Total Housing Grants and Subsidies Expenses	\$ 125,222

In addition to grant payments made, the Corporation had advanced grant funds of \$14,631,000 and committed to third parties a sum of \$98,402,000 in grant awards as of June 30, 2015.

20 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

21 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 June 30, 2015, the Corporation had outstanding commitments of \$25,558,000 and had paid out \$191,172,000 in the rebate program to homeowners since the inception of the program. The \$25,558,000 commitment amount represents the maximum amount each homeowner could be reimbursed, not necessarily the actual amount of each homeowner's reimbursement.

22 PENSION AND POST EMPLOYMENT HEALTHCARE PLANS

Description of Plans

As of June 30, 2015, 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.

PERS audited financial statements are available at www.doa.alaska.gov/drb.

Defined Benefit Pension and Post Employment Health Care Plans (*Employees hired prior to July 1, 2006*)

Employee Benefits:

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.

This plan was closed to new entrants as of June 30, 2006.

Funding Policy:

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.

NOTES TO FINANCIAL STATEMENTS

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% was funded by the State. For the fiscal year 2015 the State contributed 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 Corporation's contributions to the defined benefit post-employment healthcare plan for the year ended June 30, 2015, totaled \$1,543,000 and for the years ended June 30, 2014, and June 30, 2013, totaled \$1,953,000 and \$2,197,000, respectively.

Pension Liabilities:

At June 30, 2015, the Corporation reported a liability for its proportionate share to the net pension liability in the amount of \$28,368,000. This amount reflected a reduction for State pension support provided to the Corporation of \$22,645,000. The total net pension liability associated with the Corporation was \$51,013,000

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the new pension liability was determined by an actuarial valuation as of June 30, 2013 and rolled forward to June 30, 2014.

Pension Expense:

For the year ended June 30, 2015, the Corporation recognized pension expense of \$3,473,000 and revenue of \$1,217,000 for support provided by the State.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

The Corporation's deferred outflows of resources related to pensions of \$2,685,000 was due to a change in its proportionate share of contributions to the pension plan of \$282,000 and contributions to the pension plan subsequent to the measurement date of \$2,403,000.. The Corporation's deferred inflows of resources related to pension of \$3,277,000 was due to a difference between expected versus actual investment returns.

The amounts recognized as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows (in thousands):

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
2016	\$ 2,620	\$ (819)	\$ 1,801
2017	65	(819)	(754)
2018	-	(819)	(819)
2019	-	(820)	(820)
	<u>\$ 2,685</u>	<u>\$ (3,277)</u>	<u>\$ (592)</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014. The valuation was prepared assuming an inflation rate of 3.12%. Salary increases were determined by grading by age and service to range from 3.62% to 9.60%. Investment rate of return was calculated at 8.00%, net of pension plan investment expenses, based on an average inflation rate of 3.12% and a real rate of return of 4.88%.

Mortality rates were based on the 1994 Group Annuity Mortality ("GAM") Table, sex distinct

The actuarial assumptions used in the June 30, 2013, actuarial valuation were based on the results of an actuarial experience study for the period from July1, 2005 to June 30, 2009, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized in the following table (note that the rates shown below exclude the inflation component):

NOTES TO FINANCIAL STATEMENTS

Asset Class	Long-term Expected Real Rate of Return
Domestic Equity	6.77 %
International Equity	7.50
Private Equity	10.86
Fixed Income	2.05
Real Estate	3.63
Absolute Return	4.80

Discount rate:

The discount rate used to ensure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that the Corporation and non-employer State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Corporation's proportionate share of the net pension liability to changes in the discount rate.

The following presents the Corporation's proportionate share of the net pension liability using the discount rate of 8% and what it would be if the discount was 1% (7%) lower or 1% higher (9%), (in thousands).

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Corporation's proportionate share of the net pension liability	\$20,934	\$28,368	\$37,196

Defined Contribution Pension and Post-Employment Health Care Plans (Employees hired on or after July 1, 2006):

Employee Benefits

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.

Funding Policy

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 \$1,960.53 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 defined benefit plan's unfunded liability. For the year ended June 30, 2015, the Corporation paid additional contributions of \$626,000. These contributions equal \$357,000 for the defined benefit pension and \$269,000 for the defined benefit post-employment healthcare plans.

The contributions to the pension plan for the year ended June 30, 2015, by the employees totaled \$426,000 and by the Corporation totaled \$278,000.

The Corporation contributed \$267,000 to a health reimbursement arrangement for the year ended June 30, 2015.

NOTES TO FINANCIAL STATEMENTS

23 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 \$2,358,000 as of June 30, 2015.

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.

24 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.

25 CUMULATIVE EFFECT OF ACCOUNTING CHANGE

Beginning in fiscal year 2015, the Corporation implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement requires employers to report a liability for their proportionate share of the collective pension costs and obligations for all benefits provided through the plan. At June 30, 2014, the Corporation's proportionate share of pension liability and deferred outflows of resources was \$31,440,000 and \$2,333,000, respectively. The net of these two amounts represents the cumulative effect of the accounting change on net position of the Corporation, a decrease of \$29,107,000.

NOTES TO FINANCIAL STATEMENTS

26 FIVE YEAR FINANCIAL INFORMATION

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

	2015	2014	June 30, 2013	2012	2011
Assets					
Cash	\$ 50,348	\$ 77,026	\$ 59,207	\$ 64,631	\$ 73,411
Investments	816,244	1,063,200	1,218,693	1,231,890	1,362,107
Accrued interest receivable	11,606	12,357	11,559	12,423	13,305
Mortgage loans, notes and other loans	2,662,893	2,536,596	2,305,667	2,525,004	2,759,511
Net investment in direct financing lease	39,732	44,664	48,777	53,192	57,476
Unamortized bond issuance costs	-	-	10,855	14,110	16,880
Capital assets, net	116,057	120,248	125,483	125,366	121,968
Other assets	47,982	44,533	64,919	46,275	36,446
Derivative instrument - interest rate swaps	-	-	-	-	-
Total Assets	3,744,862	3,898,624	3,845,160	4,072,891	4,441,104
Deferred Outflow of Resources	171,440	156,579	136,070	215,757	100,936
Liabilities					
Bonds and notes payable	2,201,527	2,308,710	2,257,875	2,407,864	2,721,113
Short term debt	16,899	64,993	28,388	68,685	86,976
Accrued interest payable	9,397	10,147	9,947	11,323	12,688
Other liabilities	49,522	21,079	20,857	27,153	24,549
Derivative instrument - interest rate swaps	150,199	140,366	138,635	219,480	102,895
Total Liabilities	2,427,544	2,545,295	2,455,702	2,734,505	2,948,221
Deferred Inflow of Resources	3,277	-	-	-	-
Total Net Position	\$ 1,485,481	\$ 1,509,908	\$ 1,525,528	\$ 1,554,143	\$ 1,593,819
Operating Revenues					
Mortgage and loans revenue	\$ 126,140	\$ 120,740	\$ 125,059	\$ 147,078	\$ 164,242
Investment interest	4,388	6,532	6,385	6,793	8,454
Net change in fair value of investments	1,627	2,450	1,545	7,667	7,766
Net change of hedge termination	11	37	1,158	(1,765)	410
Total Investment Revenue	6,026	9,019	9,088	12,695	16,630
Externally funded programs	146,236	163,739	168,152	179,704	194,411
Rental	9,342	8,951	8,701	8,554	7,996
Other	2,355	5,637	4,325	3,147	2,416
Total Operating Revenues	290,099	308,086	315,325	351,178	385,695
Operating Expenses					
Interest	75,349	81,184	94,409	111,558	122,138
Mortgage and loan costs	11,327	9,442	10,098	11,131	11,587
Operations and administration	53,287	58,771	56,663	57,126	54,100
Financing expenses	5,064	4,415	12,419	7,807	8,692
Provision for loan loss	(5,741)	(5,688)	(4,753)	(1,542)	(6,673)
Housing grants and subsidies	125,222	149,188	150,460	179,194	196,168
Rental housing operating expenses	17,086	14,159	13,924	16,373	12,594
Total Operating Expenses	281,594	311,471	333,220	381,647	398,606
Operating Income (Loss)	8,505	(3,385)	(17,895)	(30,469)	(12,911)
Non-Operating & Special Item					
Contribution to State or State agency	(3,825)	(1,380)	(10,720)	(9,207)	(20,349)
Special item	-	-	-	-	3,088
Change in Net Position	\$ 4,680	\$ (4,765)	\$ (28,615)	\$ (39,676)	\$ (30,172)

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Corporation's Proportionate Share of the Net Pension Liability (in thousands):

	2015	2014
The Corporation's proportion of the net pension liability (asset)	0.60821387%	0.59869601%
The Corporation's proportionate share of the net pension liability (asset)	\$ 28,368	\$ 31,440
State's proportionate share of the net pension liability (asset) associated with the Corporation	22,644	26,434
Total	<u>\$ 51,012</u>	<u>\$ 57,874</u>
The Corporation's covered employee payroll	\$ 16,314	\$ 17,189
The Corporation's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	138.80%	153.78%
Plan fiduciary net position as a percentage of the total pension liability	62.37%	56.04%

Information in this table is presented based on the Plan measurement date. For June 30, 2015, the plan measurement date is June 30, 2014.

This pension table is intended to present 10 years of information. Additional years will be added to the schedule as they become available.

The Plan is reporting no changes in benefit terms from the prior measurement period.

The Plan is reporting no changes in assumptions from the prior measurement period.

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REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Corporation's Contributions (in thousands)

	2015	2014
Contractually required contributions	\$ 2,403	\$ 2,128
Contributions in relation to the contractually required contributions	2,403	2,128
Contribution deficiency (excess)	-	-
The Corporation's covered employee payroll	16,314	17,189
Contributions as a percentage of covered-employee payroll	14.73%	12.38%

This table reports the Corporation's pension contributions to PERS during fiscal year 2015. These contributions are reported as a deferred outflow of resources on the June 30, 2015 basic financial statements.

This pension table is intended to present 10 years of information. Additional years will be added to the schedule as they become available.

The Plan is reporting no changes in benefit terms from the prior measurement period.

The Plan is reporting no changes in assumptions from the prior measurement period.

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET POSITION

COMBINED - ALL FUNDS

As of June 30, 2015

(in thousands of dollars)

	Combined Revolving Funds	Combined Mortgage Revenue Bonds	Combined Home Mortgage Revenue Bonds	Combined Veterans Mortgage Program Bonds
ASSETS				
Cash	24,342	-	-	-
Investments	658,951	41,606	27,173	11,710
Accrued interest receivable	2,286	916	2,779	441
Inter-fund due to/from	(22,672)	5,232	14,468	2,760
Mortgage loans, notes and other loans	142,688	290,393	769,870	75,769
Net investment in direct financing lease	-	-	-	-
Capital assets, non-depreciable	139	-	-	-
Capital assets - depreciable, net	4,138	-	-	-
Other assets	7,723	-	-	-
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	446	-	-	-
Total Assets	818,041	338,147	814,290	90,680
DEFERRED OUTFLOW OF RESOURCES				
	2,685	-	134,250	-
LIABILITIES				
Bonds payable	-	283,120	563,767	56,855
Short term debt	16,899	-	-	-
Accrued interest payable	2,227	704	1,677	228
Other liabilities	37,437	85	232	33
Derivative instrument - interest rate swaps	-	-	126,056	-
Intergovernmental payable	-	-	-	-
Total Liabilities	56,563	283,909	691,732	57,116
DEFERRED INFLOW OF RESOURCES				
	3,277	-	-	-
NET POSITION				
Net investment in capital assets	4,277	-	-	-
Restricted by bond resolutions	-	54,238	256,808	33,564
Restricted by contractual or statutory agreements	70,185	-	-	-
Unrestricted or (deficit)	686,424	-	-	-
Total Net Position	760,886	54,238	256,808	33,564

Schedule 1

Combined Other Housing Bonds	Combined Non-Housing Bonds	Combined Other Programs	Combined Total
-	174	25,832	50,348
53,474	23,330	-	816,244
1,323	3,861	-	11,606
5,289	13,864	(18,941)	-
430,322	946,015	7,836	2,662,893
-	39,732	-	39,732
-	2,401	17,303	19,843
-	12,664	79,412	96,214
-	-	19,000	26,723
-	-	-	-
-	-	20,813	21,259
490,408	1,042,041	151,255	3,744,862
17,849	16,656	-	171,440
251,135	1,046,650	-	2,201,527
-	-	-	16,899
691	3,870	-	9,397
621	597	10,013	49,018
16,542	7,601	-	150,199
-	174	330	504
268,989	1,058,892	10,343	2,427,544
-	-	-	3,277
-	15,065	96,715	116,057
210,213	-	-	554,823
29,055	-	47,172	146,412
-	(15,260)	(2,975)	668,189
239,268	(195)	140,912	1,485,481

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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, 2015

(in thousands of dollars)

	Administrative Fund	Home Ownership Fund	Combined Total
ASSETS			
Cash	24,342	-	24,342
Investments	647,387	11,564	658,951
Accrued interest receivable	2,228	58	2,286
Inter-fund due to/from	(22,672)	-	(22,672)
Mortgage loans, notes and other loans	142,688	-	142,688
Net investment in direct financing lease	-	-	-
Capital assets - non-depreciable	139	-	139
Capital assets - depreciable, net	4,138	-	4,138
Other assets	7,723	-	7,723
Derivative instrument - interest rate swaps	-	-	-
Intergovernmental receivable	446	-	446
Total Assets	806,419	11,622	818,041
DEFERRED OUTFLOW OF RESOURCES			
	2,685	-	2,685
LIABILITIES			
Bonds payable	-	-	-
Short term debt	16,899	-	16,899
Accrued interest payable	2,227	-	2,227
Other liabilities	37,437	-	37,437
Derivative instrument - interest rate swaps	-	-	-
Intergovernmental payable	-	-	-
Total Liabilities	56,563	-	56,563
DEFERRED INFLOW OF RESOURCES			
	3,277	-	3,277
NET POSITION			
Net investment in capital assets	4,277	-	4,277
Restricted by bond resolutions	-	-	-
Restricted by contractual or statutory agreements	58,563	11,622	70,185
Unrestricted or (deficit)	686,424	-	686,424
Total Net Position	749,264	11,622	760,886

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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, 2015

(in thousands of dollars)

	Bonds 2009 A-1 2010 A, B	Bonds 2009 A-2 2011 A, B	Mortgage Revenue Bonds Combined Total
ASSETS			
Cash	-	-	-
Investments	19,630	21,976	41,606
Accrued interest receivable	365	551	916
Inter-fund due to/from	2,010	3,222	5,232
Mortgage loans, notes and other loans	106,703	183,690	290,393
Net investment in direct financing lease	-	-	-
Capital assets - non-depreciable	-	-	-
Capital assets - depreciable, net	-	-	-
Other assets	-	-	-
Derivative instrument - interest rate swaps	-	-	-
Intergovernmental receivable	-	-	-
Total Assets	128,708	209,439	338,147
DEFERRED OUTFLOW OF RESOURCES			
	-	-	-
LIABILITIES			
Bonds payable	118,435	164,685	283,120
Short term debt	-	-	-
Accrued interest payable	342	362	704
Other liabilities	33	52	85
Derivative instrument - interest rate swaps	-	-	-
Intergovernmental payable	-	-	-
Total Liabilities	118,810	165,099	283,909
DEFERRED INFLOW OF RESOURCES			
	-	-	-
NET POSITION			
Net investment in capital assets	-	-	-
Restricted by bond resolutions	9,898	44,340	54,238
Restricted by contractual or statutory agreements	-	-	-
Unrestricted or (deficit)	-	-	-
Total Net Position	9,898	44,340	54,238

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, 2015

(in thousands of dollars)

	Bonds 2002 A,B	Bonds 2006 A	Bonds 2007 A	Bonds 2007 B
ASSETS				
Cash	-	-	-	-
Investments	14,225	-	1,672	1,618
Accrued interest receivable	449	-	293	312
Inter-fund due to/from	2,214	-	1,702	1,515
Mortgage loans, notes and other loans	107,914	-	86,348	86,051
Net investment in direct financing lease	-	-	-	-
Capital assets - non-depreciable	-	-	-	-
Capital assets - depreciable, net	-	-	-	-
Other assets	-	-	-	-
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	-	-	-	-
Total Assets	124,802	-	90,015	89,496
DEFERRED OUTFLOW OF RESOURCES				
	7,009	-	19,760	19,740
LIABILITIES				
Bonds payable	81,767	-	75,000	75,000
Short term debt	-	-	-	-
Accrued interest payable	214	-	229	228
Other liabilities	38	-	27	27
Derivative instrument - interest rate swaps	7,010	-	18,289	18,268
Intergovernmental payable	-	-	-	-
Total Liabilities	89,029	-	93,545	93,523
DEFERRED INFLOW OF RESOURCES				
	-	-	-	-
NET POSITION				
Net investment in capital assets	-	-	-	-
Restricted by bond resolutions	42,782	-	16,230	15,713
Restricted by contractual or statutory agreements	-	-	-	-
Unrestricted or (deficit)	-	-	-	-
Total Net Position	42,782	-	16,230	15,713

Schedule 4

Bonds 2007 D	Bonds 2009 A	Bonds 2009 B	Bonds 2009 D	Home Mortgage Revenue Bonds Combined Total
-	-	-	-	-
2,354	2,306	2,454	2,544	27,173
420	398	373	534	2,779
1,983	1,880	3,088	2,086	14,468
110,136	119,757	127,062	132,602	769,870
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
114,893	124,341	132,977	137,766	814,290
23,308	21,652	21,567	21,214	134,250
89,370	80,880	80,880	80,870	563,767
-	-	-	-	-
273	221	220	292	1,677
35	32	31	42	232
21,504	20,488	20,403	20,094	126,056
-	-	-	-	-
111,182	101,621	101,534	101,298	691,732
-	-	-	-	-
-	-	-	-	-
27,019	44,372	53,010	57,682	256,808
-	-	-	-	-
-	-	-	-	-
27,019	44,372	53,010	57,682	256,808

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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, 2015

(in thousands of dollars)

	Collateralized Bonds 2006 First Series	Collateralized Bonds 2007 & 2008 First Series	Combined Total
ASSETS			
Cash	-	-	-
Investments	9,051	2,659	11,710
Accrued interest receivable	330	111	441
Inter-fund due to/from	2,031	729	2,760
Mortgage loans, notes and other loans	58,193	17,576	75,769
Net investment in direct financing lease	-	-	-
Capital assets - non-depreciable	-	-	-
Capital assets - depreciable, net	-	-	-
Other assets	-	-	-
Derivative instrument - interest rate swaps	-	-	-
Intergovernmental receivable	-	-	-
Total Assets	69,605	21,075	90,680
DEFERRED OUTFLOW OF RESOURCES			
	-	-	-
LIABILITIES			
Bonds payable	42,070	14,785	56,855
Short term debt	-	-	-
Accrued interest payable	166	62	228
Other liabilities	25	8	33
Derivative instrument - interest rate swaps	-	-	-
Intergovernmental payable	-	-	-
Total Liabilities	42,261	14,855	57,116
DEFERRED INFLOW OF RESOURCES			
	-	-	-
NET POSITION			
Net investment in capital assets	-	-	-
Restricted by bond resolutions	27,344	6,220	33,564
Restricted by contractual or statutory agreements	-	-	-
Unrestricted or (deficit)	-	-	-
Total Net Position	27,344	6,220	33,564

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET POSITION

OTHER HOUSING BONDS

As of June 30, 2015

(in thousands of dollars)

	Senior Housing Revolving Loan Fund	Housing Development Bonds	General Mortgage Revenue Bonds II 2012 A & B	Governmental Purpose Bonds 1997 A
ASSETS				
Cash	-	-	-	-
Investments	17,073	-	5,101	7,274
Accrued interest receivable	112	-	448	43
Inter-fund due to/from	104	-	2,130	-
Mortgage loans, notes and other loans	11,769	-	197,386	14,749
Net investment in direct financing lease	-	-	-	-
Capital assets - non-depreciable	-	-	-	-
Capital assets - depreciable, net	-	-	-	-
Other assets	-	-	-	-
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	-	-	-	-
Total Assets	29,058	-	205,065	22,066
DEFERRED OUTFLOW OF RESOURCES				
	-	-	1,307	-
LIABILITIES				
Bonds payable	-	-	129,082	14,600
Short term debt	-	-	-	-
Accrued interest payable	-	-	376	1
Other liabilities	3	-	42	-
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental payable	-	-	-	-
Total Liabilities	3	-	129,500	14,601
DEFERRED INFLOW OF RESOURCES				
	-	-	-	-
NET POSITION				
Net investment in capital assets	-	-	-	-
Restricted by bond resolutions	-	-	76,872	7,465
Restricted by contractual or statutory agreements	29,055	-	-	-
Unrestricted or (deficit)	-	-	-	-
Total Net Position	29,055	-	76,872	7,465

Schedule 6

Governmental Purpose Bonds 2001 A-D	Combined Total
-	-
24,026	53,474
720	1,323
3,055	5,289
206,418	430,322
-	-
-	-
-	-
-	-
-	-
234,219	490,408
16,542	17,849
107,453	251,135
-	-
314	691
576	621
16,542	16,542
-	-
124,885	268,989
-	-
-	-
125,876	210,213
-	29,055
-	-
125,876	239,268

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET POSITION

NON-HOUSING BONDS

As of June 30, 2015

(in thousands of dollars)

	State Capital Project Bonds 2002 A, B, C	State Capital Project Bonds 2006 A	State Capital Project Bonds 2007 A & B	State Capital Project Bonds 2011 A	State Capital Project Bonds II 2012 A & B
ASSETS					
Cash	-	-	121	-	-
Investments	4,447	2,552	680	1,236	1,843
Accrued interest receivable	222	145	57	315	378
Inter-fund due to/from	908	1,364	263	1,241	779
Mortgage loans, notes and other loans	45,639	37,678	9,132	76,075	87,081
Net investment in direct financing lease	-	-	33,167	-	-
Capital assets - non-depreciable	-	-	-	2,401	-
Capital assets - depreciable, net	-	-	-	12,664	-
Other assets	-	-	-	-	-
Derivative instrument - interest rate swaps	-	-	-	-	-
Intergovernmental receivable	-	-	-	-	-
Total Assets	51,216	41,739	43,420	93,932	90,081
DEFERRED OUTFLOW OF RESOURCES					
	5,085	-	1,112	-	-
LIABILITIES					
Bonds payable	45,700	38,570	40,579	78,223	96,343
Short term debt	-	-	-	-	-
Accrued interest payable	1,223	147	162	316	329
Other liabilities	17	9	4	24	17
Derivative instrument - interest rate swaps	7,601	-	-	-	-
Intergovernmental payable	-	-	121	-	-
Total Liabilities	54,541	38,726	40,866	78,563	96,689
DEFERRED INFLOW OF RESOURCES					
	-	-	-	-	-
NET POSITION					
Net investment in capital assets	-	-	-	15,065	-
Restricted by bond resolutions	-	-	-	-	-
Restricted by contractual or statutory agreements	-	-	-	-	-
Unrestricted or (deficit)	1,760	3,013	3,666	304	(6,608)
Total Net Position	1,760	3,013	3,666	15,369	(6,608)

Schedule 7

State Capital Project Bonds II 2013 A & B	State Capital Project Bonds II 2014 A	State Capital Project Bonds II 2014 B	State Capital Project Bonds II 2014 C	State Capital Project Bonds II 2014 D	State Capital Project Bonds II 2015 A	State Capital Project Bonds II 2015 B	General Housing Purpose Bonds 2005 A	General Housing Purpose Bonds 2005 B & C	Combined Total
-	-	-	-	-	-	-	-	53	174
1,520	1,381	983	1,355	2,721	2,002	2,610	-	-	23,330
732	382	123	390	229	453	435	-	-	3,861
1,439	1,186	488	2,108	870	1,849	1,369	-	-	13,864
137,406	92,452	28,035	137,392	89,298	106,979	98,848	-	-	946,015
-	-	-	-	6,565	-	-	-	-	39,732
-	-	-	-	-	-	-	-	-	2,401
-	-	-	-	-	-	-	-	-	12,664
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
141,097	95,401	29,629	141,245	99,683	111,283	103,262	-	53	1,042,041
-	-	-	-	-	5,530	4,929	-	-	16,656
146,803	103,290	33,300	140,000	91,942	129,286	102,614	-	-	1,046,650
-	-	-	-	-	-	-	-	-	-
375	383	121	80	325	409	-	-	-	3,870
20	26	11	35	361	35	38	-	-	597
-	-	-	-	-	-	-	-	-	7,601
-	-	-	-	53	-	-	-	-	174
147,198	103,699	33,432	140,115	92,681	129,730	102,652	-	-	1,058,892
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	15,065
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(6,101)	(8,298)	(3,803)	1,130	7,002	(12,917)	5,539	-	53	(15,260)
(6,101)	(8,298)	(3,803)	1,130	7,002	(12,917)	5,539	-	53	(195)

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET POSITION

OTHER PROGRAM FUNDS

As of June 30, 2015

(in thousands of dollars)

	Energy Programs	Low Rent Program	Market Rate Rental Housing Programs	Section 8 Vouchers Programs
ASSETS				
Cash	1,202	8,152	10,718	4,100
Investments	-	-	-	-
Accrued interest receivable	-	-	-	-
Inter-fund due to/from	(8,644)	729	(880)	(2,869)
Mortgage loans, notes and other loans	-	-	-	-
Net investment in direct financing lease	-	-	-	-
Capital assets - non-depreciable	-	12,506	1,130	-
Capital assets - depreciable, net	-	60,424	18,950	38
Other assets	5,506	526	59	2,432
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	12,513	19	-	130
Total Assets	10,577	82,356	29,977	3,831
DEFERRED OUTFLOW OF RESOURCES				
	-	-	-	-
LIABILITIES				
Bonds payable	-	-	-	-
Short term debt	-	-	-	-
Accrued interest payable	-	-	-	-
Other liabilities	4,837	877	244	114
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental payable	-	330	-	-
Total Liabilities	4,837	1,207	244	114
DEFERRED INFLOW OF RESOURCES				
	-	-	-	-
NET POSITION				
Net investment in capital assets	-	72,930	20,080	38
Restricted by bond resolutions	-	-	-	-
Restricted by contractual or statutory agreements	7,207	8,430	9,653	3,360
Unrestricted or (deficit)	(1,467)	(211)	-	319
Total Net Position	5,740	81,149	29,733	3,717

Schedule 8

Other Grants	Alaska Corporation for Affordable Housing	Combined Total
193	1,467	25,832
-	-	-
-	-	-
(4,552)	(2,725)	(18,941)
-	7,836	7,836
-	-	-
-	3,667	17,303
-	-	79,412
10,474	3	19,000
-	-	-
8,151	-	20,813
14,266	10,248	151,255
-	-	-
-	-	-
-	-	-
-	-	-
3,936	5	10,013
-	-	-
-	-	330
3,936	5	10,343
-	-	-
-	-	-
-	3,667	96,715
-	-	-
10,686	7,836	47,172
(356)	(1,260)	(2,975)
10,330	10,243	140,912

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, 2015

(in thousands of dollars)

	Combined Revolving Funds	Combined Mortgage Revenue Bonds	Combined Home Mortgage Revenue Bonds	Combined Veterans Mortgage Program Bonds
OPERATING REVENUES				
Mortgage and loans revenue	9,429	13,114	35,760	4,833
Investment interest	531	106	189	30
Net change in the fair value of investments	1,585	-	-	-
Net change of hedge termination	-	-	-	-
Total Investment Revenue	2,116	106	189	30
Externally funded program	1,349	-	-	-
Rental	4	-	-	-
Other	1,740	-	-	-
Total Operating Revenues	14,638	13,220	35,949	4,863
OPERATING EXPENSES				
Interest	54	8,828	23,822	3,079
Mortgage and loan costs	2,308	1,225	3,033	378
Financing expenses	406	27	2,789	5
Provision for loan loss	643	(1,754)	(2,277)	(712)
Operations and administration	20,475	488	1,232	134
Rental housing operating expenses	25	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	23,911	8,814	28,599	2,884
Operating Income (Loss)	(9,273)	4,406	7,350	1,979
NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS				
Contributions to the State of Alaska or other State agencies	(3,825)	-	-	-
Special Items	-	-	-	-
Transfers - Internal	12,524	341	(4,913)	139
Change in Net Position	(574)	4,747	2,437	2,118
Net position at beginning of year	790,567	49,491	254,371	31,446
Cumulative effect of accounting change	(29,107)	-	-	-
Revised net position at beginning of year	761,460	49,491	254,371	31,446
Net Position at End of Period	760,886	54,238	256,808	33,564

Schedule 9

Combined Other Housing Bonds	Combined Non-Housing Bonds	Combined Other Programs	Combined Total
18,410	44,594	-	126,140
1,542	1,975	15	4,388
(460)	502	-	1,627
-	11	-	11
1,082	2,488	15	6,026
-	-	144,887	146,236
-	-	9,338	9,342
-	-	615	2,355
19,492	47,082	154,855	290,099
8,747	30,819	-	75,349
1,487	2,896	-	11,327
186	1,651	-	5,064
(1,030)	(1,386)	775	(5,741)
695	1,914	28,349	53,287
-	-	17,061	17,086
-	-	125,222	125,222
10,085	35,894	171,407	281,594
9,407	11,188	(16,552)	8,505
-	-	-	(3,825)
-	-	-	-
(31,630)	(842)	24,381	-
(22,223)	10,346	7,829	4,680
261,491	(10,541)	133,083	1,509,908
-	-	-	(29,107)
261,491	(10,541)	133,083	1,480,801
239,268	(195)	140,912	1,485,481

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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, 2015

(in thousands of dollars)

	Administrative Fund	Home Ownership Fund	Combined Total
OPERATING REVENUES			
Mortgage and loans revenue	9,429	-	9,429
Investment interest	289	242	531
Net change in the fair value of investments	1,796	(211)	1,585
Net change of hedge termination	-	-	-
Total Investment Revenue	2,085	31	2,116
Externally funded program	1,349	-	1,349
Rental	4	-	4
Other	1,740	-	1,740
Total Operating Revenues	14,607	31	14,638
OPERATING EXPENSES			
Interest	54	-	54
Mortgage and loan costs	2,308	-	2,308
Financing expenses	406	-	406
Provision for loan loss	643	-	643
Operations and administration	20,475	-	20,475
Rental housing operating expenses	25	-	25
Housing grants and subsidies	-	-	-
Total Operating Expenses	23,911	-	23,911
Operating Income (Loss)	(9,304)	31	(9,273)
NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS			
Contributions to the State of Alaska or other State agencies	(3,825)	-	(3,825)
Special Items	-	-	-
Transfers - Internal	12,488	36	12,524
Change in Net Position	(641)	67	(574)
Net position at beginning of year	779,012	11,555	790,567
Cumulative effect of accounting change	(29,107)	-	(29,107)
Revised net position at beginning of year	749,905	11,555	761,460
Net Position at End of Period	749,264	11,622	760,886

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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, 2015

(in thousands of dollars)

	Bonds 2009 A-1 2010 A, B	Bonds 2009 A-2 2011 A, B	Mortgage Revenue Bonds Combined Total
OPERATING REVENUES			
Mortgage and loans revenue	5,291	7,823	13,114
Investment interest	45	61	106
Net change in the fair value of investments	-	-	-
Net change of hedge termination	-	-	-
Total Investment Revenue	45	61	106
Externally funded program	-	-	-
Rental	-	-	-
Other	-	-	-
Total Operating Revenues	5,336	7,884	13,220
OPERATING EXPENSES			
Interest	4,222	4,606	8,828
Mortgage and loan costs	480	745	1,225
Financing expenses	11	16	27
Provision for loan loss	(726)	(1,028)	(1,754)
Operations and administration	180	308	488
Rental housing operating expenses	-	-	-
Housing grants and subsidies	-	-	-
Total Operating Expenses	4,167	4,647	8,814
Operating Income (Loss)	1,169	3,237	4,406
NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS			
Contributions to the State of Alaska or other State agencies	-	-	-
Special Items	-	-	-
Transfers - Internal	70	271	341
Change in Net Position	1,239	3,508	4,747
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
Net Position at End of Period	9,898	44,340	54,238

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, 2015

(in thousands of dollars)

	Bonds 2002 A,B	Bonds 2006 A	Bonds 2007 A	Bonds 2007 B
OPERATING REVENUES				
Mortgage and loans revenue	6,870	1,042	3,890	4,045
Investment interest	28	6	22	20
Net change in the fair value of investments	-	-	-	-
Net change of hedge termination	-	-	-	-
Total Investment Revenue	28	6	22	20
Externally funded program	-	-	-	-
Rental	-	-	-	-
Other	-	-	-	-
Total Operating Revenues	6,898	1,048	3,912	4,065
OPERATING EXPENSES				
Interest	5,167	695	2,832	2,834
Mortgage and loan costs	621	74	350	337
Financing expenses	1,182	5	128	136
Provision for loan loss	(608)	(344)	(164)	(133)
Operations and administration	189	24	132	133
Rental housing operating expenses	-	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	6,551	454	3,278	3,307
Operating Income (Loss)	347	594	634	758
NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Special Items	-	-	-	-
Transfers - Internal	(448)	(6,120)	253	(478)
Change in Net Position	(101)	(5,526)	887	280
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
Net Position at End of Period	42,782	-	16,230	15,713

Schedule 12

Bonds 2007 D	Bonds 2009 A	Bonds 2009 B	Bonds 2009 D	Home Mortgage Revenue Bonds Combined Total
5,091	4,474	4,851	5,497	35,760
27	26	28	32	189
-	-	-	-	-
-	-	-	-	-
27	26	28	32	189
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
5,118	4,500	4,879	5,529	35,949
3,374	2,977	2,972	2,971	23,822
431	368	396	456	3,033
168	637	97	436	2,789
(280)	(138)	(193)	(417)	(2,277)
170	183	197	204	1,232
-	-	-	-	-
-	-	-	-	-
3,863	4,027	3,469	3,650	28,599
1,255	473	1,410	1,879	7,350
-	-	-	-	-
-	-	-	-	-
450	542	(6)	894	(4,913)
1,705	1,015	1,404	2,773	2,437
25,314	43,357	51,606	54,909	254,371
-	-	-	-	-
25,314	43,357	51,606	54,909	254,371
27,019	44,372	53,010	57,682	256,808

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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, 2015

(in thousands of dollars)

	Collateralized Bonds 2006 First Series	Collateralized Bonds 2007 & 2008 First Series	Combined Total
OPERATING REVENUES			
Mortgage and loans revenue	3,683	1,150	4,833
Investment interest	24	6	30
Net change in the fair value of investments	-	-	-
Net change of hedge termination	-	-	-
Total Investment Revenue	24	6	30
Externally funded program	-	-	-
Rental	-	-	-
Other	-	-	-
Total Operating Revenues	3,707	1,156	4,863
OPERATING EXPENSES			
Interest	2,273	806	3,079
Mortgage and loan costs	287	91	378
Financing expenses	4	1	5
Provision for loan loss	(558)	(154)	(712)
Operations and administration	103	31	134
Rental housing operating expenses	-	-	-
Housing grants and subsidies	-	-	-
Total Operating Expenses	2,109	775	2,884
Operating Income (Loss)	1,598	381	1,979
NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS			
Contributions to the State of Alaska or other State agencies	-	-	-
Special Items	-	-	-
Transfers - Internal	107	32	139
Change in Net Position	1,705	413	2,118
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
Net Position at End of Period	27,344	6,220	33,564

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, 2015

(in thousands of dollars)

	Senior Housing Revolving Loan Fund	Housing Development Bonds	General Mortgage Revenue Bonds II 2012 A & B	Governmental Purpose Bonds 1997 A
OPERATING REVENUES				
Mortgage and loans revenue	395	1,347	6,866	257
Investment interest	542	7	47	16
Net change in the fair value of investments	(460)	-	-	-
Net change of hedge termination	-	-	-	-
Total Investment Revenue	82	7	47	16
Externally funded program	-	-	-	-
Rental	-	-	-	-
Other	-	-	-	-
Total Operating Revenues	477	1,354	6,913	273
OPERATING EXPENSES				
Interest	-	4	4,469	6
Mortgage and loan costs	22	25	591	-
Financing expenses	-	1	28	33
Provision for loan loss	28	(452)	(219)	149
Operations and administration	11	36	304	21
Rental housing operating expenses	-	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	61	(386)	5,173	209
Operating Income (Loss)	416	1,740	1,740	64
NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Special Items	-	-	-	-
Transfers - Internal	27	(29,861)	(1,051)	(21)
Change in Net Position	443	(28,121)	689	43
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
Net Position at End of Period	29,055	-	76,872	7,465

Schedule 14

Governmental Purpose Bonds 2001 A-D	Combined Total
9,545	18,410
930	1,542
-	(460)
-	-
930	1,082
-	-
-	-
-	-
10,475	19,492
4,268	8,747
849	1,487
124	186
(536)	(1,030)
323	695
-	-
-	-
5,028	10,085
5,447	9,407
-	-
-	-
(724)	(31,630)
4,723	(22,223)
121,153	261,491
-	-
121,153	261,491
125,876	239,268

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, 2015

(in thousands of dollars)

	State Capital Project Bonds 2002 A, B, C	State Capital Project Bonds 2006 A	State Capital Project Bonds 2007 A & B	State Capital Project Bonds 2011 A	State Capital Project Bonds II 2012 A & B
OPERATING REVENUES					
Mortgage and loans revenue	2,558	4,615	2,781	3,750	5,866
Investment interest	9	20	1,404	19	16
Net change in the fair value of investments	-	-	-	-	-
Net change of hedge termination	11	-	-	-	-
Total Investment Revenue	20	20	1,404	19	16
Externally funded program	-	-	-	-	-
Rental	-	-	-	-	-
Other	-	-	-	-	-
Total Operating Revenues	2,578	4,635	4,185	3,769	5,882
OPERATING EXPENSES					
Interest	2,498	3,990	3,586	3,524	2,623
Mortgage and loan costs	203	354	184	294	283
Financing expenses	58	34	29	5	7
Provision for loan loss	(161)	(800)	(546)	(29)	(749)
Operations and administration	76	116	60	589	143
Rental housing operating expenses	-	-	-	-	-
Housing grants and subsidies	-	-	-	-	-
Total Operating Expenses	2,674	3,694	3,313	4,383	2,307
Operating Income (Loss)	(96)	941	872	(614)	3,575
NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS					
Contributions to the State of Alaska or other State agencies	-	-	-	-	-
Special Items	-	-	-	-	-
Transfers - Internal	5,749	335	(424)	14,727	(247)
Change in Net Position	5,653	1,276	448	14,113	3,328
Net position at beginning of year	(3,893)	1,737	3,218	1,256	(9,936)
Cumulative effect of accounting change	-	-	-	-	-
Revised net position at beginning of year	(3,893)	1,737	3,218	1,256	(9,936)
Net Position at End of Period	1,760	3,013	3,666	15,369	(6,608)

Schedule 15

State Capital Project Bonds II 2013 A & B	State Capital Project Bonds II 2014 A	State Capital Project Bonds II 2014 B	State Capital Project Bonds II 2014 C	State Capital Project Bonds II 2014 D	State Capital Project Bonds II 2015 A	State Capital Project Bonds II 2015 B	General Housing Purpose Bonds 2005 A	General Housing Purpose Bonds 2005 B & C	Combined Total
8,715	2,702	944	3,760	645	1,539	23	2,754	3,942	44,594
19	10	4	9	1	5	1	10	448	1,975
-	113	38	112	239	-	-	-	-	502
-	-	-	-	-	-	-	-	-	11
19	123	42	121	240	5	1	10	448	2,488
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
8,734	2,825	986	3,881	885	1,544	24	2,764	4,390	47,082
3,071	3,307	826	800	1,516	(110)	-	170	5,018	30,819
231	190	86	340	61	128	1	214	327	2,896
8	21	47	138	452	490	327	4	31	1,651
(573)	748	221	430	902	1,071	998	(1,602)	(1,296)	(1,386)
213	147	47	184	84	85	40	46	84	1,914
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
2,950	4,413	1,227	1,892	3,015	1,664	1,366	(1,168)	4,164	35,894
5,784	(1,588)	(241)	1,989	(2,130)	(120)	(1,342)	3,932	226	11,188
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(13,693)	(4,600)	(3,490)	(859)	9,132	(12,797)	6,881	(8,179)	6,623	(842)
(7,909)	(6,188)	(3,731)	1,130	7,002	(12,917)	5,539	(4,247)	6,849	10,346
1,808	(2,110)	(72)	-	-	-	-	4,247	(6,796)	(10,541)
-	-	-	-	-	-	-	-	-	-
1,808	(2,110)	(72)	-	-	-	-	4,247	(6,796)	(10,541)
(6,101)	(8,298)	(3,803)	1,130	7,002	(12,917)	5,539	-	53	(195)

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, 2015

(in thousands of dollars)

	Energy Programs	Low Rent Program	Market Rate Rental Housing Programs	Section 8 Vouchers Programs
OPERATING REVENUES				
Mortgage and loans revenue	-	-	-	-
Investment interest	2	1	1	7
Net change in the fair value of investments	-	-	-	-
Net change of hedge termination	-	-	-	-
Total Investment Revenue	2	1	1	7
Externally funded program	59,864	14,974	2,169	38,474
Rental	-	7,026	2,281	-
Other	1	12	8	59
Total Operating Revenues	59,867	22,013	4,459	38,540
OPERATING EXPENSES				
Interest	-	-	-	-
Mortgage and loan costs	-	-	-	-
Financing expenses	-	-	-	-
Provision for loan loss	-	-	-	-
Operations and administration	4,056	12,842	3,217	4,830
Rental housing operating expenses	466	13,579	2,787	102
Housing grants and subsidies	57,534	29	-	33,770
Total Operating Expenses	62,056	26,450	6,004	38,702
Operating Income (Loss)	(2,189)	(4,437)	(1,545)	(162)
NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Special Items	-	-	-	-
Transfers - Internal	4,375	2,640	1,333	658
Change in Net Position	2,186	(1,797)	(212)	496
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
Net Position at End of Period	5,740	81,149	29,733	3,717

Schedule 16

Other Grants	Alaska Corporation for Affordable Housing	Combined Total
-	-	-
-	4	15
-	-	-
-	-	-
-	4	15
29,406	-	144,887
-	31	9,338
535	-	615
29,941	35	154,855
-	-	-
-	-	-
-	-	-
-	775	775
3,279	125	28,349
120	7	17,061
33,889	-	125,222
37,288	907	171,407
(7,347)	(872)	(16,552)
-	-	-
-	-	-
7,552	7,823	24,381
205	6,951	7,829
10,125	3,292	133,083
-	-	-
10,125	3,292	133,083
10,330	10,243	140,912

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, 2015

(in thousands of dollars)

	Combined Revolving Funds	Combined Mortgage Revenue Bonds	Combined Home Mortgage Revenue Bonds	Combined Veterans Mortgage Program Bonds
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	5,321	12,050	33,177	4,480
Principal payments received on mortgages and loans	8,836	40,781	113,642	18,762
Disbursements to fund mortgages and loans	(457,716)	-	-	-
Receipt (payment) for loan transfers between funds	370,001	1,257	(101,355)	2,188
Mortgage and loan proceeds	431,852	-	-	-
Payment of mortgage and loan proceeds to funds	(422,818)	-	-	-
Payments to employees and other payroll disbursements	(25,607)	-	-	-
Payments for goods and services	(17,716)	-	(560)	-
Cash received for externally funded programs	1,759	-	-	-
Cash received for Federal HAP subsidies	-	-	-	-
Payments for Federal HAP subsidies	-	-	-	-
Interfund receipts (payments)	20,086	-	-	-
Grant payments to other agencies	(19,924)	-	-	-
Other operating cash receipts	23,648	-	-	-
Other operating cash payments	(1,598)	-	-	-
Net cash provided by (used for) operating activities	(83,876)	54,088	44,904	25,430
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	-	-
Principal paid on bonds	-	(25,575)	(50,375)	(16,600)
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	(1,285)	-	-	-
Interest paid	(57)	(8,859)	(21,637)	(3,144)
Proceeds from issuance of short term debt	326,552	-	-	-
Payment of short term debt	(374,643)	-	-	-
Contributions to the State of Alaska or other State agencies	(3,982)	-	-	-
Transfers (to) from other funds	63,335	-	2,057	-
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	9,920	(34,434)	(69,955)	(19,744)
<u>Cash flows from capital financing activities:</u>				
Acquisition of capital assets	(4,009)	-	-	-
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	(29)	-	-	-
Net cash provided by (used for) capital financing activities	(4,038)	-	-	-
<u>Cash flows from investing activities:</u>				
Purchase of investments	(4,680,064)	(198,885)	(392,328)	(65,318)
Proceeds from maturity of investments	4,740,381	179,129	417,198	59,603
Interest received from investments	604	102	181	29
Net cash provided by (used for) investing activities	60,921	(19,654)	25,051	(5,686)
Net Increase (decrease) in cash	(17,073)	-	-	-
Cash at the beginning of year	41,415	-	-	-
Cash at the end of period	24,342	-	-	-
<u>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</u>				
Operating income (loss)	(9,273)	4,406	7,350	1,979
<u>Adjustments:</u>				
Depreciation expense	467	-	-	-
Provision for loan losses	643	(1,754)	(2,277)	(712)
Net change in the fair value of investments	(1,585)	-	-	-
Transfers between funds for operating activity	(29,189)	511	3,866	139
Interest received from investments	(604)	(102)	(181)	(29)
Interest paid	57	8,859	21,637	3,144
<u>Changes in assets, liabilities and deferred resources:</u>				
Net increase (decrease) in mortgages and loans	(78,879)	42,038	12,287	20,950
Net increase (decrease) in assets, liabilities and deferred resources	34,487	130	2,222	(41)
Net cash provided by (used for) operating activities	(83,876)	54,088	44,904	25,430

Schedule 17

Combined Other Housing Bonds	Combined Non-Housing Bonds	Combined Other Programs	Combined Total
17,153	41,712	-	113,893
49,318	92,978	-	324,317
-	-	(7,631)	(465,347)
(53,666)	(218,425)	-	-
-	-	-	431,852
-	-	-	(422,818)
-	-	(13,324)	(38,931)
-	(2)	(11,003)	(29,281)
-	-	108,715	110,474
-	-	31,019	31,019
-	-	(33,935)	(33,935)
-	-	(20,086)	-
-	-	(75,703)	(95,627)
-	175	10,969	34,792
-	(228)	(448)	(2,274)
12,805	(83,790)	(11,427)	(41,866)
-	258,485	-	258,485
(62,735)	(195,125)	-	(350,410)
-	-	-	-
-	-	-	(1,285)
(8,563)	(35,425)	-	(77,685)
-	-	-	326,552
-	-	-	(374,643)
-	-	-	(3,982)
9,400	(76,774)	1,982	-
-	-	-	-
(61,898)	(48,839)	1,982	(222,968)
-	-	(147)	(4,156)
-	-	26	26
-	-	-	-
-	(12,990)	-	(12,990)
-	-	-	-
-	(2,872)	-	(2,872)
-	6,772	-	6,772
-	-	-	(29)
-	(9,090)	(121)	(13,249)
(343,607)	(802,474)	-	(6,482,676)
390,966	943,988	-	6,731,265
1,734	152	14	2,816
49,093	141,666	14	251,405
-	(53)	(9,552)	(26,678)
-	227	35,384	77,026
-	174	25,832	50,348
9,407	11,188	(16,552)	8,505
-	475	6,525	7,467
(1,030)	(1,386)	775	(5,741)
460	(502)	-	(1,627)
511	2,198	21,964	-
(1,734)	(152)	(14)	(2,816)
8,563	38,297	-	80,557
(4,348)	(125,447)	(7,631)	(141,030)
976	(8,461)	(16,494)	12,819
12,805	(83,790)	(11,427)	(41,866)

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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, 2015

(in thousands of dollars)

	Administrative Fund	Home Ownership Fund	Combined Total
<u>Cash flows from operating activities:</u>			
Interest income on mortgages and loans	5,321	-	5,321
Principal payments received on mortgages and loans	8,836	-	8,836
Disbursements to fund mortgages and loans	(457,716)	-	(457,716)
Receipt (payment) for loan transfers between funds	370,001	-	370,001
Mortgage and loan proceeds	431,852	-	431,852
Payment of mortgage and loan proceeds to funds	(422,818)	-	(422,818)
Payments to employees and other payroll disbursements	(25,607)	-	(25,607)
Payments for goods and services	(17,716)	-	(17,716)
Cash received for externally funded programs	1,759	-	1,759
Cash received for Federal HAP subsidies	-	-	-
Payments for Federal HAP subsidies	-	-	-
Interfund receipts (payments)	20,086	-	20,086
Grant payments to other agencies	(19,924)	-	(19,924)
Other operating cash receipts	23,648	-	23,648
Other operating cash payments	(1,598)	-	(1,598)
Net cash provided by (used for) operating activities	(83,876)	-	(83,876)
<u>Cash flows from noncapital financing activities:</u>			
Proceeds from the issuance of bonds	-	-	-
Principal paid on bonds	-	-	-
Payment to defease bonds	-	-	-
Payment of bond issuance costs	(1,285)	-	(1,285)
Interest paid	(57)	-	(57)
Proceeds from issuance of short term debt	326,552	-	326,552
Payment of short term debt	(374,643)	-	(374,643)
Contributions to the State of Alaska or other State agencies	(3,982)	-	(3,982)
Transfers (to) from other funds	63,299	36	63,335
Other cash payments	-	-	-
Net cash provided by (used for) noncapital financing activities	9,884	36	9,920
<u>Cash flows from capital financing activities:</u>			
Acquisition of capital assets	(4,009)	-	(4,009)
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	(29)	-	(29)
Net cash provided by (used for) capital financing activities	(4,038)	-	(4,038)
<u>Cash flows from investing activities:</u>			
Purchase of investments	(4,657,588)	(22,476)	(4,680,064)
Proceeds from maturity of investments	4,718,603	21,778	4,740,381
Interest received from investments	325	279	604
Net cash provided by (used for) investing activities	61,340	(419)	60,921
Net Increase (decrease) in cash	(16,690)	(383)	(17,073)
Cash at the beginning of year	41,032	383	41,415
Cash at the end of period	24,342	-	24,342
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	(9,304)	31	(9,273)
Adjustments:			
Depreciation expense	467	-	467
Provision for loan losses	643	-	643
Net change in the fair value of investments	(1,796)	211	(1,585)
Transfers between funds for operating activity	(29,189)	-	(29,189)
Interest received from investments	(325)	(279)	(604)
Interest paid	57	-	57
Changes in assets, liabilities and deferred resources:			
Net increase (decrease) in mortgages and loans	(78,879)	-	(78,879)
Net increase (decrease) in assets, liabilities and deferred resources	34,450	37	34,487
Net cash provided by (used for) operating activities	(83,876)	-	(83,876)

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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, 2015

(in thousands of dollars)

	Bonds 2009 A-1 2010 A, B	Bonds 2009 A-2 2011 A, B	Mortgage Revenue Bonds Combined Total
<u>Cash flows from operating activities:</u>			
Interest income on mortgages and loans	4,869	7,181	12,050
Principal payments received on mortgages and loans	16,659	24,122	40,781
Disbursements to fund mortgages and loans	-	-	-
Receipt (payment) for loan transfers between funds	529	728	1,257
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	-	-	-
Net cash provided by (used for) operating activities	22,057	32,031	54,088
<u>Cash flows from noncapital financing activities:</u>			
Proceeds from the issuance of bonds	-	-	-
Principal paid on bonds	(7,240)	(18,335)	(25,575)
Payment to defease bonds	-	-	-
Payment of bond issuance costs	-	-	-
Interest paid	(4,220)	(4,639)	(8,859)
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	-	-	-
Net cash provided by (used for) noncapital financing activities	(11,460)	(22,974)	(34,434)
<u>Cash flows from capital financing activities:</u>			
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	-	-	-
Net cash provided by (used for) capital financing activities	-	-	-
<u>Cash flows from investing activities:</u>			
Purchase of investments	(87,388)	(111,497)	(198,885)
Proceeds from maturity of investments	76,747	102,382	179,129
Interest received from investments	44	58	102
Net cash provided by (used for) investing activities	(10,597)	(9,057)	(19,654)
Net Increase (decrease) in cash	-	-	-
Cash at the beginning of year	-	-	-
Cash at the end of period	-	-	-
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	1,169	3,237	4,406
<i>Adjustments:</i>			
Depreciation expense	-	-	-
Provision for loan losses	(726)	(1,028)	(1,754)
Net change in the fair value of investments	-	-	-
Transfers between funds for operating activity	188	323	511
Interest received from investments	(44)	(58)	(102)
Interest paid	4,220	4,639	8,859
<i>Changes in assets, liabilities and deferred resources:</i>			
Net increase (decrease) in mortgages and loans	17,188	24,850	42,038
Net increase (decrease) in assets, liabilities and deferred resources	62	68	130
Net cash provided by (used for) operating activities	22,057	32,031	54,088

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, 2015

(in thousands of dollars)

	Bonds 2002 A,B	Bonds 2006 A	Bonds 2007 A	Bonds 2007 B
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	6,354	1,012	3,611	3,727
Principal payments received on mortgages and loans	17,485	4,672	13,049	11,333
Disbursements to fund mortgages and loans	-	-	-	-
Receipt (payment) for loan transfers between funds	4,968	309	(15,693)	(12,646)
Mortgage and loan proceeds	-	-	-	-
Payment of mortgage and loan proceeds to funds	-	-	-	-
Payments to employees and other payroll disbursements	-	-	-	-
Payments for goods and services	(560)	-	-	-
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	-	-	-	-
Net cash provided by (used for) operating activities	28,247	5,993	967	2,414
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	-	-
Principal paid on bonds	(30,510)	(19,865)	-	-
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid	(3,159)	(842)	(2,771)	(2,773)
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	(1,321)	13,413	(522)	(2,180)
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(34,990)	(7,294)	(3,293)	(4,953)
<u>Cash flows from capital financing activities:</u>				
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	-	-	-	-
Net cash provided by (used for) capital financing activities	-	-	-	-
<u>Cash flows from investing activities:</u>				
Purchase of investments	(73,369)	(27,552)	(37,542)	(37,225)
Proceeds from maturity of investments	80,085	28,846	39,848	39,745
Interest received from investments	27	7	20	19
Net cash provided by (used for) investing activities	6,743	1,301	2,326	2,539
Net Increase (decrease) in cash	-	-	-	-
Cash at the beginning of year	-	-	-	-
Cash at the end of period	-	-	-	-
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	347	594	634	758
<i>Adjustments:</i>				
Depreciation expense	-	-	-	-
Provision for loan losses	(608)	(344)	(164)	(133)
Net change in the fair value of investments	-	-	-	-
Transfers between funds for operating activity	734	(129)	357	292
Interest received from investments	(27)	(7)	(20)	(19)
Interest paid	3,159	842	2,771	2,773
<i>Changes in assets, liabilities and deferred resources:</i>				
Net increase (decrease) in mortgages and loans	22,453	4,981	(2,644)	(1,313)
Net increase (decrease) in assets, liabilities and deferred resources	2,189	56	33	56
Net cash provided by (used for) operating activities	28,247	5,993	967	2,414

Schedule 20

Bonds 2007 D	Bonds 2009 A	Bonds 2009 B	Bonds 2009 D	Home Mortgage Revenue Bonds Combined Total
4,710	4,158	4,523	5,082	33,177
14,880	16,029	16,482	19,712	113,642
-	-	-	-	-
(17,393)	(18,842)	(19,188)	(22,870)	(101,355)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	(560)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
2,197	1,345	1,817	1,924	44,904
-	-	-	-	-
-	-	-	-	(50,375)
-	-	-	-	-
-	-	-	-	-
(3,301)	(2,932)	(2,927)	(2,932)	(21,637)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(1,838)	(1,048)	(1,992)	(2,455)	2,057
-	-	-	-	-
(5,139)	(3,980)	(4,919)	(5,387)	(69,955)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(63,138)	(45,835)	(50,505)	(57,162)	(392,328)
66,054	48,445	53,581	60,594	417,198
26	25	26	31	181
2,942	2,635	3,102	3,463	25,051
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,255	473	1,410	1,879	7,350
-	-	-	-	-
(280)	(138)	(193)	(417)	(2,277)
-	-	-	-	-
450	865	403	894	3,866
(26)	(25)	(26)	(31)	(181)
3,301	2,932	2,927	2,932	21,637
(2,513)	(2,813)	(2,706)	(3,158)	12,287
10	51	2	(175)	2,222
2,197	1,345	1,817	1,924	44,904

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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, 2015

(in thousands of dollars)

	Collateralized Bonds 2006 First Series	Collateralized Bonds 2007 & 2008 First Series	Combined Total
<u>Cash flows from operating activities:</u>			
Interest income on mortgages and loans	3,422	1,058	4,480
Principal payments received on mortgages and loans	14,800	3,962	18,762
Disbursements to fund mortgages and loans	-	-	-
Receipt (payment) for loan transfers between funds	1,985	203	2,188
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	-	-	-
Net cash provided by (used for) operating activities	20,207	5,223	25,430
<u>Cash flows from noncapital financing activities:</u>			
Proceeds from the issuance of bonds	-	-	-
Principal paid on bonds	(14,150)	(2,450)	(16,600)
Payment to defease bonds	-	-	-
Payment of bond issuance costs	-	-	-
Interest paid	(2,328)	(816)	(3,144)
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	-	-	-
Net cash provided by (used for) noncapital financing activities	(16,478)	(3,266)	(19,744)
<u>Cash flows from capital financing activities:</u>			
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	-	-	-
Net cash provided by (used for) capital financing activities	-	-	-
<u>Cash flows from investing activities:</u>			
Purchase of investments	(52,084)	(13,234)	(65,318)
Proceeds from maturity of investments	48,332	11,271	59,603
Interest received from investments	23	6	29
Net cash provided by (used for) investing activities	(3,729)	(1,957)	(5,686)
Net Increase (decrease) in cash	-	-	-
Cash at the beginning of year	-	-	-
Cash at the end of period	-	-	-
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	1,598	381	1,979
<i>Adjustments:</i>			
Depreciation expense	-	-	-
Provision for loan losses	(558)	(154)	(712)
Net change in the fair value of investments	-	-	-
Transfers between funds for operating activity	107	32	139
Interest received from investments	(23)	(6)	(29)
Interest paid	2,328	816	3,144
<i>Changes in assets, liabilities and deferred resources:</i>			
Net increase (decrease) in mortgages and loans	16,785	4,165	20,950
Net increase (decrease) in assets, liabilities and deferred resources	(30)	(11)	(41)
Net cash provided by (used for) operating activities	20,207	5,223	25,430

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, 2015

(in thousands of dollars)

	Senior Housing Revolving Loan Fund	Housing Development Bonds	General Mortgage Revenue Bonds II 2012 A, B	Governmental Purpose Bonds 1997 A
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	375	1,446	6,334	244
Principal payments received on mortgages and loans	2,148	3,016	21,876	1,256
Disbursements to fund mortgages and loans	-	-	-	-
Receipt (payment) for loan transfers between funds	(3,737)	(4,312)	344	(2,500)
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	-	-	-	-
Net cash provided by (used for) operating activities	(1,214)	150	28,554	(1,000)
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	-	-
Principal paid on bonds	-	(100)	(57,435)	-
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid	-	(5)	(4,664)	(6)
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	(3,536)	(2,271)	31,848	-
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(3,536)	(2,376)	(30,251)	(6)
<u>Cash flows from capital financing activities:</u>				
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	-	-	-	-
Net cash provided by (used for) capital financing activities	-	-	-	-
<u>Cash flows from investing activities:</u>				
Purchase of investments	(47,318)	(13,089)	(186,381)	(32,071)
Proceeds from maturity of investments	51,386	15,308	188,032	33,061
Interest received from investments	682	7	46	16
Net cash provided by (used for) investing activities	4,750	2,226	1,697	1,006
Net Increase (decrease) in cash	-	-	-	-
Cash at the beginning of year	-	-	-	-
Cash at the end of period	-	-	-	-
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	416	1,740	1,740	64
<i>Adjustments:</i>				
Depreciation expense	-	-	-	-
Provision for loan losses	28	(452)	(219)	149
Net change in the fair value of investments	460	-	-	-
Transfers between funds for operating activity	27	(105)	(4)	(21)
Interest received from investments	(682)	(7)	(46)	(16)
Interest paid	-	5	4,664	6
<i>Changes in assets, liabilities and deferred resources:</i>				
Net increase (decrease) in mortgages and loans	(1,589)	(1,296)	22,220	(1,244)
Net increase (decrease) in assets, liabilities and deferred resources	126	265	199	62
Net cash provided by (used for) operating activities	(1,214)	150	28,554	(1,000)

Schedule 22

Governmental Purpose Bonds 2001 A-D	Combined Total
8,754	17,153
21,022	49,318
-	-
(43,461)	(53,666)
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
(13,685)	12,805
-	-
(5,200)	(62,735)
-	-
-	-
(3,888)	(8,563)
-	-
-	-
-	-
(16,641)	9,400
-	-
(25,729)	(61,898)
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
(64,748)	(343,607)
103,179	390,966
983	1,734
39,414	49,093
-	-
-	-
-	-
5,447	9,407
-	-
(536)	(1,030)
-	460
614	511
(983)	(1,734)
3,888	8,563
(22,439)	(4,348)
324	976
(13,685)	12,805

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, 2015

(in thousands of dollars)

	State Capital Project Bonds 2002 A,B,C	State Capital Project Bonds 2006 A	State Capital Project Bonds 2007 A & B	State Capital Project Bonds 2011 A	State Capital Project Bonds II 2012 A & B
<u>Cash flows from operating activities:</u>					
Interest income on mortgages and loans	2,373	4,346	2,584	3,520	5,860
Principal payments received on mortgages and loans	6,257	13,278	4,755	11,023	10,108
Disbursements to fund mortgages and loans	-	-	-	-	-
Receipt (payment) for loan transfers between funds	(555)	(13,325)	(3,568)	(11,675)	(5,975)
Mortgage and loan proceeds	-	-	-	-	-
Payment of mortgage and loan proceeds to funds	-	-	-	-	-
Payments to employees and other payroll disbursements	-	-	-	-	-
Payments for goods and services	-	-	(2)	-	-
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	-	-	122	-	-
Other operating cash payments	-	-	(137)	-	-
Net cash provided by (used for) operating activities	8,075	4,299	3,754	2,868	9,993
<u>Cash flows from noncapital financing activities:</u>					
Proceeds from the issuance of bonds	-	-	-	-	-
Principal paid on bonds	(354)	(1,910)	(3,685)	(1,688)	(53,945)
Payment to defease bonds	-	-	-	-	-
Payment of bond issuance costs	-	-	-	-	-
Interest paid	(436)	(3,998)	(3,672)	(3,344)	(4,033)
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	-	1,361	-	477	47,279
Other cash payments	-	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(790)	(4,547)	(7,357)	(4,555)	(10,699)
<u>Cash flows from capital financing activities:</u>					
Acquisition of capital assets	-	-	-	-	-
Proceeds from the disposal of capital assets	-	-	-	-	-
Proceeds from the issuance of capital notes	-	-	-	-	-
Principal paid on capital notes	(4,706)	-	-	(252)	-
Payment of bond issuance costs	-	-	-	-	-
Interest paid on capital notes	(2,167)	-	-	(500)	-
Proceeds from direct financing leases	-	-	3,305	-	-
Other cash payments	-	-	-	-	-
Net cash provided by (used for) capital financing activities	(6,873)	-	3,305	(752)	-
<u>Cash flows from investing activities:</u>					
Purchase of investments	(25,981)	(64,870)	(29,441)	(59,922)	(102,501)
Proceeds from maturity of investments	25,561	65,098	29,716	62,343	103,192
Interest received from investments	8	20	8	18	15
Net cash provided by (used for) investing activities	(412)	248	283	2,439	706
Net Increase (decrease) in cash	-	-	(15)	-	-
Cash at the beginning of year	-	-	136	-	-
Cash at the end of period	-	-	121	-	-
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	(96)	941	872	(614)	3,575
Adjustments:					
Depreciation expense	-	-	-	475	-
Provision for loan losses	(161)	(800)	(546)	(29)	(749)
Net change in the fair value of investments	-	-	-	-	-
Transfers between funds for operating activity	202	783	(134)	215	(560)
Interest received from investments	(8)	(20)	(8)	(18)	(15)
Interest paid	2,603	3,998	3,672	3,844	4,033
Changes in assets, liabilities and deferred resources:					
Net increase (decrease) in mortgages and loans	5,702	(47)	1,187	(652)	4,133
Net increase (decrease) in assets, liabilities and deferred resources	(167)	(556)	(1,289)	(353)	(424)
Net cash provided by (used for) operating activities	8,075	4,299	3,754	2,868	9,993

State Capital Project Bonds II 2013 A & B	State Capital Project Bonds II 2014 A	State Capital Project Bonds II 2014 B	State Capital Project Bonds II 2014 C	State Capital Project Bonds II 2014 D	State Capital Project Bonds II 2015 A	State Capital Project Bonds II 2015 B	General Housing Purpose Bonds 2005 A	General Housing Purpose Bonds 2005 B & C	Combined Total
8,349	2,457	875	3,199	542	1,257	-	2,531	3,819	41,712
6,971	7,264	2,791	6,896	622	4,329	-	7,901	10,783	92,978
-	-	-	-	-	-	-	-	-	-
(14,815)	(9,044)	(3,198)	(48,140)	(91,409)	(3,587)	-	(2,902)	(10,232)	(218,425)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	(2)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	53	175
-	-	-	-	-	-	-	-	(91)	(228)
505	677	468	(38,045)	(90,245)	1,999	-	7,530	4,332	(83,790)
-	-	-	140,000	92,970	10,430	15,085	-	-	258,485
-	-	(100)	-	-	-	-	(125,838)	(7,605)	(195,125)
-	-	-	-	-	-	-	-	-	-
(4,489)	(4,594)	(1,408)	(720)	(2,220)	-	-	(3,216)	(3,295)	(35,425)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
957	(97,675)	(32,100)	(100,000)	1,977	(10,430)	(12,475)	129,722	(5,867)	(76,774)
-	-	-	-	-	-	-	-	-	-
(3,532)	(102,269)	(33,608)	39,280	92,727	-	2,610	668	(16,767)	(48,839)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(8,032)	-	(12,990)
-	-	-	-	-	-	-	(205)	-	(2,872)
-	-	-	-	-	-	-	-	3,467	6,772
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(8,237)	3,467	(9,090)
(61,625)	(137,507)	(49,181)	(66,400)	(99,518)	(28,309)	(2,610)	(20,847)	(53,762)	(802,474)
64,634	239,090	82,317	65,158	97,036	26,307	-	20,876	62,660	943,988
18	9	4	7	-	3	-	10	32	152
3,027	101,592	33,140	(1,235)	(2,482)	(1,999)	(2,610)	39	8,930	141,666
-	-	-	-	-	-	-	-	(38)	(53)
-	-	-	-	-	-	-	-	91	227
-	-	-	-	-	-	-	-	53	174
5,784	(1,588)	(241)	1,989	(2,130)	(120)	(1,342)	3,932	226	11,188
-	-	-	-	-	-	-	-	-	475
(573)	748	221	430	902	1,071	998	(1,602)	(1,296)	(1,386)
-	(113)	(38)	(112)	(239)	-	-	-	-	(502)
171	1,438	498	775	173	807	26	(2,226)	30	2,198
(18)	(9)	(4)	(7)	-	(3)	-	(10)	(32)	(152)
4,489	4,594	1,408	720	2,220	-	-	3,421	3,295	38,297
(7,844)	(1,780)	(407)	(41,244)	(90,787)	742	-	4,999	551	(125,447)
(1,504)	(2,613)	(969)	(596)	(384)	(498)	318	(984)	1,558	(8,461)
505	677	468	(38,045)	(90,245)	1,999	-	7,530	4,332	(83,790)

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, 2015

(in thousands of dollars)

	Energy Programs	Low Rent Program	Market Rate Rental Housing Programs	Section 8 Vouchers Programs
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	-	-	-	-
Principal payments received on mortgages and loans	-	-	-	-
Disbursements to fund 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	(1,038)	(7,010)	(1,630)	(3,083)
Payments for goods and services	(1,574)	(6,816)	(1,469)	(372)
Cash received for externally funded programs	57,413	15,879	2,168	5,048
Cash received for Federal HAP subsidies	-	-	-	31,019
Payments for Federal HAP subsidies	-	-	-	(33,935)
Interfund receipts (payments)	(4,644)	(13,910)	84	(1,938)
Grant payments to other agencies	(50,348)	-	-	(31)
Other operating cash receipts	30	7,177	2,324	561
Other operating cash payments	-	(140)	(4)	(304)
Net cash provided by (used for) operating activities	(161)	(4,820)	1,473	(3,035)
<u>Cash flows from noncapital financing activities:</u>				
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	-	(3,385)	(1)	117
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	-	(3,385)	(1)	117
<u>Cash flows from capital financing activities:</u>				
Acquisition of capital assets	-	(40)	(80)	(27)
Proceeds from the disposal of capital assets	-	10	8	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	-	-	-	-
Net cash provided by (used for) capital financing activities	-	(30)	(72)	(19)
<u>Cash flows from investing activities:</u>				
Purchase of investments	-	-	-	-
Proceeds from maturity of investments	-	-	-	-
Interest received from investments	2	1	1	7
Net cash provided by (used for) investing activities	2	1	1	7
Net Increase (decrease) in cash	(159)	(8,234)	1,401	(2,930)
Cash at the beginning of year	1,361	16,386	9,317	7,030
Cash at the end of period	1,202	8,152	10,718	4,100
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	(2,189)	(4,437)	(1,545)	(162)
<i>Adjustments:</i>				
Depreciation expense	-	5,275	1,235	15
Provision for loan losses	-	-	-	-
Net change in the fair value of investments	-	-	-	-
Transfers between funds for operating activity	4,375	5,771	1,152	542
Interest received from investments	(2)	(1)	(1)	(7)
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	(2,345)	(11,428)	632	(3,423)
Net cash provided by (used for) operating activities	(161)	(4,820)	1,473	(3,035)

Schedule 24

Other Grants	Alaska Corporation for Affordable Housing	Combined Total
-	-	-
-	-	-
-	(7,631)	(7,631)
-	-	-
-	-	-
-	-	-
(563)	-	(13,324)
(761)	(11)	(11,003)
28,207	-	108,715
-	-	31,019
-	-	(33,935)
(2,061)	2,383	(20,086)
(25,324)	-	(75,703)
849	28	10,969
-	-	(448)
347	(5,231)	(11,427)

-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
(157)	5,408	1,982
-	-	-
(157)	5,408	1,982

-	-	(147)
-	-	26
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	(121)

-	-	-
-	-	-
-	3	14
-	3	14

190	180	(9,552)
3	1,287	35,384
193	1,467	25,832

(7,347)	(872)	(16,552)
-	-	6,525
-	775	775
-	-	-
7,709	2,415	21,964
-	(3)	(14)
-	-	-
-	(7,631)	(7,631)
(15)	85	(16,494)
347	(5,231)	(11,427)

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

_____, 2016

Alaska Housing Finance Corporation
4300 Boniface Parkway
Anchorage, AK 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 \$50,000,000 aggregate principal amount of Collateralized Bonds (Veterans Mortgage Program), 2016 First Series (the “2016 First Series Bonds”) consisting of \$860,000 Subseries A-1 (Non-AMT) and \$31,290,000 Subseries A-2 (AMT) (the “Subseries A-1 Bonds” and “Subseries A-2 Bonds”, respectively) and \$17,850,000 aggregate principal amount of Collateralized Bonds (Veterans Mortgage Program), 2016 Second Series (the “2016 Second Series Bonds” and, with the 2016 First Series Bonds, the “2016 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 2016 Bonds are authorized and issued pursuant to the Act and a resolution of the Corporation adopted June 29, 2016, and are issued pursuant to the Indenture authorized by said resolution by and between the Corporation and U.S. Bank Trust National Association, as predecessor trustee, dated as of October 1, 1999, as amended, and the 2016 First and Second Series Supplemental Indenture, by and between the Corporation and U.S. Bank National Association, as successor trustee (the “Trustee”) dated as of July 1, 2016, executed pursuant to said Indenture (together, the “Indenture”).

The 2016 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 2016 Bonds in order for interest on the 2016 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 necessary to ensure that interest on the 2016 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 Certificate as to matters affecting the tax-exempt status of

the 2016 Bonds, the Corporation's Regulations and Program Materials 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 2016 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. The 2016 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.

5. The 2016 Bonds are valid and legally binding general obligations of the State of Alaska for the payment of which, in accordance with their terms, the full faith and credit of the State 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.

6. The 2016 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 and 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.

7. Under existing laws, regulations, rulings and judicial decisions, interest on the 2016 Bonds is excluded from gross income for federal income tax purposes.

8. Interest on the Subseries A-1 Bonds and 2016 Second Series Bonds is not treated as a preference item for purposes of calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations; and interest on the Subseries A-1 Bonds is, and interest on the 2016 Second Series Bonds is not, included in calculating the "adjusted current earnings" of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

9. Interest on the Subseries A-2 Bonds is treated as a preference item for purposes of calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations.

10. Under existing laws, interest on the 2016 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).

11. 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 2016 Bond, or the interest thereon, if any change occurs or action is taken upon the advice or approval of other counsel.

Sincerely,

LAW OFFICE OF KENNETH E. VASSAR, LLC

By _____
Kenneth E. Vassar

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APPENDIX D

FORM OF OPINION OF SPECIAL TAX COUNSEL

_____, 2016

Alaska Housing Finance Corporation
4300 Boniface Parkway
Anchorage, AK 99504

Dear Directors:

We have acted as Special Tax Counsel to the Corporation in connection with the offering of the Alaska Housing Finance Corporation's \$50,000,000 Collateralized Bonds (Veterans Mortgage Program), 2016 First Series (the "2016 First Series Bonds"), consisting of \$860,000 Subseries A-1 (Non-AMT) and \$31,290,000 Subseries A-2 (AMT) (the "Subseries A-1 Bonds" and "Subseries A-2 Bonds", respectively) and \$17,850,000 aggregate principal amount of Collateralized Bonds (Veterans Mortgage Program), 2016 Second Series (Non-AMT) (the "2016 Second Series Bonds" and, with the 2016 First Series Bonds, the "2016 Bonds"). In connection therewith, we have examined the provisions of Sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder and have also examined the following:

- (a) an Indenture between the Alaska Housing Finance Corporation (the "Corporation") and U.S. Bank Trust National Association, as predecessor trustee, dated as of October 1, 1999, as amended, and a 2016 First and Second Series Supplemental Indenture between the Corporation and U.S. Bank National Association as successor trustee (the "Trustee"), dated as of July 1, 2016, authorizing the issuance of the 2016 Bonds (together, the "Indenture");
- (b) the opinion of even date herewith of the Law Office of Kenneth E. Vassar, LLC, Bond Counsel, approving the legality of the 2016 Bonds and other matters;
- (c) the certificate, of even date herewith, of an authorized officer of the Corporation, to the effect that the 2016 Bonds are not "arbitrage bonds" within the meaning of the Code and as to other matters affecting the tax-exempt status of the 2016 Bonds; and
- (d) such other matters of fact and law as we have deemed relevant to the rendering of this opinion.

In such examination, 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. We have relied, to the extent we deemed such reliance proper, on certificates and opinions provided to us. In rendering the opinions expressed below, we have relied, without independent investigation, upon the opinion of counsel referred to above that the Bonds have been duly and validly authorized and issued by the Corporation in accordance with the Constitution and statutes of the State of Alaska and other matters not related to federal income taxation.

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the 2016 Bonds in order that interest on the 2016 Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the 2016 Bonds, yield and other

restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government or paid to mortgagors. Noncompliance with such requirements may cause interest on the 2016 Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered.

Based upon the foregoing, we are of the opinion that under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2016 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, (ii) interest on the Subseries A-1 Bonds and 2016 Second Series Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest on the Subseries A-1 Bonds is, and interest on the 2016 Second Series Bonds is not, included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations; and (iii) interest on the Subseries A-2 Bonds is treated as a preference item for purposes of calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Corporation in connection with the 2016 Bonds, and we have assumed compliance by the Corporation with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2016 Bonds from gross income under Section 103 of the Code.

Except as stated in the paragraph above, we express no opinion as to any other matter with respect to the exemption of interest on the 2016 Bonds from federal income taxation or as to the treatment of any such 2016 Bonds for tax purposes by any state, city, county or other jurisdiction. We render our opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update our opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the 2016 Bonds, or under state and local tax law.

As Special Tax Counsel we were not retained to pass on, and assume no responsibility for, matters other than those covered by the specific opinions above. We did not participate in the preparation of the Official Statement with respect to the 2016 Bonds and do not express herein any views with respect thereto.

Very truly yours,

APPENDIX E

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 \$32,150,000 aggregate principal amount of its Collateralized Bonds (Veterans Mortgage Program), 2016 First Series (the “First Series Bonds”) and \$17,850,000 aggregate principal amount of its Collateralized Bonds (Veterans Mortgage Program), 2016 Second Series (together with the First Series Bonds, the “Bonds”). The Bonds are being issued pursuant to an Indenture by and between the Corporation and U.S. Bank National Association (formerly known as U.S. Bank Trust National Association), as trustee (the “Trustee”), dated as of October 1, 1999, as amended (the “Master Indenture”), and a 2016 First and Second Series Supplemental Indenture thereto, by and between the Corporation and the Trustee dated as of July 1, 2016 (the “Supplemental Indenture”) (together with the Master Indenture, the “Indenture”). The Corporation covenants and agrees with the registered owners and the beneficial owners of the 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 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 Chief Executive Officer/Executive Director 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 Amended and Restated Official Statement with respect to the Bonds, dated July 13, 2016.

“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, 2016)

which is consistent with the requirements of Section 4 of this Certificate. The Annual Report shall be provided not later than 180 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 the 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 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 Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;

9. Defeasances of Bonds;
10. Release, substitution or sale of property securing repayment of the Bonds, if material;
11. Rating changes for the Bonds;
12. Bankruptcy, insolvency, receivership or similar event[†] 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 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.

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 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 Bonds as determined either by a party unaffiliated with the Corporation (such as Bond Counsel) or by

[†] 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.

approving vote of the registered owners of a majority in principal amount of the 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 Bonds, or by the Trustee on behalf of the registered owners of Outstanding 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 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 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 Bonds, and shall create no rights in any other person or entity.

Date: July 27, 2016

ALASKA HOUSING FINANCE CORPORATION

By: _____
BRYAN D. BUTCHER
Chief Executive Officer/Executive Director

Exhibit A
NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Alaska Housing Finance Corporation (the "Corporation")

Name of Bond Issue: \$32,150,000 Collateralized Bonds (Veterans Mortgage Program), 2016 First Series and \$17,850,000 Collateralized Bonds (Veterans Mortgage Program), 2016 Second Series

Date of Issuance: July 27, 2016

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: _____

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Agreement”) is executed and delivered by the State of Alaska, acting by and through its State Bond Committee (the “State”) in connection with the issuance of \$32,150,000 aggregate principal amount of Collateralized Bonds (Veterans Mortgage Program), 2016 First Series (the “First Series Bonds”), and \$17,850,000 aggregate principal amount of Collateralized Bonds (Veterans Mortgage Program), 2016 Second Series (together with the First Series Bonds, the “Bonds”) of the Alaska Housing Finance Corporation (the “Corporation”). The Bonds are being issued pursuant to an Indenture by and between the Corporation and U.S. Bank National Association (formerly U.S. Bank Trust National Association), as trustee (the “Trustee”), dated as of October 1, 1999, as amended, and a 2016 First and Second Series Supplemental Indenture thereto, by and between the Corporation and the Trustee, dated as of July 1, 2016 (collectively referred to herein as the “Indenture”). The State guarantees payment of principal of and interest on the Bonds. The State and the Trustee covenant and agree with the registered owners and beneficial owners of the Bonds as follows:

SECTION 1. Purpose of the Agreement. This Agreement is being executed and delivered by the State for the sole and exclusive benefit of the registered owners and beneficial owners of the Bonds.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Agreement 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 State pursuant to, and as described in, Sections 3 and 4 of this Agreement.

“Disclosure State Representative” shall mean the Chairman of the State Bond Committee of the State or his or her designee.

“Fiscal Year” shall mean the fiscal year of the State (currently the 12-month period ending June 30, as such fiscal year may be changed from time to time as required by State law.

“Listed Events” shall mean any of the events listed in Section 5 of this Agreement.

“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 Agreement.

“Official Statement” shall mean the Corporation’s final Amended and Restated Official Statement with respect to the Bonds, dated July 13, 2016.

“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.

(a) The State shall provide to the MSRB an Annual Report for the preceding Fiscal Year (commencing with the Fiscal Year ending June 30, 2016) which is consistent with the requirements of

Section 4 of this Agreement. The Annual Report shall be provided not later than January 31 of each year the Bonds are outstanding, commencing January 31, 2017. The State may adjust the Report Date if the State changes its Fiscal Year, by providing written notice of the change of Fiscal Year and the new Report Date to the MSRB; provided that the new Report Date shall be seven months after the end of the new Fiscal Year, and provided further that the period between the final Report Date relating to the former Fiscal Year and the initial Report Date relating to the new Fiscal Year shall not exceed one year in duration. At the same time the Annual Report is provided to the MSRB, the State shall provide the Annual Report to the Trustee. 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 Agreement; provided that the audited financial statements of the State 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.

(b) If, within 15 Business Days after the date specified in subsection (a) for providing the Annual Report to the MSRB, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the State to determine if the State is in compliance with subsection (a).

(c) If the Trustee is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Trustee shall send a notice to the MSRB in substantially the form attached as Exhibit A to this Agreement, subject to Section 9 of this Agreement.

SECTION 4. Content of Annual Reports. The State's Annual Report shall be substantially in the form of the Comprehensive Annual Financial Report for the Fiscal Year ending June 30, 2015, and the Alaska Public Debt 2015-2016 report (together, the "Annual Report"). The Annual Report shall contain historical operating data and financial information of the type contained in Appendix A to the Official Statement. The financial statements of the State contained in the Annual Report will be prepared in conformity with generally accepted accounting principles established by the Governmental Accounting Standards Board, if available, or unaudited financial statements for such year as in effect from time to time.

If not provided as part of the Annual Report by the date required (as described under "Provisions of Annual Reports"), the State 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 Bonds or any other bonds of the State;
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 Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances of Bonds;
10. Release, substitution or sale of property securing repayment of the Bonds, if material;
11. Rating changes for the Bonds;
12. Bankruptcy, insolvency, receivership or similar event[†] of the State;
13. The consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of the State, 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 State shall as soon as possible file 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.

Notwithstanding the foregoing, no notice of a Listed Event need be given by the State if notice has theretofore been given by the Corporation.

SECTION 6. Termination of Reporting Obligation. The State's obligations under this Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Dissemination Agent. The State 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 State under this Agreement, and revoke or modify any such designation.

[†] 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 State 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 State, 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 State.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the State may amend this Agreement 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 State or the type of business conducted thereby;

(b) The Agreement, as amended, would have complied with the requirements of the Rule at the time of the issuance of the 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 Bonds as determined either by a party unaffiliated with the State (such as Bond Counsel) or by approving vote of the registered owners of a majority in principal amount of the Bonds pursuant to the terms of the Indenture.

The State shall deliver a copy of any such amendment to the MSRB.

To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, 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 Agreement will create no rights in any other person or entity. The obligation of the State to comply with the provisions of this Agreement 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 Bonds, or by the Trustee on behalf of the registered owners of Outstanding 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 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 Bonds at the time Outstanding who shall have provided the Trustee with adequate security and indemnity. A default under this Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Agreement in the event of any failure of the State or the Trustee to comply with this Agreement shall be an action to compel performance.

SECTION 11. Governing Law. This Agreement shall be construed and interpreted in accordance with the laws of the State of Alaska, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State, *provided* that, to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

SECTION 12. Beneficiaries. This Agreement shall inure solely to the benefit of the Corporation, the State, and the registered owners and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: July __, 2016

STATE OF ALASKA

By: _____
JERRY BURNETT
Deputy Commissioner
Department of Revenue

U.S. BANK NATIONAL ASSOCIATION
as Trustee

By _____
TOM ZRUST
Vice President

Exhibit A
NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Alaska Housing Finance Corporation (the "Corporation")

Name of Bond Issue: \$32,150,000 Collateralized Bonds (Veterans Mortgage Program), 2016 First Series and \$17,850,000 Collateralized Bonds (Veterans Mortgage Program), 2016 Second Series

Date of Issuance: July 27, 2016

NOTICE IS HEREBY GIVEN that _____ as
required by the agreement between the State and the Trustee.

Dated: _____

STATE OF ALASKA

By: _____

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