NEBRASKA INVESTMENT FINANCE AUTHORITY

Financial Statements and Supplemental Data

June 30, 2018 and 2017

(With Independent Auditors' Report Thereon)

NEBRASKA INVESTMENT FINANCE AUTHORITY

Table of Contents

NEBRASKA INVESTMENT FINANCE AUTHORITY

Management's Discussion and Analysis

June 30, 2018 and 2017

This section of the Nebraska Investment Finance Authority's (the Authority) annual financial report presents management's discussion and analysis of the financial position and results of operations at and for the fiscal years ended June 30, 2018 and 2017. This information is being presented to provide additional information regarding the activities of the Authority and to meet the disclosure requirements of the Governmental Accounting Standards Board (GASB).

The Authority is a self-supporting entity and follows enterprise fund accounting. Accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Authority's financial report consists of two parts – management's discussion and analysis and the basic financial statements. Management's discussion and analysis should be read in conjunction with the basic financial statements. The basic financial statements consist of statements of net position; statements of revenue, expenses, and changes in net position; statements of cash flows; and the notes thereto.

The statements of net position include all of the Authority's assets and liabilities, presented in order of liquidity, along with the deferred outflows of resources and deferred inflows of resources, when applicable. The resulting net position presented in these statements is displayed as restricted by bond resolution and unrestricted. Net position is restricted when its use is subject to external limits such as bond indentures, legal agreements, or statutes. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial assets of the Authority are improving or deteriorating.

All of the Authority's current year revenue and expenses are recorded in the statements of revenue, expenses, and changes in net position. These statements measure the activities of the Authority's operations over the past year and present the resulting change in net position, calculated as revenue less expenses.

The final required financial statements are the statements of cash flows. The primary purpose of these statements is to provide information about the Authority's cash receipts and cash payments during the reporting period. These statements report cash receipts, cash payments, and net changes in cash resulting from operating, noncapital financing, and investing activities. The statements provide information regarding the sources and uses of cash and the change in the cash balance during the reporting period.

The notes to the financial statements provide additional information that is essential for a full understanding of the information provided in the financial statements. The notes follow the statements of cash flows.

Authority Credit and General Obligation Rating

The unsecured general obligation of the Authority is rated AA by Standard & Poor's Rating Services as of June 30, 2018. This rating takes into account the amount of unrestricted net position maintained by the Authority, as well as certain contingent obligations to which the general obligation of the Authority is pledged. While there is no guarantee that this rating will remain in effect for any period of time, management is committed to maintaining the level of unrestricted net position necessary to maintain an investment grade rating of its general obligation.

On August 5, 2011, Standard & Poor's lowered its long-term sovereign credit rating on the United States of America from "AAA" to "AA+" with negative implications. Due to this downgrade and the effect on many of the credit support instruments pledged to the Authority's bond issues, such as Ginnie Mae, Fannie Mae, and Freddie Mac mortgage-backed securities, Fannie Mae and Freddie Mac credit enhancements, government mortgage insurance, and those bonds that have funds invested in short-term instruments guaranteed by the United States of America, on August 8, 2011, Standard & Poor's lowered the long-term credit rating on a large number of the Authority's bonds (substantially all of its single family mortgage revenue bonds) from "AAA" to "AA+" and placed the issues on negative outlook. On June 10, 2013, Standard & Poor's affirmed its long-term sovereign credit rating on the United States of America at "AA+" and revised the outlook from negative to stable and on July 30, 2018 affirmed the rating on the Authority's bonds described above to "AA+" with a stable outlook.

Financial Analysis

The Authority's overall financial position and results of operations for the current and prior two years are summarized below. This information is derived from the basic financial statements (dollars in thousands):

	2018	2017	2016
Assets			
Investments	$ 141,601	218,552	235,824
Loans receivable	1,395,677	1,306,560	1,252,338
Other assets	8,456	8,268	7,347
Total assets	1,545,734	1,533,380	1,495,509
Deferred Outflows of Resources			
Accumulated decrease in fair value of hedging derivatives	899	6,312	18,959
Loss on refunding	21,810	24,160	26,926
Total deferred outflows of resources	22,709	30,472	45,885
Liabilities			
Bonds payable	1,113,532	1,068,517	1,044,906
Interest payable	10,776	10,461	9,902
Other liabilities	46,676	51,456	61,580
Total liabilities	1,170,984	1,130,434	1,116,388
Deferred Inflows of Resources			
Accumulated increase in fair value of hedging derivatives	2,563	869	—
Swap up-front payment	22,634	25,273	28,061
Total deferred inflows of resources	25,197	26,142	28,061
Net Position			
Restricted by bond resolution	276,913	298,970	286,576
Unrestricted	95,349	108,306	110,369
Total net position	372,262	407,276	396,945
Total revenue, primarily interest income	50,277	50,184	54,275
Total expenses, primarily interest expense	43,986	39,853	39,398
Extraordinary item – litigation payment	41,305	—	—
Change in net position	$ (35,014)	10,331	14,877

2018 Analysis – Statements of Net Position

From June 30, 2017 to June 30, 2018, total assets increased $12.4 million.

Investments – Decrease of $77.0 million

- Operating fund investments decreased by $37.0 million due to a similar increase in the balance of single family mortgage loan pools warehoused in the operating fund.
- Reserves and revenue fund investments decreased by $41.3 million due to litigation payments as described in note 9 to the financial statements.
- The above decreases were offset by an increase in fair value of investments for fiscal year 2018 of $1.4 million.

Loans Receivable – Increase of $89.1 million

- New loan purchases were $261.8 million and $230.9 million in fiscal year 2018 and 2017, respectively.
- Loan repayments, which include regularly scheduled principal and interest payments, as well as prepayments, decreased from $175.6 million in fiscal year 2017 to $172.6 million in fiscal year 2018.

From June 30, 2017 to June 30, 2018, total deferred outflows of resources decreased $7.8 million.

Accumulated Decrease in Fair Value of Hedging Derivatives – Decrease of $5.4 million

- As all of the Authority's derivatives were determined to be effective hedges, the fair value changes associated with the derivatives are deferred in the statements of net position. Two of the Authority's derivatives were in liability positions as of June 30, 2018. See *Other Liabilities – Fair Value of Derivatives* below for a discussion of the decrease.

Loss on Refunding – Decrease of $2.4 million

- The Authority completed two refundings during fiscal year 2018, which, due solely to the mark-to-market of the derivatives transferred from the refunded to the refunding issues, resulted in total deferred losses on refunding of $1.6 million. These deferred losses on refunding (deferred outflows of resources) were offset by an equal amount of deferred swap upfront payments later described in the deferred inflows of resources section.
- Amortization of deferred loss on refunding was $4.0 million during fiscal year 2018.

From June 30, 2017 to June 30, 2018, total liabilities increased $40.6 million.

Bonds Payable – Increase of $45.0 million

- The Authority issued $226.1 million in single family program revenue bonds in fiscal year 2018 and recognized bond premium amortization of $3.5 million.
- In the Authority's single family and housing general obligation programs, total bond maturities and mandatory redemptions in fiscal year 2018 were $171.9 million.
- Conduit debt issuance of $11.0 million was offset by maturities and retirements of $16.7 million.
- Bond activity is summarized in the long-term debt activity section below.

Other Liabilities – Mortgage Subsidy Reserve – Decrease of $2.8 million

- The Authority utilizes costs savings achieved from the use of various financing techniques that lower bond costs to subsidize mortgage loans with interest rates below market. Savings realized in fiscal year 2018 of $1.7 million was offset by savings used of $4.5 million.

Other Liabilities – Accrued Liabilities – Increase of $3.5 million

- Near the end of fiscal year 2018, the Authority awarded $2.8 million in match funds in connection with the state's Rural Workforce Housing Fund, resulting in a corresponding increase in accrued liabilities.
- Deferred fee income increased $0.8 million with the addition of six new low income housing tax credit projects paying 15-year compliance fees upfront.

Other Liabilities – Fair Value of Derivatives – Decrease of $5.4 million

- Two of the Authority's derivatives were in liability positions as of June 30, 2018, reflecting the Authority's future obligations with respect to the derivative contracts. The fair value of derivatives, which is dependent on the current interest rate environment, is provided by an independent source. Due to deemed terminations and reassociations during fiscal year 2018, the liability related to one swap agreement decreased significantly as the fixed rate used as a basis for valuation decreased from the 2010 on-market rate to a current on-market rate.

From June 30, 2017 to June 30, 2018, total deferred inflows of resources decreased $0.9 million.

Accumulated increase in fair value of hedging derivatives – Increase of $1.7 million

- As all of the Authority's derivatives were determined to be effective hedges, the fair value changes associated with the derivatives are deferred in the statements of net position. Two of the Authority's derivatives were in asset positions as of June 30, 2018, as compared with one derivative as of June 30, 2017.

Swap Upfront Payment – Decrease of $2.6 million

- In connection with two refundings of variable rate debt during fiscal year 2018, portions of an interest rate swap agreement were deemed terminated and reassociated with two new series of refunding bonds, resulting in the deemed recognition of swap up-front payments totaling $1.6 million. These swap up-front payments (deferred inflows of resources) were offset by an equal amount of deferred losses on refunding as described previously in the deferred outflows of resources section.
- Amortization of swap up-front payment was $4.2 million during fiscal year 2018.

From June 30, 2017 to June 30, 2018, total net position decreased $35.0 million.

- The Authority's revenue less expenses for fiscal year 2018 resulted in a decrease in total net position of $35.0 million.

2018 Analysis – Statements of Revenue, Expenses, and Changes in Net Position

The Authority's change in net position for the year ended June 30, 2018 was $(35.0 million), a decrease of $45.3 million from the year ended June 30, 2017.

Operating Revenue – Increase of $0.1 million

- Mortgage loan interest increased a total of $4.0 million as the result of:
  - $0.3 million increase related to growth in the Authority's single family mortgage loan portfolio,
  - $4.0 million increase resulting from a decrease in the mortgage subsidy reserve,
  - $0.8 million decrease due to additional premiums paid on single family loans acquired in 2018 (net premiums paid directly reduce current income), and
  - $0.5 million increase related to the establishment of a forgiveness reserve for certain second mortgages in fiscal year 2017, reducing interest income by this amount. Additional reserves were not necessary in fiscal year 2018.
- Revenue related to the Authority's investments decreased $3.5 million due primarily to:
  - $4.1 million decrease due to a withdrawal of $41.3 million from guaranteed investment contracts for litigation payments (see note 9 to the financial statements) and the suspension of interest payments on the remaining funds in those contracts,
  - $0.2 million decrease due to a reduction in the average balance of investments held in the operating fund warehouse account during fiscal 2018, and
  - $0.8 million increase related to the purchase of U.S. Treasury and Agency discount notes at larger discounts in fiscal year 2018 compared to 2017, resulting in larger fair value changes.

Operating Expenses – Increase of $4.1 million

- Interest expense increased a net $1.5 million as a result of:
  - $2.8 million increase related to growth of the Authority's single family bond portfolio, and
  - $0.7 million increase in bond issuance costs paid in 2018, offset by
  - $2.1 million decrease in payments on interest rate swap agreements.
- General and administrative expenses increased $2.6 million as the result of the awarding of $2.8 million in match funds in connection with the state's Rural Workforce Housing Fund, as discussed in *Other Liabilities – Accrued Liabilities* above, offset by an overall net decrease in other general and administrative costs.

2017 Analysis – Statements of Net Position

From June 30, 2016 to June 30, 2017, total assets increased $37.0 million.

Investments – Decrease of $17.3 million

- Revenue and redemption funds combined decreased by $18.7 million due to a decrease in funds held to be recycled into mortgage-backed securities.

- Operating fund investments decreased by $1.2 million due to a similar increase in the balance of single family mortgage loan pools warehoused in the operating fund.
- Mortgage and debt service reserves increased by $2.6 million in reinvested earnings.

Loans Receivable – Increase of $54.2 million

- New loan purchases were $230.9 million and $234.5 million in fiscal year 2017 and 2016, respectively.
- Loan repayments include regularly scheduled principal and interest payments, as well as prepayments. Loan repayments decreased from $194.7 million in fiscal year 2016 to $175.6 million in fiscal year 2017 due primarily to several large redemptions in 2016 of conduit debt resulting from prepayments of the related mortgages. Additionally, a slowing of other prepayments has occurred as the portfolio has shifted over the last several years to lower interest rates relative to currently available interest rates. Conduit repayments totaled $10.2 million and $42.2 million during fiscal year 2017 and 2016, respectively.

From June 30, 2016 to June 30, 2017, total deferred outflows of resources decreased $16.3 million.

Accumulated Decrease in Fair Value of Hedging Derivatives – Decrease of $13.5 million

- As all of the Authority's derivatives were determined to be effective hedges, the fair value changes associated with the derivatives are deferred in the statements of net position. All of the Authority's derivatives were in liability positions as of June 30, 2017 and 2016, reflecting the Authority's future obligations with respect to the derivative contracts. The fair value of derivatives, which is dependent on the current interest rate environment, is provided by an independent source.

Loss on Refunding – Decrease of $2.8 million

- The Authority completed a refunding during fiscal year 2017, which, due solely to the mark-to-market of the derivatives transferred from the refunded to the refunding issues, resulted in total deferred loss on refunding of $1.4 million. This deferred loss on refunding (deferred outflows of resources) was offset by an equal amount of deferred swap upfront payment later described under the "deferred inflows of resources" section.
- Amortization of deferred loss on refunding was $4.2 million during fiscal year 2017.

From June 30, 2016 to June 30, 2017, total liabilities increased $13.2 million.

Bonds Payable – Increase of $23.6 million

- The Authority issued $133.6 million in single family program revenue bonds in fiscal year 2017 and recognized bond premium/discount amortization of $3.9 million.
- In the Authority's single family and housing general obligation programs, total bond maturities and mandatory redemptions in fiscal year 2017 were $120.3 million.
- Conduit debt issuance of $24.4 million was offset by maturities and retirements of $10.2 million.
- Bond activity is summarized in the long-term debt activity section below.

Other Liabilities – Mortgage Subsidy Reserve – Increase of $1.1 million

- The Authority utilizes costs savings achieved from the use of various financing techniques that lower bond costs to subsidize mortgage loans with interest rates below market. Savings realized in fiscal year 2017 of $4.0 million was offset by savings used of $2.9 million.

From June 30, 2016 to June 30, 2017, total deferred inflows of resources decreased $2.8 million.

- In connection with a refunding of variable rate debt during fiscal year 2017, a portion of an interest rate swap agreement was deemed terminated and reassociated with the new series of refunding bonds, resulting in the deemed recognition of a swap up-front payment of $1.4 million. This swap up-front payment (deferred inflows of resources) was offset by an equal amount of deferred loss on refunding as described previously under the deferred outflows of resources section.
- Amortization of swap up-front payment was $4.2 million during fiscal year 2017.

From June 30, 2016 to June 30, 2017, total net position increased $10.3 million.

- The Authority's revenue less expenses for fiscal year 2017 resulted in an increase in total net position of $10.3 million.

2017 Analysis – Statements of Revenue, Expenses, and Changes in Net Position

The Authority's change in net position for the year ended June 30, 2017 was $10.3 million, a decrease of $4.5 million from the year ended June 30, 2016.

Operating Revenue – Decrease of $4.1 million

- Mortgage loan interest decreased a total of $5.2 million as the result of:
  - $0.3 million decrease related to decreasing interest rates in the Authority's single family mortgage loan portfolio, plus
  - $3.0 million decrease resulting from an increase to the mortgage subsidy reserve, plus
  - $0.4 million decrease due to additional premiums paid on single family loans acquired in 2017 (net premiums paid directly reduce current income), plus
  - $0.5 million decrease related to recording a forgiveness reserve on certain second mortgages in the Authority's single family mortgage loan portfolio that are forgivable in accordance with their terms, and
  - $1.0 million decrease in interest earned on conduit mortgages.
- Revenue related to the Authority's investments increased $0.8 million due primarily to:
  - Growth in the balances of certain reserves held under the Authority's Single Family 1994 Indenture, and
  - The purchase of U.S. Treasury and Agency discount notes at significantly larger discounts in fiscal year 2017 compared to 2016, resulting in larger fair value changes.

Operating Expenses – Increase of $0.5 million

- Interest expense increased a net $0.2 million as a result of:
  - $2.2 million increase related to growth of the Authority's single family bond portfolio, offset by
  - $1.0 million decrease in bond issuance costs paid in 2017, and
  - $1.0 million decrease in interest paid on conduit debt.
- General and administrative expenses increased due to increases in professional fees primarily related to litigation and new state legislation.

Long-Term Debt Activity

During fiscal years 2018 and 2017, the Authority issued bonds in the following amounts (dollars in thousands):

		2018	2017
Single family program revenue bonds	$	226,147	133,606
Multifamily finance program revenue bonds		6,613	3,253
Agriculture finance program revenue bonds		1,846	1,241
Development finance program revenue bonds		2,560	19,934
Total bond issuance	$	237,166	158,034

Principal payments on bonds totaled $188.6 million and $130.5 million in fiscal years 2018 and 2017, respectively. Amortization of bond premium was $(3.5 million) and $(3.9 million) in fiscal years 2018 and 2017, respectively. Detailed information about the Authority's bonds payable is presented in note 6 to the financial statements.

Contact Information

This financial report is intended to provide users with a general overview of the Authority's financial performance for fiscal years ended June 30, 2018 and 2017. If you have questions about this report or need additional financial information, please contact the Authority's Treasurer at Nebraska Investment Finance Authority, 1230 O Street, Suite 200, Lincoln, Nebraska 68508, or visit the Authority's website at www.nifa.org and navigate to the Bond Investor Section.

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Independent Auditors' Report

The Board of Directors
Nebraska Investment Finance Authority:

Report on Financial Statements

We have audited the accompanying statements of net position of the Nebraska Investment Finance Authority (the Authority) as of June 30, 2018 and 2017, and the related statements of revenue, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

As more fully described in note 2(e) to the financial statements, the Authority has reported investments in securitized mortgage loans at amortized cost. In addition, as more fully described in note 2(i) to the financial statements, the Authority does not report commitments to purchase securitized mortgage loans at fair value. In our opinion, U.S. generally accepted accounting principles require that securitized mortgage loans and loan commitments be reported at fair value.

Qualified Opinion

In our opinion, except for the effects of reporting investments in securitized mortgage loans at amortized cost rather than fair value and not reporting commitments to buy securitized mortgage loans at fair value, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Nebraska Investment Finance Authority as of June 30, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 1 through 9 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules 1 through 6 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules 1 through 6 are the responsibility of management and were derived from and relate 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 additional information in supplemental schedules 1 through 6 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 October 31, 2018, on our consideration of the Authority'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 Authority's internal control over financial reporting and compliance.

KPMG LLP

Lincoln, Nebraska
October 31, 2018

NEBRASKA INVESTMENT FINANCE AUTHORITY

Statements of Net Position

June 30, 2018 and 2017

(Dollars in thousands)

Assets		**2018**	**2017**
Current assets:			
Cash	$	311	366
Investments		50,148	83,827
Loans receivable		828	196
Interest receivable		151	75
Other current assets		960	700
Restricted assets:			
Investments		31,850	31,582
Loans receivable		35,606	34,518
Interest receivable		4,086	5,911
Total current assets		123,940	157,175
Noncurrent assets:			
Long-term investments		—	12,804
Loans receivable		48,434	12,394
Restricted assets:			
Investments		59,603	90,339
Loans receivable		1,310,809	1,259,452
Fair value of derivatives		2,563	869
Other assets		385	347
Total noncurrent assets		1,421,794	1,376,205
Total assets		1,545,734	1,533,380
Deferred Outflows of Resources			
Accumulated decrease in fair value of hedging derivatives		899	6,312
Loss on refunding		21,810	24,160
Total deferred outflows of resources		22,709	30,472
Liabilities			
Current liabilities:			
Accrued liabilities		5,764	2,304
Interest payable		10,776	10,461
Current portion of bonds payable		28,044	27,076
Total current liabilities		44,584	39,841
Noncurrent liabilities:			
Fair value of derivatives		899	6,312
Bonds payable, net of current portion		1,085,488	1,041,441
Mortgage subsidy reserve		40,013	42,840
Total noncurrent liabilities		1,126,400	1,090,593
Total liabilities		1,170,984	1,130,434
Deferred Inflows of Resources			
Accumulated increase in fair value of hedging derivatives		2,563	869
Swap up-front payment		22,634	25,273
Total deferred inflows of resources		25,197	26,142
Net Position			
Restricted by bond resolution		276,913	298,970
Unrestricted		95,349	108,306
Total net position	$	372,262	407,276

See accompanying notes to financial statements.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Statements of Revenue, Expenses, and Changes in Net Position

Years ended June 30, 2018 and 2017

(Dollars in thousands)

		2018	2017
Operating revenue:			
Interest income:			
Loans	$	46,027	41,981
Investments		1,121	5,461
Net increase in fair value of investments		1,385	518
Fees and other income		1,744	2,224
Total operating revenue		50,277	50,184
Operating expenses:			
Interest		32,916	31,406
General and administrative expenses		11,070	8,447
Total operating expenses		43,986	39,853
Operating income		6,291	10,331
Extraordinary item:			
Litigation payment		(41,305)	—
Change in net position		(35,014)	10,331
Net position, beginning of year		407,276	396,945
Net position, end of year	$	372,262	407,276

See accompanying notes to financial statements.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Statements of Cash Flows

Years ended June 30, 2018 and 2017

(Dollars in thousands)

		2018	2017
Cash flows from operating activities:			
Purchase of loans	$	(261,801)	(230,869)
Principal repayments received on loans		172,612	175,646
Interest received on loans		43,234	44,184
Fees and program income received		2,337	2,895
General and administrative costs paid		(8,577)	(7,734)
Net cash used in operating activities		(52,195)	(15,878)
Cash flows from noncapital financing activities:			
Proceeds from sale of bonds		237,166	158,034
Repayment of bonds		(188,627)	(130,513)
Debt issuance costs paid		(1,730)	(1,033)
Interest paid		(34,684)	(33,746)
Net cash provided by (used in) noncapital financing activities		12,125	(7,258)
Cash flows from investing activities:			
Interest received on investments		2,922	5,285
Proceeds from sales, maturities, and calls of investments		606,973	643,864
Purchase of investments		(569,880)	(625,792)
Net cash provided by investing activities		40,015	23,357
Net (decrease) increase in cash		(55)	221
Cash, beginning of year		366	145
Cash, end of year	$	311	366
Reconciliation of operating income to net cash used in operating activities:			
Operating income	$	6,291	10,331
Adjustments to reconcile operating income to net cash used in operating activities:			
Purchase of loans		(261,801)	(230,869)
Principal repayments received on loans		172,612	175,646
Interest received on investments		(2,922)	(5,285)
Interest expense		32,916	31,406
Increase in fair value of investments		(1,385)	(518)
Amortization and other income, net		86	1,018
Decrease (increase) in interest receivable		1,749	(148)
(Increase) decrease in prepaid expenses		(374)	18
Increase in other liabilities		633	2,523
Net cash used in operating activities	$	(52,195)	(15,878)

See accompanying notes to financial statements.

(1) Authorizing Legislation and Organizational Structure

Nebraska Investment Finance Authority (the Authority) was created as a quasi-governmental entity on August 26, 1983 by an Act (the Act) of the Nebraska Legislature. The Authority was established to provide sources of mortgage financing at reduced interest rates to Nebraska residents of low- and moderate-income levels, agricultural financing at reduced interest rates to Nebraska farmers and other agricultural enterprises, and other financing at reduced interest rates to Nebraska business enterprises. The Authority is authorized to invest in loans made for the construction, rehabilitation, or purchase of residential housing and certain enterprises. The Authority has been designated as the allocating agency for the Federal Low Income Housing Tax Credit Program (the LIHTC Program). The LIHTC Program was established to encourage investment in the construction and rehabilitation of rental housing units for low- and moderate-income individuals and families. The Authority has no taxing power and is exempt from federal and state income taxes. The Authority is authorized to issue tax-exempt revenue bonds and other obligations, the proceeds of which are to be utilized to fulfill the aforementioned purposes. Amounts so issued will not be deemed to constitute a debt of the State of Nebraska or any political subdivision thereof. Any assets remaining upon dissolution of the Authority will be transferred to the State of Nebraska.

The following describes the divisions established by the Authority, all of which conform to the Act and bond and note resolutions/indentures:

(a) Operating Division

This account was established in accordance with the Act to account for the operating expenses of the Authority.

(b) Housing Finance Division

Single Family – These accounts were established under resolutions adopted for each series of Single Family Mortgage Revenue Bonds to account for the proceeds of the bonds and the related purchase of mortgage loans for eligible persons with low- and moderate-income levels on owner-occupied property.

Housing General Obligation – These accounts were established under resolutions adopted to account for the sale of bonds, which are general obligations of the Authority, to fund loans to complement and assist its single family and multifamily programs.

Multifamily – These accounts were established under resolutions adopted to account for the proceeds of construction loan notes and bonds and the related construction and permanent financing of eligible multifamily rental housing developments.

(c) Agricultural Finance Division

These accounts were established under resolutions adopted to account for the proceeds of Agricultural Revenue Bonds and the related financing of eligible agricultural borrowers.

(d) Development Finance Division

Healthcare – These accounts were established under resolutions adopted to account for the proceeds of Healthcare Revenue Bonds and the related purchase of loans made to eligible healthcare institutions to finance, refinance, or reimburse the cost of depreciable assets.

(Continued)

Industrial Development – These accounts were established under resolutions adopted to account for the proceeds of Industrial Development Revenue Bonds and the related purchase of industrial development loans for eligible projects.

(2) Significant Accounting Policies

The following is a summary of the significant accounting and financial reporting policies followed in the preparation of these financial statements:

(a) Basis of Presentation and Accounting

The financial activities of the Authority are recorded in accounts established under various bond indentures (program accounts) and in an operating account established for the administration of the Authority's programs. The Authority's program and operating accounts have been presented on a combined basis, as the Authority is considered a single-enterprise fund for financial reporting purposes. All revenue and expenses are considered operating, as they relate directly to the purpose of the Authority.

The Authority's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with U.S. generally accepted accounting principles, except for investment in securitized mortgage loans and commitments to buy securitized mortgage loans, as discussed below. The Authority applies all Governmental Accounting Standards Board (GASB) pronouncements.

(b) Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates include the rebate liability, mortgage subsidy reserve, loan forgiveness allowance, derivatives, and the loans receivable allowance.

(c) Investments

Investments are carried at fair value based upon established quoted market prices. Changes in the fair value of investments are reported as increases (decreases) in operating revenue in the statements of revenue, expenses, and changes in net position. Guaranteed investment contracts are nonparticipating and, therefore, recorded at cost.

(d) Loans Receivable

Loans receivable consist of single family mortgages as well as single family Ginnie Mae I, Fannie Mae, and Freddie Mac mortgage-backed pass-through certificates (securitized mortgage loans) backed by pools of single family mortgage loans originated pursuant to the Authority's Single Family Program. The Authority has a 100% beneficial interest in the loans underlying the securitized mortgage loans. Loans receivable also consists of multifamily construction loans, mortgages on completed multifamily projects, and agricultural, manufacturing, industrial, commercial, and healthcare industry loans. Loans receivable are carried at the unpaid principal balance.

(e) Securitized Mortgage Loans

The Authority reports securitized mortgage loans at amortized cost. GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that investments in debt securities, including securitized loans, be reported at fair value. Based on values obtained from an independent pricing source, the estimated fair value of the Authority's securitized mortgage loans is $1,260.7 million and $1,203.8 million, respectively, compared to amortized cost of $1,276.3 million and $1,180.2 million at June 30, 2018 and 2017, respectively. GASB Statement No. 31 also requires that the change in fair value be reported in operating revenue and change in net position. Accordingly, the Authority should have reported in its statements of revenue, expenses, and changes in net position the decrease in unrealized gains of $(39.2 million) and $(44.4 million) for the years ended June 30, 2018 and 2017, respectively, decreasing operating revenue and change in net position by those amounts. Net position should have been increased (decreased) by the cumulative unrealized gains (losses) on the securitized mortgage loans of $(15.6 million) and $23.6 million at June 30, 2018 and 2017, respectively.

Additionally, interest earned on securitized mortgage loans totaling $44.1 million and $39.6 million at June 30, 2018 and 2017, respectively, has been classified as interest income from loans rather than investments in the statements of revenue, expenses, and changes in net position. Principal and interest payments received on securitized loans of approximately $165.5 million and $41.4 million, respectively, in 2018 and $163.6 million and $41.2 million, respectively, in 2017 have been included in cash flows provided by operating activities rather than cash flows used in investing activities in the statements of cash flows.

(f) Debt Financing Costs and Fee Income

Debt financing costs and fees collected from financial institutions in exchange for mortgage loan servicing rights are expensed as incurred or recognized as income when received, in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

(g) Provision for Loan Losses

A provision for loan losses is recorded in expenses when, in management's opinion, the realization of all or a portion of the loans is not probable and the Authority does not have insurance or guarantees on its loans. As described in note 5, the Authority's single family mortgage loans are primarily in the form of mortgage-backed pass-through certificates. While management uses available information to recognize losses, future additions to the allowance may be necessary based on changes in economic conditions.

(h) Debt Refunding

Gains or losses from debt refundings are deferred and amortized over the shorter of the remaining life of the prior bonds or the estimated life of the refunding bonds, using the effective-interest method.

(i) Derivative Instruments

Derivative instruments, as defined in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53), are measured on the statements of net position at fair value, except as noted below. Changes in fair value for those derivative instruments that meet the criteria for hedging instruments under GASB 53 are reported as deferred inflows and outflows of resources. The Authority uses derivative financial instruments, in the form of interest rate swap agreements (swap agreements), to manage and reduce exposure to adverse fluctuations in interest rates and to lower the overall cost of financing. These derivatives may involve elements of credit and market risk in excess of amounts recognized in the financial statements in the event of nonperformance by the counterparties to the interest rate derivative transactions. The Authority monitors the credit quality of the counterparties.

Additionally, the Authority commits to purchase mortgage-backed pass-through certificates (securitized mortgage loans) backed by pools of single family mortgage loans originated pursuant to the Authority's Single Family Program. As of June 30, 2018 and 2017, the Authority had committed to purchase additional single family mortgage loans totaling $88.4 million and $62.5 million, respectively. The commitments represent amounts reserved with the Authority by participating lenders for loans that have not been delivered to the trustee for purchase by the Authority. Under GASB 53, a commitment to purchase mortgage-backed securities is a derivative instrument and should be reported at fair value. The Authority does not record commitments to purchase mortgage-backed securities in its financial statements. The Authority should have reported the fair value of its commitments as assets of $1.5 million and $1.1 million at June 30, 2018 and 2017, respectively, in its statements of net position. As the commitments are considered investment derivative instruments, the fair value and changes in fair value should be reported as other income (loss) as of June 30, 2018 and 2017, respectively, in its statements of revenue, expenses, and changes in net position.

(j) Arbitrage

Earnings on certain loans and investments are subject to the arbitrage requirements of the Internal Revenue Code (IRC). Estimated excess earnings on investments that may be related to the U.S. Treasury Department are recorded in accrued liabilities. Estimated excess earnings on loans that must be used through other qualified Authority loan programs or paid to the U.S. Treasury Department are recorded in the Mortgage Subsidy Reserve.

Arbitrage rebate amounts that are the result of investment yields are recorded as a reduction of interest income. Arbitrage rebate amounts that result from gains on sales of investment securities are recorded as a reduction to the net increase (decrease) in the fair value of investments. Changes in Mortgage Subsidy Reserve resulting from changes to loan interest spreads are recorded as increase (decrease) in interest income on loans.

(k) Income Taxes

Income of the Authority, which was formed under Nebraska Revised Statute Section 58-226 as a body politic and independent instrumentality, is excludable from gross income under Section 115(1) of the IRC because such income is generated by the performance of essential governmental functions. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

(l) Reclassifications

Certain reclassifications have been made to June 30, 2017 reported amounts in the statements of net position in order to conform to June 30, 2018 presentation. These reclassifications had no effect on net assets.

(Continued)

(3) Asset Restrictions

All assets within program accounts are restricted to the payment of principal, interest, sinking fund installments, and other purposes in accordance with the terms of each respective bond and note resolution. The financial statements contain the total of all program and operating accounts. However, since the assets of each program account are restricted by the related resolutions, the totaling of the accounts, including assets therein, is for convenience only and does not indicate that the total assets are available in any manner other than that provided for in the resolutions of the separate accounts.

(4) Cash and Investments

(a) Cash

The Authority had cash deposits with a carrying value of $311,000 and $366,000 as of June 30, 2018 and 2017, respectively, and a bank balance of $621,000 and $511,000 as of June 30, 2018 and 2017, respectively. None of the deposits were uninsured and uncollateralized.

(b) Investments

Investments are reported in the statements of net position as follows (dollars in thousands):

		2018	2017
Investments	$	50,148	83,827
Restricted investments (current)		31,850	31,582
Long-term investments		—	12,804
Restricted investments (noncurrent)		59,603	90,339
	$	141,601	218,552

The net change in fair value of investments was an increase of $1.4 million and $518,000 for the years ended June 30, 2018 and 2017, respectively. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. At June 30, 2018 and 2017, the Authority had net unrealized losses of approximately $(6,000) and $(70,000), respectively, in its investment portfolio.

The investment of funds is restricted by the Act and the various bond indentures of the Authority. Funds not needed for immediate disbursement (other than funds invested pursuant to the terms of specific bond indentures) are required by the Act to be invested in direct and general obligations of, or obligations guaranteed by, the United States of America, obligations issued by certain agencies of the federal government, obligations issued by the State of Nebraska, or certain obligations or securities that may from time to time be legally purchased by governmental subdivisions of Nebraska.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2018 and 2017, the Authority had the following investments and maturities (dollars in thousands):

		2018				
			Investment maturities (in years)			
Investment type		Carrying value	Less than 1	1–5	6–10	More than 10
U.S. Treasury securities	$	39,410	39,410	—	—	—
U.S. government agency securities		49,413	49,413	—	—	—
Collateralized repurchase agreements		818	818	—	—	—
Guaranteed investment contracts		41,781	—	—	8,633	33,148
Money market mutual funds		10,179	10,179	—	—	—
	$	141,601	99,820	—	8,633	33,148

		2017				
			Investment maturities (in years)			
Investment type		Carrying value	Less than 1	1–5	6–10	More than 10
U.S. Treasury securities	$	54,101	54,101	—	—	—
U.S. government agency securities		66,914	66,914	—	—	—
Collateralized repurchase agreements		148	148	—	—	—
Guaranteed investment contracts		87,102	—	—	40,578	46,524
Money market mutual funds		10,287	10,287	—	—	—
	$	218,552	131,450	—	40,578	46,524

Credit Risk: Investment of funds within each bond issue is limited to investments specified in the applicable indentures to meet the requirements of the rating agency providing the rating on the issue. The Authority's investments in short-term U.S. government agencies and money market mutual funds are rated in the highest short-term rating category by Standard & Poor's (S&P) and Moody's Investors Service (Moody's) as of June 30, 2018. Repurchase agreements and guaranteed investment contracts are with counterparties whose credit ratings or structures do not adversely affect the rating, if any, on the corresponding bonds. Guaranteed investment contract counterparties (or the guarantor, as applicable) are rated A by S&P and A2 by Moody's.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority is exposed to custodial credit risk on its repurchase agreements of $818,000 and $148,000 at June 30, 2018 and 2017, respectively, as the collateral is held by the counterparties, but not in the Authority's name.

Concentration of Credit Risk: The Authority places no limit on the amount it may invest in any one issuer. As of June 30, 2018 and 2017, the Authority had greater than 5% of its investment balance with the following issuers:

	Percentage	
Issuer	**2018**	**2017**
G.E. Funding Capital Market Securities, Inc.	29.5 %	34.6 %
Federal Home Loan Bank	29.2	20.2
Freddie Mac	5.7	10.4
Wells Fargo	7.8	4.8

Investments Valued at Fair Value: Governmental Accounting Standards Board (GASB) Statement No. 72 provides a framework for fair value that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described as follows:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that the Authority can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.); or inputs that are derived principally from or corroborated by market data by correlation or other means.

Level 3 – Unobservable inputs for assets or liabilities that reflect the Authority’s own assumptions about the assumptions that market participants would use.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Authority has the following recurring fair value measurements as of June 30, 2018 and 2017:

		June 30, 2018		
		Fair value measurement using		
Investments by fair value level	**Total fair value**	**Quoted prices in active markets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Debt securities:				
U.S. Treasury securities	$ 39,410	39,410	—	—
U.S. government agency securities	49,413	—	49,413	—
Collateralized repurchase agreements	818	818	—	—
Money market mutual funds	10,179	10,179	—	—
Total investments by fair value level	$ 99,820	50,407	49,413	—

		June 30, 2017		
		Fair value measurement using		
Investments by fair value level	**Total fair value**	**Quoted prices in active markets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Debt securities:				
U.S. Treasury securities	$ 54,101	54,101	—	—
U.S. government agency securities	66,914	—	66,914	—
Collateralized repurchase agreements	148	148	—	—
Money market mutual funds	10,287	10,287	—	—
Total investments by fair value level	$ 131,450	64,536	66,914	—

The following is a description of the valuation methodologies used for assets measured at fair value:

- Debt securities (Level 1) are valued using prices quoted in active markets.
- Debt securities (Level 2) are valued using matrix pricing.
- Collateralized repurchase agreements are valued at the daily closing price.
- Money market mutual funds are valued at the daily closing price as reported by the fund.

Securitized mortgage loans are reported at amortized cost in the statement of net position; however, the fair value of the Authority's securitized mortgage loans is disclosed in note 2(e). Fair value is determined by using quoted prices for similar assets in active markets. In the fair value hierarchy, securitized mortgage loans are valued using Level 2 inputs.

(5) Loans Receivable

Single Family

Single family Ginnie Mae I, Fannie Mae, and Freddie Mac mortgage-backed pass-through certificates (securitized mortgage loans), which comprise 98.5% of the total single family loan portfolio, are backed by the guarantee of Ginnie Mae, Fannie Mae, or Freddie Mac, respectively, of monthly payments on the underlying pool of single family mortgage loans, which were originated pursuant to the Authority's Single Family Program. Since Ginnie Mae is a wholly owned corporate instrumentality of the United States, the full faith and credit of the United States is pledged to the payment of all amounts due under such guarantee. The obligations of Fannie Mae and Freddie Mac are obligations solely of Fannie Mae and Freddie Mac, respectively, and are not backed by, nor entitled to, the faith and credit of the United States. If Fannie Mae or Freddie Mac were unable to satisfy such obligations, distributions to the Authority would consist solely of payments and other recoveries on the underlying mortgage loans, and accordingly, monthly distributions to the Authority from Fannie Mae and Freddie Mac would be affected by delinquent payments and defaults on such mortgage loans. In accordance with the Federal Housing and Economic Recovery Act of 2008, the Federal Housing Finance Agency was named as conservator of both Fannie Mae and Freddie Mac.

The single family whole loan mortgage program requires that all mortgage loans, except for second lien mortgage loans originated under the Homebuyer Assistance Program (the HBA Program) and loans purchased from Habitat for Humanity of Omaha, Inc. (Habitat) (described below), upon which the loan-to-value ratio is greater than specified percentages be (a) insured by Federal Housing Administration (FHA); (b) guaranteed by Veterans Affairs (VA); (c) guaranteed by the successor entity to the Farmers Home Administration, Rural Development, acting through the United States Department of Agriculture (the USDA/RD); or (d) insured by an approved private mortgage insurer under a policy that provides coverage on the outstanding principal balance of the mortgage loan in excess of specified percentages of the original fair market value of the property. Whole loans comprise 1.5% of the total single family loan portfolio.

The Authority uses various financing techniques to lower bond costs and utilizes these cost savings to subsidize mortgage loans with interest rates below market. The Mortgage Subsidy Reserve of $40.0 million and $42.8 million at June 30, 2018 and 2017, respectively, is net of the amount passed through to borrowers in the form of lower mortgage interest rates.

The following table reconciles the mortgage subsidy reserve for the years ended June 30, 2018 and 2017 (dollars in thousands):

		2018	2017
Balance, beginning of year	$	42,840	41,683
Savings realized		1,700	4,041
Savings used		(4,527)	(2,884)
Balance, end of year	$	40,013	42,840

The savings used, as presented in the above table, represents the amount of interest subsidy consumed by subsidized mortgage loans during each year. Based upon the current mix of mortgage interest rates and the current makeup of the related debt structure, it is estimated that approximately 78%, on a present value basis, of the subsidy reserve balance will be used in future years without the purchase of any additional subsidized mortgage loans.

In connection with its Single Family Mortgage Program, the Authority offers the HBA Program whereby a qualified borrower can receive down payment and closing cost assistance from the Authority in the form of a second lien mortgage loan. A portion of the second mortgages outstanding bear no interest and are forgivable over a period of 11 years. Such mortgages are being amortized over the life of the related first mortgage. The remainder of the second mortgages outstanding bear interest and are repayable in equal monthly installments over the life of the second mortgage, ranging from 7 to 10 years and certain loans are forgivable after year 5 under certain circumstances. In each case, these loans are secured solely by a second lien on the respective properties. Included in loans receivable at June 30, 2018 and 2017 are HBA Program second mortgage balances totaling $11.9 million and $10.5 million, respectively.

In connection with its Single Family Mortgage Program, the Authority purchases loans from Habitat with full recourse. These loans are both first mortgages, the proceeds of which were used to purchase homes, and second mortgages, the proceeds of which funded certain repairs and betterments to homes. These loans do not charge interest. Habitat agrees to repurchase defaulted loans. Included in loans receivable at June 30, 2018 and 2017 are Habitat loan balances totaling $5.2 million and $5.8 million, respectively.

Multifamily, Agricultural, and Development

Multifamily, Agricultural, and Development Finance loans have been assigned to applicable bondholders as collateral for the related bonds. As of June 30, 2018 and 2017, the Authority had committed $3.4 million and $9.2 million, respectively, to approved but unissued bonds for agricultural, healthcare, and development loans.

(6) Bonds Payable

All general obligations of the Authority are payable from the revenue and assets of the Authority, subject to the provisions of individual resolutions adopted pledging particular revenue or assets to specific notes or bonds. All special or limited obligations of the Authority are payable solely from the revenue and assets of the related accounts pledged therefore. Bond series marked with an asterisk (*) have been issued pursuant to the Authority’s 1994 Open Indenture and are equally and ratably secured by all assets which are pledged under such indenture. Provisions of the IRC limit, on an aggregate basis, the amount of tax-exempt bonds the Authority and political subdivisions of the State of Nebraska may issue.

At June 30, 2018 and 2017, bonds outstanding (net of unamortized discount or premium where applicable) are as follows (dollars in thousands):

Description and maturity	Principal outstanding 2018	Principal outstanding 2017	Interest terms
Single family mortgage revenue bonds:			
* 2010 Series ABC:			
A (fixed rate), due 2020	$ 2,291	2,300	5.00%, payable semiannually
B (variable rate), due 2018–2038	93,730	180,240	Var. rate demand, payable semiannually
* 2013 Series AB, due 2018–2043	52,320	60,445	1.90%–3.60%, payable semiannually
* 2013 Series CD, due 2018–2043	44,250	55,425	2.50%–4.50%, payable semiannually
* 2013 Series EF:			
E (fixed rate), due 2018–2043	20,130	29,669	1.90%–3.65%, payable semiannually
F (variable rate), due 2018–2038	30,395	31,245	Var. rate demand, payable semiannually
* 2014 Series AB:			
A (fixed rate), due 2018–2044	32,905	43,278	1.30%–4.00%, payable semiannually
B (variable rate), due 2018–2038	32,110	32,990	Var. rate demand, payable semiannually
* 2015 Series AB:			
A (fixed rate), due 2018–2045	52,357	58,552	1.25%–3.85%, payable semiannually
B (variable rate), due 2018–2038	32,455	33,350	Var. rate demand, payable semiannually
* 2015 Series CD:			
C (fixed rate), due 2018–2045	75,067	83,382	1.20%–3.90%, payable semiannually
D (variable rate), due 2018–2032	31,520	32,975	Var. rate demand, payable semiannually
* 2016 Series AB:			
A (fixed rate), due 2018–2046	81,346	88,222	0.90%–3.50%, payable semiannually
B (variable rate), due 2018–2032	27,535	28,800	Var. rate demand, payable semiannually
* 2016 Series CD:			
C (fixed rate), due 2018–2046	97,555	103,385	1.00%–3.50%, payable semiannually
D (variable rate), due 2018–2032	27,155	28,395	Var. rate demand, payable semiannually
* 2017 Series ABC:			
AB (fixed rate), due 2018–2040	72,592	—	1.05%–3.50%, payable semiannually
C (variable rate), due 2040–2047	44,150	—	Var. rate demand, payable semiannually
* 2018 Series AB:			
A (fixed rate), due 2019–2048	74,903	—	1.40%–4.00%, payable semiannually
B (variable rate), due 2037–2048	32,000	—	Var. rate demand, payable semiannually
2011 Series 1, due 2040–2041	13,828	16,445	2.975%–3.975%, payable monthly
2011 Series A, due 2018–2041	42,530	51,925	2.32%–4.20%, payable semiannually
Total single family mortgage revenue bonds	1,013,124	961,023	

Description and maturity		Principal outstanding 2018	Principal outstanding 2017	Interest terms
General obligation housing bonds:				
2000 Series G.O. CD, due 2033	$	—	1,349	Redeemed December 2017
Total general obligation		—	1,349	
Conduit obligations:				
Multifamily finance revenue bonds:				
Varying maturities through 2042		69,102	64,529	1.00%–6.75%
Agriculture finance revenue bonds:				
Varying maturities through 2048		16,815	17,089	1.65%–6.70%
Development finance revenue bonds:				
Varying maturities through 2022		14,491	24,527	2.32%
Total conduit obligations		100,408	106,145	
Total bonds payable	$	1,113,532	1,068,517	

Redemption Provisions: The Single Family Mortgage Revenue Bonds are subject to certain early redemption provisions, both mandatory and at the option of the Authority. The Authority redeems debt pursuant to the provisions of the related agreements that permit excess revenue and mortgage loan prepayments to be used to retire the obligations at par. Optional redemptions are allowed at various dates at par.

Variable Rate Interest Terms (Single Family Mortgage Revenue): The variable rate demand bonds pay interest using a variable rate determined weekly by the remarketing agent for such bonds.

Conduit Obligations: The Multifamily Finance Revenue, Agriculture Finance Revenue, and Development Finance Revenue bonds totaling $100.4 million and $106.1 million at June 30, 2018 and 2017, respectively, represent conduit debt obligations that are payable solely from payments received on the underlying assets or, in some cases, from payments received pursuant to agreements with third-party credit enhancement providers. The underlying mortgage loans are included in restricted loans receivable in the statements of net position.

Debt Activity: The following tables summarize the Authority's debt activity for the years ended June 30, 2018 and 2017 and amounts due within one year (dollars in thousands):

Type of bonds		June 30, 2017	Issuance	Retirement	June 30, 2018	Due within one year
Single family mortgage revenue bonds	$	961,023	226,147	(174,046)	1,013,124	23,415
General obligation housing bonds		1,349	—	(1,349)	—	—
Multifamily finance revenue bonds		64,529	6,613	(2,040)	69,102	634
Agriculture finance revenue bonds		17,089	1,846	(2,120)	16,815	497
Development finance revenue bonds		24,527	2,560	(12,596)	14,491	3,498
Total all bonds	$	1,068,517	237,166	(192,151)	1,113,532	28,044

Type of bonds		June 30, 2016	Issuance	Retirement	June 30, 2017	Due within one year
Single family mortgage revenue bonds	$	949,468	133,606	(122,051)	961,023	21,800
General obligation housing bonds		3,498	—	(2,149)	1,349	—
Multifamily finance revenue bonds		67,385	3,253	(6,109)	64,529	642
Agriculture finance revenue bonds		17,310	1,241	(1,462)	17,089	553
Development finance revenue bonds		7,245	19,934	(2,652)	24,527	4,081
Total all bonds	$	1,044,906	158,034	(134,423)	1,068,517	27,076

Debt Service Requirements: Debt service requirements annually through 2023, and in five-year increments thereafter to maturity, are as follows (dollars in thousands):

		Principal	Interest	Total debt service
Fiscal year(s):				
2019	$	28,044	29,167	57,211
2020		35,757	28,972	64,729
2021		34,684	28,167	62,851
2022		36,117	27,441	63,558
2023		33,549	26,622	60,171
2024–2028		190,214	119,864	310,078
2029–2033		219,138	93,061	312,199
2034–2038		238,236	60,968	299,204
2039–2043		176,969	31,576	208,545
2044–2048		117,821	6,946	124,767
2049–2053		3,003	24	3,027
	$	1,113,532	452,808	1,566,340

Variable Rate Demand Bonds: Included in bonds payable are $351.1 million and $368.0 million at June 30, 2018 and 2017, respectively, of single family mortgage revenue bonds (the demand bonds) that are subject to purchase on the demand of the bondholder, with seven days' notice, at a price equal to 100% of the principal amount plus accrued interest. In connection with the demand bonds, the Authority has entered into Remarketing Agreements that authorize the remarketing agent to use its best efforts to sell repurchased bonds at a price equal to 100% of the principal amount by adjusting the interest rate. The Authority also has entered into Standby Bond Purchase Agreements (the SBPAs) with Federal Home Loan Bank of Topeka (FHLBank) whereby the FHLBank agrees to purchase demand bonds that the remarketing agent has been unable to remarket. The obligation of FHLBank is subject to the demand bonds maintaining a long-term rating by S&P of not lower than BBB-. Bonds purchased by the FHLBank bear interest at the one-month LIBOR plus 1.50%, not to exceed 25%, and interest is payable monthly. The SBPAs have a term of one to two years, which may be extended at the request of the Authority for such period as may be mutually agreed to between the Authority and FHLBank. The termination dates on the SBPAs range from March 2, 2020 to March 1, 2021. No amounts have been drawn on these agreements to date.

Any demand bonds that cannot be remarketed within 91 days of being purchased by FHLBank are subject to mandatory payment by the Authority in 10 equal semiannual principal installments plus interest payable monthly. If this provision was exercised on June 30, 2018 due to a failed remarketing on the entire amount of outstanding demand bonds of $351.1 million, the Authority would be required to make semiannual principal payments of $35.1 million for the next five years, and interest payments, assuming an interest rate of 3.5684% (the one-month LIBOR as of June 30, 2018 plus 1.50%), totaling $36.6 million over the next five years.

Under the Standby Bond Purchase Agreements, the Authority is required to pay to FHLBank a semiannual commitment fee of 0.27% per annum of the sum of (a) the outstanding principal amount of demand bonds subject to the agreement and (b) an amount equal to 205 days of interest on the outstanding principal amount of such bonds at a rate of 15.00% per annum. In addition, the Authority pays the remarketing agent a semiannual fee of 0.07% per annum of the outstanding principal amount of the demand bonds.

(7) Debt Refundings

On September 27, 2017, the Authority issued $116.8 million original principal amount of its Single Family Housing Revenue Bonds Series 2017 A (Non-AMT), 2017 Series B (AMT), and Series 2017 C (Variable Rate-Non-AMT). Proceeds of the 2017 C Bonds totaling $44.2 million were used to refund a portion of the 2010 Series B Bonds (the Refunded Bonds). Both the 2017 C Bonds and the Refunded Bonds bear interest at a variable rate determined weekly by a remarketing agent.

On March 28, 2018, the Authority issued $105.1 million original principal amount of its Single Family Housing Revenue Bonds Series 2018 A (Non-AMT) and Series 2018 B (Variable Rate-AMT). Proceeds of the 2018 B Bonds totaling $32.0 million were used to refund a portion of the 2010 Series B Bonds (the Refunded Bonds). Both the 2018 B Bonds and the Refunded Bonds bear interest at a variable rate determined weekly by a remarketing agent.

The refundings resulted in deferred losses of $1.2 million (2017 C Bonds) and $428,000 (2018 B Bonds), in accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities* (GASB 23) and GASB 53, which require that the fair value of hedging derivatives associated with the refunded debt be included in the net carrying amount of the refunded debt

(Continued)

for purposes of calculating the deferred loss at the refunding date. This mark-to-market adjustment is the only component of deferred loss on refunding, which is recorded in the statement of net position in deferred outflows of resources. Concurrent with the recognition of a deferred loss on refunding, a swap up-front payment (in the same amount and recorded in the statement of net position in deferred inflows of resources) was deemed to be made upon transfer of the swap. The deferred loss on refunding and the swap up-front payment are being amortized to interest expense over certain defined periods. The Authority completed the refundings primarily to provide more flexibility to manage the Single Family Program and related yield requirements under the IRC and to better utilize existing interest rate swap contracts as a more effective hedge for the Authority's variable rate debt. The Authority's debt service payments for the 2017 C Bonds and 2018 B Bonds will increase by $353,000 and $283,000, respectively, due to costs of issuance, which would result in an economic loss (difference between the present values of the old and new debt service payments) of $353,000 and $283,000, respectively. There are sufficient assets in the 1994 Single Family Indenture that are not pledged to the payment of specific bonds to absorb any increases in debt service resulting from the refundings. Alternatively, any savings achieved as a result of the refundings cannot be retained by the Authority but must be returned to borrowers under the Single Family Program or to the U.S. Treasury.

(8) Derivative Instruments

The Authority uses derivative financial instruments to manage and reduce exposure to adverse fluctuations in interest rates and to lower the overall cost of financing. The Authority's derivatives consist of swap agreements entered into in connection with its issuance of variable rate mortgage revenue bonds.

Swap agreements allow the Authority to raise funds at variable rates and effectively swap them into fixed rates that are lower than those available to the Authority if fixed rate borrowings were made directly. These contracts involve the exchange of variable rate for fixed rate payments between two parties (without the exchange of the underlying principal amount) based on a common notional amount and maturity date. The variable rate payment in all of the Authority's swap agreements is based on the SIFMA index. At June 30, 2018, the Authority has pay-fixed, receive-variable swap agreements outstanding with the following terms (dollars in thousands):

Bond series	Effective date	Termination date	Fixed rate paid	Variable rate received	Counterparty credit rating*	Up-front payment received
2010 B / 2017 C / 2018 B	12/29/2010	9/1/2031	4.013 %	SIFMA + 0.12%	AA-/Aa2/AA	$ 19,640
2013 F	12/29/2010	3/1/2038	3.945	SIFMA + 0.12%	AA-/A1/AA	6,551
2014 B / 2015 B	12/22/2010	9/1/2038	3.942	SIFMA + 0.12%	A/A2/A	10,359
2010 C / 2015 D / 2016 B	12/29/2010	9/1/2032	3.889	SIFMA + 0.22%	AA-/A1/AA	14,269
						$ 50,819

* Standard & Poor's/Moody's/Fitch ratings as of June 30, 2018

At June 30, 2017, the Authority has pay-fixed, receive-variable swap agreements outstanding with the following terms (dollars in thousands):

Bond series	Effective date	Termination date	Fixed rate paid	Variable rate received	Counterparty credit rating*		Up-front payment received
2010 B	12/29/2010	9/1/2031	4.013 %	SIFMA + 0.12%	A-/Baa2/A-	$	18,017
2013 F	12/29/2010	3/1/2038	3.945	SIFMA + 0.12%	AA-/A1/AA		6,551
2014 B / 2015 B	12/22/2010	9/1/2038	3.942	SIFMA + 0.12%	A-/A1/A		10,359
2010 C / 2015 D / 2016 B	12/29/2010	9/1/2032	3.889	SIFMA + 0.22%	AA-/A1/AA		14,269
						$	49,196

* Standard & Poor's/Moody's/Fitch ratings as of June 30, 2017

In connection with several debt issuances beginning in 2010, all of the Authority's swapped variable rate demand bonds have been refunded with new variable rate demand bonds. In accordance with GASB 53, the related swap agreements were deemed terminated and reassociated with the refunding bonds with no changes in contract terms, resulting in recognition of deemed swap up-front payments totaling $50.8 million as of June 30, 2018, which are being amortized to interest expense over the life of the swap agreements.

The Authority reports the fair value of its swap agreements on the statements of net position. The fair values, obtained from an independent source, represent, in accordance with market convention, the valuation of the financial elements of each swap agreement. The valuation is determined by the zero-coupon method using Level 2 inputs, as defined in GASB Statement No. 72, and takes into account nonperformance risk. To the extent that a particular transaction contains restrictive transfer, collateralization, or termination event language, it could be expected that such provisions would impact the ability to terminate a swap agreement at these estimated market values.

As of June 30, 2018 and 2017, the Authority's swap agreements have been determined to be hedging derivatives, as defined by GASB 53. Accordingly, the change in fair value has been deferred in the statements of net position as accumulated decrease in fair value of hedging derivatives.

Fair values, excluding accrued interest, as of June 30, 2018 and 2017 and change in fair value for the years then ended are as follows (dollars in thousands):

		2018			
				Financial statement	
		Current notional	Contract fair value	Fair value	Change in fair value
Bond series:					
2010 B / 2017 C / 2018 B	$	93,450	(6,801)	(681)	4,153
2013 F		24,910	(2,415)	(218)	758
2014 B / 2015 B		48,015	(4,484)	693	1,195
2015 D / 2016 B / 2016 D		62,075	(4,004)	1,870	1,001
Total	$	228,450	(17,704)	1,664	7,107

	2017			
			Financial statement	
	Current notional	Contract fair value	Fair value	Change in fair value
Bond series:				
2010 B	$ 110,640	(10,937)	(4,835)	5,398
2013 F	26,760	(3,575)	(976)	1,524
2014 B / 2015 B	52,170	(6,702)	(501)	2,617
2015 D / 2016 B / 2016 D	71,195	(6,587)	869	3,977
Total	$ 260,765	(27,801)	(5,443)	13,516

In accordance with GASB 53, the fair value of the Authority's swap agreements in the statements of net position is determined using the on-market swap rates as of the date of inception of the swap agreements, and in the case of reassociation of swap agreements with refunding bonds, on the refunding date. The contractual fixed rates, which the Authority pays to the counterparties, are higher than these rates. If the Authority opted to terminate the swap agreements, the termination payments to the counterparties would be based on the contractual rates. The tables above disclose both the financial statement fair value and the contractual fair value to give financial statement users a clear picture of the Authority's actual liability related to the swap agreements.

(a) Interest Rate Swap Payments and Associated Debt

The following table (dollars in thousands) summarizes debt service requirements of the Authority's outstanding variable rate bonds and net swap payments, using variable interest rates in effect as of June 30, 2018 for the life of the bonds and swaps. As interest rates vary, variable rate bond interest, and net swap payments will also vary, inversely.

	Variable rate bond payments		Swap net payment	Total payments
	Principal	Interest		
Fiscal years:				
2019	$ 9,745	5,306	6,255	21,306
2020	10,215	5,339	6,109	21,663
2021	10,685	5,152	5,183	21,020
2022	11,155	4,993	4,372	20,520
2023	11,660	4,815	3,655	20,130
2024–2028	68,855	21,068	10,199	100,122
2029–2033	84,975	14,933	2,046	101,954
2034–2038	69,160	8,593	211	77,964
2039–2043	30,655	4,983	—	35,638
2044–2048	43,945	1,819	—	45,764
	$ 351,050	77,001	38,030	466,081

(b) Credit Risk

The Authority's swap agreements are with three separate counterparties. As of June 30, 2018 and 2017, the Authority was not exposed to credit risk on its outstanding swap agreements as they all had negative contract fair values (fair value based on the contractual terms of the swap agreements, as opposed to fair value accounting for hybrid instruments under GASB 53). If changes in interest rates (specifically, if interest rates were to rise) result in positive fair values on the swap agreements, the Authority would be exposed to credit risk in the amount of the swaps' fair value, up to contractually specified threshold levels at which point the counterparties would be required to post collateral, as applicable.

(c) Basis Risk

The variable rate debt hedged by the Authority's swap agreements are variable rate demand obligation bonds that are remarketed weekly. Because the variable rate received under the swap agreements is the SIFMA index plus a specified spread, the Authority is exposed to basis risk. As of June 30, 2018 and 2017, the interest rate on the variable rate bonds was 1.53% and 0.89%, respectively, for bonds not subject to AMT, 1.60% and 0.93%, respectively, for bonds subject to AMT, and the SIFMA index was 1.51% and 0.91%, respectively.

(d) Termination Risk

The swap agreements may be terminated by either the Authority or the counterparty if the other party fails to perform under the terms of the agreement or upon certain termination events. The potential termination risks to the Authority are the liability for a termination payment to the counterparty if the swap agreements have negative fair values, and the inability to replace the swap agreement on favorable terms.

(e) Amortization Risk

The Authority is exposed to amortization risk because prepayments from the mortgage loan portfolio may cause the outstanding amount of variable rate bonds to decline faster or slower than the amortization of the swap notional amounts. The Authority manages this risk in various ways, including leaving the balance of variable rate debt in excess of the swap notional amounts, which exposes the Authority to the risk of incurring higher interest costs on the unhedged variable rate debt. The Authority may terminate the swaps at market value at any time.

(f) Rollover Risk

The Authority is exposed to rollover risk on its swap agreements that mature prior to the maturity date of the associated variable rate bonds they are hedging. In the case of one swap agreement, the variable rate bond maturities extend beyond the swap agreement maturity by seven to seventeen years. The Authority believes that prepayments from mortgage loans used to redeem bonds prior to their maturity will be sufficient to minimize this risk.

(g) Commitments

All of the Authority's swap agreements include provisions that may require the Authority to post collateral in the event its general obligation rating falls below A – as issued by Standard & Poor's Ratings Services or A3 as issued by Moody's Investors Service and the aggregate fair value of the

(Continued)

swap contracts entered into with each swap counterparty is in a liability position. The collateral posted is to be in the form of cash, U.S. Treasury securities, or certain agency securities, in the amount of the aggregate fair value of the swap contracts with each counterparty (if in a liability position) less contractually specified threshold levels. The Authority's general obligation rating exceeds the rating requirement as of June 30, 2018 and 2017; therefore, there is no collateral posting requirement.

(9) Litigation

In connection with certain of its prior single family housing revenue bonds (the Bonds), the Authority entered into (or directed the bond trustee, on behalf of the Authority, to enter into) guaranteed investment contracts (the Investment Agreements) with various investment providers (the Investment Providers). In December 2014, one such Investment Provider notified the Authority that its Investment Agreements with the Authority should have terminated at the time the related Bonds were no longer outstanding, that such Investment Provider had no further obligations with respect to those Investment Agreements and that such Investment Provider was entitled to a recovery of interest and other amounts paid by the Investment Provider to the Authority after the dates the related Bonds were paid in full. The Authority disagrees with the allegations of such Investment Provider. Both the Authority and such Investment Provider filed complaints in separate United States District Courts. The matter was heard by the United States District Court for the Southern District of New York (SDNY Court), which on November 17, 2017 entered a judgment in favor of the Investment Provider. The judgment directed that the Authority repay approximately $27.8 million of interest previously paid to the Authority pursuant to the Investment Agreements plus $11.5 million in prejudgment interest. The Investment Provider executed on the judgment by deducting the amount of the judgment, together with $0.2 million in post-judgment interest, from amounts held by them in the funds and accounts established by the Investment Agreements. Certain funds under the Authority's Single Family bond indenture remain on deposit in the Investment Agreements, although no interest is currently being paid by the Investment Provider. The Authority continues to vigorously dispute the ability of the Investment Provider to terminate the investment agreements and has appealed the judgment entered in favor of the Investment Provider.

In August 2015, a second Investment Provider notified the Authority of its intent to terminate its Investment Agreements related to the Bonds and subsequently returned all funds on deposit with such Investment Provider to the Authority. The Authority filed a complaint alleging breach of contract for premature termination. This Investment Provider subsequently filed a complaint making various allegations against the Authority. The Authority disagrees with the allegations of such Investment Provider. This matter was heard by the SDNY Court, which on April 18, 2018 entered a judgment in favor of the Investment Provider and against the Authority in the amount of $2.5 million plus post-judgment interest. The Authority and the Investment Provider agreed to resolve the matter by entering into an agreement which provided for a payment from the Authority to the Investment Provider in the amount of $1.8 million.

The total of the deduction by the Investment Provider in the first matter described above and the payment by the Authority in the second matter described above are reflected as litigation payments and classified as an extraordinary item in the statement of revenues, expenses, and changes in net position. Interest earnings on the Investment Agreements for the years ended June 30, 2018 and 2017 were approximately $1.0 million and $5.4 million, respectively.

(10) Subsequent Events

On August 29, 2018, the Authority issued $217.7 million of 2018 Series C and D Single Family Housing Revenue Bonds. The proceeds were used to make funds available to acquire, purchase, or finance mortgage loans, mortgage-backed securities, or second mortgage loans expected to be made to finance down payment and closing costs of qualified homebuyers. Additionally, proceeds in the amount of $46.6 million were used to refund a portion of the Authority’s Single Family Housing Revenue Bonds 2010 Series B.

Schedule 1

NEBRASKA INVESTMENT FINANCE AUTHORITY

ALL DIVISIONS

Supplemental Asset and Liability Information

June 30, 2018

(Dollars in thousands)

	Division						
Assets	**Single Family finance**	**Multifamily finance**	**Agricultural finance**	**Development finance**	**Operating**	**2018 Total**	**2017 Total**
Current assets:							
Cash	$ —	—	—	—	311	311	366
Investments	—	—	—	—	50,148	50,148	83,827
Loans receivable	—	—	—	—	828	828	196
Interest receivable	—	—	—	—	151	151	75
Other current assets	176	—	—	—	784	960	700
Restricted assets:							
Investments	31,850	—	—	—	—	31,850	31,582
Loans receivable	30,977	634	497	3,498	—	35,606	34,518
Interest receivable	3,516	311	250	9	—	4,086	5,911
Total current assets	66,519	945	747	3,507	52,222	123,940	157,175
Noncurrent assets:							
Long-term investments	—	—	—	—	—	—	12,804
Loans receivable	—	—	—	—	48,434	48,434	12,394
Restricted assets:							
Investments	59,603	—	—	—	—	59,603	90,339
Loans receivable	1,215,030	68,468	16,318	10,993	—	1,310,809	1,259,452
Fair value of derivatives	2,563	—	—	—	—	2,563	869
Other assets	23	—	—	—	362	385	347
Total noncurrent assets	1,277,219	68,468	16,318	10,993	48,796	1,421,794	1,376,205
Total assets	1,343,738	69,413	17,065	14,500	101,018	1,545,734	1,533,380
Deferred Outflows of Resources							
Accumulated decrease in fair value of hedging derivatives	899	—	—	—	—	899	6,312
Loss on refunding	21,810	—	—	—	—	21,810	24,160
Total deferred outflows of resources	22,709	—	—	—	—	22,709	30,472
Liabilities							
Current liabilities:							
Accrued liabilities	95	—	—	—	5,669	5,764	2,304
Interest payable	10,206	311	250	9	—	10,776	10,461
Current portion of bonds payable	23,415	634	497	3,498	—	28,044	27,076
Total current liabilities	33,716	945	747	3,507	5,669	44,584	39,841
Noncurrent liabilities:							
Fair value of derivatives	899	—	—	—	—	899	6,312
Bonds payable, net of current portion	989,709	68,468	16,318	10,993	—	1,085,488	1,041,441
Mortgage subsidy reserve	40,013	—	—	—	—	40,013	42,840
Total noncurrent liabilities	1,030,621	68,468	16,318	10,993	—	1,126,400	1,090,593
Total liabilities	1,064,337	69,413	17,065	14,500	5,669	1,170,984	1,130,434
Deferred Inflows of Resources							
Accumulated increase in fair value of hedging derivatives	2,563	—	—	—	—	2,563	869
Swap up-front payment	22,634	—	—	—	—	22,634	25,273
Total deferred inflows of resources	25,197	—	—	—	—	25,197	26,142
Net Position							
Restricted by bond resolution	276,913	—	—	—	—	276,913	298,970
Unrestricted	—	—	—	—	95,349	95,349	108,306
Total net position	$ 276,913	—	—	—	95,349	372,262	407,276

See accompanying independent auditors' report.

Schedule 2

NEBRASKA INVESTMENT FINANCE AUTHORITY

SINGLE FAMILY FINANCE DIVISION

Supplemental Asset and Liability Information

June 30, 2018

(Dollars in thousands)

Assets	1994 Indenture	2009 Indenture	Single Family private placements	General obligation	Single family finance 2018 total	Single family finance 2017 total
Current assets:						
Other current assets	$ 165	11	—		176	163
Restricted assets:						
Cash	—	—	—		—	—
Investments	30,419	1,431	—		31,850	31,582
Loans receivable	29,440	1,185	352	—	30,977	29,242
Interest receivable	3,344	125	47		3,516	5,187
Total current assets	63,368	2,752	399	—	66,519	66,174
Noncurrent assets:						
Restricted assets:						
Investments	59,403	200	—		59,603	90,339
Loans receivable	1,158,148	43,406	13,476	—	1,215,030	1,158,583
Fair value of derivatives	2,563	—	—	—	2,563	869
Other assets	23	—	—		23	37
Total noncurrent assets	1,220,137	43,606	13,476	—	1,277,219	1,249,828
Total assets	1,283,505	46,358	13,875	—	1,343,738	1,316,002
Deferred Outflows of Resources						
Accumulated decrease in fair value of hedging derivatives	899	—	—		899	6,312
Loss on refunding	21,810	—	—		21,810	24,160
Total deferred outflows of resources	22,709	—	—	—	22,709	30,472
Liabilities						
Current liabilities:						
Accrued liabilities	94	1	—		95	101
Interest payable	9,780	385	41		10,206	9,737
Current portion of bonds payable	22,370	1,045	—		23,415	21,800
Total current liabilities	32,244	1,431	41	—	33,716	31,638
Noncurrent liabilities:						
Fair value of derivatives	899	—	—		899	6,312
Bonds payable, net of current portion	934,396	41,485	13,828		989,709	940,572
Mortgage subsidy reserve	40,013	—	—		40,013	42,840
Total noncurrent liabilities	975,308	41,485	13,828	—	1,030,621	989,724
Total liabilities	1,007,552	42,916	13,869	—	1,064,337	1,021,362
Deferred Inflows of Resources						
Accumulated increase in fair value of hedging derivatives	2,563	—	—	—	2,563	869
Swap up-front payment	22,634	—	—		22,634	25,273
Total deferred inflows of resources	25,197	—	—	—	25,197	26,142
Net Position						
Restricted by bond resolution	273,465	3,442	6		276,913	298,970
Total net position	$ 273,465	3,442	6	—	276,913	298,970

See accompanying independent auditors' report.

Schedule 3

NEBRASKA INVESTMENT FINANCE AUTHORITY

DEVELOPMENT FINANCE DIVISION

Supplemental Asset and Liability Information

June 30, 2018

(Dollars in thousands)

Assets		Healthcare conduit issues	Industrial development conduit Issues	Development finance 2018 Total	Development finance 2017 Total
Current assets:					
Restricted assets:					
Loans receivable	$	3,498	—	3,498	4,081
Interest receivable		9	—	9	94
Noncurrent assets:					
Restricted assets:					
Loans receivable		10,993	—	10,993	20,446
Total assets		14,500	—	14,500	24,621
Liabilities					
Current liabilities:					
Interest payable		9	—	9	94
Current portion of bonds payable		3,498	—	3,498	4,081
Total current liabilities		3,507	—	3,507	4,175
Noncurrent liabilities:					
Bonds payable, net of current portion		10,993	—	10,993	20,446
Total liabilities		14,500	—	14,500	24,621
Net Position					
Restricted by bond resolution		—	—	—	—
Total net position	$	—	—	—	—

See accompanying independent auditors' report.

Schedule 4

NEBRASKA INVESTMENT FINANCE AUTHORITY

ALL DIVISIONS

Supplemental Revenue and Expense Information

Year ended June 30, 2018

(Dollars in thousands)

	Division						
	Single Family finance	**Multifamily finance**	**Agricultural finance**	**Development finance**	**Operating**	**2018 Total**	**2017 Total**
Operating revenue:							
Interest income:							
Loans	$ 41,205	3,323	583	603	313	46,027	41,981
Investments	965	—	—	—	156	1,121	5,461
Net increase in fair value of investments	444	—	—	—	941	1,385	518
Fees and other income	3	1,701	27	3	10	1,744	2,224
Total operating revenue	42,617	5,024	610	606	1,420	50,277	50,184
Operating expenses:							
Interest	28,409	3,320	584	603	—	32,916	31,406
General and administrative expenses	1,508	—	8	—	9,554	11,070	8,447
Total operating expenses	29,917	3,320	592	603	9,554	43,986	39,853
Operating income	12,700	1,704	18	3	(8,134)	6,291	10,331
Extraordinary item:							
Litigation payment	(33,399)	—	—	—	(7,906)	(41,305)	—
Change in net position	(20,699)	1,704	18	3	(16,040)	(35,014)	10,331
Internal transfers	(1,358)	(1,704)	(18)	(3)	3,083	—	—
Net position, beginning of year	298,970	—	—	—	108,306	407,276	396,945
Net position, end of year	$ 276,913	—	—	—	95,349	372,262	407,276

See accompanying independent auditors' report.

Schedule 5

NEBRASKA INVESTMENT FINANCE AUTHORITY

SINGLE FAMILY FINANCE DIVISION

Supplemental Revenue and Expense Information

Year ended June 30, 2018

(Dollars in thousands)

	1994 Indenture	2009 Indenture	Single family private placements	General obligation	Single Family finance 2018 Total	Single Family finance 2017 Total
Operating revenue:						
Interest income:						
Loans	$ 38,961	1,594	607	43	41,205	36,948
Investments	958	7	—	—	965	5,073
Net increase in fair value of investments	435	9	—	—	444	186
Fees and other income	—	—	—	3	3	5
Total operating revenue	40,354	1,610	607	46	42,617	42,212
Operating expenses:						
Interest	26,589	1,257	528	35	28,409	26,906
General and administrative expenses	1,486	14	—	8	1,508	1,543
Total operating expenses	28,075	1,271	528	43	29,917	28,449
Operating income	12,279	339	79	3	12,700	13,763
Extraordinary item:						
Litigation payment	(33,399)	—	—	—	(33,399)	—
Change in net position	(21,120)	339	79	3	(20,699)	13,763
Internal transfers	(1,219)	(56)	(80)	(3)	(1,358)	(1,369)
Net position, beginning of year	295,804	3,159	7	—	298,970	286,576
Net position, end of year	$ 273,465	3,442	6	—	276,913	298,970

See accompanying independent auditors' report.

Schedule 6

NEBRASKA INVESTMENT FINANCE AUTHORITY

DEVELOPMENT FINANCE DIVISION

Supplemental Revenue and Expense Information

Year ended June 30, 2018

(Dollars in thousands)

	Healthcare conduit issues	Industrial development conduit issues	Development finance 2018 Total	Development finance 2017 Total
Operating revenue:				
Interest income:				
Loans	$ 576	27	603	354
Investments	—	—	—	—
Net increase in fair value of investments	—	—	—	—
Fees and other income	—	3	3	24
Total operating revenue	576	30	606	378
Operating expenses:				
Interest	576	27	603	354
General and administrative expenses	—	—	—	—
Total operating expenses	576	27	603	354
Change in net position	—	3	3	24
Internal transfers		(3)	(3)	(24)
Net position, beginning of year	—	—	—	—
Net position, end of year	$ —	—	—	—

See accompanying independent auditors' report.