



NEBRASKA INVESTMENT FINANCE AUTHORITY

Financial Statements and Supplemental Data

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

NEBRASKA INVESTMENT FINANCE AUTHORITY

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NEBRASKA INVESTMENT FINANCE AUTHORITY

Management's Discussion and Analysis

June 30, 2019 and 2018

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, 2019 and 2018. 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, 2019. 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.

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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 March 15, 2019 affirmed the rating on the Authority's bonds described above to "AA+" with a stable outlook.

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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):

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Assets			
Investments	\$ 243,982	141,601	218,552
Loans receivable	1,424,266	1,295,269	1,200,415
Other assets	5,965	7,886	7,544
Total assets	<u>1,674,213</u>	<u>1,444,756</u>	<u>1,426,511</u>
Deferred Outflows of Resources			
Accumulated decrease in fair value of hedging derivatives	5,425	899	6,312
Loss on refunding	19,033	21,810	24,160
Total deferred outflows of resources	<u>24,458</u>	<u>22,709</u>	<u>30,472</u>
Liabilities			
Bonds payable	1,239,770	1,013,124	962,372
Interest payable	12,123	10,206	9,737
Other liabilities	47,225	46,676	51,456
Total liabilities	<u>1,299,118</u>	<u>1,070,006</u>	<u>1,023,565</u>
Deferred Inflows of Resources			
Accumulated increase in fair value of hedging derivatives	—	2,563	869
Swap up-front payment	20,021	22,634	25,273
Total deferred inflows of resources	<u>20,021</u>	<u>25,197</u>	<u>26,142</u>
Net Position			
Restricted by bond resolution	285,610	276,913	298,970
Unrestricted	93,922	95,349	108,306
Total net position	<u>\$ 379,532</u>	<u>372,262</u>	<u>407,276</u>
Change in Net Position			
Total revenue, primarily interest income	\$ 50,649	45,771	45,684
Total expenses, primarily interest expense	43,379	39,480	35,353
Extraordinary item – litigation payment	—	41,305	—
Change in net position	<u>\$ 7,270</u>	<u>(35,014)</u>	<u>10,331</u>

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Management's Discussion and Analysis

June 30, 2019 and 2018

2019 Analysis – Statements of Net Position

From June 30, 2018 to June 30, 2019, total assets increased \$229.5 million.

Investments – Increase of \$102.4 million

- Operating fund investments increased by \$48.2 million due to a decrease in the balance of single family mortgage loan pools warehoused in the operating fund.
- Restricted investments increased due to bond proceeds on hand at June 30, 2019 in the amount of \$40.5 million, from the issuance of Single Family Housing Revenue Bonds 2019 Series ABC bonds in April 2019. The bond proceeds were available for the purchase of pools of single family mortgage loans that were in the pipeline as of June 30, 2019.
- Restricted investments also increased by \$7.2 million related to an increase in the balance of mortgage loan prepayments held for recycling, and by \$5.8 million due to the establishment of revenue funds for the two new bond series issued during fiscal year 2019.

Loans Receivable – Increase of \$129.0 million

- New loan purchases were \$287.7 million and \$250.8 million in fiscal year 2019 and 2018, respectively.
- Loan repayments, which include regularly scheduled principal and interest payments, as well as prepayments, were \$158.8 million and \$155.9 million in fiscal year 2019 and 2018, respectively.

From June 30, 2018 to June 30, 2019, total deferred outflows of resources increased \$1.7 million.

Accumulated Decrease in Fair Value of Hedging Derivatives – Increase of \$4.5 million

- The fair value changes associated with the Authority's derivatives that are determined to be effective hedges are deferred in the statements of net position. All of the Authority's hedging derivatives were in liability positions as of June 30, 2019. See *Other Liabilities – Fair Value of Derivatives* below for a discussion of the decrease.

Loss on Refunding – Decrease of \$2.8 million

- The Authority completed two refundings during fiscal year 2019, 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 \$1.3 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 \$4.1 million during fiscal year 2019.

From June 30, 2018 to June 30, 2019, total liabilities increased \$229.1 million.

Bonds Payable – Increase of \$226.6 million

- The Authority issued \$412.5 million in single family program revenue bonds in fiscal year 2019 and recognized bond premium amortization of \$4.5 million.
- Total bond maturities and mandatory redemptions in fiscal year 2019 were \$181.3 million.

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Management's Discussion and Analysis

June 30, 2019 and 2018

Other Liabilities – Mortgage Subsidy Reserve – Decrease of \$2.2 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 2019 of \$2.6 million was offset by savings used of \$4.8 million.

Other Liabilities – Accrued Liabilities – Decrease of \$2.3 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. The awards were paid out during fiscal year 2019.
- Deferred fee income increased \$0.3 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 – Increase of \$5.1 million

- All of the Authority's derivatives were in liability positions as of June 30, 2019, 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.

From June 30, 2018 to June 30, 2019, total deferred inflows of resources decreased \$5.2 million.

Accumulated increase in fair value of hedging derivatives – Decrease of \$2.6 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. None of the Authority's derivatives were in asset positions as of June 30, 2019, as compared with two derivatives as of June 30, 2018.

Swap Upfront Payment – Decrease of \$2.6 million

- In connection with two refundings of variable rate debt during fiscal year 2019, 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 \$1.3 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 \$3.9 million during fiscal year 2019.

From June 30, 2018 to June 30, 2019, total net position increased \$7.3 million.

- The Authority's revenue less expenses for fiscal year 2019 resulted in an increase in total net position of \$7.3 million.

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Management's Discussion and Analysis

June 30, 2019 and 2018

2019 Analysis – Statements of Revenue, Expenses, and Changes in Net Position

The Authority's change in net position for the year ended June 30, 2019 was \$7.3 million, an increase of \$42.3 million from the year ended June 30, 2018.

Operating Revenue – Increase of \$4.9 million

- Mortgage loan interest increased a total of \$4.2 million as the result of:
 - \$4.8 million increase related to growth in the Authority's single family mortgage loan portfolio, and
 - \$0.6 million decrease related to the mortgage subsidy reserve adjustment.
- Revenue related to the Authority's investments increased \$0.6 million.

Operating Expenses – Increase of \$3.9 million

- Interest expense increased a net \$6.3 million as a result of:
 - \$7.1 million increase related to growth of the Authority's single family bond portfolio, and
 - \$1.5 million increase in bond issuance costs paid in 2019, offset by
 - \$1.7 million decrease in payments on interest rate swap agreements, and
 - \$0.9 million decrease in bond premium amortization as premiums become fully amortized.
- Nebraska Opportunity Fund payments decreased \$2.7 million as the result of the one-time award in fiscal year 2018 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.

Litigation payment – Decrease of \$41.3 million

- The extraordinary item of \$41.3 million during fiscal year 2018 represents litigation payments made in connection with certain of the Authority's guaranteed investment contracts. No further payments were required during fiscal year 2019 and the matter is no longer outstanding.

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.

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June 30, 2019 and 2018

- 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

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Management's Discussion and Analysis

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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.

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Management's Discussion and Analysis

June 30, 2019 and 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.

Long-Term Debt Activity

During fiscal years 2019 and 2018, the Authority issued Single Family program revenue bonds totaling \$412.5 million and \$226.1 million, respectively. Principal payments on bonds totaled \$181.3 million and \$171.9 million in fiscal years 2019 and 2018, respectively. Amortization of bond premium was \$(4.5 million) and \$(3.5 million) in fiscal years 2019 and 2018, 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, 2019 and 2018. 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, 2019 and 2018, 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, 2019 and 2018, 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

As discussed in note 2(l) to the financial statements, in 2019 the Nebraska Investment Finance Authority adopted new accounting guidance, Statement No. 91, *Conduit Debt Obligations*. Our opinion is not modified with respect to this matter.

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 4 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules 1 through 4 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 4 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2019, 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
December 13, 2019

NEBRASKA INVESTMENT FINANCE AUTHORITY

Statements of Net Position

June 30, 2019 and 2018

(Dollars in thousands)

Assets	2019	2018
Current assets:		
Cash	\$ 683	311
Investments	95,856	50,148
Interest receivable	67	151
Loans receivable	99	828
Other current assets	270	960
Restricted assets:		
Cash	492	—
Investments	43,531	33,675
Interest receivable	32	41
Total current assets	<u>141,030</u>	<u>86,114</u>
Noncurrent assets:		
Loans receivable	702	48,434
Restricted assets:		
Investments	104,595	57,778
Interest receivable	4,103	3,475
Loans receivable	1,423,465	1,246,007
Fair value of derivatives	—	2,563
Other assets	318	385
Total noncurrent assets	<u>1,533,183</u>	<u>1,358,642</u>
Total assets	<u>1,674,213</u>	<u>1,444,756</u>
Deferred Outflows of Resources		
Accumulated decrease in fair value of hedging derivatives	5,425	899
Loss on refunding	19,033	21,810
Total deferred outflows of resources	<u>24,458</u>	<u>22,709</u>
Liabilities		
Current liabilities:		
Accrued liabilities	3,451	5,764
Interest payable	12,123	10,206
Current portion of bonds payable	31,852	23,415
Total current liabilities	<u>47,426</u>	<u>39,385</u>
Noncurrent liabilities:		
Fair value of derivatives	5,997	899
Bonds payable, net of current portion	1,207,918	989,709
Mortgage subsidy reserve	37,777	40,013
Total noncurrent liabilities	<u>1,251,692</u>	<u>1,030,621</u>
Total liabilities	<u>1,299,118</u>	<u>1,070,006</u>
Deferred Inflows of Resources		
Accumulated increase in fair value of hedging derivatives	—	2,563
Swap up-front payment	20,021	22,634
Total deferred inflows of resources	<u>20,021</u>	<u>25,197</u>
Net Position		
Restricted by bond resolution	285,610	276,913
Unrestricted	93,922	95,349
Total net position	<u>\$ 379,532</u>	<u>372,262</u>

See accompanying notes to financial statements.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Statements of Revenue, Expenses, and Changes in Net Position

Years ended June 30, 2019 and 2018

(Dollars in thousands)

	<u>2019</u>	<u>2018</u>
Operating revenue:		
Interest income:		
Loans	\$ 45,706	41,521
Investments	340	1,121
Net increase in fair value of investments	2,735	1,385
Fees and other income	1,868	1,744
Total operating revenue	<u>50,649</u>	<u>45,771</u>
Operating expenses:		
Interest	34,703	28,410
General and administrative expenses	7,745	7,408
Nebraska Opportunity Fund payments	931	3,662
Total operating expenses	<u>43,379</u>	<u>39,480</u>
Operating income	7,270	6,291
Extraordinary item:		
Litigation payment	—	(41,305)
Change in net position	7,270	(35,014)
Net position, beginning of year	<u>372,262</u>	<u>407,276</u>
Net position, end of year	<u><u>\$ 379,532</u></u>	<u><u>372,262</u></u>

See accompanying notes to financial statements.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Statements of Cash Flows

Years ended June 30, 2019 and 2018

(Dollars in thousands)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Purchase of loans	\$ (287,732)	(251,262)
Principal repayments received on loans	158,777	156,336
Interest received on loans	42,957	38,574
Fees and program income received	2,195	2,337
General and administrative costs paid	(7,189)	(7,792)
Payments from Nebraska Opportunity Fund	<u>(3,809)</u>	<u>(785)</u>
Net cash used in operating activities	<u>(94,801)</u>	<u>(62,592)</u>
Cash flows from noncapital financing activities:		
Proceeds from sale of bonds	412,510	226,147
Repayment of bonds	(181,348)	(171,871)
Debt issuance costs paid	(3,213)	(1,730)
Interest paid	<u>(33,925)</u>	<u>(30,024)</u>
Net cash provided by noncapital financing activities	<u>194,024</u>	<u>22,522</u>
Cash flows from investing activities:		
Interest received on investments	273	2,922
Proceeds from sales, maturities, and calls of investments	742,932	606,973
Purchase of investments	<u>(841,564)</u>	<u>(569,880)</u>
Net cash (used in) provided by investing activities	<u>(98,359)</u>	<u>40,015</u>
Net increase (decrease) in cash	864	(55)
Cash, beginning of year	<u>311</u>	<u>366</u>
Cash, end of year	\$ <u><u>1,175</u></u>	\$ <u><u>311</u></u>
Reconciliation of operating income to net cash used in operating activities:		
Operating income	\$ 7,270	6,291
Adjustments to reconcile operating income to net cash used in operating activities:		
Purchase of loans	(287,732)	(251,262)
Principal repayments received on loans	158,777	156,336
Interest received on investments	(273)	(2,922)
Interest expense	34,703	28,410
Increase in fair value of investments	(2,735)	(1,385)
Amortization and other income, net	(45)	86
Decrease in interest receivable	(535)	1,595
Decrease (increase) in prepaid expenses	318	(374)
(Decrease) increase in other liabilities	<u>(4,549)</u>	<u>633</u>
Net cash used in operating activities	\$ <u><u>(94,801)</u></u>	\$ <u><u>(62,592)</u></u>

See accompanying notes to financial statements.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2019 and 2018

(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.

(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.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

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(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 \$1,444.4 million and \$1,260.7 million, respectively, compared to amortized cost of \$1,403.7 million and \$1,276.3 million at June 30, 2019 and 2018, 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 increase (decrease) in unrealized gains of \$56.3 million and \$(39.2 million) for the years ended June 30, 2019 and 2018, respectively, increasing (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 \$40.7 million and \$(15.6 million) at June 30, 2019 and 2018, respectively.

Additionally, interest earned on securitized mortgage loans totaling \$45.7 million and \$44.1 million at June 30, 2019 and 2018, 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 \$158.8 million and \$43.0 million, respectively, in 2019 and \$165.5 million and \$41.4 million, respectively, in 2018 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*.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

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(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, 2019 and 2018, the Authority had committed to purchase additional single family mortgage loans totaling \$108.6 million and \$88.4 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 \$2.7 million and \$1.5 million at June 30, 2019 and 2018, 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, 2019 and 2018, 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 rebated 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.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2019 and 2018

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) Recently Issued Accounting Standards

During fiscal year 2019, the Authority adopted GASB Statement No. 91, *Conduit Debt Obligations* (GASB 91). This Statement clarifies the definition of a conduit debt obligation and establishes standards for accounting and financial reporting of commitments associated with conduit debt. GASB 91 eliminates the option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. In the Authority's prior audited financial statements, conduit debt was included in bonds payable and the related receivable was included in loans receivable. In accordance with GASB 91, the Authority retroactively removed both conduit debt and the related receivables from the financial statements, resulting in reductions in bonds payable and restricted loans receivable of \$100.4 million and in interest receivable and interest payable of \$570,000 in the June 30, 2018 statement of net position, and a reduction in interest income and interest expense of \$4.5 million in the statement of revenues, expenses and changes in net position for the year ending June 30, 2018. The adoption of GASB 91 had no effect on net position. Disclosures related to the Authority's conduit debt obligations are included in note 7.

(m) Reclassifications

Certain reclassifications have been made to June 30, 2018 reported amounts in the statements of net position in order to conform to June 30, 2019 presentation. These reclassifications had no effect on net position.

(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.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2019 and 2018

(4) Cash and Investments

(a) Cash

The Authority had cash deposits with a carrying value of \$1.2 million and \$311,000 as of June 30, 2019 and 2018, respectively, and a bank balance of \$1.4 million and \$621,000 as of June 30, 2019 and 2018, 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):

	<u>2019</u>	<u>2018</u>
Investments	\$ 95,856	50,148
Restricted investments (current)	43,531	33,675
Restricted investments (noncurrent)	<u>104,595</u>	<u>57,778</u>
	<u>\$ 243,982</u>	<u>141,601</u>

The net change in fair value of investments was an increase of \$2.7 million and \$1.4 for the years ended June 30, 2019 and 2018, respectively. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. At June 30, 2019 and 2018, the Authority had net unrealized losses of approximately \$86,000 and \$(6,000), 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

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Notes to Financial Statements

June 30, 2019 and 2018

rates. At June 30, 2019 and 2018, the Authority had the following investments and maturities (dollars in thousands):

Investment type	2019				
	Carrying value	Investment maturities (in years)			
		Less than 1	1-5	6-10	More than 10
U.S. Treasury securities	\$ 79,040	79,040	—	—	—
U.S. government agency securities	153,707	153,707	—	—	—
Collateralized repurchase agreements	1,258	1,258	—	—	—
Money market mutual funds	9,977	9,977	—	—	—
	<u>\$ 243,982</u>	<u>243,982</u>	<u>—</u>	<u>—</u>	<u>—</u>

Investment type	2018				
	Carrying value	Investment maturities (in years)			
		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	—	—	—
	<u>\$ 141,601</u>	<u>99,820</u>	<u>—</u>	<u>8,633</u>	<u>33,148</u>

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, 2019. Repurchase agreements are with counterparties whose credit ratings or structures do not adversely affect the rating, if any, on the corresponding bonds.

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 \$1.3 million and \$818,000 at June 30, 2019 and 2018, respectively, as the collateral is held by the counterparties, but not in the Authority's name.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2019 and 2018

Concentration of Credit Risk: The Authority places no limit on the amount it may invest in any one issuer. As of June 30, 2019 and 2018, the Authority had greater than 5% of its investment balance with the following issuers:

<u>Issuer</u>	<u>Percentage</u>	
	<u>2019</u>	<u>2018</u>
G.E. Funding Capital Market Securities, Inc.	— %	29.5 %
Fannie Mae	7.2	—
Federal Home Loan Bank	36.9	29.2
Freddie Mac	19.0	5.7
Wells Fargo	4.6	7.8

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.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2019 and 2018

The Authority has the following recurring fair value measurements as of June 30, 2019 and 2018:

June 30, 2019				
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	\$ 79,040	79,040	—	—
U.S. government agency securities	153,707	—	153,707	—
Collateralized repurchase agreements	1,258	1,258	—	—
Money market mutual funds	9,977	9,977	—	—
Total investments by fair value level	\$ <u>243,982</u>	<u>90,275</u>	<u>153,707</u>	<u>—</u>

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	\$ <u>99,820</u>	<u>50,407</u>	<u>49,413</u>	<u>—</u>

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

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

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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 98.6% 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 1.4% 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 \$37.8 million and \$40.0 million at June 30, 2019 and 2018, 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, 2019 and 2018 (dollars in thousands):

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 40,013	42,840
Savings realized	2,587	1,700
Savings used	<u>(4,823)</u>	<u>(4,527)</u>
Balance, end of year	<u>\$ 37,777</u>	<u>40,013</u>

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

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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 60%, 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, 2019 and 2018 are HBA Program second mortgage balances totaling \$14.4 million and \$11.9 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, 2019 and 2018 are Habitat loan balances totaling \$4.8 million and \$5.2 million, respectively.

(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.

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Notes to Financial Statements

June 30, 2019 and 2018

At June 30, 2019 and 2018, bonds outstanding (net of unamortized discount or premium where applicable) are as follows (dollars in thousands):

Description and maturity	Principal outstanding		Interest terms
	2019	2018	
Single family mortgage revenue bonds:			
* 2010 Series ABC:			
A (fixed rate), due 2020	\$ 2,282	2,291	5.00%, payable semiannually
B (variable rate)	—	93,730	Redeemed April 2019
* 2013 Series AB, due 2019–2043	46,800	52,320	1.95%–3.60%, payable semiannually
* 2013 Series CD, due 2019–2043	35,325	44,250	2.95%–4.50%, payable semiannually
* 2013 Series EF:			
E (fixed rate), due 2019–2043	12,435	20,130	2.35%–3.65%, payable semiannually
F (variable rate), due 2019–2038	29,500	30,395	Var. rate demand, payable semiannually
* 2014 Series AB:			
A (fixed rate), due 2019–2044	21,892	32,905	1.70%–4.00%, payable semiannually
B (variable rate), due 2019–2038	31,175	32,110	Var. rate demand, payable semiannually
* 2015 Series AB:			
A (fixed rate), due 2019–2045	46,664	52,357	1.60%–3.85%, payable semiannually
B (variable rate), due 2019–2038	31,510	32,455	Var. rate demand, payable semiannually
* 2015 Series CD:			
C (fixed rate), due 2019–2045	66,338	75,067	1.50%–3.90%, payable semiannually
D (variable rate), due 2019–2032	29,980	31,520	Var. rate demand, payable semiannually
* 2016 Series AB:			
A (fixed rate), due 2019–2046	73,382	81,346	1.15%–3.50%, payable semiannually
B (variable rate), due 2019–2032	26,195	27,535	Var. rate demand, payable semiannually
* 2016 Series CD:			
C (fixed rate), due 2019–2046	89,705	97,555	1.15%–3.50%, payable semiannually
D (variable rate), due 2019–2032	25,840	27,155	Var. rate demand, payable semiannually
* 2017 Series ABC:			
AB (fixed rate), due 2019–2040	67,236	72,592	1.30%–3.50%, payable semiannually
C (variable rate), due 2040–2047	44,150	44,150	Var. rate demand, payable semiannually
* 2018 Series AB:			
A (fixed rate), due 2019–2048	70,990	74,903	1.55%–4.00%, payable semiannually
B (variable rate), due 2037–2048	32,000	32,000	Var. rate demand, payable semiannually
* 2018 Series CD:			
C (fixed rate), due 2019–2048	171,666	—	1.60%–4.00%, payable semiannually
D (variable rate), due 2037–2048	46,615	—	Var. rate demand, payable semiannually
* 2019 Series ABC:			
AB (fixed rate), due 2020–2049	149,915	—	1.60%–4.00%, payable semiannually
C (variable rate), due 2035–2049	41,045	—	Var. rate demand, payable semiannually
2011 Series 1, due 2040–2041	11,175	13,828	2.975%–3.975%, payable monthly
2011 Series A, due 2019–2041	35,955	42,530	2.32%–4.20%, payable semiannually
Total bonds payable	\$ <u>1,239,770</u>	<u>1,013,124</u>	

NEBRASKA INVESTMENT FINANCE AUTHORITY

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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.

Debt Activity: The following tables summarize the Authority's debt activity for the years ended June 30, 2019 and 2018 and amounts due within one year (dollars in thousands):

<u>Type of bonds</u>	<u>June 30, 2018</u>	<u>Issuance</u>	<u>Retirement</u>	<u>June 30, 2019</u>	<u>Due within one year</u>
Single family mortgage revenue bonds	\$ <u>1,013,124</u>	<u>412,510</u>	<u>(185,864)</u>	<u>1,239,770</u>	<u>31,852</u>
Total all bonds	\$ <u>1,013,124</u>	<u>412,510</u>	<u>(185,864)</u>	<u>1,239,770</u>	<u>31,852</u>

<u>Type of bonds</u>	<u>June 30, 2017</u>	<u>Issuance</u>	<u>Retirement</u>	<u>June 30, 2018</u>	<u>Due within one year</u>
Single family mortgage revenue bonds	\$ 961,023	226,147	(174,046)	1,013,124	23,415
General obligation housing bonds	1,349	—	(1,349)	—	—
Total all bonds	\$ <u>962,372</u>	<u>226,147</u>	<u>(175,395)</u>	<u>1,013,124</u>	<u>23,415</u>

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2019 and 2018

Debt Service Requirements: Debt service requirements annually through 2024, and in five-year increments thereafter to maturity, are as follows (dollars in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total debt service</u>
Fiscal year(s):			
2020	\$ 31,852	34,602	66,454
2021	33,080	35,022	68,102
2022	34,500	34,332	68,832
2023	35,705	33,540	69,245
2024	37,305	32,696	70,001
2025–2029	205,470	147,632	353,102
2030–2034	213,645	117,415	331,060
2035–2039	207,280	83,163	290,443
2040–2044	242,070	49,938	292,008
2045–2049	192,028	13,189	205,217
2050–2054	6,835	65	6,900
	<u>\$ 1,239,770</u>	<u>581,594</u>	<u>1,821,364</u>

Variable Rate Demand Bonds: Included in bonds payable are \$338.0 million and \$351.1 million at June 30, 2019 and 2018, 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 1, 2021 to September 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, 2019 due to a failed remarketing on the entire amount of outstanding demand bonds of \$338.0 million, the Authority would be required to make semiannual principal payments of \$33.8 million for the next five years, and interest payments, assuming an interest rate of 3.9034% (the one-month LIBOR as of June 30, 2019 plus 1.50%), totaling \$39.1 million over the next five years.

Under the Standby Bond Purchase Agreements, the Authority is required to pay to FHLBank a semiannual commitment fee ranging from 0.25% to 0.30% 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

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2019 and 2018

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) Conduit Debt Obligations

The Authority has issued conduit bonds, the proceeds of which were made available to eligible developers for the construction or rehabilitation of multifamily housing; to eligible first-time farmers and ranchers for the purchase of agricultural land, depreciable assets or breeding livestock; to eligible healthcare institutions for the financing of depreciable assets; and to other eligible borrowers for the financing of industrial development projects. The bonds and interest thereon are a limited obligation of the Authority, payable solely from payments received on the underlying mortgage or promissory notes, or, in some cases, from payments received pursuant to agreements with third-party credit enhancement providers. The faith and credit of the Authority is not pledged for the payment of principal and interest on the bonds, and no additional or voluntary commitments of its own resources have been extended by the Authority. Accordingly, these obligations are excluded from the Authority's financial statements.

As of June 30, 2019 and 2018, the principal amount of conduit debt outstanding, by type, was:

	2019	2018
Agricultural	\$ 16,605	16,815
Multifamily	56,604	69,102
Health Care	10,993	14,491
Total	\$ 84,202	100,408

(8) Debt Refundings

On August 28, 2018, the Authority issued \$217.7 million original principal amount of its Single Family Housing Revenue Bonds Series 2018 C (Non-AMT) and Series 2018 D (Variable Rate-AMT). Proceeds of the 2018 D Bonds totaling \$46.6 million were used to refund a portion of the 2010 Series B Bonds (the Refunded Bonds). Both the 2018 D Bonds and the Refunded Bonds bear interest at a variable rate determined weekly by a remarketing agent.

On April 30, 2019, the Authority issued \$188.4 million original principal amount of its Single Family Housing Revenue Bonds Series 2019 A (Non-AMT), Series 2019 B (AMT), and Series 2019 C (Variable Rate-Non-AMT). Proceeds of the 2019 B Bonds totaling \$41.0 million (including premium) were used to refund a portion of the 2010 Series B Bonds (the Refunded Bonds). Both the 2019 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 \$524,000 (2018 D Bonds) and \$798,000 (2019 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 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

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2019 and 2018

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 2018 D Bonds and 2019 B Bonds will increase by \$374,000 and \$334,000, 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 \$374,000 and \$334,000, 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.

(9) 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, 2019, 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
2017 C / 2018 B / 2018 D / 2019 C	12/29/2010	9/1/2031	4.013 %	SIFMA + 0.12%	AA-/Aa2/AA	\$ 20,962
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
2015 D / 2016 B / 2016 D	12/29/2010	9/1/2032	3.889	SIFMA + 0.22%	AA-/A1/AA	14,269
2019 C	4/30/2019	9/1/2049	2.342	SIFMA	AA-/Aa2/AA	—
						<u>\$ 52,141</u>

* Standard & Poor's/Moody's/Fitch ratings as of June 30, 2019

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2019 and 2018

At June 30, 2018, the Authority has pay-fixed, receive-variable swap agreements outstanding with the following terms (dollars in thousands):

<u>Bond series</u>	<u>Effective date</u>	<u>Termination date</u>	<u>Fixed rate paid</u>	<u>Variable rate received</u>	<u>Counterparty credit rating*</u>	<u>Up-front payment received</u>
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
						<u>\$ 50,819</u>

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

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 \$52.1 million as of June 30, 2019, 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, 2019 and 2018, 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.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2019 and 2018

Fair values, excluding accrued interest, as of June 30, 2019 and 2018 and change in fair value for the years then ended are as follows (dollars in thousands):

		2019			
		Current notional	Contract fair value	Financial statement	
				Fair value	Change in fair value
Bond series:					
2017 C / 2018 B / 2018 D / 2019 C	\$	77,225	(8,132)	(1,823)	(1,142)
2013 F		23,075	(3,219)	(1,228)	(1,010)
2014 B / 2015 B		43,375	(5,941)	(1,245)	(1,938)
2015 D / 2016 B / 2016 D		53,095	(4,004)	(76)	(1,946)
2019 C		19,350	(1,052)	(1,053)	(1,052)
Total	\$	<u>216,120</u>	<u>(22,348)</u>	<u>(5,425)</u>	<u>(7,088)</u>
2018					
		Current notional	Contract fair value	Financial statement	
				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	\$	<u>228,450</u>	<u>(17,704)</u>	<u>1,664</u>	<u>7,107</u>

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

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2019 and 2018

June 30, 2019 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:				
2020	\$ 7,310	6,159	3,695	17,164
2021	7,655	6,355	3,162	17,172
2022	7,985	6,219	2,705	16,909
2023	8,350	6,061	2,302	16,713
2024	8,765	5,910	1,949	16,624
2025–2029	52,100	26,658	5,556	84,314
2030–2034	54,750	21,117	1,402	77,269
2035–2039	48,265	16,369	490	65,124
2040–2044	68,495	11,084	269	79,848
2045–2049	72,455	3,552	117	76,124
2050–2054	1,880	18	2	1,900
	<u>\$ 338,010</u>	<u>109,502</u>	<u>21,649</u>	<u>469,161</u>

(b) Credit Risk

The Authority's swap agreements are with three separate counterparties. As of June 30, 2019 and 2018, 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, 2019 and 2018, the interest rate on the variable rate bonds was 1.90% and 1.53%, respectively, for bonds not subject to AMT, 1.95% and 1.60%, respectively, for bonds subject to AMT, and the SIFMA index was 1.90% and 1.51%, 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.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2019 and 2018

(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 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, 2019 and 2018; therefore, there is no collateral posting requirement.

(10) Litigation

The statement of revenues, expenses, and changes in net position for the year ending June 30, 2018 includes an extraordinary item in the amount of \$41.3 million, representing litigation payments made in connection with certain of the Authority's guaranteed investment contracts. The matter is no longer outstanding, and no further payments are required in connection with the litigation.

(11) Subsequent Events

On October 30, 2019, the Authority issued \$171.8 million of 2019 Series D and E 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 \$50.1 million were used to refund a portion of the Authority's outstanding Single Family Housing Revenue Bonds issued between 2013 and 2016.

NEBRASKA INVESTMENT FINANCE AUTHORITY

ALL DIVISIONS

Supplemental Asset and Liability Information

June 30, 2019

(Dollars in thousands)

Assets	Division		2019 Total	2018 Total
	Single Family finance	Operating		
Current assets:				
Cash	\$ —	683	683	311
Investments	—	95,856	95,856	50,148
Interest receivable	—	67	67	151
Loans receivable	—	99	99	828
Other current assets	104	166	270	960
Restricted assets:				
Cash	492	—	492	—
Investments	43,531	—	43,531	33,675
Loans receivable	32	—	32	41
Interest receivable	—	—	—	—
Total current assets	44,159	96,871	141,030	86,114
Noncurrent assets:				
Loans receivable	—	702	702	48,434
Restricted assets:				
Investments	104,595	—	104,595	57,778
Interest receivable	4,103	—	4,103	3,475
Loans receivable	1,423,465	—	1,423,465	1,246,007
Fair value of derivatives	—	—	—	2,563
Other assets	26	292	318	385
Total noncurrent assets	1,532,189	994	1,533,183	1,358,642
Total assets	1,576,348	97,865	1,674,213	1,444,756
Deferred Outflows of Resources				
Accumulated decrease in fair value of hedging derivatives	5,425	—	5,425	899
Loss on refunding	19,033	—	19,033	21,810
Total deferred outflows of resources	24,458	—	24,458	22,709
Liabilities				
Current liabilities:				
Accrued liabilities	80	3,371	3,451	5,764
Interest payable	12,123	—	12,123	10,206
Current portion of bonds payable	31,852	—	31,852	23,415
Total current liabilities	44,055	3,371	47,426	39,385
Noncurrent liabilities:				
Fair value of derivatives	5,425	572	5,997	899
Bonds payable, net of current portion	1,207,918	—	1,207,918	989,709
Mortgage subsidy reserve	37,777	—	37,777	40,013
Total noncurrent liabilities	1,251,120	572	1,251,692	1,030,621
Total liabilities	1,295,175	3,943	1,299,118	1,070,006
Deferred Inflows of Resources				
Accumulated increase in fair value of hedging derivatives	—	—	—	2,563
Swap up-front payment	20,021	—	20,021	22,634
Total deferred inflows of resources	20,021	—	20,021	25,197
Net Position				
Restricted by bond resolution	285,610	—	285,610	276,913
Unrestricted	—	93,922	93,922	95,349
Total net position	\$ 285,610	93,922	379,532	372,262

See accompanying independent auditors' report.

NEBRASKA INVESTMENT FINANCE AUTHORITY

SINGLE FAMILY FINANCE DIVISION

Supplemental Asset and Liability Information

June 30, 2019

(Dollars in thousands)

Assets	1994	2009	Single Family private placements	Single Family finance	
	Indenture	Indenture		2019 Total	2018 Total
Current assets:					
Other current assets	\$ 98	6	—	104	176
Restricted assets:					
Cash	492	—	—	492	—
Investments	42,317	1,214	—	43,531	33,675
Interest receivable	—	—	32	32	41
Loans receivable	—	—	—	—	—
Total current assets	<u>42,907</u>	<u>1,220</u>	<u>32</u>	<u>44,159</u>	<u>33,892</u>
Noncurrent assets:					
Restricted assets:					
Investments	103,882	713	—	104,595	57,778
Interest receivable	3,991	107	5	4,103	3,475
Loans receivable	1,374,326	37,964	11,175	1,423,465	1,246,007
Fair value of derivatives	—	—	—	—	2,563
Other assets	26	—	—	26	23
Total noncurrent assets	<u>1,482,225</u>	<u>38,784</u>	<u>11,180</u>	<u>1,532,189</u>	<u>1,309,846</u>
Total assets	<u>1,525,132</u>	<u>40,004</u>	<u>11,212</u>	<u>1,576,348</u>	<u>1,343,738</u>
Deferred Outflows of Resources					
Accumulated decrease in fair value of hedging derivatives	5,425	—	—	5,425	899
Loss on refunding	19,033	—	—	19,033	21,810
Total deferred outflows of resources	<u>24,458</u>	<u>—</u>	<u>—</u>	<u>24,458</u>	<u>22,709</u>
Liabilities					
Current liabilities:					
Accrued liabilities	79	1	—	80	95
Interest payable	11,768	323	32	12,123	10,206
Current portion of bonds payable	30,962	890	—	31,852	23,415
Total current liabilities	<u>42,809</u>	<u>1,214</u>	<u>32</u>	<u>44,055</u>	<u>33,716</u>
Noncurrent liabilities:					
Fair value of derivatives	5,425	—	—	5,425	899
Bonds payable, net of current portion	1,161,678	35,065	11,175	1,207,918	989,709
Mortgage subsidy reserve	37,777	—	—	37,777	40,013
Total noncurrent liabilities	<u>1,204,880</u>	<u>35,065</u>	<u>11,175</u>	<u>1,251,120</u>	<u>1,030,621</u>
Total liabilities	<u>1,247,689</u>	<u>36,279</u>	<u>11,207</u>	<u>1,295,175</u>	<u>1,064,337</u>
Deferred Inflows of Resources					
Accumulated increase in fair value of hedging derivatives	—	—	—	—	2,563
Swap up-front payment	20,021	—	—	20,021	22,634
Total deferred inflows of resources	<u>20,021</u>	<u>—</u>	<u>—</u>	<u>20,021</u>	<u>25,197</u>
Net Position					
Restricted by bond resolution	281,880	3,725	5	285,610	276,913
Total net position	<u>\$ 281,880</u>	<u>3,725</u>	<u>5</u>	<u>285,610</u>	<u>276,913</u>

See accompanying independent auditors' report.

NEBRASKA INVESTMENT FINANCE AUTHORITY

ALL DIVISIONS

Supplemental Revenue and Expense Information

Year ended June 30, 2019

(Dollars in thousands)

	Division		2019 Total	2018 Total
	Single Family finance	Operating		
Operating revenue:				
Interest income:				
Loans	\$ 44,315	1,391	45,706	41,521
Investments	197	143	340	1,121
Net increase in fair value of investments	1,748	987	2,735	1,385
Fees and other income	—	1,868	1,868	1,744
Total operating revenue	<u>46,260</u>	<u>4,389</u>	<u>50,649</u>	<u>45,771</u>
Operating expenses:				
Interest	34,627	76	34,703	28,410
General and administrative expenses	1,501	6,244	7,745	7,408
Nebraska Opportunity Fund payments	—	931	931	3,662
Total operating expenses	<u>36,128</u>	<u>7,251</u>	<u>43,379</u>	<u>39,480</u>
Operating income	10,132	(2,862)	7,270	6,291
Extraordinary item:				
Litigation payment	—	—	—	(41,305)
Change in net position	10,132	(2,862)	7,270	(35,014)
Internal transfers	(1,435)	1,435	—	—
Net position, beginning of year	<u>276,913</u>	<u>95,349</u>	<u>372,262</u>	<u>407,276</u>
Net position, end of year	<u>\$ 285,610</u>	<u>93,922</u>	<u>379,532</u>	<u>372,262</u>

See accompanying independent auditors' report.

NEBRASKA INVESTMENT FINANCE AUTHORITY

SINGLE FAMILY FINANCE DIVISION

Supplemental Revenue and Expense Information

Year ended June 30, 2019

(Dollars in thousands)

	1994 Indenture	2009 Indenture	Single family private placements	Single Family finance	
				2019 Total	2018 Total
Operating revenue:					
Interest income:					
Loans	\$ 42,450	1,365	500	44,315	41,205
Investments	186	11	—	197	965
Net increase in fair value of investments	1,726	22	—	1,748	444
Fees and other income	—	—	—	—	3
Total operating revenue	<u>44,362</u>	<u>1,398</u>	<u>500</u>	<u>46,260</u>	<u>42,617</u>
Operating expenses:					
Interest	33,137	1,055	435	34,627	28,409
General and administrative expenses	1,487	14	—	1,501	1,508
Total operating expenses	<u>34,624</u>	<u>1,069</u>	<u>435</u>	<u>36,128</u>	<u>29,917</u>
Operating income	9,738	329	65	10,132	12,700
Extraordinary item:					
Litigation payment	—	—	—	—	(33,399)
Change in net position	9,738	329	65	10,132	(20,699)
Internal transfers	(1,323)	(46)	(66)	(1,435)	(1,358)
Net position, beginning of year	<u>273,465</u>	<u>3,442</u>	<u>6</u>	<u>276,913</u>	<u>298,970</u>
Net position, end of year	<u>\$ 281,880</u>	<u>3,725</u>	<u>5</u>	<u>285,610</u>	<u>276,913</u>

See accompanying independent auditors' report.