



NEBRASKA INVESTMENT FINANCE AUTHORITY

Financial Statements and Supplemental Data

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

NEBRASKA INVESTMENT FINANCE AUTHORITY

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NEBRASKA INVESTMENT FINANCE AUTHORITY

Management's Discussion and Analysis

June 30, 2011 and 2010

Management's discussion and analysis provides an overview of the financial activities of the Nebraska Investment Finance Authority (the Authority) for the fiscal years ended June 30, 2011 and 2010.

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 include the statements of net assets; statements of revenues, expenses, and changes in net assets; statements of cash flows; and notes to financial statements.

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, 2011. This rating takes into account the amount of unrestricted net assets 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 assets necessary to maintain an investment grade rating of its general obligation.

On August 5, 2011, Standard & Poor's lowered its long-term sovereign credit rating on the United States of America from 'AAA' to 'AA+' with negative implications. Due to this downgrade and the effect on many of the credit support instruments pledged to the Authority's bond issues, such as Ginnie Mae, Fannie Mae, and Freddie Mac mortgage-backed securities, Fannie Mae and Freddie Mac credit enhancements, government mortgage insurance, and those bonds which 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.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Management's Discussion and Analysis

June 30, 2011 and 2010

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):

	2011	2010	2009
Investments	\$ 349,270	326,038	262,288
Loans receivable	1,424,865	1,514,807	1,664,995
Other assets	18,890	56,088	21,927
Total assets	1,793,025	1,896,933	1,949,210
Bonds payable	1,357,356	1,471,660	1,581,957
Interest payable	11,421	13,339	17,202
Other liabilities	93,788	96,812	75,467
Total liabilities	1,462,565	1,581,811	1,674,626
Net assets:			
Restricted by bond resolution	227,461	205,525	159,020
Unrestricted	102,999	109,597	115,564
Total net assets	\$ 330,460	315,122	274,584
Total operating revenues, primarily interest income	\$ 115,008	92,504	102,072
Total operating expenses, primarily interest expense	99,670	73,088	91,438
Change in net assets	\$ 15,338	19,416	10,634

2011 Analysis – Statements of Net Assets

From June 30, 2010 to June 30, 2011, total assets decreased \$103.9 million.

Investments – increase of \$23.2 million:

- Redemption funds (accumulated prepayments and excess revenues) decreased by \$35.8 million from June 30, 2010 to June 30, 2011. The decrease primarily represents slower prepayment speeds in the Authority's single family mortgage loan portfolio for the month of June.
- Recycling funds of \$8.9 million were utilized in the refunding and to call bonds during fiscal year 2011.
- Collateral funds of \$6.8 million were utilized for the maturity of general obligation bonds.
- Mortgage and debt service reserves grew by \$2.0 million due to reinvested earnings.
- Operating funds utilized to warehouse single family mortgage loan pools decreased from \$84.8 million at June 30, 2010 to \$13.4 million at June 30, 2011, resulting in a corresponding increase in operating investments.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Management's Discussion and Analysis

June 30, 2011 and 2010

Loans receivable – decrease of \$89.9 million:

- The availability of low mortgage interest rates in the market impacted both demand for the Authority's single family first time homebuyer program as well as prepayment levels on the existing mortgage loan portfolio.
- New loan purchases were \$159.2 million; loan repayments totaled \$251.3 million.

Deferred Outflow of Derivative Resources – decrease of \$36.5 million:

- The Authority replaced all of its interest rate swap agreements in connection with a bond refunding in December 2010. The fair value of the old swap agreements as of the date of the refunding was included in the deferred loss on refunding and is being amortized to interest expense over the life of the bonds. The fair value of the new swap agreements at inception was \$0 in accordance with Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53). As of June 30, 2011, the fair value was a liability of \$8.4 million. The old swap agreements had a fair value (liability) of \$44.9 million as of June 30, 2010.

From June 30, 2010 to June 30, 2011, total liabilities decreased \$119.2 million.

Bonds Payable – decrease of \$114.3 million:

- The Authority issued \$683.7 million, net of deferred loss on refunding of \$34.6 million, in single family program revenue bonds in fiscal year 2011, including \$515.3 million of refunding bonds.
- In the Authority's single family and housing general obligation programs, total bond maturities and mandatory redemptions (excluding redemptions related to the refunding) in fiscal year 2011 were \$270.8 million, an increase of \$39.5 million over fiscal year 2010. Mortgage loan prepayment speeds continued to be above average, resulting in a higher level of mandatory redemptions.
- Conduit debt issuance of \$7.5 million was offset by maturities and retirements of \$21.1 million.
- Bond activity is summarized in the Long-Term Debt Activity section below.

Fair Value of Derivatives – decrease of \$36.5 million:

- All of the Authority's derivatives were in liability positions as of June 30, 2011 and 2010 reflecting the Authority's future obligations with respect to the derivative contracts. The decrease in the liability is due to the replacement of the Authority's swap agreements as described above in "Deferred Outflow of Derivative Resources."

Other Liabilities – increase of \$29.0 million:

- As of June 30, 2011, other liabilities includes a swap upfront payment deferral of \$34.2 million related to the new swap agreements, compared to a swap upfront payment deferral of \$5.1 million related to the old swap agreements as of June 30, 2010.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Management's Discussion and Analysis

June 30, 2011 and 2010

From June 30, 2010 to June 30, 2011, total net assets increased \$15.3 million.

- The Authority's revenues less expenses for fiscal year 2011 resulted in an increase in total net assets of \$15.3 million.

2011 Analysis – Statements of Revenues, Expenses, and Changes in Net Assets

The Authority's change in net assets for the year ended June 30, 2011 was \$15.3 million, a decrease of \$4.1 million from the year ended June 30, 2010.

Operating Revenues – increase of \$22.5 million:

- Mortgage loan interest decreased \$7.3 million as a result of prepayments of higher interest rate loans while new loan production was at lower interest rates, as well as an overall net decrease in the mortgage loan portfolio.
- Investment interest decreased \$2.4 million due to lower investment yields.
- Grant revenue increased \$31.5 million as the majority of Tax Credit Assistance Program (TCAP) and Section 1602 grant funds (for multifamily low income housing development) were drawn and passed through to subrecipients during fiscal year 2011.

Operating Expenses – increase of \$26.6 million:

- Interest expense decreased \$4.8 million due to the net decrease in bonds outstanding.
- Grant expense increased \$31.5 million (see increase in grant revenue above).

2010 Analysis – Statements of Net Assets

From June 30, 2009 to June 30, 2010, total assets decreased \$52.3 million.

Cash – decrease of \$8.9 million:

- Just prior to June 30, 2009, \$9 million of restricted investments matured and was not reinvested in anticipation of bond redemptions on July 1, as investment options with the necessary maturities were not available. This resulted in a higher than normal restricted cash balance.

Investments – increase of \$63.8 million:

- During fiscal year 2010, the Authority issued \$134 million in federal New Issue Bond Program bonds, the proceeds of which are invested in a global escrow account, directed by the bondholders, as of June 30, 2010.
- Mortgage prepayment speeds have increased in response to low refinancing rates available in the market. This has resulted in an increase of \$14.6 million in redemption funds on hand at June 30, 2010.
- Operating funds decreased by \$89.2 million as the Authority is currently using those funds to warehouse mortgage-backed securities generated by its single family program, pending the issuance of single family mortgage revenue bonds.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Management's Discussion and Analysis

June 30, 2011 and 2010

Loans receivable – decrease of \$150.2 million:

- The availability of low mortgage interest rates in the market as well as generally slower home sales activity impacted both demand for the Authority's single family first time homebuyer program as well as prepayment levels on the existing mortgage loan portfolio.
- New loan purchases were \$98.4 million, down from \$129.2 million in fiscal year 2009. Loan repayments totaled \$247.3 million.

Deferred Outflow of Derivative Resources – increase of \$44.9 million:

- The Authority adopted the provisions of GASB 53 in fiscal year 2010. As all of the Authority's derivatives were determined to be effective hedges, the fair value changes associated with the derivatives were deferred in the statements of net assets.

From June 30, 2009 to June 30, 2010, total liabilities decreased \$92.8 million.

Bonds Payable – decrease of \$110.3 million:

- The Authority issued \$134 million in federal New Issue Bond Program bonds in fiscal year 2010. This represented the only debt issuance within the Authority's single family finance division.
- In the Authority's single family and housing general obligation programs, total bond maturities and mandatory redemptions in fiscal year 2010 were \$231.3 million, an increase of \$55.4 million over fiscal year 2009. Mortgage loan prepayment speeds continued to be above average, resulting in a higher level of mandatory redemptions.
- Conduit debt issuance of \$11.8 million was offset by maturities and retirements of \$24.5 million.
- Bond activity is summarized in the Long-Term Debt Activity section below.

Fair Value of Derivatives – increase of \$17.6 million:

- All of the Authority's derivatives were in liability positions as of June 30, 2010, reflecting the Authority's future obligations with respect to the derivative contracts. Lower interest rates at June 30, 2010, as compared to June 30, 2009, increased the liability value of these obligations.

From June 30, 2009 to June 30, 2010, total net assets increased \$40.5 million.

- The Authority's revenues less expenses for fiscal year 2010 resulted in an increase in total net assets of \$19.4 million. Additionally, as GASB 53 is required to be applied retroactively, beginning net assets was restated for prior year changes in the fair value of derivatives, resulting in an increase in net assets of \$21.1 million.

2010 Analysis – Statements of Revenues, Expenses, and Changes in Net Assets

The Authority's change in net assets for the year ended June 30, 2010 was \$19.4 million, an increase of \$8.8 million over the year ended June 30, 2009.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Management's Discussion and Analysis

June 30, 2011 and 2010

Operating Revenues – decrease of \$9.6 million:

- Mortgage loan interest decreased \$6.3 million as a result of prepayments of higher interest rate loans while new loan production was at lower interest rates, as well as an overall net decrease in the mortgage loan portfolio.
- Investment interest decreased \$3.5 million due to lower investment yields.

Operating Expenses – decrease of \$18.4 million:

- Interest expense decreased \$12.6 million due to the net decrease in bonds outstanding.
- The change in fair value of derivatives of \$7.3 million for fiscal year 2009 was expensed. The implementation of GASB 53 resulted in derivative fair value changes being deferred on the statement of net assets in fiscal year 2010, decreasing operating expenses.
- General and administrative expenses increased \$1.5 million, including \$0.5 million in grants that were passed through to subgrantees for activities related to foreclosure counseling and multifamily low-income housing development.

Long-Term Debt Activity

During fiscal years 2011 and 2010, the Authority issued bonds in the following amounts (dollars in thousands):

	<u>2011</u>	<u>2010</u>
Single family program revenue bonds	\$ 718,353	134,000
Multifamily finance program revenue bonds	—	1,677
Agriculture finance program revenue bonds	2,300	2,444
Development finance program revenue bonds	5,195	7,700
Total bond issuance	<u>\$ 725,848</u>	<u>145,821</u>

Principal payments on bonds totaled \$807.3 million and \$255.8 million in fiscal years 2011 and 2010, 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, 2011 and 2010. 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.



KPMG LLP
Suite 1501
222 South 15th Street
Omaha, NE 68102-1610

Suite 1600
233 South 13th Street
Lincoln, NE 68508-2041

Independent Auditors' Report

The Board of Directors
Nebraska Investment Finance Authority:

We have audited the accompanying statements of net assets of Nebraska Investment Finance Authority (the Authority) as of June 30, 2011 and 2010, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As more fully described in note 2(e) to the financial statements, the Authority has reported securitized mortgage loans at amortized cost. In our opinion, U.S. generally accepted accounting principles require that securitized mortgage loans be reported at fair value.

In our opinion, except for the effects of reporting securitized mortgage loans at amortized cost rather than 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, 2011 and 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2011 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 1 through 6 is not a required part of the basic financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedules 1 through 8 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the effects of reporting securitized mortgage loans at amortized cost rather than fair value as discussed above, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

Lincoln, Nebraska
December 9, 2011

NEBRASKA INVESTMENT FINANCE AUTHORITY

Statements of Net Assets

June 30, 2011 and 2010

(Dollars in thousands)

Assets	2011	2010
Current assets:		
Cash	\$ 85	434
Investments	76,035	3,440
Loans receivable	241	1,282
Interest receivable	215	511
Other current assets	1,095	223
Restricted assets:		
Cash	34	34
Investments	32,022	32,349
Loans receivable	28,547	27,712
Interest receivable	8,600	9,413
Total current assets	146,874	75,398
Noncurrent assets:		
Long-term investments	12,939	15,266
Loans receivable	17,536	89,475
Restricted assets:		
Investments	228,274	274,983
Loans receivable	1,378,541	1,396,338
Deferred debt financing costs	291	301
Deferred outflow of derivative resources	8,402	44,892
Other assets	168	280
Total noncurrent assets	1,646,151	1,821,535
Total assets	\$ 1,793,025	1,896,933
Liabilities and Net Assets		
Current liabilities:		
Accrued liabilities	\$ 11,662	7,228
Interest payable	11,421	13,339
Current portion of bonds payable	30,534	31,217
Total current liabilities	53,617	51,784
Noncurrent liabilities:		
Fair value of derivatives	8,402	44,892
Bonds payable, net of current portion	1,359,396	1,440,443
Less deferred loss on refunding	(32,574)	—
Swap upfront payment	34,214	5,082
Deferred savings	39,490	39,359
Other liabilities	20	251
Total noncurrent liabilities	1,408,948	1,530,027
Total liabilities	1,462,565	1,581,811
Net assets:		
Restricted by bond resolution	227,461	205,525
Unrestricted	102,999	109,597
Total net assets	330,460	315,122
Commitments and contingencies		
Total liabilities and net assets	\$ 1,793,025	1,896,933

See accompanying notes to financial statements.

NEBRASKA INVESTMENT FINANCE AUTHORITY
Statements of Revenues, Expenses, and Changes in Net Assets
Years ended June 30, 2011 and 2010
(Dollars in thousands)

	2011	2010
Operating revenues:		
Interest income:		
Loans	\$ 76,322	83,584
Investments	4,828	7,240
Net decrease in fair value of investments	(37)	(652)
Fees and other income	1,804	1,785
Grant revenue	32,091	547
Total operating revenues	115,008	92,504
Operating expenses:		
Interest	60,481	65,258
General and administrative expenses	7,098	7,283
Grant expense	32,091	547
Total operating expenses	99,670	73,088
Change in net assets	15,338	19,416
Net assets, beginning of year	315,122	295,706
Net assets, end of year	\$ 330,460	315,122

See accompanying notes to financial statements.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Statements of Cash Flows

Years ended June 30, 2011 and 2010

(Dollars in thousands)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Purchase of loans	\$ (159,158)	(98,367)
Principal repayments received on loans	251,330	247,345
Interest received on loans	76,399	83,725
Fees received	2,221	2,687
Trustee and paying agent fees paid	(266)	(380)
General and administrative costs paid	<u>(6,767)</u>	<u>(6,834)</u>
Net cash provided by operating activities	<u>163,759</u>	<u>228,176</u>
Cash flows from noncapital financing activities:		
Proceeds from sale of bonds	725,848	145,821
Repayment of bonds	(807,264)	(255,829)
Debt issuance costs paid	(3,334)	(301)
Interest paid	(61,073)	(70,510)
Payments (from) to lenders and insurers	105	(11)
Proceeds from warehouse line of credit	79,475	—
Principal payments on warehouse line of credit	<u>(79,475)</u>	<u>—</u>
Net cash used in noncapital financing activities	<u>(145,718)</u>	<u>(180,830)</u>
Cash flows from investing activities:		
Interest received on investments	5,269	8,068
Proceeds from sales, maturities, and calls of investments	998,046	382,983
Purchase of investments	<u>(1,021,705)</u>	<u>(447,260)</u>
Net cash used in investing activities	<u>(18,390)</u>	<u>(56,209)</u>
Net decrease in cash	(349)	(8,863)
Cash, beginning of year	<u>468</u>	<u>9,331</u>
Cash, end of year	\$ <u><u>119</u></u>	\$ <u><u>468</u></u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 15,338	19,416
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Purchase of loans	(159,158)	(98,367)
Principal repayments received on loans	251,330	247,345
Interest received on investments	(5,269)	(8,068)
Interest expense	60,481	65,258
Decrease in fair value of investments	37	652
Amortization and other income, net	717	590
(Decrease) increase in mortgage discount	(765)	355
Decrease in interest receivable	1,109	1,814
(Increase) decrease in prepaid expenses	(370)	230
Increase (decrease) in other liabilities	309	(1,049)
Net cash provided by operating activities	\$ <u><u>163,759</u></u>	\$ <u><u>228,176</u></u>
Supplemental disclosure of noncash financial information:		
Deferred loss on refunding	\$ 34,640	—
Termination and upfront payment of derivatives	(34,640)	—

See accompanying notes to financial statements.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2011 and 2010

(1) Authorizing Legislation and Organizational Structure

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

The following describes the divisions established by the Authority, all of which conform to the authorizing legislation and bond and note resolutions:

(a) *Operating Division*

This account was established by the enabling legislation to account for the operating expenses of the Authority.

(b) *Housing Finance Division*

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

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

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

(c) *Agricultural Finance Division*

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

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Notes to Financial Statements

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(d) ***Development Finance Division***

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

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

(2) **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 revenues 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 securitized mortgage loans, as discussed below. The Authority applies all Governmental Accounting Standards Board (GASB) pronouncements, as well as all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with GASB pronouncements. No pronouncements of the FASB issued after November 30, 1989 have been adopted.

(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 revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates include the arbitrage liability, deferred savings liability, loan forgiveness allowance, derivatives, and the loans receivable allowance.

(c) ***Investments***

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

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2011 and 2010

and, therefore, recorded at carrying value. New Issue Bond Program (NIBP) Global Escrow Account funds are recorded at cost (see note 4(b)).

(d) *Loans Receivable*

Loans receivable consists of single-family mortgages as well as single-family Government National Mortgage Association (GNMA) 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 underlying 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, net of the allowance for loan losses.

(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 \$1.3 billion and \$1.4 billion, respectively, compared to amortized cost of \$1.2 billion and \$1.3 billion at June 30, 2011 and 2010, respectively. GASB Statement No. 31 also requires that the change in fair value be reported in operating revenues and change in net assets. Accordingly, the Authority should have reported in its statements of revenues, expenses, and changes in net assets the increase (decrease) in unrealized gains of (\$7.1 million) and \$48.3 million for the years ended June 30, 2011 and 2010, increasing (decreasing) operating revenues and change in net assets by those amounts. Net assets should have been increased by the cumulative unrealized gains on the securitized mortgage loans of \$92.5 million and \$100 million at June 30, 2011 and 2010, respectively.

Additionally, interest earned on securitized mortgage loans totaling \$61.1 million and \$71.1 million at June 30, 2011 and 2010, respectively, has been classified as interest income from loans rather than investments in the statements of revenues, expenses, and changes in net assets. Principal and interest payments received on securitized loans of approximately \$201.1 million and \$210.5 million and \$61.1 million and \$71.3 million, respectively, in 2011 and 2010 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 deferred and amortized or accreted to income over the life of the related bond issue or loan, using the effective-interest method.

(g) *Provision for Loan Losses*

A provision for loan losses is recorded in expense when, in management's opinion, the realization of all or a portion of the loans is doubtful and the Authority does not have insurance or guarantees on its

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2011 and 2010

loans, as described in note 5. 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

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.

(j) Arbitrage

Earnings on certain loans and investments are subject to the arbitrage requirements of the Internal Revenue Code (IRC). Accrued arbitrage rebate represents the estimated excess earnings on investments that may be rebated to the U.S. Treasury Department. Deferred savings represent the estimated excess earnings on loans that must be used through other qualified Authority loan programs or paid to the U.S. Treasury Department.

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. Deferred savings resulting from loan interest spreads are recorded as a reduction to interest income.

(k) Income Taxes

The Authority is recognized as a tax-exempt, quasi-governmental organization under IRC Section 115(l). Accordingly, no provision for income taxes has been included in the accompanying financial statements.

(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.

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(4) Cash and Investments

(a) Cash

The Authority had cash deposits with a carrying value of \$119,000 and \$468,000 as of June 30, 2011 and 2010, respectively, and a bank balance of \$268,000 and \$994,000 as of June 30, 2011 and 2010. None of the deposits were uninsured and uncollateralized.

(b) Investments

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

	<u>2011</u>	<u>2010</u>
Investments	\$ 76,035	3,440
Restricted investments (current)	32,022	32,349
Long-term investments	12,939	15,266
Restricted investments (noncurrent)	<u>228,274</u>	<u>274,983</u>
	<u>\$ 349,270</u>	<u>326,038</u>

The net change in fair value of investments was a decrease of \$37,000 and \$652,000 for the years ended June 30, 2011 and 2010, respectively. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. At June 30, 2011 and 2010, the Authority had unrealized gains of approximately \$1.2 million and \$1.5 million, respectively, in its investment portfolio.

The investment of funds is restricted by the state statute under which the Authority was created and the various bond indentures of the Authority. Permitted investments include direct obligations of, or obligations guaranteed by, the federal government of the United States of America (federal government), obligations issued by certain agencies of the federal government, obligations issued by the State of Nebraska or any state or political subdivision, Federal Deposit Insurance Corporation (FDIC) insured deposits, repurchase agreements collateralized by obligations of the federal government, shares of collective investment funds whose only investments are in obligations of the federal government and certain agencies of the federal government, investment agreements, commercial paper, and other investments specified under the various bond indentures. All counterparties to these investments (except for the federal government) must meet certain minimum credit rating standards.

Investments at June 30, 2011 and 2010 include NIBP Global Escrow Account funds, which represent the proceeds of bonds issued under the federal NIBP. The funds are invested during the escrow period pursuant to a Global Escrow Agreement, which provides for investment by the escrow agent appointed in the agreement in specified proprietary and nonproprietary money market funds. The Authority has no right or responsibility to direct the investment or reinvestment of these monies. Prior to the release from escrow, the interest paid on the related NIBP bonds (the 2009 Series A bonds) is equal to the investment earnings paid pursuant to the Global Escrow Agreement. All of the Authority's NIBP bonds were in escrow at June 30, 2011 and 2010. The NIBP Global Investment

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Account is valued at cost because the Authority is not entitled to any gains and is not at risk for any losses on the funds.

Interest Rate Risk: The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2011 and 2010, the Authority had the following investments and maturities (dollars in thousands):

		2011			
Investment type	Fair value	Investment maturities (in years)			
		Less than 1	1 – 5	6 – 10	More than 10
U.S. Treasury securities	\$ 155,870	150,737	5,133	—	—
U.S. government agency securities	8,124	—	8,124	—	—
Collateralized repurchase agreements	659	—	—	—	659
Guaranteed investment contracts	47,336	—	8,094	—	39,242
Money market mutual funds	3,281	3,281	—	—	—
NIBP Global Escrow Account	134,000	—	134,000	—	—
	<u>\$ 349,270</u>	<u>154,018</u>	<u>155,351</u>	<u>—</u>	<u>39,901</u>

		2010			
Investment type	Fair value	Investment maturities (in years)			
		Less than 1	1 – 5	6 – 10	More than 10
U.S. Treasury securities	\$ 118,251	108,112	10,139	—	—
U.S. government agency securities	8,016	—	8,016	—	—
Collateralized repurchase agreements	1,257	—	—	—	1,257
Guaranteed investment contracts	64,144	—	8,111	—	56,033
Money market mutual funds	370	370	—	—	—
NIBP Global Escrow Account	134,000	—	134,000	—	—
	<u>\$ 326,038</u>	<u>108,482</u>	<u>160,266</u>	<u>—</u>	<u>57,290</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 U.S. government agency securities and money market mutual funds are rated in the highest rating category by Standard & Poor's and Moody's Investors Service as of June 30, 2011 (see note 10 for subsequent ratings actions). Repurchase agreements are unrated, but collateralized by U.S. agency securities. Guaranteed investment contracts are unrated; however, the contracts stipulate minimum credit ratings to be maintained by the counterparties.

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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 \$659,000 and \$1.3 million at June 30, 2011 and 2010, respectively, as the collateral is held by the counterparties, but not in the Authority's name.

Concentration of Credit Risk: The Authority places no limit on the amount it may invest in any one issuer. As of June 30, 2011 and 2010, the Authority had greater than 5% of its investment balance with the following issuers:

Issuer	2011	2010
	Percentage	
G.E. Funding Capital Market Securities, Inc.	9.5%	9.8%
NIBP Global Escrow Account	38.4	41.1

(5) Loans Receivable

Single family GNMA I, Fannie Mae, and Freddie Mac mortgage-backed pass-through certificates (securitized mortgage loans), which comprise 98.5% of the total single family loan portfolio, are backed by the guarantee of GNMA, 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 GNMA 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. In accordance with the Federal Housing Finance Regulatory Reform Act of 2008, the Federal Housing Finance Agency was named as the conservator of both Fannie Mae and Freddie Mac on September 6, 2008.

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

Under the Multifamily Finance program, where bonds have been sold in a public offering, the bonds or underlying loans are insured by various entities. Agricultural and Development Finance loans have been assigned to applicable bondholders as collateral for the related bonds.

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Certain single-family mortgage revenue bonds issued subsequent to December 31, 1981 include provisions whereby specified outstanding mortgage balances are subject to forgiveness contingent upon a number of conditions. As of June 30, 2011 and 2010, loans of approximately \$2.1 million and \$2.6 million, respectively, have specific forgiveness provisions. During the year ended June 30, 2011 and 2010, mortgage loans with outstanding balances of approximately \$0 and \$548,000, respectively, met the specified conditions and were forgiven. The Authority recognizes the estimated amount of mortgage balances that are believed to have a reasonable, but not absolute, probability of forgiveness as a periodic reduction of interest income using the interest method. The estimated allowance for forgiveness was \$679,000 and \$1 million at June 30, 2011 and 2010, respectively, and is included as a reduction in loans receivable.

The Authority has created certain mortgage programs whereby substantially lowered mortgage interest rates are utilized to assist lower income borrowers and to stimulate the production or rehabilitation of housing. In connection with these programs, the Authority uses various financing techniques to lower bond costs. The Authority uses these savings to subsidize mortgage loans with interest rates as low as 2.67% (the subsidized mortgages) to targeted income groups and projects throughout the state. The deferred savings of \$39.5 million and \$39.4 million at June 30, 2011 and 2010, respectively, is net of the amount passed through to borrowers in the form of lower mortgage interest rates.

The following table reconciles the deferred savings for the year ended June 30, 2011 and 2010 (dollars in thousands):

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 39,359	40,205
Savings realized	1,718	1,506
Savings used	<u>(1,587)</u>	<u>(2,352)</u>
Balance, end of year	<u>\$ 39,490</u>	<u>39,359</u>

The savings used, as presented in the above table, represents the amount of interest subsidy consumed by subsidized mortgage loans during each year. Subsidized mortgages, with an outstanding balance of \$77.1 million and \$83.6 million as of June 30, 2011 and 2010, respectively, will continue to use the deferred savings over the mortgage lives.

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. In certain instances, the second mortgage bears no interest; however, the first mortgage bears a higher interest rate, which is designed to pay off the second mortgage over an 11-year period without a separate payment on the second mortgage loan. These second mortgages are forgivable if the borrower performs all obligations under the related first mortgage for a period of 11 years. On these loans, repayment of the second mortgage is required on a graduating scale if the borrower pays off the first mortgage prior to the expiration of the 11 years. In other instances, the second mortgage bears an interest rate and is repayable in equal monthly installments over the life of the second mortgage, ranging from 7 to 10 years. In each case, these loans are secured solely by a second lien on the respective properties.

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Included in loans receivable at June 30, 2011 and 2010 are HBA Program second-mortgage balances totaling \$9.9 million and \$11.1 million, respectively.

As of June 30, 2011 and 2010, the Authority had committed to purchase additional single-family mortgage loans totaling \$56.1 million and \$104.4 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 into the single-family program or to the Authority for purchase by the operating fund.

As of June 30, 2011 and 2010, the Authority had allocated \$477,000 and \$5.6 million, respectively, of approved but unissued bonds for other agricultural, healthcare, and industrial development loans.

(6) Bonds Payable

All general obligations of the Authority are payable from the revenues and assets of the Authority, subject to the provisions of individual resolutions adopted pledging particular revenues or assets to specific notes or bonds. All special or limited obligations of the Authority are payable solely from the revenues 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 held under such indenture. Provisions of the IRC limit, on an aggregate basis, the amount of tax-exempt bonds the Authority and political subdivisions of the State of Nebraska may issue.

At June 30, 2011 and 2010, bonds outstanding (net of unamortized discount or premium where applicable) are as follows (dollars in thousands):

Description and maturity	Principal outstanding		Interest terms
	2011	2010	
Single Family Mortgage Revenue Bonds:			
1983 Series A (G.O.), due 2011 – 2015	\$ 469	1,303	10.514%, payable at maturity
1989 Series A, due 2014	2,567	2,350	8.90%, payable at maturity
*Retired Series, redeemed in full	—	198,324	
*2003 Series A, due 2011 – 2033	4,165	15,780	3.75% – 4.875%, payable semiannually
*2003 Series D, due 2011 – 2023	2,720	13,365	4.20% – 5.30%, payable semiannually
*2004 Series A, due 2011 – 2034	11,100	21,620	3.70% – 4.95%, payable semiannually
*2004 Series C, due 2012 – 2031	13,441	22,726	4.35% – 5.25%, payable semiannually
*2004 Series F, due 2012 – 2020	9,720	18,715	3.80% – 4.40%, payable semiannually
*2005 Series A, due 2011 – 2020	11,180	25,670	4.00% – 4.70%, payable semiannually
*2005 Series C, due 2011 – 2020	10,690	33,050	3.75% – 4.40%, payable semiannually
*2006 Series A, due 2011 – 2021	13,875	50,755	4.00% – 4.70%, payable semiannually
*2006 Series C, due 2011 – 2036	38,820	52,702	4.20% – 5.50%, payable semiannually
*2006 Series D, due 2011 – 2036	36,035	50,617	4.20% – 5.50%, payable semiannually
*2006 Series E, due 2011 – 2036	36,707	51,722	4.375% – 5.75%, payable semiannually
*2006 Series F, due 2011 – 2037	22,284	39,472	4.00% – 5.50%, payable semiannually
*2007 Series A, due 2011 – 2038	20,690	73,325	3.95% – 4.70%, payable semiannually
*2007 Series C, due 2011 – 2038	25,325	84,230	4.00% – 4.85%, payable semiannually
*2007 Series E, due 2011 – 2038	25,645	100,860	4.35% – 5.15%, payable semiannually
*2007 Series G, due 2011 – 2038	14,605	80,825	4.15% – 5.40%, payable semiannually
*2007 Series IK, due 2017 – 2039	23,725	85,975	5.15% – 5.50%, payable semiannually
*2008 Series A, due 2011 – 2039	6,170	43,195	3.15% – 5.50%, payable semiannually
*2008 Series F, due 2012 – 2017	3,845	41,590	4.20% – 5.10%, payable semiannually

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Description and maturity	Principal outstanding		Interest terms
	2011	2010	
2009 Series A, due 2041 (convertible before 12/31/12)	\$ 134,000	134,000	Variable rate, payable on conversion
*2010 Series ABC			
A (fixed rate), due 2011 – 2045	192,697	—	A: 0.90% – 6.10%, payable semiannually
BC (variable rate), due 2032 – 2038	477,095	—	B,C: Variable rate demand bonds, payable semiannually
Less deferred loss on refunding	(32,574)	—	
2011 Series 1, due 2040 – 2041	43,353	—	2.975% – 3.975%, payable monthly
Total Single Family Mortgage Revenue Bonds	1,148,349	1,242,171	
General Obligation Housing Bonds:			
2000 Series G.O. 10, matured 2010	—	1,500	5.70%, payable semiannually
2000 Series G.O. 11, matured 2010	—	1,700	5.30%, payable semiannually
2001 Series G.O. 12, matured 2011	—	2,500	4.80%, payable semiannually
2001 Series G.O. 13, matured 2011	—	1,100	4.55%, payable semiannually
2002 Series G.O. 14, due 2011	1,500	1,500	4.85%, payable semiannually
2003 Series G.O. 15, due 2013	1,100	1,100	4.00%, payable semiannually
2004 Series G.O. 16, due 2013	1,200	1,200	4.10%, payable semiannually
2004 Series G.O. 17, due 2014	1,200	1,200	4.40%, payable semiannually
2004 Series G.O. 18, due 2014	800	800	4.10%, payable semiannually
2005 Series G.O. 19, due 2015	1,000	1,000	4.125%, payable semiannually
2006 Series G.O. 20, due 2016	700	700	4.45%, payable semiannually
2006 Series G.O. 21, due 2016	700	700	4.65%, payable semiannually
2006 Series G.O. 22, due 2016	700	700	4.75%, payable semiannually
2000 Series G.O. CD, due 2033	1,606	1,640	6.30%, payable monthly
Total general obligation	10,506	17,340	
Conduit obligations:			
Multifamily finance revenue bonds:			
Varying maturities through 2046	127,039	139,127	2.575% – 7.55%
Agriculture finance revenue bonds:			
Varying maturities through 2040	22,106	23,566	1.25% – 8.60%
Development finance revenue bonds:			
Varying maturities through 2037	49,356	49,456	0.90% – 6.04%
Total conduit obligations	198,501	212,149	
Total bonds payable (net of deferred loss on refunding)	\$ 1,357,356	1,471,660	

As a result of a refunding transaction and other redemptions (see *Redemption Provisions* below) during the year ended June 30, 2011, the outstanding bonds in fifteen series were redeemed in full. The June 30, 2010 balances of these series are presented above on a combined basis and described as “Retired Series.” The assets from these Retired Series are restricted subject to the terms and conditions of the indenture as security for all bonds outstanding under the Authority’s 1994 Open Indenture.

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In December 2009, the Authority issued Homeownership Revenue Bonds 2009 Series A in the amount of \$134,000,000 under the federal NIBP. The proceeds of the bonds are being held in an escrow account until conversion to long term fixed rate bonds, at which time the proceeds will be used to purchase mortgage-backed securities issued pursuant to the Authority's Single Family First Time Homebuyer program. The bonds bear interest at a short-term variable rate, which is matched to the interest rate on the escrow account. Upon conversion, the bonds will bear interest at a fixed rate. The deadline for conversion is December 31, 2011; however, in November 2011, the deadline was extended to December 31, 2012. On November 18, 2011, the Authority converted \$66 million of NIBP bonds to fixed rate Homeownership Revenue Bonds (see note 10).

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 revenues 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 in 2010 Series ABC pay interest using a variable rate determined weekly by the remarketing agent for such bonds.

Conduit Obligations: The Multifamily Finance Revenue, Agriculture Finance Revenue, and Development Finance Revenue bonds totaling \$198.5 million and \$212.2 million at June 30, 2011 and 2010, respectively, represent conduit debt obligations that are payable solely from payments received on the underlying mortgage loans or, in some cases, from payments received pursuant to agreements with third-party credit enhancement providers. The underlying mortgage loans are included in restricted loans receivable in the statements of net assets.

Debt Activity: The following tables summarize the Authority's debt activity for the years ended June 30, 2011 and 2010 and amounts due within one year (dollars in thousands):

<u>Type of bonds</u>	<u>June 30, 2010</u>	<u>Issuance</u>	<u>Retirement</u>	<u>June 30, 2011</u>	<u>Due within one year</u>
Single family mortgage revenue bonds	\$ 1,242,170	718,353	(779,600)	1,180,923	23,632
General obligation housing bonds	17,339	—	(6,833)	10,506	1,500
Multifamily finance revenue bonds	139,127	—	(12,088)	127,039	1,896
Agriculture finance revenue bonds	23,566	2,300	(3,760)	22,106	673
Development finance revenue bonds	49,458	5,195	(5,297)	49,356	2,833
Total all bonds	<u>\$ 1,471,660</u>	<u>725,848</u>	<u>(807,578)</u>	<u>1,389,930</u>	<u>30,534</u>

NEBRASKA INVESTMENT FINANCE AUTHORITY

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<u>Type of bonds</u>	<u>June 30, 2009</u>	<u>Issuance</u>	<u>Retirement</u>	<u>June 30, 2010</u>	<u>Due within one year</u>
Single family mortgage revenue bonds	\$ 1,333,972	134,000	(225,802)	1,242,170	18,734
General obligation housing bonds	23,158	—	(5,819)	17,339	6,800
Multifamily finance revenue bonds	147,174	1,677	(9,724)	139,127	1,919
Agriculture finance revenue bonds	24,614	2,443	(3,491)	23,566	688
Development finance revenue bonds	53,039	7,700	(11,281)	49,458	3,076
Total all bonds	\$ <u>1,581,957</u>	<u>145,820</u>	<u>(256,117)</u>	<u>1,471,660</u>	<u>31,217</u>

Debt Service Requirements: Debt service requirements annually through 2016, and in five-year increments thereafter to maturity, are as follows (dollars in thousands):

<u>Fiscal year(s):</u>	<u>Principal*</u>	<u>Interest</u>	<u>Total debt service</u>
2012	\$ 30,534	38,733	69,267
2013**	172,495	37,646	210,141
2014	37,800	36,489	74,289
2015	41,322	35,343	76,665
2016	38,655	34,194	72,849
2017 – 2021	201,534	154,534	356,068
2022 – 2026	228,461	116,050	344,511
2027 – 2031	236,999	81,113	318,112
2032 – 2036	225,470	51,282	276,752
2037 – 2041	154,311	22,294	176,605
2042 – 2046	23,275	3,207	26,482
	\$ <u>1,390,856</u>	<u>610,885</u>	<u>2,001,741</u>

* Includes capital appreciation bonds at their final redemption values. Future scheduled accretion included above is \$926.

** Includes Homeownership Revenue Bonds Series 2009 A in the amount of \$134 million. Stated maturity is September 1, 2041; however, the bonds are subject to mandatory redemption if not converted to long-term fixed rate bonds by December 31, 2012.

Variable Rate Demand Bonds: Included in bonds payable is \$477.1 million at June 30, 2011 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 a Remarketing Agreement that authorizes 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 a Standby Bond Purchase Agreement 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. Bonds purchased by the FHLBank bear interest at the one-month LIBOR plus 1.50%, not to exceed 25.00%, and interest is payable

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monthly. The Standby Bond Purchase Agreement has a term of one year, but may be extended at the request of the Authority up to one year at a time, subject to approval by the FHLBank. The termination date is December 29, 2011; however, in September 2011, the Authority requested and the FHLBank approved an extension to March 1, 2013. No amounts have been drawn on this agreement 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 were exercised on June 30, 2011 due to a failed remarketing on the entire amount of outstanding demand bonds of \$477.1 million, the Authority would be required to make semiannual principal payments of \$47.8 million for the next five years, and interest payments, assuming an interest rate of 1.687% (the one-month LIBOR as of June 30, 2011 plus 1.500%), totaling \$23.5 million over the next five years.

Under the Standby Bond Purchase Agreement, the Authority is required to pay to FHLBank a semiannual commitment fee of 0.25% per annum of the sum of (a) the outstanding principal amount of demand bonds subject to the agreement and (b) an amount equal to 205 days of interest on the outstanding principal amount of such bonds at a rate of 15.00% per annum. In addition, the Authority pays the remarketing agent a semiannual fee of 0.10% per annum of the outstanding principal amount of the demand bonds.

(7) Short-Term Debt

In July 2010, the Authority entered into an Advance Pledge and Security Agreement (the Agreement) with the FHLBank. Under the Agreement, the Authority is authorized to borrow up to \$100,000,000 on a short-term basis to be used for the purpose of financing mortgage-backed securities purchased by the Authority in anticipation of the issuance of bonds in connection with the Single Family Program. Draws under the Agreement have a minimum term of four months and bear interest at an adjustable rate, which resets weekly and is based on the FHLBank short-term rate index. The Authority pledges mortgage-backed securities owned by the Authority as collateral, which is assigned a lending value of 97% of market value. Collateral held at FHLBank is marked to market daily. As of June 30, 2011, the Authority had no outstanding draws under the Agreement. Activity under the Agreement during the year ended June 30, 2011 is summarized as follows (dollars in thousands):

	<u>June 30, 2010</u>	<u>Issuance</u>	<u>Retirement</u>	<u>June 30, 2011</u>
FHLBank Line of Credit	\$ —	79,475	(79,475)	—

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(8) Debt Refunding

On December 29, 2010, the Authority issued \$675,000,000 original principal amount of its Single Family Housing Revenue Bonds Series 2010 A (Non-AMT), Series 2010 B (Variable Rate – Non-AMT), and Series 2010 C (Variable Rate – AMT) (the 2010 Bonds). Proceeds of the 2010 Bonds totaling \$515,295,000 were used to refund all of the following series of Single Family Housing Revenue Bonds (the Refunded Bonds):

1998 Series C	2000 Series E	2002 Series E	2005 Series D	2007 Series H
1998 Series E	2000 Series F	2003 Series B	2006 Series B	2007 Series J
1998 Series G	2001 Series B	2003 Series E	2006 Series G	2008 Series B
1999 Series A	2001 Series C	2004 Series B	2007 Series B	2008 Series D
1999 Series D	2001 Series E	2004 Series D	2007 Series D	2008 Series G
2000 Series A	2002 Series B	2004 Series G	2007 Series F	2008 Series H
2000 Series C	2002 Series C	2005 Series B		

The Series 2010 A bonds bear interest at rates ranging from 0.75% to 6.10% and the Series 2010 B and Series 2010 C bonds bear interest at a variable rate determined weekly by a remarketing agent. Interest rates on the Refunded Bonds ranged from 0.33% to 6.30% on the date of the refunding.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the Refunded Bonds of \$34.6 million. This difference has been deferred and is being amortized as a component of interest expense over the shorter of the remaining life of the various Refunded Bonds or the life of the 2010 Bonds. The Authority completed the refunding 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. While the Authority expects to reduce its total debt service payments over the remaining life of the 2010 Bonds by approximately \$3.7 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1.3 million, any savings achieved as a result of the refunding cannot be retained by the Authority and 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.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2011 and 2010

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, 2011 and 2010, the Authority has pay-fixed, receive-variable swap agreements outstanding with the following terms (dollars in thousands):

2011

Bond series	Effective date	Termination date	Fixed rate paid	Variable rate received	Counterparty credit rating*	Upfront payment received
2010 B	12/29/2010	9/1/2031	4.013%	SIFMA + 0.12%	A+/Aa3/AA-	\$ 18,017
2010 B	12/29/2010	3/1/2038	3.945	SIFMA + 0.12%	AA-/Aa1/AA	2,580
2010 B	12/22/2010	9/1/2038	3.942	SIFMA + 0.12%	AA-/Aa3/AA-	5,559
2010 C	12/29/2010	9/1/2032	3.889	SIFMA + 0.22%	AA-/Aa1/AA	8,484

* Standard & Poor's/Moody's/Fitch ratings as of June 30, 2011. In November and December, 2011, two of the three counterparties were downgraded to "A" or "A+" by either Standard & Poor's or Fitch, or both.

2010

Bond series	Effective date	Termination date	Fixed rate paid	Variable rate received	Counterparty credit rating*	Upfront payment received
2000 F	11/25/2008	3/1/2022	5.16%	SIFMA + 0.22%	A+/Aa3/AA-	\$ 1,689
2001 B	11/25/2008	3/1/2020	4.42	SIFMA + 0.22%	A+/Aa3/AA-	921
2001 E	11/25/2008	3/1/2018	4.39	SIFMA + 0.22%	A+/Aa3/AA-	557
2002 B	11/25/2008	3/1/2020	4.88	SIFMA + 0.22%	A+/Aa3/AA-	1,339
2002 E	11/25/2008	9/1/2019	4.47	SIFMA + 0.22%	A+/Aa3/AA-	1,036
2003 B	11/25/2008	3/1/2022	4.10	SIFMA + 0.22%	A+/Aa3/AA-	405
2003 E	11/25/2008	9/1/2021	3.67	SIFMA + 0.22%	A+/Aa3/AA-	126
2004 B	11/25/2008	9/1/2021	4.17	SIFMA + 0.22%	A+/Aa3/AA-	366
Various (note 1)	9/23/2008	9/1/2031	3.88	SIFMA + 0.22%	AA-/Aaa/AA	—
Various (note 2)	9/23/2008	9/1/2031	3.97	SIFMA + 0.22%	A+/Aa3/AA-	—
Various (note 3)	9/23/2008	9/1/2038	4.04	SIFMA + 0.22%	AA-/Aa3/AA-	—
2008 D	12/1/2008	3/1/2038	4.06	SIFMA + 0.22%	AA-/Aaa/AA	—
2008 G	3/1/2009	9/1/2032	3.89	SIFMA + 0.12%	AA-/Aaa/AA	—
2008 H	3/1/2009	9/1/2032	3.99	SIFMA + 0.22%	AA-/Aaa/AA	—

* Standard & Poor's/Moody's/Fitch

Note 1: Includes Series 2004 D, 2004 G, 2005 B, 2005 D, 2006 G, and 2007 B

Note 2: Includes Series 2007 D, 2007 F, and 2007 H

Note 3: Includes Series 2007 J and 2008 B

In connection with the debt refunding described in note 8, the Authority consolidated a number of swap agreements held by existing counterparties. All terms of the original contracts remained essentially the same with the fixed rates and maturity dates of each contract blended into a consolidated contract with each counterparty and no payments made to or from the counterparties. Under the provisions of GASB 53, the consolidation of the swap agreements is considered a termination of hedge accounting since the hedged

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2011 and 2010

debt was refunded. As a result, the swap agreements were deemed to be terminated and replaced with new swap agreements. Even though no payments were exchanged, termination of hedge accounting treatment assumes that the Authority paid the counterparties \$34.6 million to terminate the swap agreements, which is included in the deferred loss on refunding, and also assumes that the counterparties paid the Authority an upfront payment of \$34.6 million to enter into the new swap agreements, which is 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 assets. 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 calculating the present value of the differential between the swap agreement rates and market rates for each notional amount amortization date back to the valuation date using accepted market discount rates. 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, 2011 and 2010, all of the Authority's swap agreements have negative fair values, reported in the liability section of the statements of net assets. The fair values exclude accrued interest.

As of June 30, 2011 and 2010, all of 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 assets as Deferred Outflow of Derivative Resources.

Fair values as of June 30, 2011 and 2010 and change in fair value for the years then ended are as follows (dollars in thousands):

	2011			
	Current notional	Contract fair value	Financial Statement Fair value	Change in fair value
Bond series:				
2010 B	\$ 226,800	(20,756)	(3,743)	(3,743)
2010 B	35,525	(3,373)	(858)	(858)
2010 B	72,885	(6,830)	(1,495)	(1,495)
2010 C	125,855	(10,113)	(2,306)	(2,306)
Total	\$ 461,065	(41,072)	(8,402)	(8,402)

In accordance with GASB 53, the fair value of the Authority's swap agreements in the statement of net assets is determined using the on-market swap rates as of the date of inception of the swap agreements, December 29, 2010. 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 table above discloses 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.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2011 and 2010

	Current notional	2010 Fair value	Change in fair value
Bond series:			
2000 F	\$ 16,450	(2,265)	(261)
2001 B	15,160	(1,466)	(244)
2001 E	9,390	(821)	(95)
2002 B	15,790	(1,841)	(207)
2002 E	16,395	(1,614)	(254)
2003 B	9,175	(796)	(205)
2003 E	6,230	(423)	(163)
2004 B	7,555	(681)	(163)
Combined series:			
2004 D	3,355	(228)	(86)
2004 G	7,000	(496)	(196)
2005 B	11,710	(851)	(347)
2005 D	19,685	(1,511)	(648)
2006 B	29,800	(2,424)	(1,085)
2006 G	8,970	(736)	(331)
2007 B	41,380	(3,454)	(1,567)
	<u>121,900</u>	<u>(9,700)</u>	<u>(4,260)</u>
Combined series:			
2007 D	46,880	(4,074)	(1,820)
2007 F	58,625	(5,085)	(2,267)
2007 H	46,500	(4,016)	(1,784)
	<u>152,005</u>	<u>(13,175)</u>	<u>(5,871)</u>
Combined series:			
2007 J	50,000	(5,154)	(2,576)
2008 B	24,185	(2,147)	(973)
	74,185	(7,301)	(3,549)
2008 D	25,000	(2,593)	(1,317)
2008 G	10,970	(987)	(445)
2008 H	13,660	(1,229)	(555)
Total	\$ <u>493,865</u>	<u>(44,892)</u>	<u>(17,589)</u>

NEBRASKA INVESTMENT FINANCE AUTHORITY

Notes to Financial Statements

June 30, 2011 and 2010

Interest Rate Swap Payments and Associated Debt

The following table (dollars in thousands) summarizes debt service requirements of the Authority's outstanding variable rate bonds and net swap payments, using variable interest rates in effect as of June 30, 2011 for the life of the bonds and swaps. As interest rates vary, variable rate bond interest and net swap payments will also vary.

Fiscal year:	<u>Variable rate bond payments</u>		<u>Swap net payment</u>	<u>Total payments</u>
	<u>Principal</u>	<u>Interest</u>		
2012	\$ 9,200	536	16,680	26,416
2013	9,735	325	15,660	25,720
2014	10,305	319	14,407	25,031
2015	10,915	312	13,102	24,329
2016	11,555	304	11,824	23,683
2017 – 2021	68,420	1,386	41,240	111,046
2022 – 2026	87,175	1,119	18,497	106,791
2027 – 2031	113,715	773	5,772	120,260
2032 – 2036	121,915	352	802	123,069
2037 – 2041	34,160	25	39	34,224
	<u>\$ 477,095</u>	<u>5,451</u>	<u>138,023</u>	<u>620,569</u>

Credit Risk

The Authority's swap agreements are with three separate counterparties. As of June 30, 2011 and 2010, the Authority was not exposed to credit risk on its outstanding swap agreements as they all had negative fair values. If changes in interest rates 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, less contractually specified threshold levels, as applicable. The swap agreements contain varying collateral agreements with the counterparties, which require collateralization should the counterparty's credit rating fall below "AA-" (Standard and Poor's) or "Aa3" (Moody's).

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, 2011 and 2010, the interest rate on the variable rate bonds was 0.07% and 0.25%, respectively, and the SIFMA index was 0.09% and 0.31%, respectively.

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, 2011 and 2010

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 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.

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 maturity extends beyond the swap agreement maturity by seven years. The Authority believes that prepayments from mortgage loans used to redeem bonds prior to their maturity will be sufficient to minimize this risk.

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, 2011 and 2010; therefore, there is no collateral posting requirement.

(10) Subsequent Events

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 which 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 November 18, 2011, the Authority issued \$44 million of 2011 Series A Homeownership Revenue Bonds and \$66 million of 2009 Series A, Subseries A-1 Homeownership Revenue Bonds. The proceeds will be used to make funds available to acquire, purchase, or finance mortgage loans, mortgage-backed securities, or forgivable second-mortgage loans expected to be made to finance down payment and closing costs of qualified homebuyers.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Supplemental Asset and Liability Information

June 30, 2011

(Dollars in thousands)

Assets	Division					2011 total	2010 total
	Single Family Finance	Multifamily Finance	Agricultural Finance	Development Finance	Operating		
Current assets:							
Cash	\$ —	—	—	—	85	85	434
Investments	—	—	—	—	76,035	76,035	3,440
Loans receivable	—	—	—	—	241	241	1,282
Interest receivable	—	—	—	—	215	215	511
Other current assets	232	—	—	—	863	1,095	223
Restricted assets:							
Cash	34	—	—	—	—	34	34
Investments	32,022	—	—	—	—	32,022	32,349
Loans receivable	23,145	1,896	673	2,833	—	28,547	27,712
Interest receivable	6,422	1,245	466	467	—	8,600	9,413
Total current assets	61,855	3,141	1,139	3,300	77,439	146,874	75,398
Noncurrent assets:							
Long-term investments	—	—	—	—	12,939	12,939	15,266
Loans receivable	—	—	—	—	17,536	17,536	89,475
Restricted assets:							
Investments	228,274	—	—	—	—	228,274	274,983
Loans receivable	1,185,442	125,143	21,433	46,523	—	1,378,541	1,396,338
Deferred debt financing costs	291	—	—	—	—	291	301
Deferred outflow of derivative resources	8,402	—	—	—	—	8,402	44,892
Other assets	—	—	—	—	168	168	280
Total noncurrent assets	1,422,409	125,143	21,433	46,523	30,643	1,646,151	1,821,535
Total assets	\$ 1,484,264	128,284	22,572	49,823	108,082	1,793,025	1,896,933

NEBRASKA INVESTMENT FINANCE AUTHORITY

Supplemental Asset and Liability Information

June 30, 2011

(Dollars in thousands)

Liabilities and Net Assets	Division					2011 total	2010 total
	Single Family Finance	Multifamily Finance	Agricultural Finance	Development Finance	Operating		
Current liabilities:							
Accrued liabilities	\$ 6,599	—	—	—	5,063	11,662	7,228
Interest payable	9,243	1,245	466	467	—	11,421	13,339
Current portion of bonds payable	25,132	1,896	673	2,833	—	30,534	31,217
Total current liabilities	40,974	3,141	1,139	3,300	5,063	53,617	51,784
Noncurrent liabilities:							
Fair value of derivatives	8,402	—	—	—	—	8,402	44,892
Bonds payable, net of current portion	1,166,297	125,143	21,433	46,523	—	1,359,396	1,440,443
Less deferred loss on refunding	(32,574)	—	—	—	—	(32,574)	—
Swap upfront payment	34,214	—	—	—	—	34,214	5,082
Deferred savings	39,490	—	—	—	—	39,490	39,359
Other liabilities	—	—	—	—	20	20	251
Total noncurrent liabilities	1,215,829	125,143	21,433	46,523	20	1,408,948	1,530,027
Total liabilities	1,256,803	128,284	22,572	49,823	5,083	1,462,565	1,581,811
Net assets:							
Restricted by bond resolution	227,461	—	—	—	—	227,461	205,525
Unrestricted	—	—	—	—	102,999	102,999	109,597
Total net assets	227,461	—	—	—	102,999	330,460	315,122
Total liabilities and net assets	\$ 1,484,264	128,284	22,572	49,823	108,082	1,793,025	1,896,933

See accompanying independent auditors' report.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Single Family Finance Division

Supplemental Asset and Liability Information

June 30, 2011

(Dollars in thousands)

Assets	1983	1989	1994	2009	Single Family	General	Single Family Finance	
	Series A	Series B	Indenture	Indenture	Private Placements	Obligation	2011 total	2010 total
Current assets:								
Other current assets	\$ —	—	228	—	—	4	232	137
Restricted assets:								
Cash	34	—	—	—	—	—	34	34
Investments	46	—	31,976	—	—	—	32,022	32,349
Loans receivable	—	—	22,448	—	697	—	23,145	22,029
Interest receivable	361	3	5,905	—	147	6	6,422	6,964
Due (to) from	—	—	(1,500)	—	—	1,500	—	—
Total current assets	441	3	59,057	—	844	1,510	61,855	61,513
Noncurrent assets:								
Restricted assets:								
Investments	10,671	5,948	77,460	134,000	195	—	228,274	274,983
Loans receivable	—	2	1,140,276	—	43,250	1,914	1,185,442	1,189,872
Deferred debt financing costs	—	—	32	303	(44)	—	291	301
Deferred outflow of derivative resources	—	—	8,402	—	—	—	8,402	44,892
Due (to) from	—	—	(7,400)	—	—	7,400	—	—
Total noncurrent assets	10,671	5,950	1,218,770	134,303	43,401	9,314	1,422,409	1,510,048
Total assets	\$ 11,112	5,953	1,277,827	134,303	44,245	10,824	1,484,264	1,571,561
Liabilities and Net Assets								
Current liabilities:								
Accrued liabilities	\$ —	—	6,538	7	184	(130)	6,599	6,051
Interest payable	—	—	8,977	—	128	138	9,243	10,890
Current portion of bonds payable	107	—	23,525	—	—	1,500	25,132	25,534
Total current liabilities	107	—	39,040	7	312	1,508	40,974	42,475
Noncurrent liabilities:								
Fair value of derivatives	—	—	8,402	—	—	—	8,402	44,892
Bonds payable, net of current portion	362	2,567	977,009	134,000	43,353	9,006	1,166,297	1,233,977
Less deferred loss on refunding	—	—	(32,574)	—	—	—	(32,574)	—
Swap upfront payment	—	—	34,214	—	—	—	34,214	5,082
Deferred savings	—	—	39,490	—	—	—	39,490	39,359
Other liabilities	—	—	—	—	—	—	—	251
Total noncurrent liabilities	362	2,567	1,026,541	134,000	43,353	9,006	1,215,829	1,323,561
Total liabilities	469	2,567	1,065,581	134,007	43,665	10,514	1,256,803	1,366,036
Net assets:								
Restricted by bond resolution	10,643	3,386	212,246	296	580	310	227,461	205,525
Total liabilities and net assets	\$ 11,112	5,953	1,277,827	134,303	44,245	10,824	1,484,264	1,571,561

See accompanying independent auditors' report.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Single Family Finance Division – 1994 Indenture

Supplemental Asset and Liability Information

June 30, 2011

(Dollars in thousands)

Assets	2003 Series ABC	2003 Series DE	2004 Series AB	2004 Series CDE	2004 Series FG
Current assets:					
Other current assets	(2)	(2)	—	—	—
Restricted assets:					
Cash	—	—	—	—	—
Investments	2,829	1,548	2,845	3,422	2,693
Loans receivable	124	112	226	421	179
Interest receivable	27	25	53	93	43
Due (to) from	—	—	—	—	—
Total current assets	<u>2,978</u>	<u>1,683</u>	<u>3,124</u>	<u>3,936</u>	<u>2,915</u>
Noncurrent assets:					
Restricted assets:					
Investments	—	—	—	—	—
Loans receivable	5,921	5,339	11,562	20,412	9,236
Deferred debt financing costs	—	—	—	—	—
Deferred outflow of derivative resources	—	—	—	—	—
Due (to) from	(1,100)	—	(1,200)	(1,200)	(800)
Total noncurrent assets	<u>4,821</u>	<u>5,339</u>	<u>10,362</u>	<u>19,212</u>	<u>8,436</u>
Total assets	<u><u>7,799</u></u>	<u><u>7,022</u></u>	<u><u>13,486</u></u>	<u><u>23,148</u></u>	<u><u>11,351</u></u>
Liabilities and Net Assets					
Current liabilities:					
Accrued liabilities	—	—	—	—	—
Interest payable	64	45	176	222	141
Current portion of bonds payable	330	230	375	460	350
Total current liabilities	<u>394</u>	<u>275</u>	<u>551</u>	<u>682</u>	<u>491</u>
Noncurrent liabilities:					
Fair value of derivatives	—	—	—	—	—
Bonds payable, net of current portion	3,835	2,490	10,725	12,981	9,370
Less deferred loss on refunding	—	—	—	—	—
Swap upfront payment	—	—	—	—	—
Deferred savings	—	—	—	—	—
Other liabilities	—	—	—	—	—
Total noncurrent liabilities	<u>3,835</u>	<u>2,490</u>	<u>10,725</u>	<u>12,981</u>	<u>9,370</u>
Total liabilities	<u>4,229</u>	<u>2,765</u>	<u>11,276</u>	<u>13,663</u>	<u>9,861</u>
Net assets:					
Restricted by bond resolution	3,570	4,257	2,210	9,485	1,490
Total liabilities and net assets	<u><u>7,799</u></u>	<u><u>7,022</u></u>	<u><u>13,486</u></u>	<u><u>23,148</u></u>	<u><u>11,351</u></u>

NEBRASKA INVESTMENT FINANCE AUTHORITY

Single Family Finance Division – 1994 Indenture

Supplemental Asset and Liability Information

June 30, 2011

(Dollars in thousands)

Assets	2005 Series AB	2005 Series CD	2006 Series AB	2006 Series C	2006 Series D	2006 Series E
Current assets:						
Other current assets	\$ —	(2)	—	—	—	—
Restricted assets:						
Cash	—	—	—	—	—	—
Investments	722	2,314	2,804	1,954	2,268	1,769
Loans receivable	234	219	258	717	636	622
Interest receivable	53	57	67	184	176	179
Due (to) from	—	—	—	—	—	—
Total current assets	<u>1,009</u>	<u>2,588</u>	<u>3,129</u>	<u>2,855</u>	<u>3,080</u>	<u>2,570</u>
Noncurrent assets:						
Restricted assets:						
Investments	—	—	—	—	—	—
Loans receivable	11,657	12,136	14,055	40,233	37,087	37,073
Deferred debt financing costs	—	—	—	—	—	—
Deferred outflow of derivative resources	—	—	—	—	—	—
Due (to) from	—	(1,000)	(700)	(700)	(700)	—
Total noncurrent assets	<u>11,657</u>	<u>11,136</u>	<u>13,355</u>	<u>39,533</u>	<u>36,387</u>	<u>37,073</u>
Total assets	<u>\$ 12,666</u>	<u>13,724</u>	<u>16,484</u>	<u>42,388</u>	<u>39,467</u>	<u>39,643</u>
Liabilities and Net Assets						
Current liabilities:						
Accrued liabilities	\$ —	—	—	—	—	—
Interest payable	173	153	210	620	601	623
Current portion of bonds payable	420	605	835	745	575	475
Total current liabilities	<u>593</u>	<u>758</u>	<u>1,045</u>	<u>1,365</u>	<u>1,176</u>	<u>1,098</u>
Noncurrent liabilities:						
Fair value of derivatives	—	—	—	—	—	—
Bonds payable, net of current portion	10,760	10,085	13,040	38,075	35,460	36,232
Less deferred loss on refunding	—	—	—	—	—	—
Swap upfront payment	—	—	—	—	—	—
Deferred savings	—	—	—	—	—	—
Other liabilities	—	—	—	—	—	—
Total noncurrent liabilities	<u>10,760</u>	<u>10,085</u>	<u>13,040</u>	<u>38,075</u>	<u>35,460</u>	<u>36,232</u>
Total liabilities	<u>11,353</u>	<u>10,843</u>	<u>14,085</u>	<u>39,440</u>	<u>36,636</u>	<u>37,330</u>
Net assets:						
Restricted by bond resolution	1,313	2,881	2,399	2,948	2,831	2,313
Total liabilities and net assets	<u>\$ 12,666</u>	<u>13,724</u>	<u>16,484</u>	<u>42,388</u>	<u>39,467</u>	<u>39,643</u>

NEBRASKA INVESTMENT FINANCE AUTHORITY

Single Family Finance Division – 1994 Indenture

Supplemental Asset and Liability Information

June 30, 2011

(Dollars in thousands)

Assets	2006 Series FG	2007 Series AB	2007 Series CD	2007 Series EF	2007 Series GH	2007 Series IJK
Current assets:						
Other current assets	\$ —	—	—	—	—	—
Restricted assets:						
Cash	—	—	—	—	—	—
Investments	1,405	1,220	1,736	2,033	1,503	2,674
Loans receivable	383	393	478	462	342	348
Interest receivable	104	99	114	118	102	107
Due (to) from	—	—	—	—	—	—
Total current assets	<u>1,892</u>	<u>1,712</u>	<u>2,328</u>	<u>2,613</u>	<u>1,947</u>	<u>3,129</u>
Noncurrent assets:						
Restricted assets:						
Investments	—	—	—	—	—	—
Loans receivable	22,239	22,080	26,790	26,470	21,545	22,442
Deferred debt financing costs	—	—	—	—	—	—
Deferred outflow of derivative resources	—	—	—	—	—	—
Due (to) from	—	—	—	—	—	—
Total noncurrent assets	<u>22,239</u>	<u>22,080</u>	<u>26,790</u>	<u>26,470</u>	<u>21,545</u>	<u>22,442</u>
Total assets	<u>\$ 24,131</u>	<u>23,792</u>	<u>29,118</u>	<u>29,083</u>	<u>23,492</u>	<u>25,571</u>
Liabilities and Net Assets						
Current liabilities:						
Accrued liabilities	\$ —	—	—	—	—	—
Interest payable	359	308	389	421	239	411
Current portion of bonds payable	575	925	1,160	1,080	800	480
Total current liabilities	<u>934</u>	<u>1,233</u>	<u>1,549</u>	<u>1,501</u>	<u>1,039</u>	<u>891</u>
Noncurrent liabilities:						
Fair value of derivatives	—	—	—	—	—	—
Bonds payable, net of current portion	21,709	19,765	24,165	24,565	13,805	23,245
Less deferred loss on refunding	—	—	—	—	—	—
Swap upfront payment	—	—	—	—	—	—
Deferred savings	—	—	—	—	—	—
Other liabilities	—	—	—	—	—	—
Total noncurrent liabilities	<u>21,709</u>	<u>19,765</u>	<u>24,165</u>	<u>24,565</u>	<u>13,805</u>	<u>23,245</u>
Total liabilities	<u>22,643</u>	<u>20,998</u>	<u>25,714</u>	<u>26,066</u>	<u>14,844</u>	<u>24,136</u>
Net assets:						
Restricted by bond resolution	1,488	2,794	3,404	3,017	8,648	1,435
Total liabilities and net assets	<u>\$ 24,131</u>	<u>23,792</u>	<u>29,118</u>	<u>29,083</u>	<u>23,492</u>	<u>25,571</u>

NEBRASKA INVESTMENT FINANCE AUTHORITY

Single Family Finance Division – 1994 Indenture

Supplemental Asset and Liability Information

June 30, 2011

(Dollars in thousands)

Assets	2008	2008	2010	Retired	1994 Indenture	
	Series AB	Series FGH	Series ABC	Bond Series	2011 total	2010 total
Current assets:						
Other current assets	\$ —	—	240	\$ (6)	228	132
Restricted assets:						
Cash	—	—	—	—	—	—
Investments	935	1,270	28,815	5,777	72,536	32,277
Loans receivable	212	155	11,679	4,248	22,448	22,029
Interest receivable	63	57	2,599	1,585	5,905	6,578
Due (to) from	—	—	—	(1,500)	(1,500)	(7,045)
Total current assets	<u>1,210</u>	<u>1,482</u>	<u>43,333</u>	<u>10,104</u>	<u>99,617</u>	<u>53,971</u>
Noncurrent assets:						
Restricted assets:						
Investments	—	—	—	36,900	36,900	124,642
Loans receivable	13,461	11,136	616,624	152,778	1,140,276	1,187,839
Deferred debt financing costs	—	—	32	—	32	—
Deferred outflow of derivative resources	—	—	8,402	—	8,402	44,892
Due (to) from	—	—	—	—	(7,400)	(8,900)
Total noncurrent assets	<u>13,461</u>	<u>11,136</u>	<u>625,058</u>	<u>189,678</u>	<u>1,178,210</u>	<u>1,348,473</u>
Total assets	<u>\$ 14,671</u>	<u>12,618</u>	<u>668,391</u>	<u>\$ 199,782</u>	<u>1,277,827</u>	<u>1,402,444</u>
Liabilities and Net Assets						
Current liabilities:						
Accrued liabilities	\$ —	—	6,551	\$ (13)	6,538	6,051
Interest payable	87	60	3,675	—	8,977	10,636
Current portion of bonds payable	525	330	12,250	—	23,525	18,475
Total current liabilities	<u>612</u>	<u>390</u>	<u>22,476</u>	<u>(13)</u>	<u>39,040</u>	<u>35,162</u>
Noncurrent liabilities:						
Fair value of derivatives	—	—	8,402	—	8,402	44,892
Bonds payable, net of current portion	5,645	3,515	657,542	—	977,009	1,086,043
Less deferred loss on refunding	—	—	(32,574)	—	(32,574)	—
Swap upfront payment	—	—	34,214	—	34,214	5,082
Deferred savings	—	—	39,490	—	39,490	39,359
Other liabilities	—	—	—	—	—	251
Total noncurrent liabilities	<u>5,645</u>	<u>3,515</u>	<u>707,074</u>	<u>—</u>	<u>1,026,541</u>	<u>1,175,627</u>
Total liabilities	<u>6,257</u>	<u>3,905</u>	<u>729,550</u>	<u>(13)</u>	<u>1,065,581</u>	<u>1,210,789</u>
Net assets:						
Restricted by bond resolution	8,414	8,713	(61,159)	199,795	212,246	191,655
Total liabilities and net assets	<u>\$ 14,671</u>	<u>12,618</u>	<u>668,391</u>	<u>\$ 199,782</u>	<u>1,277,827</u>	<u>1,402,444</u>

See accompanying independent auditors' report.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Development Finance Division

Supplemental Asset and Liability Information

June 30, 2011

(Dollars in thousands)

Assets	Healthcare	Industrial	Development Finance	
	Conduit Issues	Development Conduit Issues	2011 total	2010 total
Current assets:				
Restricted assets:				
Loans receivable	\$ 1,141	1,692	2,833	3,076
Interest receivable	142	325	467	518
Noncurrent assets:				
Restricted assets:				
Loans receivable	18,169	28,354	46,523	46,380
Total assets	\$ 19,452	30,371	49,823	49,974
Liabilities and Net Assets				
Current liabilities:				
Interest payable	\$ 142	325	467	518
Current portion of bonds payable	1,141	1,692	2,833	3,076
Total current liabilities	1,283	2,017	3,300	3,594
Noncurrent liabilities:				
Bonds payable, net of current portion	18,169	28,354	46,523	46,380
Total liabilities	19,452	30,371	49,823	49,974
Net assets	—	—	—	—
Total liabilities and net assets	\$ 19,452	30,371	49,823	49,974

See accompanying independent auditors' report.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Supplemental Revenue and Expense Information

Year ended June 30, 2011

(Dollars in thousands)

	Division				Operating	2011 total	2010 total
	Single Family Finance	Multifamily Finance	Agricultural Finance	Development Finance			
Operating revenues:							
Interest income:							
Loans	\$ 61,377	7,476	1,200	1,988	4,281	76,322	83,584
Investments	4,249	—	—	—	579	4,828	7,240
Net increase (decrease) in fair value of investments	271	—	—	—	(308)	(37)	(652)
Fees and other income	5	1,741	33	16	9	1,804	2,332
Total operating revenues	<u>65,902</u>	<u>9,217</u>	<u>1,233</u>	<u>2,004</u>	<u>4,561</u>	<u>82,917</u>	<u>92,504</u>
Operating expenses:							
Interest	49,736	7,473	1,200	1,988	84	60,481	65,258
General and administrative expenses	1,788	—	11	—	5,299	7,098	7,830
Total operating expenses	<u>51,524</u>	<u>7,473</u>	<u>1,211</u>	<u>1,988</u>	<u>5,383</u>	<u>67,579</u>	<u>73,088</u>
Nonoperating revenues (expenses):							
Grant revenue	—	—	—	—	32,091	32,091	—
Grant expense	—	—	—	—	(32,091)	(32,091)	—
Net nonoperating revenue (expense)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Change in net assets	14,378	1,744	22	16	(822)	15,338	19,416
Internal transfers	7,558	(1,744)	(22)	(16)	(5,776)	—	—
Net assets, beginning of year	205,525	—	—	—	109,597	315,122	295,706
Net assets, end of year	<u>\$ 227,461</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>102,999</u>	<u>330,460</u>	<u>315,122</u>

See accompanying independent auditors' report.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Single Family Finance Division

Supplemental Revenue and Expense Information

Year ended June 30, 2011

(Dollars in thousands)

	1983 Series A	1989 Series B	1994 Indenture	2009 Indenture	Single Family Private Placements	General Obligation	Single Family Finance	
							2011 total	2010 total
Operating revenues:								
Interest income:								
Loans	\$ 88	1	60,607	—	10	671	61,377	71,185
Investments	862	77	3,310	—	—	—	4,249	5,566
Net increase (decrease) in fair value of investments	6	195	70	—	—	—	271	395
Fees and other income	—	—	—	—	—	5	5	7
Total operating revenues	956	273	63,987	—	10	676	65,902	77,153
Operating expenses:								
Interest	72	216	48,805	—	8	635	49,736	53,903
General and administrative expenses	1	—	1,753	11	3	20	1,788	1,699
Total operating expenses	73	216	50,558	11	11	655	51,524	55,602
Nonoperating revenues (expenses):								
Grant revenue	—	—	—	—	—	—	—	—
Grant expense	—	—	—	—	—	—	—	—
Net nonoperating revenue (expense)	—	—	—	—	—	—	—	—
Change in net assets	883	57	13,429	(11)	(1)	21	14,378	21,551
Internal transfers	—	(114)	7,162	6	581	(77)	7,558	3,832
Net assets, beginning of year	9,760	3,443	191,655	301	—	366	205,525	180,142
Net assets, end of year	\$ 10,643	3,386	212,246	296	580	310	227,461	205,525

See accompanying independent auditors' report.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Single Family Finance Division – 1994 Indenture

Supplemental Revenue and Expense Information

Year ended June 30, 2011

(Dollars in thousands)

	<u>2003</u> <u>Series ABC</u>	<u>2003</u> <u>Series DE</u>	<u>2004</u> <u>Series AB</u>	<u>2004</u> <u>Series CDE</u>	<u>2004</u> <u>Series FG</u>
Operating revenues:					
Interest income:					
Loans	(77)	349	77	1,369	248
Investments	—	—	—	—	—
Net increase (decrease) in fair value of investments	3	1	3	3	3
Fees and other income	—	—	—	—	—
Total operating revenues	<u>(74)</u>	<u>350</u>	<u>80</u>	<u>1,372</u>	<u>251</u>
Operating expenses:					
Interest	412	384	747	793	595
General and administrative expenses	<u>20</u>	<u>14</u>	<u>18</u>	<u>15</u>	<u>18</u>
Total operating expenses	<u>432</u>	<u>398</u>	<u>765</u>	<u>808</u>	<u>613</u>
Change in net assets	(506)	(48)	(685)	564	(362)
Internal transfers	2,906	3,425	1,656	2,367	1,033
Net assets, beginning of year	<u>1,170</u>	<u>880</u>	<u>1,239</u>	<u>6,554</u>	<u>819</u>
Net assets, end of year	<u><u>3,570</u></u>	<u><u>4,257</u></u>	<u><u>2,210</u></u>	<u><u>9,485</u></u>	<u><u>1,490</u></u>

NEBRASKA INVESTMENT FINANCE AUTHORITY

Single Family Finance Division – 1994 Indenture

Supplemental Revenue and Expense Information

Year ended June 30, 2011

(Dollars in thousands)

	<u>2005</u> <u>Series AB</u>	<u>2005</u> <u>Series CD</u>	<u>2006</u> <u>Series AB</u>	<u>2006</u> <u>Series C</u>	<u>2006</u> <u>Series D</u>	<u>2006</u> <u>Series E</u>
Operating revenues:						
Interest income:						
Loans	\$ 857	545	1,144	2,362	2,348	2,414
Investments	—	—	—	—	—	—
Net increase (decrease) in fair value of investments	1	1	4	2	2	2
Fees and other income	—	—	—	—	—	—
Total operating revenues	<u>858</u>	<u>546</u>	<u>1,148</u>	<u>2,364</u>	<u>2,350</u>	<u>2,416</u>
Operating expenses:						
Interest	788	876	1,307	2,058	2,022	2,095
General and administrative expenses	23	36	47	9	9	6
Total operating expenses	<u>811</u>	<u>912</u>	<u>1,354</u>	<u>2,067</u>	<u>2,031</u>	<u>2,101</u>
Change in net assets	47	(366)	(206)	297	319	315
Internal transfers	418	2,055	1,056	635	591	457
Net assets, beginning of year	<u>848</u>	<u>1,192</u>	<u>1,549</u>	<u>2,016</u>	<u>1,921</u>	<u>1,541</u>
Net assets, end of year	<u>\$ 1,313</u>	<u>2,881</u>	<u>2,399</u>	<u>2,948</u>	<u>2,831</u>	<u>2,313</u>

NEBRASKA INVESTMENT FINANCE AUTHORITY

Single Family Finance Division – 1994 Indenture

Supplemental Revenue and Expense Information

Year ended June 30, 2011

(Dollars in thousands)

	<u>2006</u> <u>Series FG</u>	<u>2007</u> <u>Series AB</u>	<u>2007</u> <u>Series CD</u>	<u>2007</u> <u>Series EF</u>	<u>2007</u> <u>Series GH</u>	<u>2007</u> <u>Series IJK</u>
Operating revenues:						
Interest income:						
Loans	\$ 1,386	2,301	3,105	3,709	3,141	3,220
Investments	—	—	—	—	—	—
Net increase (decrease) in fair value of investments	2	3	3	5	3	4
Fees and other income	—	—	—	—	—	—
Total operating revenues	<u>1,388</u>	<u>2,304</u>	<u>3,108</u>	<u>3,714</u>	<u>3,144</u>	<u>3,224</u>
Operating expenses:						
Interest	1,344	1,891	2,259	2,743	2,252	2,458
General and administrative expenses	19	55	62	72	61	65
Total operating expenses	<u>1,363</u>	<u>1,946</u>	<u>2,321</u>	<u>2,815</u>	<u>2,313</u>	<u>2,523</u>
Change in net assets	25	358	787	899	831	701
Internal transfers	289	914	(295)	(348)	6,188	(370)
Net assets, beginning of year	<u>1,174</u>	<u>1,522</u>	<u>2,912</u>	<u>2,466</u>	<u>1,629</u>	<u>1,104</u>
Net assets, end of year	<u>\$ 1,488</u>	<u>2,794</u>	<u>3,404</u>	<u>3,017</u>	<u>8,648</u>	<u>1,435</u>

NEBRASKA INVESTMENT FINANCE AUTHORITY

Single Family Finance Division – 1994 Indenture

Supplemental Revenue and Expense Information

Year ended June 30, 2011

(Dollars in thousands)

	<u>2008</u> <u>Series AB</u>	<u>2008</u> <u>Series FGH</u>	<u>2010</u> <u>Series ABC</u>	<u>Retired</u> <u>Bond Series</u>	<u>1994 Indenture</u>	
					<u>2011 total</u>	<u>2010 total</u>
Operating revenues:						
Interest income:						
Loans	\$ 1,808	1,618	20,617	\$ 8,066	60,607	70,079
Investments	—	—	—	3,310	3,310	4,656
Net increase (decrease) in fair value of investments	2	2	4	17	70	18
Fees and other income	—	—	—	—	—	—
Total operating revenues	<u>1,810</u>	<u>1,620</u>	<u>20,621</u>	<u>11,393</u>	<u>63,987</u>	<u>74,753</u>
Operating expenses:						
Interest	1,201	1,133	16,624	4,823	48,805	52,587
General and administrative expenses	35	48	922	199	1,753	1,615
Total operating expenses	<u>1,236</u>	<u>1,181</u>	<u>17,546</u>	<u>5,022</u>	<u>50,558</u>	<u>54,202</u>
Change in net assets	574	439	3,075	6,371	13,429	20,551
Internal transfers	7,419	8,161	(64,234)	32,839	7,162	3,802
Net assets, beginning of year	421	113	—	160,585	191,655	167,302
Net assets, end of year	<u>\$ 8,414</u>	<u>8,713</u>	<u>(61,159)</u>	<u>\$ 199,795</u>	<u>212,246</u>	<u>191,655</u>

See accompanying independent auditors' report.

NEBRASKA INVESTMENT FINANCE AUTHORITY

Development Finance Division

Supplemental Revenue and Expense Information

Year ended June 30, 2011

(Dollars in thousands)

	Healthcare Conduit Issues	Industrial Development Conduit Issues	Development Finance	
			2011 total	2010 total
Operating revenues:				
Interest income:				
Loans	\$ 1,049	939	1,988	1,904
Investments	—	—	—	—
Net increase (decrease) in fair value of investments	—	—	—	—
Fees and other income	—	16	16	21
Total operating revenues	<u>1,049</u>	<u>955</u>	<u>2,004</u>	<u>1,925</u>
Operating expenses:				
Interest	1,049	939	1,988	1,904
General and administrative expenses	—	—	—	—
Total operating expenses	<u>1,049</u>	<u>939</u>	<u>1,988</u>	<u>1,904</u>
Change in net assets	—	16	16	21
Internal transfers	—	(16)	(16)	(21)
Net assets, beginning of year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net assets, end of year	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>

See accompanying independent auditors' report.