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**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**

**COMBINED FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITOR'S REPORT  
AND  
OMB CIRCULAR A-133 REPORTS**

**YEAR ENDED SEPTEMBER 30, 2001  
(WITH COMPARATIVE TOTALS FOR 2000)**

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**THOMPSON, COBB, BAZILIO & ASSOCIATES, P.C.**  
*Certified Public Accountants and Management, Systems and Financial Consultants*

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**Main:**  
1101 15th Street, NW  
Suite 400  
Washington, D.C. 20005  
(202) 737-3300  
Fax: (202) 737-2684

**Regional:**  
100 Pearl Street  
14<sup>th</sup> Floor  
Hartford, CT 06103  
(203) 249-7246  
Fax: (203) 275-6504

**Regional:**  
21250 Hawthorne Blvd.  
Suite 500  
Torrance, California 90503  
(310) 792-7001  
Fax: (310) 792-7004

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
District of Columbia Housing Finance Agency

We have audited the accompanying combined balance sheet of the District of Columbia Housing Finance Agency ("the Agency") (a component unit of the District of Columbia Government) as of September 30, 2001, and the related combined statements of revenue, expenses and changes in fund balance and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the District of Columbia Housing Finance Agency as of September 30, 2001, and the results of its operations and changes in its fund balances and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued reports dated December 19, 2001, on our consideration of the Agency's internal control structure and on its compliance with laws and regulations.

Washington, D.C.  
December 19, 2001

*Thompson, Cobb, Bazilio & Associates, P.C.*

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY  
COMBINED BALANCE SHEET  
SEPTEMBER 30, 2001  
(WITH COMPARATIVE TOTALS FOR 2000)**

	<u>General Fund</u>	<u>Multi-Unit Housing Finance Corp. Fund</u>	<u>Single-Family Program Fund</u>	<u>Multi-Family Program Fund</u>	<u>DC Building Finance Corporation Fund</u>	<u>Memorandum Totals</u>	
						<u>2001</u>	<u>2000</u>
<b>ASSETS</b>							
Cash and cash equivalents (Note 3)	\$20,017,327	\$ -	\$ 438,207	\$ 82,994	\$ -	\$20,538,528	\$ 10,100,498
Investments held in trust (Note 3)	4,224,473	-	214,334,041	99,599,379	259,696	318,417,589	296,885,714
Mortgage backed securities, at fair value (Note 3)	-	-	296,750,615	28,223,057	-	324,973,672	260,160,362
Mortgage and construction loans receivable (Note 4)	280,421	-	7,841,337	275,292,154	-	283,413,912	265,405,719
Accrued interest receivable	41,069	-	3,778,501	2,893,617	-	6,713,187	8,149,500
Other receivables	707,616	-	-	9,980,919	68,759	10,757,294	541,674
Loans receivable	23,649	-	-	1,660,289	-	1,683,938	1,492,988
McKinney Act funds receivable	2,274,036	-	-	-	-	2,274,036	3,217,321
Tenant subsidy funds receivable	-	-	-	-	-	-	-
Property, furniture and equipment, at cost, net of accumulated Depreciation of \$1,027,262 in 2001 and \$899,299 in 2000 (Note 5)	304,885	-	-	-	2,155,840	2,460,725	2,355,276
Leasehold improvements, at cost, net of accumulated Amortization of \$395,468 in 2001 and \$351,971 in 2000	581,296	-	-	-	-	581,296	615,215
Unamortized bond issuance costs	-	-	3,613,687	11,515,379	114,031	15,243,097	11,631,487
Interfund receivable/(payable) (Note 14)	2,710,355	1,260,682	(2,684,066)	(1,286,221)	(750)	-	-
Other assets	<u>272,779</u>	<u>-</u>	<u>-</u>	<u>3,957,993</u>	<u>31,925</u>	<u>4,262,697</u>	<u>1,065,667</u>
<b>TOTAL ASSETS</b>	<u>\$31,437,906</u>	<u>\$1,260,682</u>	<u>\$524,072,322</u>	<u>\$431,919,560</u>	<u>\$2,629,501</u>	<u>\$991,319,971</u>	<u>\$861,621,421</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Bonds payable, net (Note 6)	\$ -	\$ -	\$495,865,064	\$366,134,050	\$ -	\$861,999,114	\$770,391,832
Certificates of Participation (Note 9)	-	-	-	-	2,150,000	2,150,000	2,240,000
Deferred credit (Note 7)	1,192,796	-	4,800,000	40,863,932	-	46,856,728	34,301,828
Deferred revenue (Note 8)	3,101,283	-	1,547,504	782,187	119,395	5,550,369	4,826,971
Accrued interest payable	-	-	8,284,274	4,108,772	37,002	12,430,048	13,606,269
Accounts payable and accrued liabilities	<u>2,241,389</u>	<u>-</u>	<u>33,978</u>	<u>445,510</u>	<u>208,278</u>	<u>2,929,155</u>	<u>2,357,506</u>
<b>TOTAL LIABILITIES</b>	<u>6,535,468</u>	<u>-</u>	<u>510,530,820</u>	<u>412,334,451</u>	<u>2,514,675</u>	<u>931,915,414</u>	<u>827,724,406</u>
Fund balances:							
Allocated (Note 10)	6,759,577	-	10,857,436	18,298,888	0	35,915,901	17,186,902
Unallocated	<u>18,142,861</u>	<u>1,260,682</u>	<u>2,684,066</u>	<u>1,286,221</u>	<u>114,826</u>	<u>23,488,656</u>	<u>16,710,113</u>
<b>TOTAL FUND BALANCES</b>	<u>24,902,438</u>	<u>1,260,682</u>	<u>13,541,502</u>	<u>19,585,109</u>	<u>114,826</u>	<u>59,404,557</u>	<u>33,897,015</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$31,437,906</u>	<u>\$1,260,682</u>	<u>\$524,072,322</u>	<u>\$431,919,560</u>	<u>\$2,629,501</u>	<u>\$991,319,971</u>	<u>\$861,621,421</u>

The accompanying notes are an integral part of these financial statements.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY  
COMBINED STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND BALANCES  
YEAR ENDED SEPTEMBER 30, 2001  
(WITH COMPARATIVE TOTALS FOR 2000)**

	<u>General Fund</u>	<u>Multi-Unit Housing Finance Corp. Fund</u>	<u>Single-Family Program Fund</u>	<u>Multi-Family Program Fund</u>	<u>DC Building Finance Corporation Fund</u>	<u>Memorandum Totals</u>	
						<u>2001</u>	<u>2000</u>
<b>REVENUE</b>							
Investment income	\$ 655,454	\$ -	\$11,496,457	\$ 5,250,858	\$ 16,369	\$ 17,419,138	\$ 14,519,284
Mortgage backed securities income	-		18,038,775	1,423,290	-	19,462,065	15,591,788
Net increase (decrease) in the fair value of investments (Note 3)	(26,672)	-	12,439,931	885,068	-	13,298,327	(4,598,385)
Interest on mortgage and construction loans	18,038	-	744,891	15,194,871	-	15,957,800	14,935,338
U.S. Department of Housing and Urban Development Section 8 program (Note 11) - Housing assistance grant	12,987,275	-	-	-	-	12,987,275	12,907,586
Servicing project grant (Note 11)	5,909,850	-	-	-	-	5,909,850	6,249,443
McKinney Act Revenue	822,726	-	-	-	-	822,726	552,593
Application and commitment fees	85,812	-	-	-	-	85,812	140,743
Other income (Note 13)	<u>7,888,959</u>	<u>-</u>	<u>1,436,024</u>	<u>4,036,458</u>	<u>213,015</u>	<u>13,574,456</u>	<u>9,918,952</u>
<b>TOTAL REVENUE</b>	<u>28,341,442</u>	<u>-</u>	<u>44,156,078</u>	<u>26,790,545</u>	<u>229,384</u>	<u>99,517,449</u>	<u>70,217,342</u>
<b>EXPENSES</b>							
Interest expense	-	-	28,099,484	15,412,258	114,095	43,625,837	37,338,227
Amortization of bond discount	-	-	65,942	75,520	-	141,462	121,280
Amortization of bond issuance costs	-	-	138,253	622,091	8,735	769,079	405,229
HUD Section 8 housing assistance - Program payments	10,000,095	-	893,505	982,839	-	11,876,439	11,354,210
Housing assistance payments	8,897,030	-	-	-	-	8,897,030	9,140,078
Personnel and related costs	2,723,323	-	-	-	-	2,723,323	2,242,651
General operating expenses	902,036	-	441,632	2,520,288	-	3,863,956	3,534,526
Other expenses	<u>16,380</u>	<u>-</u>	<u>12,434</u>	<u>1,918,396</u>	<u>67,240</u>	<u>2,014,450</u>	<u>1,477,342</u>
<b>TOTAL EXPENSES</b>	<u>22,538,864</u>	<u>-</u>	<u>29,651,250</u>	<u>21,531,392</u>	<u>190,070</u>	<u>73,911,576</u>	<u>65,613,543</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE EXTRAORDINARY ITEM</b>	5,802,578	-	14,504,828	5,259,153	39,314	25,605,873	4,603,799
<b>EXTRAORDINARY ITEM - LOSS ON EXTINGUISHMENT OF DEBT (Note 15)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(98,331)</u>	<u>-</u>	<u>(98,331)</u>	<u>(332,505)</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	5,802,578	-	14,504,828	5,160,822	39,314	25,507,542	4,271,294
<b>FUND BALANCES, Beginning of Year</b>	<u>19,099,860</u>	<u>1,260,682</u>	<u>(963,326)</u>	<u>14,424,287</u>	<u>75,512</u>	<u>33,897,015</u>	<u>29,625,721</u>
<b>FUND BALANCES, End of Year</b>	<u>\$24,902,438</u>	<u>\$1,260,682</u>	<u>\$13,541,502</u>	<u>\$19,585,109</u>	<u>\$114,826</u>	<u>\$ 59,404,557</u>	<u>\$33,897,015</u>

The accompanying notes are an integral part of these financial statements.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**COMBINED STATEMENT OF CASH FLOWS**  
**YEAR ENDED SEPTEMBER 30, 2001**  
**(WITH COMPARATIVE TOTALS FOR 2000)**

	<u>General</u>	<u>Multi-Unit</u>	<u>Single-Family</u>	<u>Multi-Family</u>	<u>DC Building</u>	<u>Memorandum Totals</u>	
	<u>Fund</u>	<u>Housing Finance</u>	<u>Program</u>	<u>Program</u>	<u>Finance</u>	<u>2001</u>	<u>2000</u>
		<u>Corporation</u>	<u>Fund</u>	<u>Fund</u>	<u>Corporation</u>		
Resources provided by (used in) operations							
Excess (deficiency) of revenue over expense	\$ 5,802,578	\$ -	\$ 14,504,828	\$ 5,160,822	\$ 39,314	\$ 25,507,542	\$ 4,271,294
Add items not requiring cash resources:							
Extraordinary loss	-	-	-	98,331	-	98,331	332,505
Depreciation	61,472	-	-	-	66,491	127,963	104,579
Amortization of bond premium/discount	-	-	298,785	(13,890)	-	284,895	2,017,085
Amortization of bond issuance costs	-	-	237,306	(3,855,735)	6,819	(3,611,610)	(3,689,376)
Accretion of capital appreciation bonds	-	-	213,174	1,532,786	-	1,745,960	(1,307,104)
Amortization of leasehold improvements	<u>43,497</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,497</u>	<u>53,985</u>
Resources provided by (used in) current operations	<u>5,907,547</u>	<u>-</u>	<u>15,254,093</u>	<u>2,922,314</u>	<u>112,624</u>	<u>24,196,578</u>	<u>1,782,968</u>
(Increase) decrease in operating assets:							
Loans receivable	4,503	-	-	(195,453)	-	(190,950)	(212,098)
McKinney Act funds receivable	943,285	-	-	-	-	943,285	(395,095)
Other receivables	(259,349)	-	-	(9,956,059)	(212)	(10,215,620)	86,965
Tenant subsidy funds receivable	-	-	-	-	-	-	173,190
Bond issuance costs	-	-	-	-	-	-	-
Interfund receivable	(750)	-	-	-	750	-	-
Other assets	(26,874)	-	95,681	(3,267,753)	1,916	(3,197,030)	5,920,079
(Decrease) increase in operating liabilities:							
Deferred revenue	1,203,787	-	(396,498)	(76,727)	(7,164)	723,398	(946,951)
Accounts payable and accrued liabilities	<u>953,475</u>	<u>-</u>	<u>8,100</u>	<u>(389,926)</u>	<u>-</u>	<u>571,649</u>	<u>(131,708)</u>
<b>Net change in operating requirements</b>	<u>2,818,077</u>	<u>-</u>	<u>(292,717)</u>	<u>(13,885,918)</u>	<u>(4,710)</u>	<u>(11,365,268)</u>	<u>4,494,382</u>
<b>Net resources provided by (used for) operations</b>	<u>8,725,624</u>	<u>-</u>	<u>14,961,376</u>	<u>(10,963,604)</u>	<u>107,914</u>	<u>12,831,310</u>	<u>6,277,350</u>
Cash flows provided by (used for) capital and related financing activities:							
Proceeds from bond issuances, net of discounts and premiums	-	-	168,550,000	84,054,800	-	252,604,800	283,247,080
Repayment of bonds payable	-	-	(151,865,439)	(11,261,265)	(90,000)	(163,216,704)	(68,801,048)
Increase (decrease) in accrued interest payable	-	-	(1,598,864)	424,188	(1,545)	(1,176,221)	4,124,250
Deferred credit	<u>(15,523)</u>	<u>-</u>	<u>1,600,000</u>	<u>10,970,423</u>	<u>-</u>	<u>12,554,900</u>	<u>22,705,858</u>
<b>Net resources provided by (used for) capital and related financing activities</b>	<u>(15,523)</u>	<u>-</u>	<u>16,685,697</u>	<u>84,188,146</u>	<u>(91,545)</u>	<u>100,766,775</u>	<u>241,276,140</u>
Cash flows provided by (used for) investing activities:							
Mortgage and construction loans	696,139	-	1,130,870	(19,835,202)	-	(18,008,193)	(56,910,854)
(Increase) decrease in accrued interest receivable	9,440	-	2,242,495	(815,622)	-	1,436,313	(3,088,238)
Purchase of furniture and equipment, net of proceeds	<u>(242,990)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(242,990)</u>	<u>(126,148)</u>
<b>Net resources provided by (used for) investing activities</b>	<u>462,589</u>	<u>-</u>	<u>3,373,365</u>	<u>(20,650,824)</u>	<u>-</u>	<u>(16,814,870)</u>	<u>(60,125,240)</u>
<b>Net change in cash/cash equivalents and investments</b>	9,172,690	-	35,020,438	52,573,718	16,369	96,783,215	187,428,250
<b>Cash/cash equivalents and investments, beginning of year</b>	<u>15,069,110</u>	<u>-</u>	<u>476,502,425</u>	<u>75,331,712</u>	<u>243,327</u>	<u>567,146,574</u>	<u>379,718,324</u>
<b>Cash/cash equivalents and investments, ending of year</b>	<u>\$24,241,800</u>	<u>\$ -</u>	<u>\$511,522,863</u>	<u>\$127,905,430</u>	<u>\$259,696</u>	<u>\$663,929,789</u>	<u>\$567,146,574</u>

The accompanying notes are an integral part of these financial statements.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**

**NOTE 1: ORGANIZATION AND PURPOSE**

The District of Columbia Housing Finance Agency (the Agency) was created as a corporate body which has a legal existence separate from the Government of the District of Columbia (the District) but which is an instrumentality of the District, created to effectuate certain public purposes. The Agency was empowered to, among other authorized activities, generate funds from public and private sources to increase the supply of, and to lower the cost of, funds available for residential mortgages and notes and for the construction of permanent multi-family rental properties.

In 1991, the Governmental Accounting Standards Board issued Statement No. 14, *The Financial Reporting Entity*. The definition of the reporting entity is based primarily on the notion of financial accountability. In determining financial accountability for legally separate organizations, the Agency considered whether its officials appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or if there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the Agency. The Agency also considered whether there are organizations that are fiscally dependent on it. It was determined that there are no component units of the Agency.

The Agency is included in the District's Comprehensive Annual Financial Report as a Discretely Presented Component Unit.

The Agency established the District of Columbia Multi-Unit Housing Finance Corporation (the Multi-Unit Corporation) as a nonprofit corporation under the laws of the District in September 1983. The Multi-Unit Corporation serves as an instrumentality specifically for obligations issued under U.S. Department of Housing and Urban Development (HUD) Regulation 11(b), for which the Agency serves as "parent housing authority". The Multi-Unit Corporation's financial transactions are included as a separate fund of the Agency.

The Agency established the District of Columbia Building Finance Corporation (the Building Corporation) as a nonprofit corporation under the laws of the District of Columbia in July 1998. The Building Corporation's financial transactions are included as a separate fund of the Agency.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**

The bonds issued by the Agency and the Corporation are payable principally from repayments of mortgage loans financed by or purchased from the proceeds of such bonds and are not a debt of the Agency or the District. Neither the faith and credit nor the taxing power of the District is pledged for the repayment of the bonds.

The following is a summary of significant accounting policies:

**Fund Accounting** - For financial reporting purposes only, the Agency is a component unit of the District of Columbia Government. The financial activities of the Agency are recorded in funds, each of which represents a separate accounting entity. The Agency uses the accrual method of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

The following is a description of the funds maintained by the Agency:

**General Fund** - The General Fund is used to record the receipt of income not directly pledged for repayment of securities, to pay expenses related to the Agency's administrative functions, and to account for grant revenues and expenditures related to the Section 8A grants from HUD.

**Multi-Family Program Fund** - The Multi-Family Program Fund is used to account for the proceeds of multi-family mortgage revenue bond issues, investments held pursuant to the indenture authorizing the issuance of the bonds, the debt service requirements on the bonds, and the related mortgage loan financing for newly constructed or rehabilitated multi-family rental housing in the District of Columbia.

**Multi-Unit Housing Finance Corporation Fund** - The Multi-Unit Housing Finance Corporation Fund is used to account for the proceeds of notes and bonds issued by the Multi-Unit Corporation to provide financing for multi-unit rental housing mortgage loans in the District of Columbia, the debt service requirements on the notes and bonds, and the related mortgage loans and investments held pursuant to the indenture authorizing the issuance of such notes and bonds.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**

**D.C. Building Finance Corporation Fund** - The D.C. Building Finance Corporation Fund is used to account for the lease and Certificates of Participation issued by the Agency to finance the purchase of a building.

**Single-Family Program Fund** - The Single-Family Program Fund is used to account for the proceeds of single-family mortgage revenue bond issues, investments held pursuant to the indenture authorizing the issuance of the bonds, the debt service requirements on the bonds, and debt service collected from mortgage loans purchased for the financing of owner-occupied single-family residences in the District of Columbia.

**Investments** - Investments of the General Fund are made in accordance with the Agency's investment policy, which generally includes instruments issued or secured by the United States Government or covered by Federal insurance programs. These funds have been designated for use by the Agency for mortgage insurance premiums, maintenance costs related to federal financial assistance programs, and other contingencies.

Investments in the other funds consist of those permitted by the respective trust indentures adopted by the Agency providing for the issuance of notes and bonds.

**Mortgage-Backed Securities** - Mortgage-backed securities represent certificates issued by the Government National Mortgage Association ("GNMA") and FANNIE MAE which guarantee the receipt by the Agency's trustee of monthly principal and interest from mortgages originated under the Agency's Single-Family and Multi-Family Loan Programs.

**Mortgage and Construction Loans Receivable** - Mortgage and construction loans are carried at amounts advanced, net of collections and allowances for potential loan losses, if any. As of September 30, 2001 and 2000, no allowance for potential loan losses was necessary.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property, Furniture and Equipment** - Property, furniture and equipment purchases are capitalized at cost and depreciated using the straight-line method over the estimated useful lives ranging from five to seven years.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**

**Leasehold Improvements** - Capital improvements to leased space are recorded as leasehold improvements and amortized over the shorter of the applicable lease life or the useful life of the improvement.

**Bond Issuance Costs** - Costs related to the issuance of bonds and participation certificates are amortized over the life of the related debt on a straight-line basis, which approximates the effective yield method, or are recognized upon early redemption of the bonds.

**Bond Discounts and Premiums** - Bond discount or premium arising from the sale of serial or term bonds is amortized using the straight-line method which approximates the effective yield method, over the life of the bond issue.

**Bond Accretion** - Interest on multiplier bonds or capital appreciation bonds (which do not pay interest during the life of the bonds) is added to the bond principal outstanding as interest is earned. The increase in value is recorded as a liability in bonds payable on the combined balance sheet and as interest expense on the combined statement of revenues, expenses and changes in fund balances.

**Loan Origination and Commitment Fees** - The Agency originates single family mortgage loans and earns fees for these loan originations. The Agency also charges application and financing fees to developers and participating lenders for commitments on financing. These fees are recognized as revenue when the services have been performed.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Statements of Cash Flows** - The Agency has presented a modified statement of cash flows as required by Government Accounting Standards Board Statement No. 9 for the years ended September 30, 2001 and 2000. For purposes of the statement of cash flows, the Agency considers highly liquid investments with original maturities of three months or less to be cash equivalents.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Comparative 2000 Financial Data** - The amounts shown for 2000 in the accompanying combined financial statements are included only to provide a basis for comparison with 2001 and are not intended to present all information necessary for a fair presentation in accordance with generally accepted accounting principles.

**NOTE 3: CASH/CASH EQUIVALENTS AND INVESTMENTS**

**Cash and Cash Equivalents** - The Agency's combined cash balance as of September 30, 2001, consists primarily of amounts held in trust accounts that are under the control of the Agency's trustees. Those amounts held in trust accounts and other demand deposit accounts are insured by Federal Deposit Insurance Corporation (FDIC) to the extent required by law.

Approximately \$3,566,867 of (McKinney Act Savings) are restricted in nature as they are only to be used to benefit very low income persons. In addition, \$1,422,025 and \$116,691 represents Home Fund Millenium Mortgage Phase III and DCHFA Minority Contractor Loan Fund Escrow, respectively, are also restricted.

As of September 30, 2001 and 2000, \$15,994,343 and \$9,800,498 respectively, were not insured by the FDIC; however, the U.S. Treasury and other securities with a market value of \$14,520,763 are pledged as collateral by the bank to cover a significant portion of the amount not insured by the FDIC.

**Investments** - The Agency's investments as of September 30, 2001, are shown below. Category A includes investments that are insured, registered or for which securities are held by the Agency or its agent in the Agency's name.

**NOTE 3: CASH/CASH EQUIVALENTS AND INVESTMENTS (Continued)**

Category B includes uninsured or unregistered investments with securities held by the broker's or dealer's trust department or its safekeeping agent in the Agency's name.

These investments are with major financial institutions under which each financial institution has insured the Agency from market risk and has agreed to pay a guaranteed interest rate. In addition, each financial institution has deposited with its trust department, in the Agency's name, qualifying securities in an amount equivalent to principal and interest.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
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Substantially all investments of the Multi-Family Program Fund, Housing Finance Corporation Fund, and the Single-Family Program Fund are restricted for advances or purchases of mortgage and construction loans and payment of debt service on related bonds.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**

**NOTE 3: CASH/CASH EQUIVALENTS AND INVESTMENTS (Continued)**

	Category A	Category B	Cost	Fair Value
U.S. Government Securities:				
Multi-Family	\$14,617,527	\$ -	\$14,617,527	\$ 14,751,630
Money Market Accounts:				
Multi-Family	-	3,497,013	3,497,013	3,497,013
Single-Family	-	41,137,201	41,137,201	41,137,201
General Fund	-	202,113	202,113	202,113
Building Fund	-	259,696	259,696	259,696
Fed. Nat. Mortgage Assoc. Investment Agreements:				
Multi-Family	-	918,059	918,059	918,059
Single Family	-	258,268	258,268	258,268
Bank Investment Agreements:				
Multi-Family	-	12,394,830	12,394,830	12,394,830
Single Family	-	5,383,849	5,383,849	5,383,849
Corporation Investment Agreements:				
Multi-Family	-	63,237,094	63,237,094	66,522,947
Single Family	-	168,193,096	168,193,096	169,069,848
Debt Securities Investments -				
General Fund	<u>4,125,415</u>	<u>-</u>	<u>4,125,415</u>	<u>4,022,135</u>
Total	<u>\$18,742,942</u>	<u>\$295,481,219</u>	<u>\$314,224,161</u>	<u>\$318,417,589</u>

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**

**NOTE 3: CASH/CASH EQUIVALENTS AND INVESTMENTS (Continued)**

As of September 30, 2001, and 2000, the Single-Family Program Fund held \$296,750,615 and \$248,341,323, in GNMA and FANNIE MAE Certificates, respectively, which are classified as mortgage-backed securities. As of September 30, 2001 and 2000, the Multi-Family Program Fund held \$28,223,057 and \$11,819,039 in GNMA and FANNIE MAE Certificates. Under investment classifications discussed above, the GNMA and FANNIE MAE Certificates are considered Category B investments.

During fiscal year 1998, the Agency changed its method of accounting for investments, as provided under GASB Statement No. 31 of the Governmental Accounting Standards Board. This requires governmental entities to report investments at fair value in the balance sheet and recognize changes in the fair value of investments in the statement of revenue, expenses and changes in fund balances.

The Agency's Single Family Program recorded unrealized gains of \$12,439,931 for fiscal year 2001 and unrealized loss of \$4,615,992 for fiscal year 2000. The Agency's Multifamily Program recorded unrealized gains of \$885,068 and unrealized losses of \$11,197 in fiscal years 2001 and 2000, respectively. These significant variances in fair value are caused by interest rate fluctuations and would be realized only upon sale of the securities. For all practical purposes, the GNMA and FANNIE MAE certificates are held until maturity, being reduced by the corresponding monthly remittances received over the life of the related mortgage loans, at the stated interest rate. Given the foregoing and notwithstanding the reporting requirements of GASB Statement No. 31, these fluctuations do not have a deleterious effect on the Agency's financial performance.

**NOTE 4: MORTGAGE AND CONSTRUCTION LOANS RECEIVABLE**

Mortgage and construction loans receivable are secured by deeds of trust evidencing first mortgage liens on related real property. These loans are either insured by the Federal Housing Administration ("FHA"), the Veteran Administration ("VA"), or by private mortgage insurance up to a maximum of 90% of the outstanding mortgages. Both FHA and VA are U.S. Government agencies. Interest rates on these loans range from 5.74% to 12.00% and the loans have a repayment period of up to 40 years. Mortgage and construction loans as of September 30, 2001, and 2000, totaled \$283,413,912 and \$265,405,719, respectively.

**NOTE 5: PROPERTY, FURNITURE AND EQUIPMENT**

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**

Property, furniture and equipment consist of the following:

Land	\$ 573,000
Building	1,795,238
Furniture and equipment	961,485
Software	<u>158,264</u>
Total	3,487,987
Less accumulated depreciation	<u>(1,027,262)</u>
Property, furniture and equipment, net	<u>\$2,460,725</u>

Depreciation expense for fiscal year 2001 is \$127,963.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 6: BONDS PAYABLE**

Bonds payable consists of term and serial bonds which are subject to redemption at the option of the Agency or borrower in accordance with the terms of the respective bond indenture and bond resolution, in whole or in part, on various dates at prescribed redemption prices. Included in certain bond issues are capital appreciation bonds. The principal amount of these bonds appreciate based on either annual or semi-annual compounding on the original principal balance. These bonds are recorded in the financial statements at their current appreciated amounts.

Bonds have been issued to provide financing for the Agency's housing programs and are collateralized by:

- Mortgage loans made on the related multi-family developments or single-family residential mortgage loans purchased.
- Substantially all revenues, mortgage payments, and recovery payments received by the Agency from mortgage loans made on the related developments.
- Certain accounts, generally debt service reserve funds, established pursuant to the indenture authorizing issuance of the bonds.

The following is a summary of bonds outstanding by program fund (subject to varying redemption provisions) as of September 30, 2001 and 2000:

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**

<b>NOTE 6: BONDS PAYABLE (Continued)</b>	<b><u>2001</u></b>	<b><u>2000</u></b>
<b>Single Family Program Fund</b>		
The Single-Family Mortgage Bonds outstanding are as follows:		
1) 1986 Series I serial and capital appreciation bonds due March 1, 2000 through September 1, 2016 with interest rates ranging from 7.60% to 9.50%.	\$5,157,000	\$6,052,000
2) 1988 Series A serial bonds due December 1, 1997 through June 1, 2019 with interest rates ranging from 7.4% to 8.375%.	2,780,000	3,355,000
3) 1988 Series B serial bonds due December 1, 1999 through December 1, 2018 with interest rates ranging from 7.4% to 8.25%.	2,525,000	2,735,000
4) 1988 Series C serial bonds due December 1, 1997 through December 1, 2022 with interest rates ranging from 6.80% to 7.85%.	15,100,000	17,900,000
5) 1988 Series D serial bonds due December 1, 1999 through December 1, 2022 with interest rates ranging from 6.8% to 8.25%.	7,895,000	8,585,000

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**

<b>NOTE 6: BONDS PAYABLE (Continued)</b>	<b><u>2001</u></b>	<b><u>2000</u></b>
6) 1988 Series E2 serial bonds due December 1, 1997 through December 1, 2022 with interest rates ranging from 6.90% to 7.70%.	11,690,000	13,090,000
7) 1988 Series E3 serial bonds due December 1, 1997 through December 1, 2019 with interest rates ranging from 6.90% to 7.85%.	4,275,000	4,945,000
8) 1988 Series E4 serial bonds due June 1, 1999 through June 1, 2026 with interest rates ranging from 4.8% to 6.375%.	16,105,000	16,360,000
9) 1988 Series F1 serial bonds due December 1, 1999 through June 1, 2026 with interest rates ranging from 4.8% to 6.375%.	10,440,000	12,660,000
10) 1990 Series A serial bonds due December 1, 1997 through December 1, 2023 with interest rates ranging from 7.15% to 8.10%.	12,870,000	14,035,000
11) 1990 Series B serial bonds due December 1, 1997 through December 1, 2024 with interest rates ranging from 5.90% to 7.1%.	6,925,000	7,405,000

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY  
COMBINED BALANCE SHEET  
SEPTEMBER 30, 2001  
(WITH COMPARATIVE TOTALS FOR 2000)**

<b>NOTE 6: BONDS PAYABLE (Continued)</b>	<b><u>2001</u></b>	<b><u>2000</u></b>
12) 1990 Series C4 serial bonds due December 1, 1997 through December 1, 2024 with interest rates ranging from 3.60% to 6.35%.	4,335,000	4,475,000
13) 1994 Series A serial bonds due December 1, 2027 with an interest rate of 7.05%.	9,750,000	10,890,000
14) 1995 Series A serial bond due December 1, 2026 with interest rates ranging from 4% to 6.4%.	7,945,000	8,265,000
15) 1996 Taxable Series capital appreciation bonds due November 1, 2011 with interest rates of 7.625%.	2,609,783	3,172,180
16) 1996 Series A serial and term bonds due December 1, 2000 through December 1, 2028 with interest rates ranging from 4.25% to 6.75%.	26,060,000	27,365,000
17) 1997 Series B serial and term bonds due December 1, 2000 through December 1, 2028 with interest rates ranging from 4.20% to 6.35%.	30,555,000	31,835,000

The accompanying notes are an integral part of these financial statements.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**

<b>NOTE 6: BONDS PAYABLE (Continued)</b>	<b><u>2001</u></b>	<b><u>2000</u></b>
18) 1998 Series A bonds due December 1, 2001 through December 1, 2029 with interest rates ranging from 4.10% to 6.25%.	33,945,000	34,880,000
19) 1999 Series A bonds due December 1, 2000 through June 1, 2030 with interest rates ranging from 4.2% to 6.65%.	34,825,000	35,000,000
20) Draw Down 1999 Series A bonds due on December 15, 2033 with an interest rate of 2.40%.	61,550,000	-
21) 2000 Series A bonds due December 1, 2002 through June 1, 2031 with interest rates ranging from 5.05% to 7.5%.	34,185,000	35,000,000
22) 2000 Series B bonds due on March 21, 2001 with an interest rate of 4.35%.	-	99,000,000
23) 2000 Series C bonds due December 1, 2010 through June 1, 2031 with interest rates ranging from 5.75% to 6.25%.	8,750,000	8,750,000
24) 2000 Series D bonds due December 1, 2010 through June 1, 2031 with interest rates ranging from 5.65% to 7.45%.	35,000,000	35,000,000

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**

<b>NOTE 6: BONDS PAYABLE (Continued)</b>	<b><u>2001</u></b>	<b><u>2000</u></b>
25) 2000 Series E bonds due July 23, 2001 with interest rate 4.6%.	-	34,620,000
26) 2001 Series A serial bond due June 1, 2001 through December 31, 2032 with interest rates ranging from 3.90% to 6.85%.	22,000,000	-
27) 2001 Series A serial bond due June 1, 2001 through December 31, 2031 with interest rates ranging from 3.90% to 6.85%.	35,000,000	-
28) 2001 Series A serial bond due June 1, 2001 through December 31, 2031 with interest rates ranging from 3.90% to 6.85%.	<u>50,000,000</u>	<u>-</u>
Subtotal	492,271,783	475,374,180
Add: Amortized Bond Premium	4,989,862	4,756,888
Less: Unamortized Bond Discount	<u>(1,396,581)</u>	<u>(1,462,524)</u>
Total Single-Family Program Fund	<u>\$495,865,064</u>	<u>\$478,668,544</u>

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**

**NOTE 6: BONDS PAYABLE (Continued)**

**Multi-Family Program Fund**

The Multi-Family Mortgage Bonds outstanding are as follows:

		<u>2001</u>	<u>2000</u>
1)	1985 Series A & B serial bonds due December 1, 2000 to December 1, 2029 with interest rates ranging from 5.875% to 12%. <ul style="list-style-type: none"> <li>• Carmel Plaza North</li> <li>• Southern Hills</li> </ul>	\$ 8,830,000 11,037,472	\$ 8,830,000 11,118,635
2)	1985 Series C serial bond due December 1, 2029 with interest rates ranging from 7.25% to 9.25%. <ul style="list-style-type: none"> <li>• Parcel 13 Apartments</li> </ul>	-	1,297,222
3)	1985 Series Demand Obligation serial bond due July 1, 2027 with an interest rate of 4.125%. <ul style="list-style-type: none"> <li>• Chastleton Apartments</li> </ul>	-	4,270,000
4)	1987 Series A serial bond due January 1, 2026 with variable interest rates. <ul style="list-style-type: none"> <li>• Mt. Vernon Plaza</li> </ul>	13,105,000	13,105,000
5)	1999/1988 Series serial bonds due August 1, 1999 through February 1, 2031 with interest rates ranging from 5% to 5.85%. <ul style="list-style-type: none"> <li>• Mayfair Mansions</li> </ul>	14,050,000	14,220,000

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**

**NOTE 6: BONDS PAYABLE (Continued)**

		<u>2001</u>	<u>2000</u>
6)	1989 Series A serial bonds due December 1, 2005 through October 1, 2019 with variable interest rates.		
	• Fort Lincoln	7,995,000	8,195,000
7)	1991 Series serial bond due December 1, 2011 with an interest rate of 7.4%.		
	• New Parkchester Apartments	6,985,000	7,180,000
8)	1992 Series A & B serial bonds due September 1, 2002 through January 1, 2025 with interest rates ranging from 6.55% to 7.25%.		
	• Cavalier Apartments	11,860,000	11,990,000
	• Euclid, Kenyon, Franklin, Garfield and Ritch Homes	12,945,000	13,035,000
9)	1992 Series C serial bonds due July 1, 2002 to July 1, 2027 with interest rates ranging from 6.25% to 6.95%.		
	• Chastleton Development	14,050,000	14,235,000
10)	1992 Series D & E serial bonds due July 1, 2002 through July 1, 2004 with interest rates ranging from 6% to 6.375%.		
	• Faircliff, Ivy City and Southview Apartments	8,425,000	8,540,000

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**

**NOTE 6: BONDS PAYABLE (Continued)**

		<u>2001</u>	<u>2000</u>
11)	1993 Series A & B serial bonds due July 1, 1997 through July 1, 2025 with interest rates ranging from 5.25% to 6%. <ul style="list-style-type: none"> <li>• Southview II</li> </ul>	5,100,000	5,170,000
12)	1994 Series A & B & C serial bonds due February 1, 1997 through August 1, 2024 with interest rates ranging from 5.875% to 6.80%. <ul style="list-style-type: none"> <li>• Trinity Apartments</li> </ul>	10,290,000	10,445,000
13)	1994 Series D serial bonds due January 1, 2006 through January 1, 2023 with interest rates ranging from 6.6% to 9.75%. <ul style="list-style-type: none"> <li>• Oak Street</li> </ul>	1,835,000	1,845,000
14)	1995 Series bonds due July 1, 2025 with an interest rate of 7.525%. <ul style="list-style-type: none"> <li>• Tyler House</li> </ul>	24,200,000	24,200,000
15)	1997 Series bonds due January 1, 1999 through January 1, 2012 with interest rates ranging from 5% to 6.3%. <ul style="list-style-type: none"> <li>• Benning Road</li> </ul>	4,030,000	4,275,000
16)	1998 Series bonds due January 1, 2027 with interest rate 5.2%. <ul style="list-style-type: none"> <li>• Benning Heights</li> </ul>	5,935,000	5,935,000

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**

**NOTE 6: BONDS PAYABLE (Continued)**

		<u>2001</u>	<u>2000</u>
17)	1998 Series A-2 bonds due January 1, 2022 with an interest rate of 6.5%. <ul style="list-style-type: none"> <li>• Temple Courts</li> </ul>	3,750,000	3,750,000
18)	1998 Series A-3 bonds due July 1, 2028 with an interest rate of 6.5%. <ul style="list-style-type: none"> <li>• Parcel 13</li> </ul>	1,305,000	1,305,000
19)	1998 Series A-4 bonds due January 1, 2027 with an interest rate of 5.35%. <ul style="list-style-type: none"> <li>• Congress Park II</li> </ul>	7,740,000	7,740,000
20)	1998 B Series taxable bonds due January 1, 2008 with an interest rate of 6%.	2,435,000	2,945,000
21)	1999 Series bonds due December 1, 2017 through December 1, 2027 with interest rates of 5.85% to 5.95%. <ul style="list-style-type: none"> <li>• Colorado Avenue</li> </ul>	965,000	975,000
22)	1999 Series bonds due January 1, 2003 with an interest rate of 6%. <ul style="list-style-type: none"> <li>• Wheeler Creek</li> </ul>	12,000,000	12,000,000
23)	1999 Series bonds due August 1, 2008 through August 1, 2026 with interest rates ranging from 4.4% to 5.15%. <ul style="list-style-type: none"> <li>• Burke, Randolph, Ft. Stevens and 7<sup>th</sup> St.</li> </ul>	9,050,000	9,050,000
		<u>2001</u>	<u>2000</u>

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**

**NOTE 6: BONDS PAYABLE (Continued)**

24)	1999 Series bonds due February 20, 2009 through February 20, 2041 with interest rates ranging from 5.2% to 5.75%. <ul style="list-style-type: none"> <li>• Rockburne Estates</li> </ul>	8,500,000	8,500,000
25)	1999 Series bonds due July 1, 2031 with an interest rate of 7.25%. <ul style="list-style-type: none"> <li>• Garfield Park Apartments</li> </ul>	3,254,898	3,260,000
26)	1999 Series bonds due January 1, 2005 with an interest rate of 4.4%. <ul style="list-style-type: none"> <li>• Wheeler Terrace</li> </ul>	1,645,000	1,645,000
27)	1999 A Series bonds due December 1, 2039 with an interest rate of 6.1%. <ul style="list-style-type: none"> <li>• Walbraff Apartments</li> </ul>	1,990,000	2,000,000
28)	1999 Series bonds due May 1, 2032 with an interest rate of 7.38%. <ul style="list-style-type: none"> <li>• Barnaby Manor Apartments</li> </ul>	4,500,000	4,500,000
29)	1999 Series bonds due January 1, 2036 with an interest rate of 6.9%. <ul style="list-style-type: none"> <li>• Fort Chaplin Apartments</li> </ul>	25,664,898	25,800,000
30)	1999/2000 Series bond due May 1, 2042 with interest rates ranging from 5.6% to 6.28%. <ul style="list-style-type: none"> <li>• Staten Glenn Apartments</li> </ul>	23,325,000	23,325,000
		<b><u>2001</u></b>	<b><u>2000</u></b>

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**

**NOTE 6: BONDS PAYABLE (Continued)**

31)	2000 Series bond due April 1, 2032 with interest rate 7.96%		
	• Widrich Court Apartments	3,575,000	2,087,080
32)	2000 Series bond due October 1, 2000 through November 20, 2036 with interest rates ranging from 5.95% to 9.0%.		
	• Congress Park Plaza	5,510,000	8,810,000
33)	2000 Series C bond due June 1, 2040 with interest rate 6.5%.		
	• 636 Coop	610,000	610,000
34)	2000 Series bonds due March 1, 2023 with interest rate 6.15%.		
	• Aspen Court	4,100,000	4,100,000
35)	2000 Series A bonds due December 1, 2042 with interest rate 6.5%.		
	• Haven House	835,000	835,000
36)	2000 Series B bonds due December 1, 2002 with interest rate 5.55%.		
	• Haven House	810,000	810,000
37)	2000 Series D serial bonds due December 1, 2041 with an interest rate of 6.10%.		
	• Chesapeake/Hartford/Knox	4,610,800	-
		<b><u>2001</u></b>	<b><u>2000</u></b>

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**

**NOTE 6: BONDS PAYABLE (Continued)**

38)	2000 Series Revenue bonds due August 1, 2033 with interest rates ranging from 5.7% to 7.15%. <ul style="list-style-type: none"> <li>• Carver Terrace</li> </ul>	15,350,000	-
39)	2000 Series Mortgage Revenue bonds due December 1, 2033 with an interest rate of 2.052%. <ul style="list-style-type: none"> <li>• WDC 1 Limited Partnership Development</li> </ul>	8,825,000	-
40)	2001 Series A serial bonds due January 1, 2043 with interest rate 5.9%. <ul style="list-style-type: none"> <li>• Douglas Knoll (Douglas Gardens)</li> </ul>	10,014,000	-
41)	2001 Series Mortgage Revenue bonds due November 1, 2033 with variable interest rates. <ul style="list-style-type: none"> <li>• Clifton Terrace</li> </ul>	10,700,000	-
42)	2001 Series B serial bonds due December 1, 2042 with interest rates ranging from 5.55% to 5.56%. <ul style="list-style-type: none"> <li>• Parkway Overlook</li> </ul>	11,600,000	-
43)	2001 Series C serial taxable term bonds due December 1, 2019 with interest rates ranging from 6.625% to 7.125%. <ul style="list-style-type: none"> <li>• Parkway Overlook</li> </ul>	2,465,000	-
		<b><u>2001</u></b>	<b><u>2000</u></b>

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**

**NOTE 6: BONDS PAYABLE (Continued)**

44)	2001 Series D tax exempt term bonds due December 1, 2008 with an interest rate of 5.00%. <ul style="list-style-type: none"> <li>• Parkway Overlook</li> </ul>	830,000	-
45)	2001 Series D serial bonds due December 1, 2037 with interest an rate of 5.70%. <ul style="list-style-type: none"> <li>• Meridian Manor Apartments</li> </ul>	2,400,000	-
46)	2001 Series Woodmont Crossing Apartments bonds due September 1, 2034 with an interest rate of 5.45%. <ul style="list-style-type: none"> <li>• Woodmont Crossing Apartments</li> </ul>	10,400,000	-
47)	2001 Series E serial bonds due June 1, 2038 with an interest rate of 5.45%. <ul style="list-style-type: none"> <li>• Huntwood Apartments</li> </ul>	<u>6,850,000</u>	<u>-</u>
	Subtotal	366,282,068	291,932,937
	Add: Unamortized Bond Premium	390,178	404,068
	Less: Unamortized Bond Discount	<u>(538,196)</u>	<u>(613,717)</u>
	Total Multi-Family Program Fund	<u>366,134,050</u>	<u>291,723,288</u>
	Total Bonds Payable	<u>\$861,999,114</u>	<u>\$770,391,832</u>

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**

**NOTE 6: BONDS PAYABLE (Continued)**

The Agency or the borrower has the option to redeem the various bonds at premiums ranging up to 5%. This option generally cannot be exercised until the bonds have been outstanding for ten years as provided in the various indentures. Term bonds are generally subject to redemption, without premium, from mandatory sinking fund payments.

Amounts payable subsequent to 2001, when actually due, will include additional accretion on capital appreciation bonds and the effects of amortization of both premium and discount.

Principal payments related to bond indebtedness for the next five years and the following in five year increments are as follows:

Fiscal Year Ending <u>September 30,</u>	Multi-Family Program <u>Fund</u>	Single-Family Program <u>Fund</u>	<u>Total</u>
2002	\$ 15,235,000	\$ 87,585,000	\$102,820,000
2003	23,045,000	3,065,000	26,110,000
2004	10,925,000	2,845,000	13,770,000
2005	1,645,000	2,590,000	4,235,000
2006	120,000	2,385,000	2,505,000
2007-2011	7,405,000	23,505,000	30,910,000
2012-2016	17,175,000	14,356,783	31,531,783
2017-2021	13,910,000	104,590,000	118,500,000
2022-2026	69,625,000	85,680,000	155,305,000
2027-2031	63,797,370	151,055,000	214,852,370
2032-2036	74,279,898	14,615,000	88,894,898
2034-2041	22,760,000	-	22,760,000
2042-2046	<u>46,359,800</u>	<u>-</u>	<u>46,359,800</u>
Subtotals	366,282,068	492,271,783	858,553,851
Add: unamortized bond premium	390,178	4,989,862	5,380,040
Less: unamortized bond discount	<u>(538,196)</u>	<u>(1,396,581)</u>	<u>(1,934,777)</u>
Totals	<u>\$366,134,050</u>	<u>\$495,865,064</u>	<u>\$861,999,114</u>

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**

**NOTE 6: BONDS PAYABLE (Continued)**

Interest payments related to bond indebtedness for the next five years and the following in five year increments are as follows:

Fiscal Year Ending <u>September 30,</u>	Multi-Family Program <u>Fund</u>	Single-Family Program <u>Fund</u>	<u>Total</u>
2002	\$ 21,030,163	\$ 24,597,455	\$ 45,627,618
2003	19,622,314	23,586,696	43,209,010
2004	19,189,718	23,439,352	42,629,070
2005	18,690,557	23,308,646	41,999,203
2006	18,666,522	23,182,979	41,849,501
2007-2011	92,024,607	112,803,890	204,828,497
2012-2016	86,332,230	106,603,810	192,936,040
2017-2021	84,064,998	98,460,473	182,525,471
2022-2026	73,993,716	74,331,193	148,324,909
2027-2031	49,573,631	41,830,139	91,403,770
2032-2036	32,237,932	3,904,450	36,142,382
2034-2041	17,379,548	-	17,379,548
2042-2046	<u>2,439,103</u>	<u>-</u>	<u>2,439,103</u>
	<u>\$535,245,039</u>	<u>\$556,049,083</u>	<u>\$1,091,294,122</u>

**NOTE 7: DEFERRED CREDIT**

The deferred credit balance represents funds contributed by the owners of the projects that have been financed by the Agency. These funds are normally disbursed at the end of the mortgage period or earlier, if necessary.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**

**NOTE 8: DEFERRED REVENUE**

**General Fund** - Deferred revenue in the General Fund represents funds received in advance and unearned at year end.

**Bond Funds** - Deferred revenue represents funds related to non-refundable fees and costs associated with financing activities. Funds are deferred and recognized over the life of the mortgage.

**NOTE 9: CERTIFICATES OF PARTICIPATION**

On July 1, 1998, the Agency entered into a lease agreement with the District of Columbia Building Finance Corporation (the Building Corporation) to lease office space at 815 Florida Avenue, NW., Washington, D.C. (the Building). The Building was financed by proceeds from the Agency's issuance of Certificates of Participation, Series 1998 (the Certificates) evidencing assignments of interest in rights to receive payments under the lease.

The lease term is through June 2018; however, the Agency has an annual right to terminate the lease in the event that the Agency fails to appropriate sufficient amounts due under the lease terms for the ensuing fiscal year. The Agency also has the option to purchase the Building at any time during the lease at an amount necessary to discharge the Certificates.

The Board of Directors of the Building Corporation is comprised fully by members of the Agency's management. Since the Corporation is controlled by the Agency and it is the Agency's intention to continue the lease until title to the Building is acquired by the Agency, the Building and Certificates are presented in the financial statements as if the Agency owned and financed the Building. This activity is recorded in a separate fund, the D.C. Building Finance Corporation Fund (Building Fund). Inter-fund transactions are recorded between the General Fund and the Building Fund to reflect the lease activity. Rental income and expenses for the year ended September 30, 2001 amounted to \$213,015 and are included in Building Fund revenue and General Fund expenses, respectively. Improvements are funded by and recorded in the General Fund. Leasehold improvements are amortized over the shorter of the estimated useful life or the lease term.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**

**NOTE 9: CERTIFICATES OF PARTICIPATION (Continued)**

The Certificates were issued in an original principal amount of \$2,400,000. Interest is payable semi-annually at 4.85% for Certificates due June 1, 2008, and 5.35% for Certificates due June 1, 2018. Principal and interest payments related to the Certificates for the next five years and the following in five year increments are as follows:

Fiscal Year <u>Ending Sept.30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	95,000	109,739	204,739
2003	100,000	105,051	205,051
2004	100,000	100,201	200,201
2005	105,000	95,109	200,109
2006	110,000	89,773	199,773
2007-2011	585,000	363,713	948,713
2012-2016	715,000	196,613	911,613
2017-2018	<u>340,000</u>	<u>21,489</u>	<u>361,489</u>
	<u>\$2,150,000</u>	<u>\$1,081,688</u>	<u>\$3,231,688</u>

**NOTE 10: ALLOCATED FUND BALANCES**

**General Fund** - The Agency qualifies for 50% of the savings resulting from Financing Adjustment Factors (FAF) on Section (11)(b) bond refunding transactions. These funds are restricted in nature as they are only to be used to benefit very low-income persons. As a result, the Agency established a revolving loan fund for non-profit developers to, provide credit enhancement or loan guarantees, and finance certain special need projects, such as, shelter for the Districts homeless and facilities for individuals who have contracted AIDS. In addition, the initial deposit made to participate in the Risk Sharing Program and the 1% of the FHA insured mortgage balances in the Risk Sharing Program account are restricted.

**Bond Funds** - The Agency's allocated bond fund balances are reserved for the repayment of the respective bond issues.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**

**NOTE 11: FEDERAL FINANCIAL ASSISTANCE TRANSACTIONS WITH HUD**

**Section "8" Program** - In accordance with the terms of contracts between the Agency and HUD, the Agency administers a rental assistance program as HUD's agent for certain projects financed by the Agency. This program, referred to as the "Section 8 Program," allows eligible tenants to obtain adequate rental housing in the private marketplace while paying no more than 30% of their monthly income for rent.

The Agency earns an administrative fee on a formula basis for administering the program. This administrative fee is recognized as income when earned.

**Mortgage Servicing Program** - In accordance with the terms of contracts between and among the Agency, HUD and certain owners, the Agency services the mortgages with funds received from HUD on behalf of the owners.

The Agency earns a servicing fee on a formula basis for servicing the mortgages. This servicing fee is recognized as income when earned. The Agency also earns an administrative fee received directly from the owners on a formula basis, and this fee is also recognized as income when earned.

**NOTE 12: RETIREMENT PLAN**

The Agency established a defined contribution, money purchase retirement plan, effective October 1, 1982, covering all eligible Agency employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Agency incurs a retirement plan expense for all full-time employees in an amount equal to 7.65% of total compensation.

The expense amounted to \$168,900 and \$145,292, for September 30, 2001 and 2000, respectively. Employees vest in Agency contributions and earnings thereon over a period of six years. To the extent that terminating employees are less than 100% vested and are not otherwise entitled to receive the Agency's contribution, the Agency's invested portion is forfeited and reverts to the benefit of the plan.

There are no unfunded prior service costs associated with this retirement plan.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**

**NOTE 13: OTHER INCOME**

The Agency's other income is comprised of the following:

	General Fund	Single Family Program Fund	Multi-Family Program Fund	DC Building Finance Corporation Fund	2001 Total
Owner's contribution	\$ -	\$ -	\$3,917,406	\$ -	\$ 3,917,406
Amortization income	-	1,436,024	60,241	-	1,496,265
Financing fees	1,144,797	-	-	-	1,144,797
Annual administrative fee	1,144,737	-	-	-	1,144,737
Permitted spread	754,824	-	-	-	754,824
Servicing acquisition fee	740,275	-	-	-	740,275
Participation fee	637,510	-	-	-	637,510
FHA Financing fee	533,860	-	-	-	533,860
Construction and development monitoring fees	449,209	-	-	-	449,209
Single family transaction earnings	441,719	-	-	-	441,719
FHA Placement fee	418,190	-	-	-	418,190
Tax credit fees	344,695	-	-	-	344,695
HAP Administrative fees	306,418	-	-	-	306,418
Bond transaction revenue	253,314	-	-	-	253,314
Rental income	9,969	-	-	213,015	222,984
National Mortgage loan transaction fees	166,800	-	-	-	166,800
Agency counsel fees	150,000	-	-	-	150,000
Mortgage Servicing fees	104,642	-	-	-	104,642
S/F direct loan origination income	96,686	-	-	-	96,686
Origination and Application fee	90,503	-	-	-	90,503
Miscellaneous Income	-	-	58,811	-	58,811
GMAC grant – HRC	30,000	-	-	-	30,000
PAE mark to market fees	26,968	-	-	-	26,968
MIP risk share program	18,923	-	-	-	18,923
Expired lease adjustment	12,100	-	-	-	12,100
External loan processing fees	11,220	-	-	-	11,220
Arbitration reb. Computation	1,600	-	-	-	1,600
	<u>\$7,888,959</u>	<u>\$1,436,024</u>	<u>\$4,036,458</u>	<u>\$213,015</u>	<u>\$13,574,456</u>

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**

**NOTE 14: FUND TRANSFERS**

The Agency records transfers between and among funds for various purposes, including subsidies for financing the Agency's programs. All operating transfers among program funds are recorded as inter-fund transfers and are classified as other financing sources and uses in the accompanying combined statement of revenues, expenses and changes in fund balances.

**NOTE 15: EXTRAORDINARY ITEM**

Multifamily Mortgage bonds – Parcel 13 1985 Series C were redeemed during fiscal year 2001. The premiums paid on the redemptions and other directly related costs resulted in the recognition of an extraordinary loss of \$98,331 on early extinguishment of debt.

**NOTE 16: CONTINGENT LIABILITY**

**Contingent Interest**

The Multi-Family Housing Revenue Bonds, Series 1995A - Tyler House Apartments, bear interest at a fixed rate of 7.52% per annum plus contingent interest in an amount equal to 3.48% per annum of the outstanding principal amount of bonds. The contingent interest is payable from 50% of the property's net cash flow and 33% of any net capital proceeds. The payment of such amounts is deferred, and accrues interest at 11% per annum, to the extent that the net cash flow and net capital proceeds are not sufficient to fully pay contingent interest.

The contingent including interest on deferred amounts was \$3,587,953 as of September 30, 2001.

**NOTE 17: SUBSEQUENT EVENTS**

The Agency issued Series 2001 Multi-Family Housing Mortgage Revenue Bonds of \$8,000,000. In addition, the Agency issued Single Family Draw-Down Series 1999A Bonds for \$35,000,000 and \$16,830,000.

**REPORT ON  
COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
District of Columbia Housing Finance Agency

We have audited the financial statements of the District of Columbia Housing Finance Agency (the Agency) as of and for the year ended September 30, 2001, and have issued our report thereon dated December 19, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Compliance***

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 35

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Washington, D.C.  
December 19, 2001

*Thompson, Cobb, Bazilio & Associates, P.C.*

**REPORT ON  
COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors  
District of Columbia Housing Finance Agency

***Compliance***

We have audited the compliance of the District of Columbia Housing Finance Agency (the Agency) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2001. The Agency's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2001.

### ***Internal Control Over Compliance***

The management of the Agency is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to its federal program. In planning and performing our audit, we considered the Agency's internal control over compliance with requirements that have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirement of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

### ***Schedule of Federal Award Expenditures***

We have audited the financial statements of the Agency as of and for the year ended September 30, 2001, and have issued our report thereon dated December 19, 2001. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of federal award expenditures is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Washington, D.C.  
December 19, 2001

*Thompson, Cobb, Baylis & Associates, P.C.*

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY  
SCHEDULE OF FEDERAL AWARD EXPENDITURES  
FOR THE YEAR ENDED SEPTEMBER 30, 2001**

SECTION 8 HOUSING ASSISTANCE PAYMENTS PROGRAM-CFDA 14.156	Contract List Number	Section 8 Project Number	Section 8 Project Number	Project Period	Maximum Annual Contract Contrib.	Accrued (Deferred) Grant Revenue 09/30/00	2001 AGENCY EXPENDITURES					Accrued (Deferred) Grant Revenue 09/30/01
							Net Cash Received 10/01/00 to 09/30/01	HAP Payment	Audit Fees	Admin. Fees Earned/ Expenditures	Total	
Kenyon Limited Partnership	P82-627	DC39-H001-009	DC901SH0009	20 YEARS	\$ 200,735	\$ (33,128)	\$ 210,203	\$ 181,654	\$ 2,500	\$ 6,243	\$ 190,397	\$ (52,934)
Ritch Home - R Street Limited Partnership	P82-630	DC39-0012-019	DC901SB0019	20 YEARS	438,417	(2,349)	446,723	400,766	2,500	14,566	417,832	(31,240)
Franklin Commons Joint Venture	P82-453	DC39-H001-004	DC901NH0004	20 YEARS	1,007,009	115,712	1,117,424	975,048	2,500	34,612	1,012,160	10,448
Garfield Hill Associates	P82-506	DC39-H001-002	DC901SH0002	20 YEARS	1,138,079	5,945	1,540,830	1,040,085	2,500	32,254	1,074,839	(460,046)
Southview Associates II	P84-027	DC39-H001-005	DC901SH0005	20 YEARS	1,634,354	(52,122)	1,625,195	1,462,749	2,500	55,144	1,520,393	(156,924)
Wheeler Terrace Limited Partnership	P84-109	DC39-0017-002	DC901DS0002	20 YEARS	1,020,695	15,633	987,681	881,790	2,500	39,612	923,902	(48,146)
Congress Park Associates II	P84-107	DC39-0017-001	DC901DS0001	20 YEARS	2,785,941	(147,899)	2,577,492	2,471,077	2,500	6,202	2,479,779	(245,612)
Kelsey - Park Road Limited Partnership	P84-028	DC39-H001-008	DC901NH0003	20 YEARS	1,717,796	(10,562)	1,725,881	1,649,918	2,500	52,583	1,705,001	(31,442)
Benning Heights Associates	P85-025	DC39-H001-003	DC901SH0003	20 YEARS	1,621,847	51,585	1,703,604	1,455,437	2,500	51,329	1,509,266	(142,753)
Temple Court Associates	P85-007	DC39-M000-065	DC901LM0065	15 YEARS	2,336,640	(12,506)	1,868,177	1,821,855	2,500	-	1,824,355	(56,328)
Carmel Plaza	P85-481	DC39-H001-001	DC901NH0001	20 YEARS	403,338	(45,539)	419,220	312,978	2,500	13,873	329,351	(135,408)
1312 Euclid Limited Partnership	P82-452	DC39-H001-007		20 YEARS	-	-	<u>45,371</u>	-	-	-	-	<u>(45,371)</u>
Subtotal					<u>14,304,851</u>	<u>(115,230)</u>	<u>14,267,801</u>	<u>12,653,357</u>	<u>27,500</u>	<u>306,418</u>	<u>12,987,275</u>	<u>(1,395,756)</u>
<b>SERVICING PROJECT:</b>												
New Parkchester Housing Coop.	P91-190	DC39-D000-025		20 YEARS	-	-	1,057,349	1,057,349	-	-	1,057,349	-
Benning Road Apts.	000-44165	DC39-E000-005		15 YEARS	-	-	908,127	908,127	-	-	908,127	-
Tyler House Apts.	000-44101	DC39-E000-026		15 YEARS	-	-	<u>3,944,374</u>	<u>3,944,374</u>	-	-	<u>3,994,374</u>	-
Subtotal					-	-	<u>5,909,850</u>	<u>5,909,850</u>	-	-	<u>5,909,850</u>	-
<b>HOME PROGRAM-PASSED THROUGH D.C. DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT</b>	98-33	N/A		N/A	N/A	(3,200,000)	3,000,000	-	-	-	-	(6,200,000)
Total Federal Financial Assistance Programs					<u>\$14,304,851</u>	<u>\$ (3,315,230)</u>	<u>\$23,177,651</u>	<u>\$18,563,207</u>	<u>\$27,500</u>	<u>\$306,418</u>	<u>\$18,897,125</u>	<u>\$(7,595,756)</u>

See Report on Compliance With Requirements Applicable to Each Major Program And  
Internal Control Over Compliance in Accordance With OMB Circular A-133.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY  
NOTES TO THE SCHEDULE OF FEDERAL AWARD EXPENDITURES  
FOR THE YEAR ENDED SEPTEMBER 30, 2001**

**NOTE 1: BACKGROUND AND PURPOSE**

The Agency was created as a corporate body which has a legal existence separate from the District but which is an instrumentality of the District created to effectuate certain public purposes.

The Agency was empowered to, among other authorized activities, generate funds from public and private sources to increase the supply and lower the cost of funds available for residential mortgages, construction, and permanent multi-family rental property loans.

The Agency received its federal grant funding through HUD under Section 8 Housing Assistance Payments Program (HAP) and Mortgage Servicing Program. Federal grant activities related to these programs are included in the scope of the OMB Circular A-133 audit and are accounted for in the Agency's General Fund.

The bonds issued by the Agency are payable principally from repayment of mortgage loans financed or purchased with the proceeds of such bonds and are not debt or liabilities of the Agency or the District. The housing finance activity of the Agency, which is accounted for in three separate funds, does not involve federal financial assistance.

HUD has been designated as the cognizant agency for purposes of the OMB Circular A-133 Audit.

**NOTE 2: SUBGRANTEES**

As indicated in Note 1, the Agency's principal grant activities are payments to developers under the HUD Section 8 HAP Program. The schedule of federal award expenditures for the year ended September 30, 2001, does not contain separate statements disclosing how the developers utilize the funds. All developers are private organizations and are subject to independent audits.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO THE SCHEDULE OF FEDERAL AWARD EXPENDITURES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2001**

**NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation** - The accompanying schedule of federal award expenditures for the year ended September 30, 2001, has been prepared on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the Agency has met the qualifications for the grant and the program-assisted developers have qualified to receive their payments.

**Accrued and Deferred Reimbursement** - Timing differences between expenditures and program reimbursements can exist at the beginning and end of the year. Deferred balances at year-end represent an excess of cash reimbursements received over reimbursable expenditures to date. Generally, accrued or deferred balances caused by timing differences will be reversed in the subsequent grant period.

**NOTE 4: FEDERALLY-ASSISTED PROGRAM ADVANCES AND FEES**

**Section "8" Program** - In accordance with the terms of the Section 8 HAP contracts between the Agency and HUD, the Agency administers a rental assistance program as HUD's agent for certain projects financed by the Agency. Under HAP, persons who meet HUD's Section 8 Program requirements receive rent subsidies from HUD through the Agency. The Agency requisitions funds quarterly from HUD in amounts sufficient to cover three months' estimated HAP payments and the Agency's administrative fees. These administrative fees are recognized as income when earned.

**Mortgage Servicing Program** - In accordance with the terms of contracts among the Agency, HUD and certain owners, the Agency services mortgages from funds received from HUD on behalf of the owners of the New Parkchester, Benning Road and Tyler House Projects.

The Agency earns a servicing fee on a formula basis for servicing the mortgages. The Agency also earns an administrative fee received directly from the owners on a formula basis. These fees are recognized as income when earned.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY  
NOTES TO THE SCHEDULE OF FEDERAL AWARD EXPENDITURES  
FOR THE YEAR ENDED SEPTEMBER 30, 2001**

**NOTE 5: FINDINGS OF NONCOMPLIANCE**

The results of fiscal year 2001 single audit did not disclose any instances of noncompliance with the requirements applicable to major federal award expenditures.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2001**

**Section I Summary of Auditors Results**

**Financial Statements**

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- 1) Material weakness(es) identified? \_\_\_Yes XNo
- 2) Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_Yes XNone  
Reported
- Noncompliance material to financial statements noted? \_\_\_Yes XNo

**Federal Awards**

Internal control over major programs:

- 3) Material weakness(es) identified? \_\_\_Yes XNo
  - 4) Reportable condition(s) identified that are not considered to be material weakness \_\_\_Yes XNone  
Reported
- Type of auditors' report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_Yes XNo

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

14.156 Department of Housing and Urban Development-  
Section 8 Housing Assistance Payments Program

**Section I Summary of Auditor's Results (Continued)**

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED SEPTEMBER 30, 2001**

Dollar threshold used to distinguish between  
Type A and Type B programs: \$556,896

Auditee qualified as low-risk auditee? X Yes \_\_\_ No

**Section II Financial Statement Findings**

None.

**Section III Federal Award Findings and Questioned Costs**

None.

**Section IV Prior Year's Federal Award Findings and Questioned Costs**

None.