District of Columbia Housing Finance Agency 1996 Single Family Mortgage Revenue Bonds

Financial Statements With

Independent Auditor's Report

Years Ended September 30, 2013 and 2012

District of Columbia
Housing Finance Agency
1996 Single Family Mortgage Revenue Bonds

Financial Statements With

Independent Auditor's Report

Years Ended September 30, 2013 and 2012

DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
1996 SINGLE FAMILY MORTGAGE REVENUE BONDS
FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT
YEARS ENDED SEPTEMBER 30, 2013 AND 2012

TABLE OF CONTENTS

Independent Auditor's Report

Board of Directors
District of Columbia Housing Finance Agency

Report on the Financial Statements

We have audited the accompanying basic financial statements, as listed in the table of contents, of the 1996 Single Family Mortgage Revenue Bonds (the Fund), of the District of Columbia Housing Finance Agency (the Agency), a component unit of the Government of the District of Columbia, as of and for the years ended September 30, 2013 and 2012. 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 audits.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of September 30, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 2 to the financial statements, the Fund early implemented Governmental Accounting Standards Board (GASB) statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

Other Matter

As a part of our audit of the 2013 financial statements, we also audited adjustments described in Note 2 that were applied to restate the 2012 financial statements for implementation of GASB 65 items previously reported as assets and liabilities. In our opinion, such adjustments are appropriate and have been properly applied.

CohnReznick LLP

Baltimore, Maryland
February 21, 2014

DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
1996 SINGLE FAMILY MORTGAGE REVENUE BONDS
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2013 AND 2012

ASSETS	2013	2012 (As Restated)
Current Assets		
Restricted current assets:		
Cash and cash equivalents	$ 4,310,750	$ 5,118,584
Accrued interest receivable	247,244	354,015
Current portion of mortgage-backed securities	6,238,182	3,568,598
Total restricted current assets	10,796,176	9,041,197
Total current assets	10,796,176	9,041,197
Non-current Assets		
Restricted non-current assets:		
Investments held in trust	4,638,439	4,691,376
Mortgage backed securities, less current portion	41,745,165	69,895,500
Mortgage loans receivable	390,000	410,000
Total restricted non-current assets	46,773,604	74,996,876
Total non-current assets	46,773,604	74,996,876
TOTAL ASSETS	**$ 57,569,780**	**$ 84,038,073**

(Continued)

DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
1996 SINGLE FAMILY MORTGAGE REVENUE BONDS
STATEMENTS OF NET POSITION - CONTINUED
SEPTEMBER 30, 2013 AND 2012

LIABILITIES AND NET POSITION	2013	2012 (As Restated)
Current Liabilities		
Current liabilities payable from restricted assets:		
Project funds held for borrower	$ 2,773,285	$ 2,773,285
Interest payable	718,955	1,101,988
Current portion of bonds payable	705,000	990,000
Total current liabilities payable from restricted assets	4,197,240	4,865,273
Non-current Liabilities		
Non-current liabilities payable from restricted assets:		
Rebate liability	64,982	91,143
Bonds payable, less current portion	44,153,074	67,265,711
Due to other funds	1,107,231	1,107,231
Total non-current liabilities payable from restricted assets	45,325,287	68,464,086
TOTAL LIABILITIES	**49,522,527**	**73,329,359**
NET POSITION		
Restricted for:		
Bond Fund	8,047,253	10,708,714
Total restricted net position	8,047,253	10,708,714
TOTAL NET POSITION	**8,047,253**	**10,708,714**
TOTAL LIABILITIES AND NET POSITION	**$ 57,569,780**	**$ 84,038,073**

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

DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
1996 SINGLE FAMILY MORTGAGE REVENUE BONDS
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	2013	2012 (As Restated)
OPERATING REVENUES		
Investment interest income, net of rebate	$ 227,573	$ 269,421
Mortgage-backed security interest income	2,927,390	7,178,980
Total operating revenues	3,154,963	7,448,401
OPERATING EXPENSES		
General and administrative	67,861	111,176
Interest expense	2,610,221	1,617,346
Trustee fees and other expenses	25,077	125,969
Total operating expenses	2,703,159	1,854,491
OPERATING INCOME	451,804	5,593,910
NON-OPERATING REVENUES / EXPENSES		
Decrease in fair value of mortgage-backed securities	(3,113,265)	(2,292,297)
Total non-operating revenues / expenses	(3,113,265)	(2,292,297)
CHANGE IN POSITION	(2,661,461)	3,301,613
Net position, beginning of year as previously stated	11,116,794	8,468,990
Cumulative effect of change in accounting principle	(408,080)	(1,061,889)
Net position, beginning of year as restated	10,708,714	7,407,101
Net position, end of year	$ 8,047,253	$ 10,708,714

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

DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
1996 SINGLE FAMILY MORTGAGE REVENUE BONDS
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	2013	2012 (As Restated)
Cash Flows From Operating Activities:		
Principal and interest received on mortgage-backed securities	$ 25,393,645	$ 45,217,374
Purchase of mortgage-backed securities	-	(975,450)
Payments to vendors	(92,939)	(199,390)
Mortgage loans repaid / (disbursed)	20,000	(10,000)
Net cash provided by operating activities	25,320,706	44,032,534
Cash Flows From Non-Capital Financing Activities		
Interest paid on bonds	(3,115,890)	(5,375,817)
Principal payments on issued debt	(23,275,000)	(35,590,000)
Net cash used in non-capital financing activities	(26,390,890)	(40,965,817)
Cash Flows From Investing Activities		
Interest received on investments	209,413	268,583
Sale of investments	7,620,030	9,321,960
Purchase of investments	(7,567,093)	(8,543,690)
Arbitrage rebates paid	-	(107,439)
Net cash provided by investing activities	262,350	939,414
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(807,834)	4,006,131
Cash and cash equivalents, beginning of year	5,118,584	1,112,453
Cash and cash equivalents, end of year	$ 4,310,750	$ 5,118,584

(Continued)

DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
1996 SINGLE FAMILY MORTGAGE REVENUE BONDS
STATEMENTS OF CASH FLOWS - CONTINUED
YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	2013	2012 (As Restated)
Reconciliation of Operating Income to Net Cash Provided By Operating Activities		
Operating income	$ 451,804	$ 5,593,910
Amortizations		
Bond original issue discounts and (premiums), net	(122,638)	(3,105,261)
Arbitrage rebates paid	-	107,439
Interest received on investments	(209,413)	(268,583)
Interest on bonds and short-term debt	3,115,890	5,375,817
Adjustments to reconcile operating income to net cash provided by operating activities		
Decrease (increase) in assets:		
Mortgage-backed securities	22,367,486	36,895,930
Mortgage loans	20,000	(10,000)
Accrued interest	106,772	178,770
Asset adjustment	-	37,755
(Decrease) increase in liabilities:		
Accrued interest payable	(383,033)	(653,210)
Rebate liability	(26,162)	(120,033)
Net cash provided by operating activities	$ 25,320,706	$ 44,032,534

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

NOTE 1: ORGANIZATION AND PURPOSE

The District of Columbia Housing Finance Agency (the "Agency" or "DCHFA") 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 is empowered to, among other activities, generate funds from public and private sources to increase the supply and lower the cost of funds available for residential mortgages and notes and for the construction of permanent multifamily rental properties.

In 1991, the Governmental Accounting Standards Board ("GASB") 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 accompanying financial statements include only the Agency's 1996 Single Family Mortgage Revenue Bonds (the "Fund"). The Agency's other Funds are not included. The Fund was set up to issue bonds primarily to originate or purchase single family mortgage loans and mortgage-backed securities. These financial statements do not purport to, and do not, present fairly the financial position of the District or the Agency and the changes in their respective financial positions and cash flows in conformity with accounting principles generally accepted in the United States of America.

The Agency, as an enterprise fund, is included in the District's Comprehensive Annual Financial Report as a discretely presented component unit pursuant to GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Since the Agency prepares separate combining financial statements for all of its Funds, which contain the Management's Discussion and Analysis ("MD&A"), for inclusion in the District's Comprehensive Annual Financial Report, no separate MD&A is required in the accompanying statements.

Within the Fund are separate accounts maintained for each obligation in accordance with the indenture terms.

NOTE 1: ORGANIZATION AND PURPOSE (Continued)

The bonds and notes issued by the Fund are special obligations of the Fund payable principally from revenue and repayments of mortgage loans and mortgage-backed securities and investments, financed by or purchased from the proceeds of such bonds under the terms of the indenture and are not a debt of the District. Neither the faith and credit nor the taxing power of the District is pledged for the repayment of the bonds.

The Fund is used to account for the proceeds of single-family mortgage revenue bond issues, investments, mortgage loans and mortgage-backed securities held pursuant to the indenture terms, 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the Agency's significant accounting policies:

Basis of Accounting and Measurement Focus - For financial reporting purposes only, the Agency is a component unit of the District. The Agency's General Fund and Revenue Obligation Funds are accounted for as enterprise funds. Accordingly, the accompanying financial statements have been prepared using the accrual method of accounting and on the basis of accounting principles generally accepted in the United States of America.

The Agency reports its financial activities by applying Standards of the Governmental Accounting and Financial Reporting as promulgated by the Governmental Accounting Standards Board ("GASB"). The Agency implemented the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements.* Prior to the adoption of this standard, the Agency elected to adopt all Financial Accounting Standards Board ("FASB") statements issued after November 1989 that did not conflict with GASB standards. With the adoption of Statement No. 62, the Agency no longer adopts or applies FASB statements.

The Agency has adopted GASB Statement No. 34, Basic *Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Under GASB Statement No. 34, net assets should be reported as restricted when constraints placed on the net asset use are either: externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or are imposed by law through constitutional provisions or

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

enabling legislation. Accordingly, all net assets of the Fund, are restricted as to their use as all net assets within each indenture are pledged to bondholders.

Operating Revenues and Expenses - The Agency distinguishes operating revenues and expenses from non-operating items in conformity with GASB Statement No. 34. Operating revenue and expenses are identified as those activities that are directly related to financing affordable housing in the District. The Fund's activities are considered to be operating except for changes in the fair value of mortgage-backed securities. Operating revenues primarily consist of interest on mortgage-backed securities, interest on mortgage loans and investment of bond proceeds, and other revenues. Operating expenses primarily consist of bond interest, amortization of bond cost of issuance, discounts and premiums, trustee, legal and financial advisory fees and other operating expenses.

Cash and Cash Equivalents - Cash and cash equivalents consist of cash and money market funds and investments in highly liquid short-term instruments with original maturities of three months or less at the time of purchase.

Investments – Investments consist of investment agreements. Investments in the Fund consist of those permitted by the respective trust indentures adopted by the Agency providing for the issuance of notes and bonds. Investments are reported at fair value as determined by financial services providers, except for certain non-participating fixed interest investment contracts which are valued using cost based measures. Investments are reported at fair value in the statements of net position and changes in the fair value of investments are recognized in the Statements of Revenues, Expenses and Change in Net Position as part of operating income. Investment agreements can be reasonably expected to have a fair value equal to their par value since the interest rates are guaranteed and principal can be recovered on demand and supported by the credit rating of the investment providers.

Mortgage-Backed Securities - Mortgage-backed securities represent certificates issued by the Government National Mortgage Association ("Ginnie Mae" or "GNMA"), and the Federal Home Loan Mortgage Corporation ("Freddie Mac" or "FHLMC"), which guarantee the receipt by the Fund of monthly principal and interest from mortgages originated with proceeds from the bonds issued under the Fund.

These securities are stated at fair value as determined by financial services providers or financial publications. These guaranteed securities are issued in connection with single family mortgage loans. Each of these securities is intended to be held to maturity or until the payoff of the related loans. The repayment and prepayments of the mortgage-backed securities are at par value based on the

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

guarantees embedded in these securities. Mortgage-backed securities are reported at fair value on the statements of net position and changes in the fair value of mortgage-backed securities are recognized in the Statements of Revenues, Expenses and Change in Net Position as part of non-operating income.

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

Net Position - Net position of the Fund is reported as restricted since its use is subject to externally imposed stipulations (such as bond covenants).

General and Administrative and Other Expenses – The Fund incurs ongoing general and bond issuer and administrative expenses, bond trustee fees and other costs. These expenses are recorded as they are incurred.

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.

Adopted Accounting Pronouncements

The Agency reviews all GASB accounting pronouncement for their applicability and impact on the Fund's financial statements. During the fiscal year ended September 30, 2013, the Agency adopted the following GASB statements:

In June 2011 GASB published Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the financial statements and by renaming the residual measure as net position, rather than net assets. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Accounting changes adopted to conform to the provisions of this Statement should be applied retroactively by reclassifying the statements of net position and balance sheet information, for all prior periods presented. In the period this Statement is first applied, the financial statements will disclose the nature of any

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

reclassification and its effect. The Fund reviewed its financial statements and made the necessary line item name changes in compliance with the Statement. There is no other impact or classification changes to the Fund financial statements since no line item qualified as either a deferred outflow or inflow of resources.

In March 2012 GASB published Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As a result of adopting this Statement the Agency eliminated in its financial statements unamortized debt issuance costs, which, except for any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. Also, the Agency eliminated loan origination fees, which, except for any portion related to points, should be recognized as revenue in the period received. Points received by a lender in relation to a loan origination should be reported as a deferred inflow of resources and recognized as revenue over the duration of the related loan. Direct loan origination costs should be recognized as an expense in the period incurred. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The Fund has elected to early adopt this Statement effective for the year ended September 30, 2013. Accounting changes adopted to conform to the provisions of this Statement have been applied retroactively by restating financial statements for all periods presented and the cumulative effect of applying this Statement, has been reported as a restatement of beginning net position, for the earliest period reported. The following provides details of the changes in combined assets and liabilities for the years ended September 30, 2012 and 2011:

	Increase / (Decrease) to Net Position	
	2012	2011
Deferred cost of bond issuance restated from asset to outflow of resources (expense)	$ (699,042)	$ (1,579,444)
Deferred revenue restated from liability to inflow of resources (revenue)	290,962	517,555
Cumulative effect of change in accounting principle	**(408,080)**	**(1,061,889)**

NOTE 3: RECLASSIFICATIONS

Certain amounts previously reported in the fiscal year 2012 financial statements have been reclassified to conform to the fiscal year 2013 presentation.

NOTE 4: CASH/CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED SECURITIES

Bond proceeds and revenues from mortgages, mortgage-backed securities and investments are invested in authorized investments as defined in the Fund's indenture until required for purchasing mortgage-backed securities, funding reserves, paying debt service or redeeming outstanding bonds and notes, and funding program and administrative and operating expenses.

The following assets, reported at fair value and held by the Fund at September 30, 2013 and 2012, were evaluated in accordance with GASB Statement No. 40 for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Asset	2013	2012
Cash and Cash Equivalents		
Money Market Funds	$ 4,310,750	$ 5,118,584
Total Cash and Cash Equivalents	**4,310,750**	**5,118,584**
Investments		
Investment Agreements	4,638,439	4,691,376
Total Investments	**4,638,439**	**4,691,376**
Mortgage-Backed Securities		
Ginnie Mae	13,718,707	18,807,038
Fannie Mae	11,106,097	19,374,110
Freddie Mac	23,158,543	35,282,950
Total Mortgage-Backed Securities	**47,983,347**	**73,464,098**
Total Cash, Investments and Mortgage-Backed Securities	**$ 56,932,536**	**$ 83,274,058**

NOTE 4: CASH/CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED SECURITIES (Continued)

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Under the Fund, the terms of the investments are set to allow for no market value loss at the time the invested funds are drawn for uses authorized under the indenture. As a means of limiting its exposure to fair value losses from rising interest rates, the Agency structures the maturities of the investment portfolio to be concurrent with cash needs of the Fund in order to minimize losses that may be incurred from sale of investments prior to maturity. The money market funds operate in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. These funds can reasonably be expected to have a fair value that will be unaffected by interest rate changes because the interest rates are variable and the principal can be recovered on demand. The cost of the money market mutual funds approximated fair value.

As of September 30, 2013, the amortized cost, fair value and maturities for the cash, cash equivalents, investments and mortgage-backed securities for the Fund were as follows:

			Maturities (in years)				
Asset	**Cost**	**Fair Value**	**Less than 1**	**From 1 to 5**	**From 5 to 10**	**From 10 to 15**	**More than 15**
Cash and Cash Equivalents							
Money Market Funds	$ 4,310,750	$ 4,310,750	$ 4,310,750	$ -	$ -	$ -	$ -
Total Cash and Cash Equivalents	4,310,750	4,310,750	4,310,750	-	-	-	-
Investments							
Investment Agreements	4,638,439	4,638,439	-	-	-	-	4,638,439
Total Investments	4,638,439	4,638,439	-	-	-	-	4,638,439
Mortgage-Backed Securities							
Ginnie Mae	12,500,460	13,718,707	-	-	1,121,085	4,418,292	8,179,330
Fannie Mae	10,378,069	11,106,097	-	-	-	329,485	10,776,612
Freddie Mac	21,092,493	23,158,543	-	-	-	-	23,158,543
Total Mortgage-Backed Securities	43,971,022	47,983,347	-	-	1,121,085	4,747,777	42,114,485
Total Cash, Investments and Mortgage-Backed Securities	**$ 52,920,211**	**$ 56,932,536**	**$ 4,310,750**	**$ -**	**$ 1,121,085**	**$ 4,747,777**	**$ 46,752,924**

(Continued)

NOTE 4: CASH/CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED SECURITIES (Continued)

As of September 30, 2012, the amortized cost, fair value and maturities for the cash, cash equivalents, investments and mortgage-backed securities for the Fund were as follows:

			Maturities (in years)				
Asset	**Cost**	**Fair Value**	**Less than 1**	**From 1 to 5**	**From 5 to 10**	**From 10 to 15**	**More than 15**
Cash and Cash Equivalents							
Money Market Funds	$ 5,118,584	$ 5,118,584	$ 5,118,584	$ -	$ -	$ -	$ -
Total Cash and Cash Equivalents	**5,118,584**	**5,118,584**	**5,118,584**	**-**	**-**	**-**	**-**
Investments							
Investment Agreements	4,691,376	4,691,376	-	-	-	-	4,691,376
Total Investments	**4,691,376**	**4,691,376**	**-**	**-**	**-**	**-**	**4,691,376**
Mortgage-Backed Securities							
Ginnie Mae	16,564,590	18,807,038	-	-	815,665	6,038,962	11,952,411
Fannie Mae	17,806,788	19,374,110	-	-	-	453,297	18,920,813
Freddie Mac	31,967,130	35,282,950	-	-	-	-	35,282,950
Total Mortgage-Backed Securities	**66,338,508**	**73,464,098**	**-**	**-**	**815,665**	**6,492,259**	**66,156,174**
Total Cash, Investments and Mortgage-Backed Securities	**$ 76,148,468**	**$ 83,274,058**	**$ 5,118,584**	**$ -**	**$ 815,665**	**$ 6,492,259**	**$ 70,847,550**

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Agency will not be able to recover its deposits or the value of its collateral securities that are in the possession of an outside party. As of September 30, 2013 and 2012, the Fund's cash and cash equivalents and investments were not subject to custodial credit risk under GASB Statement No. 40. The investments held by the trustee under the Fund are kept separate from the assets of the trustee bank and from other trust accounts and are titled in the name of respective bond indentures.

Credit Risk and Concentration of Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. All of investment securities in general under the Fund must be at a rating not adversely affecting the rating of the respective bonds; and financial institutions who are counterparty to the Agency must be rated at least comparable to the existing rating on the Fund's bonds, unless counterparty ratings lower than the bond ratings are permitted in a specific indenture and do not affect the ratings on the bonds as determined at the time the investment securities are acquired or investment agreements are executed. The rating on the 1996 Single Family

NOTE 4: CASH/CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED SECURITIES (Continued)

Mortgage Revenue Bonds as of September 30, 2013 and 2012 was AA+ by Standard and Poor's.

As of September 30, 2013, the credit quality and percentages of the total portfolio of cash equivalents and investments under the Fund were as follows:

Asset	Fair Value	Percentage of Asset	Credit Rating	Rating Agency	Underlying Securities Credit Rating / Supporting Collateral
Cash and Cash Equivalents					
Money Market Funds	$ 4,310,750	8%	AAAm	S&P	Uncollateralized, Uninsured
Total Cash and Cash Equivalents	**4,310,750**	**8%**			
Investments					
Investment Agreements	4,638,439	8%	AA-	S&P	
Total Investments	**4,638,439**	**8%**			
Mortgage-Backed Securities					
Ginnie Mae	13,718,707	24%	Aaa	Moody's	
Fannie Mae	11,106,097	20%	Aaa	Moody's	
Freddie Mac	23,158,543	41%	Aaa	Moody's	
Total Mortgage-Backed Securities	**47,983,347**	**84%**			
Total Cash, Investments and Mortgage-Backed Securities	**$ 56,932,536**	**100%**			

(continued)

NOTE 4: CASH/CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED SECURITIES (Continued)

As of September 30, 2012, the credit quality and percentages of the total portfolio of cash equivalents and investments under the Fund were as follows:

Asset	Fair Value	Percentage of Asset	Credit Rating	Rating Agency	Underlying Securities Credit Rating / Supporting Collateral
Cash and Cash Equivalents					
Money Market Funds	$ 5,118,584	6%	AAAm	S&P	Uncollateralized, Uninsured
Total Cash and Cash Equivalents	**5,118,584**	**6%**			
Investments					
Investment Agreements	4,691,376	6%	AA-	S&P	
Total Investments	**4,691,376**	**6%**			
Mortgage-Backed Securities					
Ginnie Mae	18,807,038	23%	Aaa	Moody's	
Fannie Mae	19,374,110	23%	Aaa	Moody's	
Freddie Mac	35,282,950	42%	Aaa	Moody's	
Total Mortgage-Backed Securities	**73,464,098**	**88%**			
Total Cash, Investments and Mortgage-Backed Securities	**$ 83,274,058**	**100%**			

Cash and Cash Equivalents - The Fund's cash and cash equivalents balance as of September 30, 2013 and 2012, consists primarily of amounts held in AAAm - rated money market fund trust accounts within each bond series and administered by the Fund's bond trustee at the Agency's direction. Investments in money market funds carry the highest short-term credit ratings by nationally recognized statistical rating agencies, such as Standard & Poor's and Moody's Investors Service.

Investments - The Agency adheres to the specific covenants as stipulated in the Fund's indenture of trust regarding permitted investments. As of September 30, 2013 and 2012, the Fund's investments only included investment agreements. Investments of proceeds from bond issuances in investment agreements are governed by the covenants of the respective bond series and the Fund's indenture of trust entered between the Agency, the trustee and the investment agreement provider. All investment agreements are fixed interest rate investment contracts with highly rated financial institutions. In case of a downgrade beyond a preset threshold, the investment providers are required to collateralize both principal and interest with qualifying securities to be held by a designated collateral agent with mark to market and undervalue cure provisions.

NOTE 4: CASH/CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED SECURITIES (Continued)

Mortgage-backed Securities - Ginnie Mae mortgage-backed securities are guaranteed by the Government National Mortgage Association, an instrumentality of the United States Government. GNMA securities are "fully modified pass-through" mortgage-backed securities which require monthly payments by an FHA lender, as the issuer of the Guaranteed Security to the Agency. GNMA guarantees timely payment of principal and interest on Guaranteed Securities.

Fannie Mae and Freddie Mac mortgage-backed pass-through securities are rated AA+ by Standard & Poor's and Moody's Investors Service. The principal and interest payment on these mortgage-backed securities are guaranteed by Fannie Mae and Freddie Mac accordingly. Though there is no explicit guarantee that Fannie Mae and Freddie Mac mortgage-backed securities are backed by the full faith and credit of the U.S. government, there is, however, an implicit guarantee, as government-sponsored enterprises are chartered by the U.S. Congress. In 2008 both Freddie Mac and Fannie Mae were placed into U.S. Government receivership. The rating agencies continue to assign AA+ credit rating to both of these entities.

Ginnie Mae, Fannie Mae and Freddie Mac mortgage-backed securities are reported at their market values in accordance with GASB Statement No. 31. It is the intention of the Agency to generally hold these mortgage-backed securities until the underlying loans are paid in full.

The Fund recorded unrealized losses of $3,113,265 and $2,292,297 on mortgage-backed securities for fiscal years 2013 and 2012, respectively. The cumulative unrealized gain in the fair market value of mortgage-backed securities as of September 30, 2013 and 2012 was $4,012,325 and $7,125,590, respectively.

NOTE 5: BONDS PAYABLE

The bonds and notes issued under the Fund are special obligations of the Fund and are payable from the revenue and special funds of the indenture. The notes and bonds do not constitute debt of and are not guaranteed by the District or any other program of the District.

The provisions of the various series resolutions require or allow for the special redemption of bonds at par through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of mortgage loans and mortgage-backed securities. All outstanding bonds are subject to redemption at the option of the Agency or the borrower, in whole or in part at any time, after

NOTE 5: BONDS PAYABLE (Continued)

certain dates, as specified in the respective bond series resolutions, at prescribed redemption prices. The redemption premiums may range up to 5%. Term bonds are generally subject to redemption, without premium, from mandatory sinking fund payments.

Bonds issued under the Fund are collateralized by:

- Mortgage-backed securities made in connection with underlying loans.

- Investments of bond proceeds, debt service reserves and escrow accounts, all revenues, mortgage payments, and recovery payments received by the Fund mortgage loans and mortgage-backed securities.

The following is a summary of the bond activity for the year ended September 30, 2013 and the debt outstanding and bonds payable under the Fund as of September 30, 2013.

				Bond Activity						
	Range of Interest Rates	Range of Maturities	Debt Outstanding at 9/30/2012	New Bonds Issued	Scheduled Maturity Payments	Bond Redeemed	Debt Outstanding at 9/30/2013	Premium (+) / Discount (-)	Bond Payable at 9/30/2013	Due Within One Year
2005 Series A	5.50%	2013 ~ 2025	$ 3,240,000	$ -	$ 60,000	$ 790,000	$ 2,390,000	$ 189,426	$ 2,579,426	$ 115,000
2005 Series B	4.75% ~ 5.625%	2013 ~ 2035	7,980,000	-	-	2,935,000	5,045,000	292,308	5,337,308	70,000
2006 Series A	4.95%	2012 ~ 2026	2,240,000	-	40,000	625,000	1,575,000	-	1,575,000	55,000
2006 Series B	5.1% ~ 5.35%	2013 ~ 2037	11,210,000	-	-	3,865,000	7,345,000	344,474	7,689,474	115,000
2006 Series D	4.60%	2013 ~ 2020	870,000	-	5,000	200,000	665,000	-	665,000	45,000
2006 Series E	4.65%	2013 ~ 2037	29,005,000	-	-	9,495,000	19,510,000	-	19,510,000	230,000
2007 Series A	5.15%	2013 ~ 2038	12,660,000	-	-	5,260,000	7,400,000	101,866	7,501,866	75,000
Total			**$ 67,205,000**	**$ -**	**$ 105,000**	**$ 23,170,000**	**$ 43,930,000**	**$ 928,074**	**$ 44,858,074**	**$ 705,000**

NOTE 5: BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended September 30, 2012 and the debt outstanding and bonds payable under the Fund as of September 30, 2012.

	Range of Interst Rates	Range of Maturities	Debt Outstanding at 9/30/2011	Bond Activity: New Bonds Issued	Bond Activity: Scheduled Maturity Payments	Bond Activity: Bond Redeemed	Debt Outstanding at 9/30/2012	Premium (+) / Discount (-)	Bond Payable at 9/30/2012	Due Within One Year
1997 Series B	5.25% ~ 5.90%	2012 ~ 2028	$ 3,110,000	$ -	$ -	$ 3,110,000	$ -	$ -	$ -	$ -
1998 Series A	4.90% ~ 5.35 %	2011 ~ 2029	5,620,000	-	-	5,620,000	-	-	-	-
1999 Series A	4.95% ~ 5.45%	2011 ~ 2030	4,980,000	-	-	4,980,000	-	-	-	-
2000 Series A	5.65% ~ 6.30%	2012 ~ 2031	2,090,000	-	-	2,090,000	-	-	-	-
2000 Series C	5.75% ~ 6.25%	2011 ~ 2031	730,000	-	-	730,000	-	-	-	-
2000 Series D	5.65% ~ 6.15%	2012 ~ 2031	1,810,000	-	-	1,810,000	-	-	-	-
2001 Series A	4.95% ~ 6.85%	2012 ~ 2032	2,840,000	-	-	2,840,000	-	-	-	-
2005 Series A	5.50%	2011 ~ 2025	3,810,000	-	-	570,000	3,240,000	204,995	3,444,995	135,000
2005 Series B	4.75% ~ 5.625%	2013 ~ 2035	9,365,000	-	-	1,385,000	7,980,000	305,495	8,285,495	105,000
2006 Series A	4.95%	2012 ~ 2026	2,635,000	-	-	395,000	2,240,000	-	2,240,000	100,000
2006 Series B	5.1% ~ 5.35%	2013 ~ 2037	15,165,000	-	-	3,955,000	11,210,000	359,030	11,569,030	150,000
2006 Series D	4.60%	2013 ~ 2020	1,150,000	-	-	280,000	870,000	-	870,000	60,000
2006 Series E	4.65%	2013 ~ 2037	33,325,000	-	-	4,320,000	29,005,000	-	29,005,000	320,000
2007 Series A	5.15%	2013 ~ 2038	16,165,000	-	-	3,505,000	12,660,000	181,191	12,841,191	120,000
Total			$ 102,795,000	$ -	$ -	$ 35,590,000	$ 67,205,000	$ 1,050,711	$ 68,255,711	$ 990,000

NOTE 5: BONDS PAYABLE (Continued)

As of September 30, 2013, the required principal payments for all Fund's debt outstanding (including mandatory sinking fund payments but excluding special and optional redemptions) that occurred subsequent to September 30, 2013 and excluding the effect of unamortized discounts/premiums (which are listed as an adjustment to totals) and interest payments for each of the next five years and in 5-year increments thereafter are as follows:

For the Year Ending September 30,	Interest	Principal
2014	$ 2,145,268	$ 705,000
2015	2,079,537	1,465,000
2016	2,006,792	1,470,000
2017	1,932,622	1,505,000
2018	1,857,343	1,525,000
2019-2023	8,099,744	8,165,000
2024-2028	6,039,164	8,360,000
2029-2033	3,858,498	9,935,000
2034-2038	1,179,121	10,555,000
2039-2043	2,138	245,000
Totals	$ 29,200,227	43,930,000
Unamortized Premium		928,074
Bonds Payable		$ 44,858,074

NOTE 6: REBATE LIABILITY

In accordance with the Internal Revenue Service Code (the Code), the Fund has recorded a rebate liability for excess investment earnings in connection with tax-exempt bonds and notes issued after 1981. The excess investment earnings arise due to actual investment yields earned by the bond series being greater than yields permitted to be retained by the indentures under the Code. The Code requires 90% of such excess investment earnings to be remitted to the United States Treasury every five years and in full at the final redemption of the bonds. Interest income on the Statements of Revenues, Expenses and Change in Net Position is reduced by the rebate liability due to excess investment earnings. The increase/decrease in fair value of investments on the Statements of Revenues, Expenses and Change in Net Position is adjusted by the change in the estimated rebate liability due to the change in fair value of investments. The Fund had no rebate liability from interest income or from unrealized gains on investments.

NOTE 6: REBATE LIABILITY (Continued)

Rebate liability activity under the Fund for the year ended September 30, 2013 was as follows:

Rebate liability as of September 30, 2012	$	91,143
Change in estimated liability due to excess investment earnings		(26,161)
Change in estimated liability due to change in fair value of investments		-
Less - payments made		-
Rebate liability as of September 30, 2013	$	64,982

Total rebate liability under the Fund as of September 30, 2013 was allocated as follows:

Estimated liability due to excess investment earnings	$	64,982
Estimated liability due to change in fair value of investments		-
Rebate liability as of September 30, 2013	$	64,982

Rebate liability activity under the Fund for the year ended September 30, 2012 was as follows:

Rebate liability as of September 30, 2011	$	211,177
Change in estimated liability due to excess investment earnings		(12,595)
Change in estimated liability due to change in fair value of investments		-
Less - payments made		(107,439)
Rebate liability as of September 30, 2012	$	91,143

NOTE 6: REBATE LIABILITY (Continued)

Total rebate liability under the Fund as of September 30, 2012 was allocated as follows:

Estimated liability due to excess investment earnings	$	91,143
Estimated liability due to change in fair value of investments		-
Rebate liability as of September 30, 2012	$	91,143

NOTE 7: PROJECT FUNDS HELD FOR BORROWER

Under the Fund the Agency administers grant funds received from the District's Department of Housing and Community Development (DHCD) under the U.S. Department of Housing and Urban Development's Home Investment Partnership Program (HOME). These funds were either blended with the bond proceeds to yield interest rate subsidy on mortgage loans securitized into mortgage-backed securities or were used to help homebuyers with closing costs, including down-payment assistance. Under the respective grant agreements the Agency may recycle repayments of HOME funds into its bond programs. As of September 30, 2013 and 2012 total HOME Program restricted assets were $2,773,285.

NOTE 8: NET POSITION

The Fund's net position is reserved as collateral for the respective bond issues, and is fully restricted. The Fund's net position as of September 30, 2013 and 2012 was $8,047,253 and $10,708,714, respectively.

NOTE 9: RETIREMENT PLAN

The Agency established a defined contribution Retirement Plan, a Money Purchase Pension Plan (the 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 does not have any current or post-retirement obligations toward the Retirement Plan.

The Agency amended the Retirement Plan effective August 10, 2002. Due to the amendment, future Agency contributions to the Retirement Plan ceased effective

NOTE 9: RETIREMENT PLAN (Continued)

August 10, 2002. The amendment also provides that each participant and former participant with an account balance under the Retirement Plan as of such date shall be 100% vested in his or her account. Concurrent with the amendment, the Agency commenced participating in the Social Security and Medicare programs.

NOTE 10: SUBSEQUENT EVENTS

The following subsequent events have occurred:

Bond Redemptions and Maturities under the Fund:

- On December 1, 2013, the following bonds were redeemed:

Series	Maturing Principal	Principal Redemptions	Total
2005 Series A	$ -	$ 220,000	$ 220,000
2005 Series B	-	460,000	460,000
2006 Series A	-	225,000	225,000
2006 Series B	-	1,030,000	1,030,000
2006 Series D	-	90,000	90,000
2006 Series E	-	2,510,000	2,510,000
2007 Series A	-	985,000	985,000
Total	**$ -**	**$ 5,520,000**	**$ 5,520,000**