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

Financial Statements With

Independent Auditor's Report

Years Ended September 30, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
District of Columbia Housing Finance Agency

Report on the Financial Statements

We have audited the accompanying financial statements, 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, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

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 and the standards applicable to the financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Agency, as of September 30, 2018 and 2017, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2019, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

CohnReznick LLP

Baltimore, Maryland
January 25, 2019

DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
1996 SINGLE FAMILY MORTGAGE REVENUE BONDS
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2018 AND 2017

ASSETS	2018	2017
Current Assets		
Restricted current assets:		
Cash and cash equivalents	$ 902,785	$ 910,918
Accrued interest receivable	69,603	58,902
Current portion of mortgage-backed securities	893	3,777,501
Total restricted current assets	973,281	4,747,321
Total current assets	973,281	4,747,321
Non-current Assets		
Restricted non-current assets:		
Investments held in trust	385,078	562,285
Mortgage backed securities, less current portion	14,196,951	13,647,409
Mortgage loans receivable	330,000	330,000
Total restricted non-current assets	14,912,029	14,539,694
Total non-current assets	14,912,029	14,539,694
TOTAL ASSETS	**$ 15,885,310**	**$ 19,287,015**

(Continued)

DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
1996 SINGLE FAMILY MORTGAGE REVENUE BONDS
STATEMENTS OF NET POSITION - CONTINUED
SEPTEMBER 30, 2018 AND 2017

LIABILITIES AND NET POSITION	2018	2017
Current Liabilities		
Current liabilities payable from restricted assets:		
Deferred revenue	$ 1,100,773	$ 1,100,773
Interest payable	94,730	141,273
Current portion of bonds payable	140,000	295,000
Total current liabilities payable from restricted assets	1,335,503	1,537,046
Non-current Liabilities		
Non-current liabilities payable from restricted assets:		
Rebate liability	40,098	40,096
Bonds payable, less current portion	5,801,699	8,737,506
Due to other funds	1,107,231	1,107,231
Total non-current liabilities payable from restricted assets	6,949,028	9,884,833
TOTAL LIABILITIES	**8,284,531**	**11,421,879**
NET POSITION		
Restricted for:		
Bond Fund	7,600,779	7,865,136
Total restricted net position	7,600,779	7,865,136
TOTAL NET POSITION	**7,600,779**	**7,865,136**
TOTAL LIABILITIES AND NET POSITION	**$ 15,885,310**	**$ 19,287,015**

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, 2018 AND 2017

	2018	2017
OPERATING REVENUES		
Investment interest income, net of rebate	$ 54,178	$ 41,988
Mortgage-backed security interest income	792,840	934,637
Total operating revenues	847,018	976,625
OPERATING EXPENSES		
General and administrative	10,900	16,020
Interest expense	346,696	138,442
Trustee fees and other expenses	8,012	19,866
Total operating expenses	365,608	174,328
OPERATING INCOME	481,410	802,297
NON-OPERATING REVENUES / EXPENSES		
Decrease in fair value of mortgage-backed securities	(745,766)	(706,316)
Total non-operating revenues / expenses	(745,766)	(706,316)
Transfers of funds, net, as permitted by the indenture	(1)	(2,598)
CHANGE IN POSITION	(264,357)	93,383
Net position, beginning of year as previously stated	7,865,136	7,771,753
Net position, end of year	**$ 7,600,779**	**$ 7,865,136**

DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
1996 SINGLE FAMILY MORTGAGE REVENUE BONDS
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
Cash Flows From Operating Activities:		
Principal and interest received on mortgage-backed securities	$ 3,263,439	$ 4,972,500
Purchase of mortgage-backed securities	-	(519,567)
Payments to vendors	(18,912)	(35,886)
Net cash provided by operating activities	3,244,527	4,417,047
Cash Flows From Non-Capital Financing Activities		
Interest paid on bonds	(409,046)	(622,789)
Transfer (to) from other funds	(1)	(2,598)
Principal payments on issued debt	(3,075,000)	(4,505,000)
Net cash used in non-capital financing activities	(3,484,047)	(5,130,387)
Cash Flows From Investing Activities		
Interest received on investments	54,180	41,988
Sale of investments	1,742,680	3,341,090
Purchase of investments	(1,565,473)	(2,952,627)
Net cash provided by investing activities	231,387	430,451
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,133)	(282,889)
Cash and cash equivalents, beginning of year	910,918	1,193,807
Cash and cash equivalents, end of year	$ 902,785	$ 910,918

(Continued)

DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
1996 SINGLE FAMILY MORTGAGE REVENUE BONDS
STATEMENTS OF CASH FLOWS - CONTINUED
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
Reconciliation of Operating Income to Net Cash Provided By Operating Activities		
Operating income	$ 481,410	$ 802,297
Amortization of bond original issue discounts and (premiums), net	(15,807)	(410,381)
Interest received on investments	(54,178)	(40,376)
Interest on bonds and short-term debt	409,046	622,789
Adjustments to reconcile operating income to net cash provided by operating activities		
Decrease in assets:		
Mortgage-backed securities	2,481,300	3,491,232
Accrued interest	(10,701)	25,452
(Decrease) in liabilities:		
Accrued interest payable	(46,543)	(73,966)
Net cash provided by operating activities	$ 3,244,527	$ 4,417,047

NOTE 1: ORGANIZATION AND PURPOSE

The District of Columbia Housing Finance Agency (the "Agency") was established in 1979 to stimulate and expand homeownership and rental housing opportunities for low and moderate-income families in the District of Columbia (the "District"). The Agency primarily issues taxable and tax-exempt mortgage revenue bonds to lower the financing costs for single family homebuyers and multifamily developers acquiring, constructing, and rehabilitating rental housing in the District. In addition, the Agency administers the issuance of 4% low-income housing tax credits to achieve its affordable housing preservation, rehabilitation, and development objectives on behalf of the District of Columbia Department of Housing and Community Development ("DHCD").

The Governmental Accounting Standards Board ("GASB") issued Statement No. 14, *The Financial Reporting Entity*, Statement No. 39, *Determining Whether Certain Organizations are Component Units (an amendment of GASB Statement No. 14)*, and Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. 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.

NOTE 1: ORGANIZATION AND PURPOSE (Continued)

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.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

Mortgage Loans Receivable - Mortgage loans receivable are subordinate lien down-payment and closing cost assistance loans originated in conjunction with the first lien loans, which were securitized into mortgage-backed securities and purchased with the mortgage revenue bond proceeds. These loans are non-amortizing noninterest-bearing and are due at first lien loan payoff or maturity.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Recent Pronouncements - The Agency reviews all GASB accounting pronouncements for their applicability and impact on the Agency's financial statements. During fiscal year ended September 30, 2018, the Agency did not have any new GASB pronouncements affecting the Agency's financial statements.

NOTE 3: 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.

NOTE 3: CASH/CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED SECURITIES (Continued)

The following assets, reported at fair value and held by the Fund at September 30, 2018 and 2017, were evaluated in accordance with GASB Statement No. 40 for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Asset	2018	2017
Cash and Cash Equivalents		
Money Market Funds	$ 902,785	$ 910,918
Total Cash and Cash Equivalents	**902,785**	**910,918**
Investments		
Investment Agreements	385,078	562,285
Total Investments	**385,078**	**562,285**
Mortgage-Backed Securities		
Ginnie Mae	4,399,280	5,497,428
Fannie Mae	3,103,261	4,088,164
Freddie Mac	6,695,303	7,839,318
Total Mortgage-Backed Securities	**14,197,844**	**17,424,910**
Total Cash, Investments and Mortgage-Backed Securities	**$ 15,485,707**	**$ 18,898,113**

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

NOTE 3: CASH/CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED SECURITIES (Continued)

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, 2018, 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	$ 902,785	$ 902,785	$ 902,785	$ -	$ -	$ -	$ -
Total Cash and Cash Equivalents	**902,785**	**902,785**	**902,785**	**-**	**-**	**-**	**-**
Investments							
Investment Agreements	385,078	385,078	-	-	-	-	385,078
Total Investments	**385,078**	**385,078**	**-**	**-**	**-**	**-**	**385,078**
Mortgage-Backed Securities							
Ginnie Mae	4,165,344	4,399,280	893	273,663	1,518,206	1,115,285	1,491,233
Fannie Mae	2,968,856	3,103,261	-	-	77,156	-	3,026,105
Freddie Mac	6,224,339	6,695,303	-	-	-	-	6,695,303
Total Mortgage-Backed Securities	**13,358,539**	**14,197,844**	**893**	**273,663**	**1,595,362**	**1,115,285**	**11,212,641**
Total Cash, Investments and Mortgage-Backed Securities	**$ 14,646,402**	**$ 15,485,707**	**$ 903,678**	**$ 273,663**	**$ 1,595,362**	**$ 1,115,285**	**$ 11,597,719**

(Continued)

NOTE 3: CASH/CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED SECURITIES (Continued)

As of September 30, 2017, the amortized cost, fair value and maturities for the cash, cash equivalents, investments and mortgage-backed securities for the Fund were as follows:

1996 Single Family Mortgage Revenue Bonds as of September 30, 2017

			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	$ 910,918	$ 910,918	$ 910,918	$ -	$ -	$ -	$ -
Total Cash and Cash Equivalents	**910,918**	**910,918**	**910,918**	**-**	**-**	**-**	**-**
Investments							
Investment Agreements	562,285	562,285	-	-	-	-	562,286
Total Investments	**562,285**	**562,285**	**-**	**-**	**-**	**-**	**562,286**
Mortgage-Backed Securities							
Ginnie Mae	5,017,007	5,497,428	-	245,083	2,165,985	1,325,649	1,760,711
Fannie Mae	3,779,954	4,088,164	-	-	88,277	-	3,999,887
Freddie Mac	7,042,878	7,839,318	-	-	-	-	7,839,318
Total Mortgage-Backed Securities	**15,839,839**	**17,424,910**	**-**	**245,083**	**2,254,262**	**1,325,649**	**13,599,916**
Total Cash, Investments and Mortgage-Backed Securities	**$ 17,313,042**	**$ 18,898,113**	**$ 910,918**	**$ 245,083**	**$ 2,254,262**	**$ 1,325,649**	**$ 14,162,202**

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, 2018 and 2017, 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

NOTE 3: CASH/CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED SECURITIES (Continued)

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 Mortgage Revenue Bonds as of September 30, 2018 and 2017 was AA+ by Standard and Poor's.

As of September 30, 2018, 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	$ 902,785	5.8%	Aaa-mf	Moody's	Uncollateralized, Uninsured
Total Cash and Cash Equivalents	**902,785**	**5.8%**			
Investments					
Investment Agreements	385,078	2.5%	A1	Moody's	
Total Investments	**385,078**	**2.5%**			
Mortgage-Backed Securities					
Ginnie Mae	4,399,280	28.4%	Aaa	Moody's	
Fannie Mae	3,103,261	20.0%	Aaa	Moody's	
Freddie Mac	6,695,303	43.2%	Aaa	Moody's	
Total Mortgage-Backed Securities	**14,197,844**	**91.7%**			
Total Cash, Investments and Mortgage-Backed Securities	**$ 15,485,707**	**100.0%**			

(continued)

NOTE 3: CASH/CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED SECURITIES (Continued)

As of September 30, 2017, the credit quality and percentages of the total portfolio of cash equivalents and investments under the Fund were as follows:

1996 Single Family Mortgage Revenue Bonds as of September 30, 2017

Asset	Fair Value	Percentage of Asset	Credit Rating	Rating Agency	Underlying Securities Credit Rating / Supporting Collateral
Cash and Cash Equivalents					
Money Market Funds	$ 910,918	4.8%	Aaa-mf	Moody's	Uncollateralized, Uninsured
Total Cash and Cash Equivalents	**910,918**	**4.8%**			
Investments					
Investment Agreements	562,285	3.0%	A1	Moody's	
Total Investments	**562,285**	**3.0%**			
Mortgage-Backed Securities					
Ginnie Mae	5,497,428	29.1%	Aaa	Moody's	
Fannie Mae	4,088,164	21.6%	Aaa	Moody's	
Freddie Mac	7,839,318	41.5%	Aaa	Moody's	
Total Mortgage-Backed Securities	**17,424,910**	**92.2%**			
Total Cash, Investments and Mortgage-Backed Securities	**$ 18,898,113**	**100.0%**			

Cash and Cash Equivalents - The Fund’s cash and cash equivalents balance as of September 30, 2018 and 2017, consist primarily of amounts held in AAA-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, 2018 and 2017, 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

NOTE 3: CASH/CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED SECURITIES (Continued)

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.

Mortgage-backed Securities - Ginnie Mae mortgage-backed securities are guaranteed by the Government National Mortgage Association ("GNMA"), 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 the 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 $745,766 and $706,316 on mortgage-backed securities for fiscal years 2018 and 2017, respectively. The cumulative unrealized gain in the fair market value of mortgage-backed securities as of September 30, 2018 and 2017 was $839,442 and $1,585,071, respectively.

NOTE 4: MORTGAGE LOANS RECEIVABLE

Mortgage loans receivable are subordinate lien down-payment and closing cost assistance loans originated in conjunction with the first lien loans, which were securitized into mortgage-backed securities and purchased with the mortgage revenue bond proceeds. These loans are nonamortizing, noninterest-bearing and are due at first lien loan payoff or maturity. During the fiscal year ended September 30, 2018, the Fund did not make any new subordinate lien loans. The following is the loan receivable activity for the fiscal years ended September 30, 2018 and 2017.

	2018	2017
Loans Receivable, Beginning Balance	$ 330,000	$ 330,000
New Loans Funded	-	-
Paid-off Loans	-	-
Loans Receivable, Ending Balance	**$ 330,000**	**$ 330,000**

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 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.

NOTE 5: BONDS PAYABLE (Continued)

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, 2018 and the debt outstanding and bonds payable under the Fund as of September 30, 2018.

	Range of Interest Rates	Range of Maturities	Debt Outstanding at 9/30/2017	Bond Activity: New Bonds Issued	Bond Activity: Scheduled Maturity Payments	Bond Activity: Bond Redeemed	Debt Outstanding at 9/30/2018	Premium (+) / Discount (-)	Bond Payable at 9/30/2018	Due Within One Year
2006 Series A	4.95%	2019~2026	$ 530,000	$ -	$ 20,000	$ 350,000	$ 160,000	$ -	$ 160,000	$ 10,000
2006 Series B	5.1% ~ 5.35%	2019~2037	2,595,000	-	45,000	1,745,000	805,000	271,699	1,076,699	10,000
2006 Series D	4.60%	2018~2020	150,000	-	40,000	25,000	85,000	-	85,000	35,000
2006 Series E	4.65%	2019~2037	5,470,000	-	-	850,000	4,620,000	-	4,620,000	85,000
Total			**$ 8,745,000**	**$ -**	**$ 105,000**	**$ 2,970,000**	**$ 5,670,000**	**$ 271,699**	**$ 5,941,699**	**$ 140,000**

The following is a summary of the bond activity for the year ended September 30, 2017 and the debt outstanding and bonds payable under the Fund as of September 30, 2017.

	Range of Interest Rates	Range of Maturities	Debt Outstanding at 9/30/2016	Bond Activity: New Bonds Issued	Bond Activity: Scheduled Maturity Payments	Bond Activity: Bond Redeemed	Debt Outstanding at 9/30/2017	Premium (+) / Discount (-)	Bond Payable at 9/30/2017	Due Within One Year
2005 Series A	5.50%	-	$ 610,000	$ -	$ 40,000	$ 570,000	$ -	$ -	$ -	$ -
2005 Series B	4.75% ~ 5.625%	-	1,305,000	-	30,000	1,275,000	-	-	-	-
2006 Series A	4.95%	2017~2026	715,000	-	60,000	125,000	530,000	-	530,000	55,000
2006 Series B	5.1% ~ 5.35%	2017~2037	3,440,000	-	25,000	820,000	2,595,000	287,506	2,882,506	105,000
2006 Series D	4.60%	2017~2020	210,000	-	45,000	15,000	150,000	-	150,000	45,000
2006 Series E	4.65%	2017~2037	6,970,000	-	-	1,500,000	5,470,000	-	5,470,000	90,000
Total			**$ 13,250,000**	**$ -**	**$200,000**	**$ 4,305,000**	**$ 8,745,000**	**$ 287,506**	**$ 9,032,506**	**$ 295,000**

(Continued)

NOTE 5: BONDS PAYABLE (Continued)

As of September 30, 2018, the required principal payments for all the Fund's debt outstanding (including mandatory sinking fund payments but excluding special and optional redemptions) that occurred subsequent to September 30, 2018 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 five-year increments thereafter, are as follows:

For the Year Ending	1996 Single Family Mortgage Revenue Bonds	
For the Year Ending September 30,	Interest	Principal
2019	$ 266,529	$ 140,000
2020	254,961	270,000
2021	242,966	245,000
2022	231,141	250,000
2023	219,182	255,000
2024-2028	903,681	1,375,000
2029-2033	565,261	1,510,000
2034-2038	169,041	1,625,000
Totals	$ 2,852,762	$ 5,670,000
Unamortized Premium / (Discount)		$ 271,699
Bonds Payable		**$ 5,941,699**

NOTE 6: REBATE LIABILITY

In accordance with the Internal Revenue Service Code (the "Code"), the Agency has recorded as 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 permitted to be retained by the indentures under the Code. The Code requires 90.0% 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 Changes 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 Changes 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 unrealized gains on investments. For the years ended September 30, 2018 and 2017 the rebate liability in the single family program was $40,098 and $40,096, respectively.

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. There was no transfer by the Agency of HOME funds back to DHCD during fiscal year 2018. As of September 30, 2018 and 2017, total HOME Program restricted assets were $1,100,773 and $1,100,773, respectively.

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, 2018 and 2017 was $7,600,779 and $7,865,136, 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 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.

The Agency terminated the Money Purchase Pension Plan effective June 10, 2016. No participants were allowed to enter the plan after the effective date of Plan termination and there will be no benefit accruals after such date. Distributions were made to all participants and/or beneficiaries.

NOTE 10: SUBSEQUENT EVENTS

The events that occur after the date of the Statement of Net Position but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the Statement of Net Position are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the date of the Statement of Net Position require disclosure in the accompanying notes. Management evaluated the activity of DCHFA through January 25, 2019 (the date the financial statements were available to be issued) and concluded that the following subsequent events require recognition in the Financial Statements or disclosure in the Notes to the Financial Statements.