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

Financial Statements With

Independent Auditor's Report

Years Ended September 30, 2010 and 2009

TCBA

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DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
1996 SINGLE FAMILY MORTGAGE REVENUE BONDS
FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT
YEARS ENDED SEPTEMBER 30, 2010 AND 2009

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
District of Columbia Housing Finance Agency

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, 2010 and 2009. 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.

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 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 audits provide a reasonable basis for our 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, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Washington, D.C.
March 8, 2011

DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
1996 SINGLE FAMILY MORTGAGE REVENUE BONDS
BALANCE SHEETS
SEPTEMBER 30, 2010 AND 2009

ASSETS	2010	2009
Current Assets		
Unrestricted current assets:		
Other receivables	$ -	$ 2,177
Total unrestricted current assets	-	2,177
Restricted current assets:		
Cash and cash equivalents	5,355,740	4,788,072
Accrued interest receivable	664,015	1,133,302
Current portion of mortgage-backed securities	12,022,560	22,381,300
Total restricted current assets	18,042,315	28,302,674
Total current assets	18,042,315	28,304,851
Non-current Assets		
Restricted non-current assets:		
Investments held in trust	11,987,668	25,453,919
Mortgage backed securities, less current portion	113,831,142	120,794,287
Mortgage loans receivable	90,000	-
Bond issue costs, net	1,688,937	1,941,690
Total restricted non-current assets	127,597,747	148,189,896
Total non-current assets	127,597,747	148,189,896
TOTAL ASSETS	**$ 145,640,062**	**$ 176,494,747**

(Continued)

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

DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
1996 SINGLE FAMILY MORTGAGE REVENUE BONDS
BALANCE SHEETS - CONTINUED
SEPTEMBER 30, 2010 AND 2009

LIABILITIES AND NET ASSETS	2010	2009
Current Liabilities		
Current liabilities payable from restricted assets:		
Deferred credits	2,773,285	3,423,285
Deferred revenue	619,075	720,595
Interest payable	2,164,418	2,721,987
Current portion of rebate liability	1,027,180	351,197
Current portion of bonds payable	2,915,000	3,210,000
Total current liabilities payable from restricted assets	9,498,958	10,427,064
Non-current Liabilities		
Non-current liabilities payable from restristed assets:		
Rebate liability, less current portion	59,532	1,125,633
Bonds payable, less current portion	128,423,841	159,490,138
Due to other funds	1,069,475	1,069,475
Total non-current liabilities payable from restricted assets	129,552,848	161,685,246
TOTAL LIABILITIES	**139,051,806**	**172,112,310**
NET ASSETS		
Restricted for:		
Bond Fund	6,588,255	4,382,437
Total restricted net assets	6,588,255	4,382,437
TOTAL NET ASSETS	**6,588,255**	**4,382,437**
TOTAL LIABILITIES AND NET ASSETS	**$ 145,640,061**	**$ 176,494,747**

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

DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
1996 SINGLE FAMILY MORTGAGE REVENUE BONDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	2010	2009
OPERATING REVENUES		
Investment interest income, net of rebate	$ 622,931	$ 1,047,902
Mortgage-backed security interest income	6,729,214	7,104,041
Other	101,520	370,680
Total operating revenues	7,453,665	8,522,623
OPERATING EXPENSES		
General and administrative	158,318	189,366
Interest expense	6,389,639	10,561,974
Bond cost of issuance amortization	252,754	536,786
Trustee fees and other expenses	354,341	178,189
Total operating expenses	7,155,052	11,466,315
OPERATING INCOME (LOSS)	298,613	(2,943,692)
NON-OPERATING REVENUES/EXPENSES		
Increase in fair value of mortgage-backed securities	1,757,206	7,641,077
Total non-operating revenues (expenses)	1,757,206	7,641,077
Transfers of funds, net, as permitted by the indenture	150,000	(789,024)
CHANGE IN NET ASSETS	2,205,819	3,908,361
Net assets, beginning of year	4,382,437	474,076
Net assets, end of year	$ 6,588,256	$ 4,382,437

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, 2010 AND 2009

	2010	2009
Cash Flows From Operating Activities:		
Principal and interest received on mortgage-backed securities	$ 29,198,985	$ 18,893,792
Purchase of mortgage-backed securities	(3,302,209)	(22,736,900)
Payments to vendors	(202,174)	(250,453)
Mortgage loans disbursed	(90,000)	-
Net cash provided by / (used in) operating activities	25,604,602	(4,093,561)
Cash Flows From Non-Capital Financing Activities		
Interest paid on bonds	(7,563,504)	(11,867,355)
Transfer (to) from other funds	(500,000)	(948,381)
Principal payments on issued debt	(30,745,000)	(271,120,000)
Net cash used in non-capital financing activities	(38,808,504)	(283,935,736)
Cash Flows From Investing Activities		
Interest received on investments	956,416	4,948,907
Sale of investments	28,036,679	298,671,612
Purchase of investments	(14,878,735)	(12,773,582)
Arbitrage rebates paid	(342,789)	(47,925)
Net cash provided by investing activities	13,771,571	290,799,012
NET INCREASE IN CASH AND CASH EQUIVALENTS	567,668	2,769,715
Cash and cash equivalents, beginning of year	4,788,072	2,018,357
Cash and cash equivalents, end of year	$ 5,355,740	$ 4,788,072

(Continued)

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 - CONTINUED
YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	2010	2009
Reconciliation of Operating Income / (Loss) to Net Cash Used In Operating Activities		
Operating income / (loss)	$ 298,613	$ (2,943,692)
Adjustments to reconcile operating income (loss) to net cash provided by / (used in) operating activities		
Decrease (increase) in assets:		
Mortgage-backed securities	19,079,091	(10,892,962)
Mortgage loans	(90,000)	-
Accrued interest	469,287	2,600,371
Other receivables	2,177	(169,344)
Asset adjustment	308,307	-
(Decrease) increase in liabilities:		
Accrued interest payable	(557,569)	(1,214,378)
Accounts payable	-	167,495
Due to other funds	-	(159,357)
Rebate liability	(390,118)	1,476,830
Other payables	-	(91,003)
Amortizations		
Bond original issue discounts and (premiums), net	(616,297)	(269,160)
Deferred bond issuance costs	252,754	536,786
Deferred revenue	(101,520)	(101,520)
Arbitrage rebates paid	342,789	47,925
Interest received on investments	(956,416)	(4,948,907)
Interest on bonds and short-term debt	7,563,504	11,867,355
Net cash provided by / (used in) operating activities	$ 25,604,602	$ (4,093,561)

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 only include Agency's 1996 Single Family Mortgage Revenue Bonds (the Fund). 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 combined 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 (GAAP).

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). Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Agency has elected not to adopt the Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless the GASB specifically adopts the FASB Statements or Interpretations, APB Opinions, and ARB of the AICPA Committee on Accounting Procedure.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 balance sheet and changes in the fair value of investments are recognized in the Statement of Revenues, Expenses and Changes in Net Assets 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 guarantees embedded in these securities. Mortgage-backed securities are reported at fair value on the balance sheet and changes in the fair value of mortgage-backed securities are recognized in the Statement of Revenues, Expenses and Changes in Net Assets as part of non-operating income.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bond Issuance Costs - Costs related to the issuance of bonds are capitalized and amortized over the life of the related debt on a straight-line basis, which approximates the effective yield method. When the debt is redeemed early with mortgage prepayments, a proportionate share of the remaining unamortized costs is recognized as a loss in the Statements of Revenues, Expenses and Changes in Net Assets.

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.

Deferred revenue – Deferred revenue represents funds received from non-refundable fees associated with origination of mortgage loans underlying the mortgage-backed securities under the indenture. The deferred fees are amortized over the estimated life of the mortgage-backed securities.

Net Assets - Net assets of the Fund are reported as restricted since their 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.

New Accounting Pronouncements - Adopted

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that an intangible asset be recognized in the statement of net assets only if it is considered identifiable. Additionally, this Statement establishes a specified-conditions approach to recognizing intangible assets that are internally generated. The requirements in this Statement improve financial reporting by reducing inconsistencies that have developed in accounting and financial reporting for intangible assets. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009 and are required to be applied retroactively. This Statement did not have an impact on the Fund's financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. This Statement improves financial reporting by requiring governments to measure and report derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in their financial statements. Changes in fair value of hedging derivative instruments are reported in the statement of net assets as deferrals while changes in fair value of investment derivative instruments are reported within the investment revenue classification. This Statement is effective for financial statements for periods beginning after June 15, 2009. Management of the Agency will consider the applicability and impact, if any, on the Fund's financial statements upon adoption. As of September 30, 2010, the Fund did not have any derivative instruments which are subject to this Statement.

New Accounting Pronouncements – To Be Adopted

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definition. This Statement is effective for periods beginning after June 15, 2010. Management of the Agency will consider the impact, if any, on the Fund's financial statements upon adoption.

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, 2010 and 2009, were evaluated in accordance with GASB Statement No. 40 for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Asset	2010	2009
Cash and Cash Equivalents		
Demand Money Market Deposits	$ 10,511	$ -
Money Market Funds	5,345,229	4,788,072
Total Cash and Cash Equivalents	**5,355,740**	**4,788,072**
Investments		
Investment Agreements	11,987,668	25,453,919
Total Investments	**11,987,668**	**25,453,919**
Mortgage-Backed Securities		
Ginnie Mae	40,160,377	44,867,800
Fannie Mae	34,374,627	41,616,797
Freddie Mac	51,318,698	56,690,990
Total Mortgage-Backed Securities	**125,853,702**	**143,175,587**
Total Cash, Investments and Mortgage-Backed Securities	**$143,197,110**	**$173,417,578**

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.

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

As of September 30, 2010, the amortized cost, fair value and maturities for the cash, cash equivalents, investments and mortgage-backed securities for the Fund were as follows:

Asset	Cost	Fair Value	Maturities (in years) Less than 1	From 1 to 5	From 5 to 10	From 10 to 15	More than 15
Cash and Cash Equivalents							
Demand Money Market Deposits	10,513	10,513	$ 10,513				
Money Market Funds	5,345,229	5,345,229	5,345,229	$ -	$ -	$ -	$ -
Total Cash and Cash Equivalents	5,355,742	5,355,742	5,355,742	-	-	-	-
Investments							
Investment Agreements	11,987,668	11,987,668		2,264,498	-	-	9,723,170
Total Investments	11,987,668	11,987,668	-	2,264,498	-	-	9,723,170
Mortgage-Backed Securities							
Ginnie Mae	37,208,421	40,160,377	-	-	651,279	6,239,599	33,269,499
Fannie Mae	32,616,184	34,374,627	-	-	-	85,928	34,288,699
Freddie Mac	47,941,458	51,318,697	-	-	-	-	51,318,697
Total Mortgage-Backed Securities	117,766,063	125,853,701	-	-	651,279	6,325,527	118,876,895
Total Cash, Investments and Mortgage-Backed Securities	**$ 135,109,473**	**$ 143,197,112**	**$ 5,355,742**	**$ 2,264,498**	**$ 651,279**	**$ 6,325,527**	**$ 128,600,066**

As of September 30, 2009, the amortized cost, fair value and maturities for the cash, cash equivalents, investments and mortgage-backed securities for the Fund were as follows:

Asset	Cost	Fair Value	Maturities (in years) Less Than 1	From 1 Up To 5	From 5 Up To 10	From 10 Up To 15	15 and More
Cash and Cash Equivalents							
Money Market Funds	$ 4,788,072	$ 4,788,072	$ 4,788,072	$ -	$ -	$ -	$ -
Total Cash and Cash Equivalents	4,788,072	4,788,072	4,788,072	-	-	-	-
Investments							
Investment Agreements	25,453,919	25,453,919	6,395,629	1,170,408	-	-	17,887,881
Corporate Obligations	-	-	-	-	-	-	-
Government Sponsored Enterprises	-	-	-	-	-	-	-
Total Investments	25,453,919	25,453,919	6,395,629	1,170,408	-	-	17,887,881
Mortgage-Backed Securities							
Ginnie Mae	42,764,255	44,867,800	-	-	19,303	4,084,252	40,764,246
Fannie Mae	40,375,942	41,616,797	-	-	-	-	41,616,797
Freddie Mac	53,704,957	56,690,990	-	-	-	-	56,690,990
Total Mortgage-Backed Securities	136,845,154	143,175,587	-	-	19,303	4,084,252	139,072,032
1996 Single Family Mortgage Revenue Bonds Total Cash, Investments and Mortgage-Backed Securities	**$ 167,087,145**	**$ 173,417,578**	**$ 11,183,702**	**$ 1,170,408**	**$ 19,303**	**$ 4,084,252**	**$ 156,959,914**

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

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, 2010 and 2009, 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 Mortgage Revenue Bonds as of September 30, 2010 and 2009 were AAA by Standard and Poor's.

(continued)

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

As of September 30, 2010, 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 Total	Credit Rating	Rating Agency	Underlying Securities Credit Rating / Supporting Collateral
Cash and Cash Equivalents					
Demand Money Market Deposits	$ 10,511	0%	Not rated		Uncollateralized
Money Market Funds	5,345,229	4%	AAAm	S&P	Uncollateralized, Uninsured
Total Cash and Cash Equivalents	**5,355,740**	**4%**			
Investments					
Investment Agreements	1,102,799	1%	AA+	S&P	
Investment Agreements	8,976,910	6%	AA-	S&P	
Investment Agreements	1,907,959	1%	A-	S&P	
Total Investments	**11,987,668**	**8%**			
Mortgage-Backed Securities					
Ginnie Mae	40,160,377	28%	AAA	S&P	
Fannie Mae	34,374,627	24%	AAA	S&P	
Freddie Mac	51,318,698	36%	AAA	S&P	
Total Mortgage-Backed Securities	**125,853,702**	**88%**			
Total Cash, Investments and Mortgage-Backed Securities	**$143,197,110**	**100%**			

As of September 30, 2009, 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 Total	Credit Rating	Rating Agency	Underlying Securities Credit Rating / Supporting Collateral
Cash and Cash Equivalents					
Money Market Funds	$ 4,788,072	3%	AAAm	S&P	Uncollateralized, Uninsured
Total Cash and Cash Equivalents	**4,788,072**	**3%**			
Investments					
Investment Agreements	1,561,857	1%	Aaa	Moody's	
Investment Agreements	17,354,582	10%	AA	S&P	
Investment Agreements	6,537,479	4%	A	S&P	
Total Investments	**25,453,919**	**15%**			
Mortgage-Backed Securities					
Ginnie Mae	44,867,800	26%	AAA	S&P	
Fannie Mae	41,616,797	24%	AAA	S&P	
Freddie Mac	56,690,990	33%	AAA	S&P	
Total Mortgage-Backed Securities	**143,175,587**	**83%**			
Total Cash, Investments and Mortgage-Backed Securities	**$173,417,578**	**100%**			

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

Cash and Cash Equivalents - The Fund's cash and cash equivalents balance as of September 30, 2010 and 2009, 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, 2009, 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.

Mortgage-backed Securities - Ginnie Mae mortgage-backed securities are guaranteed by the Government National Mortgage Association (Ginnie Mae or 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 top-rated 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 the highest 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

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

the intention of the Agency to hold these mortgage-backed securities until the underlying loans are paid in full.

The Fund recorded unrealized gains of $1,757,206 and $7,641,077 on mortgage-backed securities for fiscal years 2010 and 2009, respectively. The cumulative unrealized gain in the fair market value of mortgage-backed securities as of September 30, 2010 and 2009 was $8,087,639 and $6,330,433, respectively.

NOTE 4: 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.

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.

NOTE 4: BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended September 30, 2010 and the debt outstanding and bonds payable under the Fund as of September 30, 2010.

				Bond Activity						
	Range of Interst Rates	Range of Maturities	Debt Outstanding at 9/30/2009	New Bonds Issued	Scheduled Maturity Payments	Bond Redeemed	Debt Outstanding at 9/30/2010	Premium (+) / Discount (-)	Bond Payable at 9/30/2010	Due Within One Year
1996 Series A	5.40% ~ 6.15%	2008 ~ 2028	$ 4,960,000	$ -	$ 75,000	$ 4,885,000	$ -	$ -	$ -	$ -
1997 Series B	5.25% ~ 5.90%	2008 ~ 2028	3,825,000	-	135,000	235,000	3,455,000	413,909	3,868,909	105,000
1998 Series A	4.90% ~ 5.35 %	2008 ~ 2029	7,310,000	-	195,000	1,070,000	6,045,000	422,218	6,467,218	240,000
1999 Series A	4.95% ~ 5.45%	2008 ~ 2030	6,540,000	-	170,000	900,000	5,470,000	668,021	6,138,021	170,000
2000 Series A	5.65% ~ 6.30%	2008 ~ 2031	3,465,000	-	70,000	925,000	2,470,000	684,956	3,154,956	80,000
2000 Series C	5.75% ~ 6.25%	2008 ~ 2031	780,000	-	20,000	-	760,000	-	760,000	20,000
2000 Series D	5.65% ~ 6.15%	2008 ~ 2031	2,950,000	-	65,000	725,000	2,160,000	694,293	2,854,293	50,000
2001 Series A	4.95% ~ 6.85%	2008 ~ 2032	4,330,000	-	90,000	685,000	3,555,000	277,633	3,832,633	90,000
2005 Series A	5.50%	2008 ~ 2025	5,245,000	-	255,000	270,000	4,720,000	236,134	4,956,134	275,000
2005 Series B	4.75% ~ 5.625%	2006 ~ 2035	14,300,000	-	260,000	1,965,000	12,075,000	331,868	12,406,868	245,000
2006 Series A	4.95%	2008 ~ 2026	3,480,000	-	125,000	305,000	3,050,000	-	3,050,000	125,000
2006 Series B	5.1% ~ 5.35%	2008 ~ 2037	22,675,000	-	315,000	2,375,000	19,985,000	388,140	20,373,140	310,000
2006 Series D	4.60%	2008 ~ 2020	1,610,000	-	120,000	100,000	1,390,000	-	1,390,000	115,000
2006 Series E	4.65%	2008 ~ 2037	47,740,000	-	855,000	6,330,000	40,555,000	-	40,555,000	785,000
2007 Series A	5.15%	2008 ~ 2038	28,430,000	-	275,000	6,950,000	21,205,000	326,669	21,531,669	305,000
Total			$157,640,000	$ -	$ 3,025,000	$ 27,720,000	$126,895,000	$ 4,443,841	$ 131,338,841	$ 2,915,000

The following is a summary of the bond activity for the year ended September 30, 2009 and the debt outstanding and bonds payable under the Fund as of September 30, 2009.

				Bond Activity						
	Range of Interest Rates	Range of Maturities	Debt Outstanding at 9/30/2008	New Bonds Issued	Scheduled Maturity Payments	Bonds Redeemed	Debt Outstanding at 9/30/2009	Discount (-) / Premium (+)	Bonds Payable at 9/30/2009	Due Within One Year
1996 Series A	5.40% ~ 6.15%	2008 ~ 2028	$ 5,220,000	$ -	$ 190,000	$ 70,000	$ 4,960,000	$ 288,065	$ 5,248,065	$ 150,000
1997 Series B	5.25% ~ 5.90%	2008 ~ 2028	4,225,000	-	90,000	310,000	3,825,000	436,693	4,261,693	140,000
1998 Series A	4.90% ~ 5.35 %	2008 ~ 2029	7,880,000	-	210,000	360,000	7,310,000	444,837	7,754,837	205,000
1999 Series A	4.95% ~ 5.45%	2008 ~ 2030	7,230,000	-	160,000	530,000	6,540,000	701,146	7,241,146	175,000
2000 Series A	5.65% ~ 6.30%	2008 ~ 2031	3,550,000	-	75,000	10,000	3,465,000	718,099	4,183,099	70,000
2000 Series C	5.75% ~ 6.25%	2008 ~ 2031	800,000	-	20,000	-	780,000	-	780,000	20,000
2000 Series D	5.65% ~ 6.15%	2008 ~ 2031	3,010,000	-	60,000	-	2,950,000	727,888	3,677,888	65,000
2001 Series A	4.95% ~ 6.85%	2008 ~ 2032	4,760,000	-	95,000	335,000	4,330,000	290,447	4,620,447	90,000
2005 Series A	5.50%	2008 ~ 2025	5,790,000	-	265,000	280,000	5,245,000	251,703	5,496,703	260,000
2005 Series B	4.75% ~ 5.625%	2006 ~ 2035	15,470,000	-	255,000	915,000	14,300,000	345,055	14,645,055	265,000
2006 Series A	4.95%	2008 ~ 2026	3,815,000	-	135,000	200,000	3,480,000	-	3,480,000	130,000
2006 Series B	5.1% ~ 5.35%	2008 ~ 2037	24,695,000	-	450,000	1,570,000	22,675,000	402,695	23,077,695	330,000
2006 Series D	4.60%	2008 ~ 2020	1,845,000	-	90,000	145,000	1,610,000	-	1,610,000	120,000
2006 Series E	4.65%	2008 ~ 2037	49,385,000	-	850,000	795,000	47,740,000	-	47,740,000	870,000
2007 Series A	5.15%	2008 ~ 2038	49,665,000	-	700,000	20,535,000	28,430,000	453,510	28,883,510	320,000
2007 Series B	3.55%	2008	50,000,000	-	50,000,000	-	-	-	-	-
2005 Draw Down Series	Variable	2008	191,420,000	-	-	191,420,000	-	-	-	-
Total			$428,760,000	$ -	$53,645,000	$217,475,000	$ 157,640,000	$ 5,060,138	$162,700,138	$ 3,210,000

NOTE 4: BONDS PAYABLE (Continued)

As of September 30, 2010, 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, 2010 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
2011	$ 6,404,841	$ 2,915,000
2012	6,253,113	2,985,000
2013	6,094,305	3,150,000
2014	5,927,084	3,285,000
2015	5,752,189	3,455,000
2016-2020	25,838,593	19,865,000
2021-2025	20,100,868	23,890,000
2026-2030	13,458,510	26,835,000
2031-2035	6,617,739	26,475,000
2036-2040	889,746	14,040,000
Totals	$ 97,336,989	126,895,000
Unamortized Premium / (Discount)		4,443,841
Bonds Payable		$ 131,338,841

NOTE 5: REBATE LIABILITY

In accordance with the Internal Revenue Service Code (the Code), the Fund 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 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 Statement of Revenues, Expenses and Changes in Net Assets is reduced by the rebate liability due to excess investment earnings. The increase/decrease in fair value of investments on the Statement of Revenues, Expenses and Changes in Net Assets 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 5: REBATE LIABILITY (Continued)

Rebate liability activity under the Fund for the year ended September 30, 2010 was as follows:

Rebate liability as of September 30, 2009	$	1,476,830
Change in estimated liability due to excess investment earnings		(47,330)
Change in estimated liability due to change in fair value of investments		-
Less - payments made		(342,789)
Rebate liability as of September 30, 2010	$	1,086,711

Total rebate liability under the Fund as of September 30, 2010 was allocated as follows:

Estimated liability due to excess investment earnings	$	1,086,711
Estimated liability due to change in fair value of investments		-
Rebate liability as of September 30, 2010	$	1,086,711

Rebate liability activity under the Fund for the year ended September 30, 2009 was as follows:

Rebate liability as of September 30, 2008	$	-
Change in estimated liability due to excess investment earnings		1,476,830
Change in estimated liability due to change in fair value of investments		-
Rebate liability as of September 30, 2009	$	1,476,830

NOTE 5: REBATE LIABILITY (Continued)

Total rebate liability under the Fund as of September 30, 2009 was allocated as follows:

Estimated liability due to excess investment earnings	$	1,476,830
Estimated liability due to change in fair value of investments		-
Rebate liability as of September 30, 2009	$	1,476,830

NOTE 6: DEFERRED CREDITS

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, 2010 and 2009 total HOME Program restricted assets were $2,773,285 and $3,423,285, respectively.

NOTE 7: NET ASSETS

The Fund's net assets are reserved as collateral for the respective bond issues, and are fully restricted. The Fund's net assets as of September 30, 2010 and 2009 were $6,588,256 and $4,382,437, respectively.

NOTE 8: 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

NOTE 8: RETIREMENT PLAN (CONTINUED)

be 100% vested in his or her account. Concurrent with the amendment, the Agency commenced participating in the Social Security and Medicare programs.

NOTE 9: OTHER INCOME

The Fund's other income is comprised primarily of amortization of deferred revenue and/or released deferred credits and was $101,520 and $370,680 for fiscal years 2010 and 2009, respectively.

NOTE 10: SUBSEQUENT EVENTS

The following subsequent events have occurred:

Bond Redemptions and Maturities under the Fund:

- On October 1, 2010, the following Single Family Mortgage Revenue Bonds were redeemed:

Series	Maturing Principal	Principal Redemptions	Total
1997 Series B	$ 50,000	$ -	$ 50,000
1998 Series A	145,000	55,000	200,000
1999 Sereis A	145,000	235,000	380,000
2000 Series A	45,000	145,000	190,000
2000 Series C	10,000	-	10,000
2000 Series D	25,000	60,000	85,000
2001 Series A	45,000	190,000	235,000
2005 Series A	135,000	100,000	235,000
2005 Series B	120,000	1,230,000	1,350,000
2006 Series A	60,000	-	60,000
2006 Series B	150,000	2,660,000	2,810,000
2006 Series D	55,000	-	55,000
2006 Series E	390,000	1,360,000	1,750,000
2007 Series A	150,000	1,150,000	1,300,000
Total	**$ 1,525,000**	**$ 7,185,000**	**$ 8,710,000**

NOTE 10: SUBSEQUENT EVENTS (CONTINUED)

- On December 1, 2010, the following Single Family Mortgage Revenue Bonds were redeemed:

Series	Maturing Principal	Principal Redemptions	Total
1997 Series B	$ -	$ 15,000	$ 15,000
1998 Series A	-	30,000	30,000
1999 Sereis A	-	25,000	25,000
2000 Series A	-	10,000	10,000
2000 Series C	-	5,000	5,000
2000 Series D	-	15,000	15,000
2001 Series A	-	10,000	10,000
2005 Series A	-	215,000	215,000
2005 Series B	-	40,000	40,000
2006 Series A	-	30,000	30,000
2006 Series B	-	195,000	195,000
2006 Series D	-	15,000	15,000
2006 Series E	-	765,000	765,000
2007 Series A	-	555,000	555,000
Total	**$ -**	**$ 1,925,000**	**$ 1,925,000**