

**Allegheny County
Residential Finance Authority**

Financial Statements
and Required Supplementary Information
and Supplementary Information

Year Ended December 31, 2019
with Independent Auditor's Report

MaherDuessel

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ALLEGHENY COUNTY
RESIDENTIAL FINANCE AUTHORITY

YEAR ENDED DECEMBER 31, 2019

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Independent Auditor's Report

**Board of Directors
Allegheny County
Residential Finance Authority**

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Allegheny County Residential Finance Authority (Authority) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority'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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of each major fund and the aggregate remaining fund information of the Authority as of

December 31, 2019, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages i through v be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Authority's basic financial statements. The accompanying combining and individual non-major fund financial statements and individual Single Family Mortgage Program Funds schedules are presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maher Duessel

Pittsburgh, Pennsylvania
April 30, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Residential Finance Authority of Allegheny County (Authority) Management's Discussion and Analysis (MD&A) is designated to provide an overview of the Authority's financial activities for the year ended December 31, 2019 and should be read in conjunction with the Authority's financial statements, which begin on page 1.

Financial Highlights

- The Authority's net position increased by \$582,588 during the current year.
- The Authority has approximately \$20.7 million in net position restricted for loan programs available to fulfill its mission to provide safe, decent, and affordable housing to low- and moderate-income residents of Allegheny County.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements consist of two parts: 1) fund financial statements and 2) notes to financial statements.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Authority's funds are proprietary funds.

The Statement of Net Position, found on page 1, provides information about the Authority's financial position of the various enterprise funds using the accrual basis of accounting. It includes all of the Authority's assets and liabilities and indicates which assets, if any, are restricted as to use. Under the accrual basis of accounting, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

The Statement of Revenues, Expenses, and Changes in Net Position, on page 2, reports all the Authority's earnings and expenses by business-type activity using the accrual basis of accounting.

The Statement of Cash Flows, on page 3, indicates how much cash was provided and used by operating activities as well as other cash sources and uses such as investing and financing activities.

Proprietary Funds

The Authority maintains one type of proprietary fund. Enterprise funds are used to report activities that are intended to recover all or a significant portion of their costs through user fees and charges.

The Authority maintains four individual enterprise funds. Information is presented separately in the proprietary funds' statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows for the Administrative Fund and Single Family Mortgage Program Funds, which are considered to be major funds. Data from the other two enterprise funds are combined into a single aggregated presentation and is presented individually in the form of combining statements elsewhere in this report.

Notes to Financial Statements

The notes, which begin on page 4, provide additional information that is essential to a full understanding of data provided in the fund financial statements.

Other Information

The combining statements referred to earlier in connection with non-major enterprise funds are immediately following the notes to the financial statements, starting on page 18.

Analysis of Net Position

Net position is a useful indicator of a government's financial position. For the Authority, total assets were greater than liabilities by \$20,838,088 for the year ended December 31, 2019 and \$20,255,500 for the year ended December 31, 2018.

Condensed Statements of Net Position

The following is a summary of the Authority's Statements of Net Position as of December 31, 2019 and 2018:

	2019	2018	Change
Assets			
Cash	\$ 15,791,461	\$ 16,618,898	\$ (827,437)
Loans receivable	3,839,100	2,179,662	1,659,438
Investments	23,473,497	27,527,044	(4,053,547)
Due from other funds	50,000	50,000	-
Accrued interest	80,550	97,313	(16,763)
Other	1,865	1,865	-
Total Assets	43,236,473	46,474,782	(3,238,309)
Liabilities			
Accrued interest	119,256	141,417	(22,161)
Due to other funds	50,000	50,000	-
Unearned revenue	394,129	412,865	(18,736)
Bonds payable	21,835,000	25,615,000	(3,780,000)
Total Liabilities	22,398,385	26,219,282	(3,820,897)
Net Position			
Restricted	20,712,567	20,112,233	600,334
Unrestricted	125,521	143,267	(17,746)
Total Net Position	\$ 20,838,088	\$ 20,255,500	\$ 582,588

Changes in Net Position

The Authority's net position increased by \$582,588 for the year ended December 31, 2019 and decreased by \$784,346 for the year ended December 31, 2018. During the current year, 95.5% of the Authority's operating revenue came from loan and investment interest and 4.5% from other sources. During the prior year, 93.1% of the Authority's operating revenue came from loan and investment interest and 6.9% from other sources.

The following summarizes the Authority's Statements of Revenues, Expenses, and Changes in Net Position for the year ended December 31, 2019 and 2018.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2019	2018	Change
Operating Revenues:			
Loan and investment interest	\$ 1,055,274	\$ 1,217,832	\$ (162,558)
Fees and charges	49,939	82,949	(33,010)
Other	-	6,750	(6,750)
Total operating revenues	<u>1,105,213</u>	<u>1,307,531</u>	<u>(202,318)</u>
Operating Expenses:			
Legal expenses	26,250	26,250	-
Professional services	64,743	106,756	(42,013)
Other	13,999	13,614	385
Administration	323,789	328,859	(5,070)
Total operating expenses	<u>428,781</u>	<u>475,479</u>	<u>(46,698)</u>
Operating Income (Loss)	<u>676,432</u>	<u>832,052</u>	<u>(155,620)</u>
Non-operating Revenues:			
Investment earnings	190,651	177,411	13,240
Bond interest	(785,846)	(888,496)	102,650
Bond issuance costs	-	(66,500)	66,500
Realized gains (losses) on securities	(37,499)	(27,112)	(10,387)
Net change in fair value of investments	538,850	(811,701)	1,350,551
Total non-operating revenues	<u>(93,844)</u>	<u>(1,616,398)</u>	<u>1,522,554</u>
Net Income (Loss)	582,588	(784,346)	1,366,934
Net Position:			
Beginning of year	<u>20,255,500</u>	<u>21,039,846</u>	<u>(784,346)</u>
End of year	<u>\$ 20,838,088</u>	<u>\$ 20,255,500</u>	<u>\$ 582,588</u>

Financial Analysis of Individual Funds

The following discussion focuses on the Authority's major funds.

The Administrative Fund reported a net position of \$125,521, a decrease of \$17,746 from the prior year, primarily due to the amount paid to Allegheny County for administrative services.

The Single Family Mortgage Program Funds reports a net position of \$19,708,342, an increase of \$593,296 from the prior year.

Long-Term Debt

The Authority continued to make principal and interest payments on its existing long-term debt as scheduled. No new bonds were issued during the year. The Authority's long-term debt payments are accelerated when payments on the underlying mortgages for the mortgage-backed securities (i.e. GNMA and FNMA) exceed scheduled payments. The following is a summary of the Authority's long-term debt at December 31, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
<u>Single Family Mortgage Revenue Bonds</u>		
Series TT of 2006	\$ 415,000	\$ 1,240,000
Series VV of 2007	3,240,000	3,685,000
Series XX of 2010	2,520,000	2,950,000
Series YY of 2011	3,270,000	3,650,000
Series ZZ of 2011	4,690,000	5,880,000
Series AAA of 2017	3,625,000	3,895,000
Series BBB of 2017	<u>4,075,000</u>	<u>4,315,000</u>
	<u>\$ 21,835,000</u>	<u>\$ 25,615,000</u>

Requests for Information

The financial report is designed to provide an overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Fiscal Manager of Operations; One Chatham Center, Suite 900; 112 Washington Place; Pittsburgh, PA 15219.

**ALLEGHENY COUNTY
RESIDENTIAL FINANCE AUTHORITY**

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

DECEMBER 31, 2019

	Administrative Fund	Single Family Mortgage Program Funds	Other Proprietary Funds	Total
Assets				
Cash and cash equivalents	\$ 275,497	\$ 14,786,812	\$ 729,152	\$ 15,791,461
Due from other funds	-	-	50,000	50,000
Investments for:				
Debt service	-	205,500	-	205,500
GNMA and FNMA securities	-	23,267,997	-	23,267,997
Residential loan	-	3,519,549	307,547	3,827,096
Mortgage loans	-	12,004	-	12,004
Accrued interest:				
GNMA and FNMA	-	80,550	-	80,550
Other	1,865	-	-	1,865
Total Assets	\$ 277,362	\$ 41,872,412	\$ 1,086,699	\$ 43,236,473
Liabilities and Net Position				
Liabilities:				
Accrued interest	\$ -	\$ 119,256	\$ -	\$ 119,256
Due to other funds	50,000	-	-	50,000
Unearned revenue, net	101,841	209,814	82,474	394,129
Current portion of bonds payable	-	430,000	-	430,000
Long-term portion of bonds payable	-	21,405,000	-	21,405,000
Total Liabilities	151,841	22,164,070	82,474	22,398,385
Net Position:				
Restricted for loan programs	-	19,708,342	1,004,225	20,712,567
Unrestricted	125,521	-	-	125,521
Total Net Position	125,521	19,708,342	1,004,225	20,838,088
Total Liabilities and Net Position	\$ 277,362	\$ 41,872,412	\$ 1,086,699	\$ 43,236,473

See accompanying notes to financial statements.

**ALLEGHENY COUNTY
RESIDENTIAL FINANCE AUTHORITY**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2019

	Administrative Fund	Single Family Mortgage Program Funds	Other Proprietary Funds	Total
Operating Revenues:				
Interest:				
Loan	\$ -	\$ 9,657	\$ 1,039	\$ 10,696
GNMA and FNMA	-	1,044,578	-	1,044,578
Total interest	-	1,054,235	1,039	1,055,274
Fees and charges	29,826	20,113	-	49,939
Total operating revenues	29,826	1,074,348	1,039	1,105,213
Operating Expenses:				
Legal expenses	26,250	-	-	26,250
Professional services	11,000	53,743	-	64,743
Other expenses	12,975	596	428	13,999
Administration	300,000	23,789	-	323,789
Total operating expenses	350,225	78,128	428	428,781
Operating Income (Loss)	(320,399)	996,220	611	676,432
Non-Operating Revenues (Expenses):				
Investment earnings	2,653	181,571	6,427	190,651
Bond interest	-	(785,846)	-	(785,846)
Bond issuance costs	-	-	-	-
Realized loss on securities	-	(37,499)	-	(37,499)
Net change in fair value of investments	-	538,850	-	538,850
Transfers in	300,000	-	-	300,000
Transfers out	-	(300,000)	-	(300,000)
Total non-operating revenues (expenses)	302,653	(402,924)	6,427	(93,844)
Change in Net Position	(17,746)	593,296	7,038	582,588
Net Position:				
Beginning of year	143,267	19,115,046	997,187	20,255,500
End of year	\$ 125,521	\$ 19,708,342	\$ 1,004,225	\$ 20,838,088

See accompanying notes to financial statements.

**ALLEGHENY COUNTY
RESIDENTIAL FINANCE AUTHORITY**

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2019

	Administrative Fund	Single Family Mortgage Program Funds	Other Proprietary Funds	Total
Cash Flows From Operating Activities:				
Cash received for fees and charges	\$ 29,826	\$ -	\$ -	\$ 29,826
Cash received on asset-backed securities - principal	-	4,216,449	-	4,216,449
Cash received on asset-backed securities - interest	-	1,061,341	-	1,061,341
Cash received on loans - principal	-	27,021	13,959	40,980
Cash received on loans - interest	-	9,657	1,039	10,696
Cash paid for new loans	-	(1,700,418)	-	(1,700,418)
Cash paid to Allegheny County	(300,000)	-	-	(300,000)
Cash paid to vendors	(50,225)	(78,128)	(428)	(128,781)
Net cash provided by (used in) operating activities	(320,399)	3,535,922	14,570	3,230,093
Cash Flows From Financing Activities:				
Bond/note principal repayments	-	(3,780,000)	-	(3,780,000)
Interest paid	-	(808,007)	-	(808,007)
Transfers in	300,000	-	-	300,000
Transfers out	-	(300,000)	-	(300,000)
Net cash provided by (used in) financing activities	300,000	(4,888,007)	-	(4,588,007)
Cash Flows From Investing Activities:				
Interest income received	3,758	181,571	6,699	192,028
Cash received - investments for debt service	-	338,449	-	338,449
Net cash provided by (used in) investing activities	3,758	520,020	6,699	530,477
Net Increase (Decrease) in Cash and Cash Equivalents	(16,641)	(832,065)	21,269	(827,437)
Cash and Cash Equivalents:				
Beginning of year	292,138	15,618,877	707,883	16,618,898
End of year	\$ 275,497	\$ 14,786,812	\$ 729,152	\$ 15,791,461
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:				
Operating income (loss)	\$ (320,399)	\$ 996,220	\$ 611	\$ 676,432
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Loan principal repayments made	-	27,021	13,959	40,980
New loans	-	(1,700,418)	-	(1,700,418)
Deferred revenue	-	(20,113)	-	(20,113)
Change in:				
GNMA and FNMA securities	-	4,216,449	-	4,216,449
Accrued interest receivable	-	16,763	-	16,763
Net cash provided by (used in) operating activities	\$ (320,399)	\$ 3,535,922	\$ 14,570	\$ 3,230,093

See accompanying notes to financial statements.

ALLEGHENY COUNTY RESIDENTIAL FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

1. Organization and Purpose

The purpose of the Allegheny County Residential Finance Authority (Authority) is to broaden and stimulate the market for housing and otherwise improve the quality of life for residents of Pennsylvania. The Authority's principal means of promoting this purpose is through programs that offer below-market interest rate financing for the acquisition of newly constructed or existing housing in the area encompassing the County of Allegheny (County), with the exception of the City of Pittsburgh. The Authority has offered such financing both directly, by issuing mortgage loans, and indirectly, by acquiring Government National Mortgage Association (GNMA) and Federal National Mortgage Association (FNMA) mortgage-backed securities originated specifically through Authority programs.

The Authority issues revenue bonds to enable funding of these programs. Each bond series is payable from receipts derived by the Authority from the corresponding program. In addition, substantially all other Authority assets are secured and are restricted to use for specified programs or debt service until the related debt is retired.

The Authority is a public instrumentality and body corporate and politic of the Commonwealth of Pennsylvania (Commonwealth) established in 1981 pursuant to the Second Class County Code of the Commonwealth.

The County Executive appoints a Board of Directors (Board), comprised of up to twelve County residents, which governs the Authority. The County has not included the Authority in its reporting entity because the County's accountability for the Authority does not extend beyond making these appointments.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Authority has various programs that are reported as separate Enterprise funds. The Authority accounts for its programs on the accrual basis of accounting in accordance with the provisions of the Government Accounting Standards Board (GASB) Statements. Accordingly, revenues are recorded when earned, and expenses are recorded when incurred.

ALLEGHENY COUNTY RESIDENTIAL FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of interest on investments and loans and fees. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions, such as capital contributions, grants, or ancillary activities.

When an expense is incurred, for purposes in which there are both restricted and unrestricted net position available, it is the Authority's policy to apply those expenses first to restricted net position, to the extent that such is available, and then to the unrestricted net position.

Description of Funds

These financial statements include all activities of the Authority using a fund accounting basis. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual net position, and changes therein, which are segregated for the purpose of carrying on activities in accordance with regulations, contractual restrictions, or other limitations.

The Authority reports the following major proprietary funds:

Administrative Fund - The Administrative Fund accounts for centralized administrative support provided by the Authority to its enterprise funds. Administrative expenses include support services provided by the County's Department of Economic Development.

Single Family Mortgage Program Funds - Each Single Family Mortgage Fund was established by the issuance of mortgage revenue bonds for the purpose of enabling the Authority to offer financing for the acquisition of newly constructed or existing single family housing. The Authority offered financing directly for Single Family Services B, C, and D in the form of mortgage loans. These mortgage loans are recorded in the Bond Defeasance Fund. The Bond Defeasance Fund includes assets and related liabilities for the single-family program where the related indebtedness has been retired. The remaining Series entail indirect financing through the acquisition of GNMA and FNMA mortgage-backed securities, which originated specifically for Authority programs. In

ALLEGHENY COUNTY RESIDENTIAL FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

both cases, the financings are characterized by interest rates below the rate prevailing in the market at the time of the program.

In addition, the Authority reports the following non-major proprietary funds:

Community Development Fund - The Community Development Fund accounts for the revenues and expenses of community development block grant programs undertaken for the purpose of providing down-payment assistance to eligible residents of the County.

Housing Development Fund - The Housing Development Fund accounts for collections of loans and grant funds on behalf of the County, which were previously collected by the Housing Development Corporation (HDC). HDC was dissolved in 1994, and the assets of HDC were transferred to the County. In 1994, the Authority began collecting the loan and grant funds. The funds are held by the Authority in the Housing Development Fund, pending a disbursement request by the County for use as permitted under the terms of the original grant agreements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid instruments with original maturities of three months or less.

GNMA and FNMA Securities

The GNMA and FNMA Securities are mortgage-backed securities guaranteed by the GNMA or FNMA, respectively. GNMA is a wholly-owned corporate instrumentality of the United States within the Department of Housing and Urban Development. FNMA is a federally chartered, stockholder-owned corporation.

These securities are categorized by their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

ALLEGHENY COUNTY RESIDENTIAL FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

Unearned Revenue and Expenses

The inception of Single Family Mortgage Programs can entail several types of transactions for which related revenue or expense recognition is deferred. Mortgage and GNMA inception can entail origination and commitment fees received by the Authority that are deferred revenues.

Program revenue, restricted as to its use by grant agreements, is recognized in the proprietary funds to the extent allowable expenses are incurred. Any excess of program income over expenses is recorded as unearned revenues.

Net Position Components

Net position is classified into three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets - This component of net position consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets. There was no net investment in capital assets at year-end.

Restricted - This component of net position consists of constraints placed on net position use through external restrictions imposed by creditors (such as restrictions on usage by bond issuance). The Authority reports net position restricted for its lending and lending support programs at year-end.

Unrestricted - This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets." The net position of the Administrative Fund was unrestricted at year-end.

Adopted Pronouncement

GASB Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*," to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing

ALLEGHENY COUNTY RESIDENTIAL FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

information related to debt. The provisions of this statement have been adopted and incorporated into these financial statements.

Pending Pronouncements

GASB has issued statements that will become effective in future years including Statement Nos. 87 (Leases), 89 (Accounting for Interest Cost Incurred before the End of a Construction Period), 91 (Conduit Debt Obligations), and 92 (Omnibus 2020). Management has not yet determined the impact of these statements on the financial statements.

3. Deposits and Investments

Pennsylvania statutes provide for Authority investment of governmental funds into certain authorized investment types, including insured or collateralized time deposits and certificates of deposit. The statutes allow the pooling of governmental funds for investment purposes. The Trustee for each bond series is responsible for investing funds pursuant to restrictions designed to mitigate the risk of investing funds, including monitoring entities that have provided guaranteed investment contracts.

The deposit and investment policy of the Authority adheres to state statutes. Deposits of the governmental funds are either maintained in demand deposits or money market accounts. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Authority.

GASB Statement No. 40, *“Deposit and Investment Risk Disclosures,”* requires disclosures related to the following deposit and investment risks: credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. The following is a description of the Authority’s deposit and investment risks:

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Authority’s deposits may not be returned to it. The Authority does not have a formal policy for custodial credit risk. As of December 31, 2019, \$716,285 of the Authority’s bank balance of \$966,241 was exposed to custodial risk. However, this balance is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have collateral held by an approved custodian in the institution’s name.

ALLEGHENY COUNTY RESIDENTIAL FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

The Authority also has deposits in various short-term investment vehicles, including the Pennsylvania Local Government Investment Trust (PLGIT). These funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form. The Authority has \$38,409 invested with PLGIT and \$14,786,811 invested in money market accounts at December 31, 2019.

Interest Rate Risk Investments - The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the investments held by the Authority are primarily comprised of assets securitized in the secondary market from loans issued from the various single family loan programs. The maturities noted in the table below reflect the final maturity of the respective security and do not take into consideration routine repayments on principal as the underlying assets pay down, as it is not possible to forecast these repayments. It is management's intention to hold these securities until maturity. Interest rates on these investments are fixed, and principal and interest repayments from these investments will be used to repay the related debt service.

	Carrying Value	Less Than 1 Year	1-5 Years	6-10 Years	11-15 Years	16-20 Years	21-25 Years
AEGON GIC	\$ 205,500	\$ -	\$ 205,500	\$ -	\$ -	\$ -	\$ -
FNMA	2,541,407	-	-	-	-	1,824,681	716,726
GNMA	20,726,590	3,081	242,370	1,316,100	1,683,253	6,911,473	10,570,313
	<u>\$ 23,473,497</u>	<u>\$ 3,081</u>	<u>\$ 447,870</u>	<u>\$ 1,316,100</u>	<u>\$ 1,683,253</u>	<u>\$ 8,736,154</u>	<u>\$ 11,287,039</u>

Credit Risk - The Authority does not have a formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2019, the Authority's investments are unrated.

Fair Value - Deposits - The Authority's investments in PGLIT and money markets are exempt from fair value classification since their value is calculated at amortized cost, which approximates fair value for short term investments.

Fair Value - Investments - The Authority's investments in FNMA and GNMA securities are priced by third-party pricing services using observable market data and are included in the Level 2 fair value hierarchy.

ALLEGHENY COUNTY RESIDENTIAL FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

4. Single Family Program Mortgage Loans

The Authority issued Single Family Mortgage Loans for homes in the County, excluding the City of Pittsburgh, pursuant to programs each year from 1982 through 1985. The originating mortgage lender was required to ensure that each loan initiated under these programs, among other conditions, was:

- 1) Secured by a first lien mortgage on an insured title;
- 2) Made substantially in accordance with the current standard overwriting policies of the originating mortgage lender and the program;
- 3) Compliant with IRS Code § 103(b) designating borrower eligibility requirements necessary for tax-exemption of the program's bond interest; and
- 4) For an amount not exceeding 80% of the lesser of fair market value or purchase price, or was insured by a primary mortgage insurance policy that would pay the Authority's principal and accrued interest outstanding as well as certain administrative costs in the event of foreclosure.

These requirements at origination, combined with the efforts to entities contracted to service all outstanding mortgage loans, have allowed the Authority to incur no significant loan losses. The risk of loss is further mitigated by a mortgage pool insurance policy for each program against delinquencies. Based upon payment experience, insurance against losses and the status of loans at year-end, the Authority believes no provision for loan losses is necessary at December 31, 2019.

The total original principal amount was \$139,140,000. The interest rate for Series D is 9.70%. During 1996, the interest rates for Series C (1984) mortgage loans initially bearing interest at 11% and 8% were reduced to 7.75% and 4.75%, respectively. During 1999, the interest rate for Series B (1984) mortgage loans initially bearing interest at 10.25% was reduced to 3.43%.

At December 31, 2019, the Single Family Mortgage Program Funds had \$3,519,549 of residential loans outstanding. These loans were utilized to create more affordable housing available in Allegheny County as directed by the Authority.

ALLEGHENY COUNTY RESIDENTIAL FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

5. GNMA and FNMA Securities

The Single Family Mortgage Program Fund, Series T&U, AA&BB, CC&DD, EE&FF, HH&II, JJ&KK, LL&MM, NNOO&PP, QQRR&SS, TT, and UU&VV purchased GNMA and FNMA mortgage-backed securities during 2009. These securities provide payment of principal and interest and are backed by pools of mortgage loans that have been originated by a number of lending institutions to qualified persons to finance the purchase of single family residential housing within the County, excluding the City of Pittsburgh. These securities are not pledged to any one indenture but are available for repayment of bonds within the single family mortgage program.

6. Bonds Payable

The following table shows the changes in long-term debt for the year ended December 31, 2019:

	<u>Balance</u> <u>January 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31, 2019</u>	<u>Due Within</u> <u>One Year</u>
Proprietary Funds:					
Mortgage Revenue Bonds	<u>\$ 25,615,000</u>	<u>\$ -</u>	<u>\$ (3,780,000)</u>	<u>\$ 21,835,000</u>	<u>\$ 430,000</u>

The Authority issues mortgage revenue bonds to finance its programs. These bonds are limited obligations of the Authority, secured solely by the assignment and pledge of substantially all of the corresponding mortgage program fund's assets. Because of this secured interest, the Authority is restricted in the use of virtually all assets of the mortgage program funds and has vested the rights and responsibilities of receiving, managing, and disbursing funds with trustees engaged for each bond issue. This restriction causes the net position to be effectively restricted until the corresponding bond issue is retired. The bonds are not obligations of the County, the Commonwealth, or any political subdivision of the Commonwealth.

Most of the bond issues provide for retirements to be accelerated from the original schedule in the event of prepayments of the underlying mortgages, GNMA or FNMA securities, or if funds are otherwise available as provided in the respective trust indentures. The maturity schedules presented on the following pages do not contemplate such

ALLEGHENY COUNTY RESIDENTIAL FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

accelerated retirements or mandatory sinking fund repayments, as these are difficult to predict due to the Authority's practice of calling bonds early.

Annual debt service requirements on outstanding bonds are as follows:

	Principal	Interest	Total
2020	\$ 430,000	\$ 713,993	\$ 1,143,993
2021	450,000	704,601	1,154,601
2022	2,350,000	679,262	3,029,262
2023	450,000	592,919	1,042,919
2024	405,000	581,976	986,976
2025 - 2029	3,645,000	2,668,559	6,313,559
2030 - 2034	1,005,000	2,073,471	3,078,471
2035 - 2039	1,200,000	1,539,921	2,739,921
2040 - 2044	10,480,000	459,448	10,939,448
2045 - 2047	1,420,000	152,887	1,572,887
	\$ 21,835,000	\$ 10,167,037	\$ 32,002,037

Single Family – Series TT

During 2006, the Authority issued \$12,830,000 of Single Family Mortgage Revenue Bonds. The bonds were used for the origination of single family mortgage loans.

Interest is payable semi-annually in May and November. Interest on the fixed-rate bonds range from 3.90% to 5.75%.

As of December 1, 2019, the Series TT Bonds had principal outstanding of \$415,000, with a final maturity in the year 2022.

Optional Redemption

The Series TT Bonds are subject to optional redemption. Bonds maturing after May 1, 2016 are redeemable at the option of the Authority on and after May 1, 2016, in whole or in part, on any date, from any maturities selected by the Authority, at the redemption price of 100% of principal plus accrued interest.

ALLEGHENY COUNTY RESIDENTIAL FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

Mandatory Redemption

The Series TT Bonds maturing on November 1, 2022 are subject to mandatory redemption prior to their stated maturity dates, in part, at principal amounts plus accrued interest to the date fixed for redemption.

Single Family - Series UU and VV

During 2007, the Authority issued \$16,045,000 of Single Family Mortgage Revenue Bonds. The bonds were used for the origination of single mortgage loans and to defease the Authority's outstanding Single Family Series W&X bonds. The Series UU Bonds were retired during 2016.

Interest is payable semi-annually in May and November, commencing on November 1, 2006. Interest on the fixed-rate bonds range from 4.00% to 4.95%. As of December 31, 2019, the Series VV Bonds had principal outstanding of \$3,240,000 with a final maturity date of the year 2027.

Optional Redemption

The Series VV Bonds are subject to optional redemption. Bonds maturing after May 1, 2017 are redeemable at the option of the Authority on and after May 1, 2017, in whole or in part, on any date, from any maturities selected by the Authority, at the redemption price of 100% of principal plus accrued interest.

Mandatory Redemption

The Series VV Bonds maturing on November 1, 2022 and November 1, 2027, respectively are subject to mandatory redemption prior to their stated maturity dates, in part, at principal amounts plus accrued interest to the date fixed for redemption.

Single Family - Series XX

During November of 2010, the Authority released \$5,750,000 of proceeds from the 2009 Escrowed Proceeds Account and redesignated such proceeds as the Series XX Bonds. The bonds were used for the origination of single family mortgage loans.

ALLEGHENY COUNTY RESIDENTIAL FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

Interest is payable on February 23, 2011 and thereafter semi-annually in May and November, commencing on May 1, 2012. Interest on the bonds is 0.73% from November 23, 2010 to February 23, 2011 and 3.01% thereafter. As of December 31, 2019, the Series XX Bonds had principal outstanding of \$2,520,000, with a final maturity in the year 2041.

Optional Redemption

The Series XX Bonds are subject to optional redemption. Bonds are redeemable at the option of the Authority on the first business day of each month, in whole or in part, on any date, from any maturities selected by the Authority, at the redemption price of 100% of principal plus accrued interest.

Mandatory Redemption

The Series XX Bonds are subject to mandatory redemption prior to their stated maturity dates, in part, at principal amounts plus accrued interest to the date fixed for redemption.

Single Family- Series YY

During August of 2011, the Authority released \$7,000,000 of proceeds from the 2009 Escrowed Proceeds Account and redesignated such proceeds as the Series YY Bonds. The bonds were used for the origination of single family mortgage loans.

Interest is payable on November 1, 2011 and thereafter semi-annually in May and November, commencing on November 1, 2011. Interest on the bonds is 3.48%. As of December 31, 2019, the Series YY Bonds had principal outstanding of \$3,270,000, with a final maturity in the year 2041.

Optional Redemption

The Series YY Bonds are subject to optional redemption. Bonds are redeemable at the option of the Authority on the first business day of each month, in whole or in part, on any date, from any maturities selected by the Authority, at the redemption price of 100% of principal plus accrued interest.

ALLEGHENY COUNTY RESIDENTIAL FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

Mandatory Redemption

The Series YY Bonds are subject to mandatory redemption prior to their stated maturity dates, in part, at principal amounts plus accrued interest to the date fixed for redemption.

Single Family - Series ZZ

During November of 2011, the Authority released \$11,580,000 of proceeds from the 2009 Escrowed Proceeds Account and redesignated such proceeds as the Series ZZ Bonds. The bonds were used for the origination of single family mortgage loans.

Interest is payable on May 1, 2012 and thereafter semi-annually in May and November, commencing on May 1, 2012. Interest on the bonds is 2.32%. As of December 31, 2019, the Series ZZ Bonds had principal outstanding of \$4,690,000, with a final maturity in the year 2036.

Optional Redemption

The Series ZZ Bonds are subject to optional redemption. Bonds are redeemable at the option of the Authority on the first business day of each month, in whole or in part, on any date, from any maturities selected by the Authority, at the redemption price of 100% of principal plus accrued interest.

Mandatory Redemption

The Series ZZ Bonds are subject to mandatory redemption prior to their stated maturity dates, in part, at principal amounts plus accrued interest to the date fixed for redemption.

Single Family - Series AAA and BBB

During December 2017, the Authority issued \$8,510,000 Single Family Mortgage Revenue Bonds as Series AAA, \$4,000,000, and Series BBB, \$4,510,000. The Series AAA bonds will be used for the origination of single family mortgage loans. The Series BBB bonds were used for a current refunding of the Series OO and Series PP bonds.

Interest is payable on May 1, 2018 and thereafter semi-annually in May and November, commencing on May 1, 2018. Interest on the Series AAA bonds range from 3.35% to 3.80%.

ALLEGHENY COUNTY RESIDENTIAL FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

Interest on the Series BBB bonds range from 1.60% to 3.40%. As of December 31, 2019, the Series AAA Bonds had principal outstanding of \$3,625,000, with a final maturity in the year 2047. As of December 31, 2019, the Series BBB had principal outstanding of \$4,075,000 with a final maturity in the year 2029.

Optional Redemption

The Series AAA and Series BBB Bonds maturing on or after November 1, 2026 are redeemable at the option of the Authority on the first business day of each month, in whole or in part, on any date, from any maturities selected by the Authority, at the redemption price of 100% of principal plus accrued interest.

Mandatory Redemption

The Series AAA Bonds maturing on November 1, 2032, November 1, 2037, and November 1, 2047, are subject to mandatory redemption prior to their stated maturity dates, in part, at principal amounts plus accrued interest to the date fixed for redemption in the manner provided in the Indenture.

The Series BBB bonds maturing on November 1, 2027 and November 1, 2029 are subject to mandatory redemption prior to their stated maturity date, in part, at 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption in the manner provided in the Indenture.

7. Conduit Debt

During 2008, the Authority served as an issuer of \$4,940,800 of Multi-Family Housing Revenue Bonds, Series A, B, and C for the Broadview Manor Apartments, Allegheny Independence House Apartments, and Versailles-Archer apartments projects, respectively. The bond proceeds were provided for the acquisition and rehabilitation of the projects. At December 31, 2019, the outstanding balance was \$4,295,000.

During 2009, the Authority served as an issuer of \$3,485,000 of Multi-Family Housing Revenue Bonds, Series 2009 for the Metowers Apartments project. The bond proceeds were provided for the acquisition and rehabilitation of the apartment. At December 31, 2019, the outstanding balance was \$3,005,000.

ALLEGHENY COUNTY RESIDENTIAL FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

During 2013, the Authority served as an issuer of \$4,500,000 of Multi-Family Housing Revenue Bonds, Series 2013 for Rolling Woods Apartments LP. The bond proceeds were provided for the acquisition and rehabilitation of the apartment building. At December 31, 2019, the outstanding balance was \$4,180,000.

For each of these projects, the principal and interest on the bonds are to be repaid solely and exclusively by the borrower. The Authority has no-commitment for the debt and does not anticipate acting in any related ongoing administrative capacity. Accordingly, this no-commitment debt is not presented on the face of the Authority's financial statements.

8. Related Parties

The County provides administrative services to the Authority. Administrative costs for 2019 were \$300,000, which are included in the Administrative Fund in the statement of revenues, expenses, and changes in net position.

SUPPLEMENTARY INFORMATION

**ALLEGHENY COUNTY
RESIDENTIAL FINANCE AUTHORITY**

COMBINING STATEMENT OF NET POSITION - OTHER PROPRIETARY FUNDS

DECEMBER 31, 2019

Assets	Community Development Fund	Housing Development Fund	Total
Cash and cash equivalents	\$ 32,474	\$ 696,678	\$ 729,152
Residential loan	-	307,547	307,547
Due from other fund	50,000	-	50,000
Total Assets	\$ 82,474	\$ 1,004,225	\$ 1,086,699
Liabilities and Net Position			
Liabilities:			
Unearned revenue, net	\$ 82,474	\$ -	\$ 82,474
Total Liabilities	82,474	-	82,474
Net Position:			
Restricted for loan programs	-	1,004,225	1,004,225
Total Net Position	-	1,004,225	1,004,225
Total Liabilities and Net Position	\$ 82,474	\$ 1,004,225	\$ 1,086,699

**ALLEGHENY COUNTY
RESIDENTIAL FINANCE AUTHORITY**

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
OTHER PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2019

	Community Development Fund	Housing Development Fund	Total
Operating Revenues:			
Loan interest	\$ -	\$ 1,039	\$ 1,039
Operating Expenses:			
Other expense	-	428	428
Operating Income (Loss)	-	611	611
Non-Operating Revenues (Expenses):			
Investment earnings	-	6,427	6,427
Change in Net Position	-	7,038	7,038
Net Position:			
Beginning of year	-	997,187	997,187
End of year	\$ -	\$ 1,004,225	\$ 1,004,225

**ALLEGHENY COUNTY
RESIDENTIAL FINANCE AUTHORITY**

COMBINING STATEMENT OF CASH FLOWS - OTHER PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2019

	Community Development Fund	Housing Development Fund	Total
Cash Flows From Operating Activities:			
Cash received on loans - principal	\$ -	\$ 13,959	\$ 13,959
Cash received on loans - interest	-	1,039	1,039
Cash paid to vendors	-	(428)	(428)
Net cash provided by (used in) operating activities	-	14,570	14,570
Cash Flows From Investing Activities:			
Interest income received	272	6,427	6,699
Net cash provided by (used in) investing activities	272	6,427	6,699
Net Increase (Decrease) in Cash and Cash Equivalents	272	20,997	21,269
Cash and Cash Equivalents:			
Beginning of year	32,202	675,681	707,883
End of year	\$ 32,474	\$ 696,678	\$ 729,152
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:			
Operating income (loss)	\$ -	\$ 611	\$ 611
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Loan principal repayments made	-	13,959	13,959
Net cash provided by (used in) operating activities	\$ -	\$ 14,570	\$ 14,570

**ALLEGHENY COUNTY
RESIDENTIAL FINANCE AUTHORITY**

COMBINING STATEMENT OF NET POSITION -
SINGLE FAMILY MORTGAGE PROGRAM FUNDS

DECEMBER 31, 2019

Assets	Series T&U	Bond Defeasance Fund	Indenture Related Single Family Funds	Total
Cash and cash equivalents	\$ 1,438,748	\$ 1,753,657	\$ 11,594,407	\$ 14,786,812
Investments for:				
Debt service	-	-	205,500	205,500
GNMA and FNMA securities	22,324	-	23,245,673	23,267,997
Residential loan	-	3,519,549	-	3,519,549
Mortgage loans	-	12,004	-	12,004
Accrued interest:				
GNMA and FNMA	128	-	80,422	80,550
Total Assets	\$ 1,461,200	\$ 5,285,210	\$ 35,126,002	\$ 41,872,412
Liabilities and Net Position				
Liabilities:				
Accrued interest	\$ -	\$ -	\$ 119,256	\$ 119,256
Unearned revenue, net	-	-	209,814	209,814
Current portion of bonds payable	-	-	430,000	430,000
Long-term portion of bonds payable	-	-	21,405,000	21,405,000
Total Liabilities	-	-	22,164,070	22,164,070
Net Position:				
Restricted for loan programs	1,461,200	5,285,210	12,961,932	19,708,342
Total Net Position	1,461,200	5,285,210	12,961,932	19,708,342
Total Liabilities and Net Position	\$ 1,461,200	\$ 5,285,210	\$ 35,126,002	\$ 41,872,412

**ALLEGHENY COUNTY
RESIDENTIAL FINANCE AUTHORITY**

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
SINGLE FAMILY MORTGAGE PROGRAM FUNDS

YEAR ENDED DECEMBER 31, 2019

	Series T&U	Bond Defeasance Fund	Indenture Related Single Family Funds	Total
Operating Revenues:				
Interest:				
Loan	\$ -	\$ 9,657	\$ -	\$ 9,657
GNMA and FNMA	1,848	-	1,042,730	1,044,578
Total interest	1,848	9,657	1,042,730	1,054,235
Fees and charges	-	-	20,113	20,113
Total operating revenues	1,848	9,657	1,062,843	1,074,348
Operating Expenses:				
Professional services	-	28,743	25,000	53,743
Other expenses	-	596	-	596
Administration	-	-	23,789	23,789
Total operating expenses	-	29,339	48,789	78,128
Operating Income (Loss)	1,848	(19,682)	1,014,054	996,220
Non-Operating Revenues (Expenses):				
Investment earnings	26,215	54,432	100,924	181,571
Bond interest	-	-	(785,846)	(785,846)
Realized loss on securities	-	-	(37,499)	(37,499)
Net change in fair value of investments	-	-	538,850	538,850
Transfers out	-	(300,000)	-	(300,000)
Total non-operating revenues (expenses)	26,215	(245,568)	(183,571)	(402,924)
Change in Net Position	28,063	(265,250)	830,483	593,296
Net Position:				
Beginning of year	1,433,137	5,550,460	12,131,449	19,115,046
End of year	\$ 1,461,200	\$ 5,285,210	\$ 12,961,932	\$ 19,708,342

**ALLEGHENY COUNTY
RESIDENTIAL FINANCE AUTHORITY**

COMBINING STATEMENT OF CASH FLOWS -
SINGLE FAMILY MORTGAGE PROGRAM FUNDS

YEAR ENDED DECEMBER 31, 2019

	Series T&U	Bond Defeasance Fund	Indenture Related Single Family Funds	Total
Cash Flows From Operating Activities:				
Cash received on asset-backed securities - principal	\$ 8,169	\$ -	\$ 4,208,280	\$ 4,216,449
Cash received on asset-backed securities - interest	1,895	-	1,059,446	1,061,341
Cash received on loans - principal	-	27,021	-	27,021
Cash received on loans - interest	-	9,657	-	9,657
Cash paid for new loans	-	(1,700,418)	-	(1,700,418)
Cash paid to vendors	-	(29,339)	(48,789)	(78,128)
Net cash provided by (used in) operating activities	<u>10,064</u>	<u>(1,693,079)</u>	<u>5,218,937</u>	<u>3,535,922</u>
Cash Flows From Financing Activities:				
Bond/note principal repayments	-	-	(3,780,000)	(3,780,000)
Interest paid	-	-	(808,007)	(808,007)
Transfers out	-	(300,000)	-	(300,000)
Net cash provided by (used in) financing activities	<u>-</u>	<u>(300,000)</u>	<u>(4,588,007)</u>	<u>(4,888,007)</u>
Cash Flows From Investing Activities:				
Interest income received	26,215	54,432	100,924	181,571
Cash received - investments for debt service	-	-	338,449	338,449
Net cash provided by (used in) investing activities	<u>26,215</u>	<u>54,432</u>	<u>439,373</u>	<u>520,020</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>36,279</u>	<u>(1,938,647)</u>	<u>1,070,303</u>	<u>(832,065)</u>
Cash and Cash Equivalents:				
Beginning of year	1,402,469	3,692,304	10,524,104	15,618,877
End of year	<u>\$ 1,438,748</u>	<u>\$ 1,753,657</u>	<u>\$ 11,594,407</u>	<u>\$ 14,786,812</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:				
Operating income (loss)	\$ 1,848	\$ (19,682)	\$ 1,014,054	\$ 996,220
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Loan principal repayments made	-	27,021	-	27,021
New loans	-	(1,700,418)	-	(1,700,418)
Deferred revenue	-	-	(20,113)	(20,113)
Change in:				
GNMA and FNMA securities	8,169	-	4,208,280	4,216,449
Accrued interest receivable	47	-	16,716	16,763
Net cash provided by (used in) operating activities	<u>\$ 10,064</u>	<u>\$ (1,693,079)</u>	<u>\$ 5,218,937</u>	<u>\$ 3,535,922</u>