



**VERMONT HOUSING FINANCE AGENCY**

Financial Statements

June 30, 2000

(With Independent Auditors' Report Thereon)

# VERMONT HOUSING FINANCE AGENCY

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## Independent Auditors' Report

To the Honorable Edward Flanagan,  
Auditor of the Accounts of the  
State of Vermont and

The Commissioners  
Vermont Housing Finance Agency:

We have audited the accompanying balance sheet of Vermont Housing Finance Agency as of June 30, 2000, and the related statements of revenues, expenses and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vermont Housing Finance Agency at June 30, 2000, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**KPMG LLP**

September 8, 2000



Vt. Reg. No. 92-0000241

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**VERMONT HOUSING FINANCE AGENCY**

Balance Sheet

June 30, 2000

<b>Assets</b>	<b>General Fund</b>	<b>Single-Family Mortgage Programs</b>	<b>Multi-Family Mortgage Programs</b>	<b>(Memorandum Only) Total</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Cash and cash equivalents	\$ 5,247,939	96,038,541	13,557,852	114,844,332
Investments, at fair value	100,000	125,650,768	7,935,834	133,686,602
Mortgage and construction loans receivable	13,693,206	366,665,334	84,022,511	464,381,051
Accrued interest receivable:				
On mortgage and construction loans and notes receivable	766,644	2,394,079	385,079	3,545,802
On investments	25,102	2,820,088	308,823	3,154,013
Deferred costs of bond issuance	—	2,310,228	806,904	3,117,132
Land	775,000	—	—	775,000
Building, at cost, less accumulated depreciation of \$137,615	863,219	—	—	863,219
Office furniture and fixtures, at cost, less accumulated depreciation of \$362,386	261,045	—	—	261,045
Other receivables and prepaid expenses	1,101,845	859,099	8,122	1,969,066
Interfund receivable (payables)	425,390	27,555	(452,945)	—
Real estate owned	—	890,895	—	890,895
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	\$ <u>23,259,390</u>	<u>597,656,587</u>	<u>106,572,180</u>	<u>727,488,157</u>
 <b>Liabilities and Fund Balances</b>				
Deferred loan origination fees, net	\$ 156,004	—	—	156,004
Accounts payable	347,424	203,092	—	550,516
Escrowed cash deposits	3,445,325	—	1,739,399	5,184,724
Notes payable	9,991,322	86,000,000	—	95,991,322
Accrued interest payable	78,102	5,487,163	1,552,651	7,117,916
Bonds payable	611,061	476,785,000	91,099,627	568,495,688
Unamortized discount on bonds payable	—	(4,178,925)	(1,926,589)	(6,105,514)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	14,629,238	564,296,330	92,465,088	671,390,656
Commitments and contingencies				
Fund balances - restricted	<u>8,630,152</u>	<u>33,360,257</u>	<u>14,107,092</u>	<u>56,097,501</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	\$ <u>23,259,390</u>	<u>597,656,587</u>	<u>106,572,180</u>	<u>727,488,157</u>

See accompanying notes to financial statements.

**VERMONT HOUSING FINANCE AGENCY**  
Statement of Revenues, Expenses and Changes in Fund Balances  
Year ended June 30, 2000

	<u>General Fund</u>	<u>Single-Family Mortgage Programs</u>	<u>Multi-Family Mortgage Programs</u>	<u>(Memorandum Only) Total</u>
Revenues:				
Interest income:				
Mortgage and construction				
loans receivable	\$ 912,877	26,952,512	6,995,286	34,860,675
Investments	63,624	14,059,261	1,538,514	15,661,399
Fee income:				
Multi-Family Mortgage Programs	160,376	—	95,333	255,709
Single Family Mortgage Programs	145,047	—	—	145,047
Grant income	77,515	—	—	77,515
VHMGB income	2,117	—	—	2,117
Net decrease in fair value of investments	—	(157,347)	(377,759)	(535,106)
Miscellaneous income	56,091	—	—	56,091
	<u>1,417,647</u>	<u>40,854,426</u>	<u>8,251,374</u>	<u>50,523,447</u>
Expenses:				
Financing costs, including interest and				
amortization of premium, discount				
and costs of issuance	905,451	34,020,736	6,241,653	41,167,840
Mortgage service and contract				
administration fees	46,027	1,265,659	—	1,311,686
Salaries and benefits	1,954,001	—	—	1,954,001
Operating expenses	783,872	—	—	783,872
Professional fees	144,915	—	—	144,915
Trustee and assignee fees	165,484	—	—	165,484
Property disposition and loan loss				
expenses	—	1,013,368	—	1,013,368
Loss on bond redemptions	—	334,007	—	334,007
	<u>3,999,750</u>	<u>36,633,770</u>	<u>6,241,653</u>	<u>46,875,173</u>
Excess (deficiency) of revenues				
over expenses	(2,582,103)	4,220,656	2,009,721	3,648,274
Fund balances at beginning of year	8,161,386	31,485,091	12,802,750	52,449,227
Transfers to general fund	4,408,865	(3,703,486)	(705,379)	—
Transfers from general fund	<u>(1,357,996)</u>	<u>1,357,996</u>	<u>—</u>	<u>—</u>
Fund balances at end of year	<u>\$ 8,630,152</u>	<u>33,360,257</u>	<u>14,107,092</u>	<u>56,097,501</u>

See accompanying notes to financial statements.

**VERMONT HOUSING FINANCE AGENCY**

Statement of Cash Flows  
Year ended June 30, 2000

	<b>General Fund</b>	<b>Single-Family Mortgage Programs</b>	<b>Multi-Family Mortgage Programs</b>	<b>(Memorandum Only) Total</b>
Cash flows from operating activities:				
Excess (deficiency) of revenues over expenses	\$ (2,582,103)	4,220,656	2,009,721	3,648,274
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:				
Transfers from (to) other programs	3,050,869	(2,345,490)	(705,379)	—
Depreciation	169,739	—	—	169,739
Amortization of discounts on bonds payable	—	141,966	110,768	252,734
Amortization of costs of bond issuance	—	76,865	33,784	110,649
Losses on loans and real estate owned	31,063	1,208,999	—	1,240,062
Provision for loan losses	—	(235,833)	—	(235,833)
Net decrease in fair value of investments	150	136,496	159,020	295,666
Loss on bond redemptions	—	334,007	—	334,007
Loss on sale of investments	—	20,851	217,704	238,555
Changes in assets and liabilities:				
Decrease (increase) in accrued interest receivable	(97,489)	(704,017)	27,116	(774,390)
Increase in other receivables and prepaid expenses	(430,617)	(234,611)	(1,979)	(667,207)
Decrease (increase) in interfund receivables and payables	1,826,852	(2,493,726)	666,874	—
Decrease in deferred loan origination fees, net	(38,635)	—	—	(38,635)
Decrease in accounts payable	(81,240)	(276,346)	(72,521)	(430,107)
Increase (decrease) in accrued interest payable	1,883	717,834	(132,920)	586,797
Net cash provided by operating activities	<u>1,850,472</u>	<u>567,651</u>	<u>2,312,188</u>	<u>4,730,311</u>
Cash flows from investing activities:				
Purchases of individual mortgages	(77,514)	(71,645,690)	—	(71,723,204)
Purchases of Multi-Family mortgage loans and advances on construction loans	(824,567)	—	(8,227,004)	(9,051,571)
Principal collections on mortgage loans, notes receivable and construction loans	1,181,371	33,272,464	4,779,817	39,233,652
Purchases of investments	—	(67,220,786)	(35,479,506)	(102,700,292)
Proceeds from sales and maturities investments	250,000	21,741,989	35,878,891	57,870,880
Increase (decrease) in escrowed cash deposit	(265,706)	—	164,297	(101,409)
Cost of real estate owned	—	(4,200,812)	—	(4,200,812)
Proceeds from sales of real estate owned	—	4,243,405	—	4,243,405
Purchase of office furniture and fixtures	(27,225)	—	—	(27,225)
Net increase in short-term investments	—	—	(314,362)	(314,362)
Net cash provided by (used for) investing activities	<u>236,359</u>	<u>(83,809,430)</u>	<u>(3,197,867)</u>	<u>(86,770,938)</u>

See accompanying notes to financial statements.

**VERMONT HOUSING FINANCE AGENCY**  
Statement of Cash Flows, Continued

	<u>General Fund</u>	<u>Single-Family Mortgage Programs</u>	<u>Multi-Family Mortgage Programs</u>	<u>(Memorandum Only) Total</u>
Cash flows from non-capital financing activities:				
Net proceeds from issuance of bonds payable	\$ —	55,334,576	38,662,448	93,997,024
Payments on bond principal	(5,181)	(38,870,000)	(34,706,953)	(73,582,134)
Proceeds from issuance of notes payable	2,800,000	65,000,000	—	67,800,000
Repayment of notes payable	(4,111,213)	(21,000,000)	—	(25,111,213)
Cost of bond issuance	—	(400,000)	(160,000)	(560,000)
	<u>(1,316,394)</u>	<u>60,064,576</u>	<u>3,795,495</u>	<u>62,543,677</u>
Net increase (decrease) in cash and cash equivalents	770,437	(23,177,203)	2,909,816	(19,496,950)
Cash and cash equivalents at beginning of year	<u>4,477,502</u>	<u>119,215,744</u>	<u>10,648,036</u>	<u>134,341,282</u>
Cash and cash equivalents at end of year	<u>\$ 5,247,939</u>	<u>96,038,541</u>	<u>13,557,852</u>	<u>114,844,332</u>
Supplemental cash flow information:				
Interest paid	<u>\$ 810,681</u>	<u>33,045,790</u>	<u>6,152,530</u>	<u>40,009,001</u>

See accompanying notes to financial statements

# VERMONT HOUSING FINANCE AGENCY

Notes to Financial Statements

June 30, 2000

## (1) Authorizing Legislation and Nature of Funds

### (A) *Authorizing Legislation*

Vermont Housing Finance Agency (the "Agency") was created as a body politic and corporate of the State of Vermont by an Act of the General Assembly approved on April 11, 1974 (the "Act"). The purpose of the Agency is to promote the expansion of the supply of funds available for mortgages on residential housing and to encourage an adequate supply of safe and decent housing at reasonable costs. The Agency is classified as a related organization of the State of Vermont. The State of Vermont appoints a majority of the Agency's Board of Commissioners but the State of Vermont is not financially accountable for the Agency.

The Agency is empowered by the Act and subsequent amendments to issue bonds and notes in an amount not to exceed \$900,000,000 outstanding at any one time. Instruments so issued do not constitute a debt or obligation of the State of Vermont and are payable solely from revenues or assets of the Agency.

The State of Vermont has pledged and agreed with the holders of bonds and notes of the Agency not to impair in any way the rights and remedies of such holders until the bonds and notes are fully discharged.

### (B) *Basis of Presentation and Nature of Funds*

The financial statements are presented on a program basis, combining the various restricted funds required by each bond resolution into groups that account for the various bonds issued, related costs of issuance and debt service activity and the investment and related earnings of the bond proceeds in mortgages or loans and temporary investments and the maintenance of certain reserve fund requirements - all under the specific requirements of each resolution.

These funds are in turn grouped according to type as relating to single family mortgage programs, multi-family mortgage programs and the unrestricted general fund of the Agency.

#### (a) *General Fund*

This fund derives its revenue principally from fees and interest from mortgage lenders and mortgagors and investment income. Operating expenses of the Agency are paid from this fund.

Transfers from program funds to the General Fund represent amounts allowed to be transferred pursuant to the terms of the Agency's bond resolutions.

**VERMONT HOUSING FINANCE AGENCY**

Notes to Financial Statements

June 30, 2000

**(b) Single Family Mortgage Program Funds**

These funds have been established under the Single Family Insured Mortgage Bond Resolution adopted in September 1976, the Single Family Mortgage Purchase Bond Resolution adopted in June 1978, the Home Mortgage Purchase Bond Resolution adopted in July 1983 and the Single Family Housing Bond Resolution adopted in September 1990. Funds from these programs have been used by the Agency to purchase mortgage loans on single family residential housing units for persons and families of low and moderate income in Vermont.

**(c) Multi-Family Mortgage Program Funds**

These funds have been established under the Multi-Family Mortgage Bond Resolution adopted in February 1977, the Multi-Family Housing Bond Resolution adopted in September 1981, and various Individualized Taxable and Tax Exempt Bond Resolutions adopted between December 1985 and April 1999. Funds from these programs are used by the Agency to make and finance mortgage loans to sponsors of multi-family residential housing units for persons and families of low and moderate income within the State of Vermont.

Under various bond resolutions of the Agency, certain amounts from bond proceeds are required to be set aside and maintained for potential debt service requirements in trustee accounts. As of June 30, 2000, reserve requirements totalled \$26,433,561 for the Single Family Mortgage Programs and \$5,009,973 for the Multi-Family Mortgage Programs. Amounts actually held in trustee accounts as of June 30, 2000 exceeded the required balances in all cases.

**(C) Segment Financial Data**

Balance sheet and operating data of the Agency's Single Family and Multi-Family Mortgage Program funds are delineated as follows:

<b>Balance Sheet Data</b>			
	<b>Total Assets</b>	<b>Bonds Payable</b>	<b>Fund Balances</b>
Insured Mortgage Program	\$ 3,939,023	—	3,937,853
Mortgage Purchase Program	127,457	—	127,413
Home Mortgage Purchase Program	111,507,318	93,605,000	18,399,356
Housing Program	482,082,789	383,180,000	10,895,635
<b>Total Single Family Mortgage Programs</b>	<b>\$ 597,656,587</b>	<b>476,785,000</b>	<b>33,360,257</b>

**VERMONT HOUSING FINANCE AGENCY**

Notes to Financial Statements

June 30, 2000

<b>Balance Sheet Data</b>				
		<b>Total Assets</b>	<b>Bonds Payable</b>	<b>Fund Balances</b>
Mortgage Program	\$	44,630,158	40,435,000	4,204,262
Housing Program		36,013,076	26,045,000	8,627,774
Direct Placement Programs		17,589,173	17,149,627	308,252
Housing Development Program		8,339,773	7,470,000	966,804
Total Multi-Family Mortgage Programs	\$	106,572,180	91,099,627	14,107,092
<b>Operating Data</b>				
		<b>Revenues</b>	<b>Financing and Related Costs</b>	<b>Excess of Revenues over Expenses</b>
Insured Mortgage Program	\$	207,035	22,815	84,469
Mortgage Purchase Program		12,686	—	12,265
Home Mortgage Purchase Program		8,599,421	7,353,095	764,195
Housing Program		32,035,284	26,644,826	3,359,727
Total Single Family Mortgage Programs	\$	40,854,426	34,020,736	4,220,656
Mortgage Program	\$	3,224,298	3,006,564	217,734
Housing Program		3,256,471	1,611,678	1,644,793
Direct Placement Programs		1,141,938	1,023,736	118,202
Housing Development Program		628,667	599,675	28,992
Total Multi-Family Mortgage Programs	\$	8,251,374	6,241,653	2,009,721

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Accounting**

The Agency follows the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when incurred.

As permitted under Statements of Governmental Accounting Standards No. 20, the Agency has elected not to apply Statements of Financial Accounting Standards issued after November 30, 1989.

**VERMONT HOUSING FINANCE AGENCY**

Notes to Financial Statements

June 30, 2000

**(b) Cash Equivalents**

The Agency considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

**(c) Mortgage Loans Receivable**

Mortgage loans receivable are carried at their uncollected principal balances less an allowance for loan losses on mortgages. The loan loss allowances are established based on historical loss experience. Future additions to the allowance may be necessary based on changes in economic conditions. At June 30, 2000, the allowance for loan losses totalled \$2,170,842, relating to Single Family mortgages.

**(d) Investments**

The Agency follows the provisions of GASB No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools". GASB No. 31 requires investments to be reported at fair value in the balance sheet. The net increase (decrease) in the fair value of investments, including both realized and unrealized gains and losses, is recognized in the statement of revenues, expenses and changes in fund balances. Fair values of investments are based upon quoted market prices.

**(e) Depreciation**

The Agency records purchases of its building and office furniture and fixtures at cost and amortizes that cost over the estimated useful lives of the assets, which are generally forty years for the building and five years for furniture and fixtures, using the straight-line method.

**(f) Costs of Bond Issuance and Discount or Premium**

Bond discount, which represents underwriters' fees and costs of bond issuance on bonds payable are amortized over the lives of the respective bond issues using the straight-line method.

**(g) Income Tax Status**

The Agency is exempt from Federal and state income taxes.

**(h) Deferred Loan Origination Fees and Costs**

Loan origination fees and certain related costs are deferred and amortized over the estimated lives of the respective loans.

**(j) Memorandum Only - Total**

The columns on the financial statements entitled (Memorandum Only) Total reflect the totals of the similar accounts of the various funds. Since the assets of certain of the funds are restricted by the related bond resolutions, the totalling of the accounts is for illustrative purposes only and does not indicate that the combined assets are available in any manner other than that provided for in the separate bond resolutions of the individual funds.

**VERMONT HOUSING FINANCE AGENCY**

Notes to Financial Statements

June 30, 2000

**(3) Cash, Cash Equivalents and Investments**

For mortgage program investments, bond resolution requirements mandate specific classes of investment vehicles. Qualified investments are: direct obligations of the United States of America; obligations unconditionally guaranteed by the United States of America; indebtedness issued by certain Federal agencies; bank time deposits evidenced by certificates of deposits insured by the FDIC and, if in excess of insured limits, collateralized in full by the aforementioned Federal government investments; obligations of the State of Vermont, and/or Federal or state insured mortgages; collateralized repurchase agreements secured by obligations of the Federal government with the collateral held by or at the direction of the appropriate trustee; and, investment agreements with banks or bank holding companies rated in the top categories by nationally recognized rating agencies.

Cash and cash equivalents are defined to be actual cash or investments which have original maturities of three months or less. This category also includes mortgage payments which are in transit to the trustee to be invested in collateralized repurchase agreements. Investments are comprised of short-term investments other than cash equivalents that mature in one year or less, and long-term investments with maturities in excess of one year. At June 30, 2000, gross unrealized gains and gross unrealized losses pertaining to these investments amounted to \$3,523,020 and \$574,924, respectively.

*Cash and Cash Equivalents*

The Agency's cash and cash equivalents at June 30, 2000 are categorized below to give an indication of the level of risk assumed. Category 1 includes deposits insured by federal depository insurance. Category 2 includes deposits collateralized with securities held by the pledging financial institution or the Agency's trustee and registered in the Agency's name. Category 3 represents uncollateralized or uninsured deposits.

	<b>Category</b>			<b>Fair Value</b>
	<b>1</b>	<b>2</b>	<b>3</b>	
Cash	\$ 1,406,226	334,333	1,507,513	3,248,072
Investment agreements with financial institutions	—	63,804,556	—	63,804,556
	\$ 1,406,226	64,138,889	1,507,513	67,052,628
Investment agreements with insurance companies				30,291,958
Money market accounts				17,499,746
				\$ 114,844,332

**VERMONT HOUSING FINANCE AGENCY**

Notes to Financial Statements

June 30, 2000

The bank balance of the Agency's cash at June 30, 2000 was \$3,422,330. The difference between the carrying amount and the bank balance represents outstanding deposits net of outstanding checks.

The money market accounts are invested in a portfolio of short-term U.S. Treasury obligations.

Investment agreements are structured for both short-term and long-term use in connection with the Agency's Single Family Mortgage programs. Financial institutions providing the agreements have been rated by Standard and Poor's Corporation and Moody's Investors Service, Inc. at debt ratings of A or higher.

*Investments*

A summary of fair value of the Agency's investments at June 30, 2000 is as follows:

	<u>Fair Value</u>
U.S. Treasury and Government Agency Securities	\$ 44,212,752
Certificate of deposit	100,000
Investment agreements	<u>89,373,850</u>
	<u>\$ 133,686,602</u>

The certificate of deposit is insured by federal depository insurance. The U.S. Treasury and Government Agency Securities are held by a third party custodian in the name of the Agency's trustee.

**(4) Mortgage and Construction Loans Receivable**

***(A) Single Family Mortgage Loans Receivable***

Single Family mortgage loans earn interest at annual rates ranging predominantly from 6.95% to 10.5%. Mortgage payments are received monthly by the Agency from which either .50% or .375% is generally retained as a fee by the servicing banks.

At June 30, 2000, approximately 95% of the Single Family mortgage portfolios consist of primary insured mortgages.

Conventional mortgage loans, not requiring primary insurance, are limited to 75% of the appraised value of the property.

***(B) Multi-Family Mortgage Loans and Construction Loans Receivable***

Multi-Family mortgage loans receivable earn interest at annual rates ranging predominantly from 7.25% to 14%, and are collateralized by a first mortgage lien on all real and personal property of the mortgaged premises. As of June 30, 2000, \$378,665 of the Multi-Family mortgage loans receivable under the Multi-Family Housing Program were financed from funds transferred from the Agency's General Fund, which includes interest for the initial three-year period during which no payments were required to be made.

**VERMONT HOUSING FINANCE AGENCY**

Notes to Financial Statements

June 30, 2000

**(5) Real Estate Owned**

Real estate owned at June 30, 2000 consists of properties held pending sale as a result of foreclosure by the Agency. Real estate owned is carried at the lower of cost or fair market value less estimated costs to sell. A valuation allowance has been established to account for the reduction in value of properties held. At June 30, 2000, the valuation allowance totalled \$333,241.

During fiscal year 2000, the Agency recorded noncash investing transactions totaling \$3,185,752 in transfers of Single-Family Mortgage Program loans receivable to real estate owned.

**(6) Escrowed Cash Deposits**

Escrowed cash deposits are received primarily from multi-family housing developers at the time the Agency makes permanent mortgage loans. Escrowed deposits are governed by agreements, and released upon satisfactory compliance with their terms.

**(7) Bonds Payable**

All bonds payable are general or special obligations of the Agency and are collateralized by the revenues, loans, funds, and investments pledged pursuant to the respective bond resolutions. Interest is payable semi-annually. All bonds are subject to redemption after various dates at prices ranging from 100% to 103% of par value.

Outstanding bonds payable at June 30, 2000 are as follows:

A. Single Family Mortgage Programs:	
Home Mortgage Purchase Program:	
1989 Series A, maturing 2000 to 2029, interest at 7.25% to 7.85%	\$ 44,870,000
1989 Series B, maturing 2000 to 2024, interest at 7.1% to 7.6%	<u>48,735,000</u>
Total	<u>93,605,000</u>
Housing Program:	
Series 1, maturing 2000 to 2025, interest at 6.0% to 6.8%	7,080,000
Series 2, maturing 2000 to 2025, interest at 5.7% to 6.875%	7,365,000
Series 3, maturing 2000 to 2025, interest at 5.7% to 6.875%	29,820,000

**VERMONT HOUSING FINANCE AGENCY**

Notes to Financial Statements

June 30, 2000

A. Single Family Mortgage Programs, Continued:	
Housing Program, Continued:	
Series 4, maturing 2000 to 2025, interest at 5.5% to 6.40%	27,920,000
Series 5, maturing 2000 to 2027, interest at 5.4% to 7.0%	29,755,000
Series 6, maturing 2000 to 2031, interest at 4.9% to 7.2%	51,400,000
Series 7, maturing 2000 to 2031, interest at 4.8% to 6.3%	42,840,000
Series 8, maturing in 2031, interest at 6.05%	31,630,000
Series 9, maturing 2000 to 2037, interest at 3.8% to 6.0%	64,605,000
Series 10, maturing 2000 to 2030, interest at 3.2% to 5.25%	34,765,000
Series 11, maturing 2001 to 2030, interest at 4.15% to 5.95%	26,000,000
Series 12, maturing 2001 to 2031, interest at 4.25% to 6.4%	<u>30,000,000</u>
Total	<u>383,180,000</u>
Total Single Family Mortgage Programs	<u>476,785,000</u>
B. Multi-Family Mortgage Programs:	
Mortgage Program:	
1999 Series A, maturing 2001 to 2020, interest at 3.55% to 5.125%	5,065,000
1999 Series B, maturing 2001 to 2030, interest at 4.1% to 6.0%	4,185,000
1999 Series C, maturing 2004 to 2021, interest at 4.55% to 5.8%	27,835,000
1999 Series D, maturing 2001 to 2004, interest at 4.4% to 4.75%	<u>3,350,000</u>
Total	<u>40,435,000</u>
Housing Program:	
1995 Series A, maturing 2001 to 2014, interest at 5.05% to 6.15%	20,060,000
1997 Series A, maturing 2001 to 2029, interest at 4.3% to 5.75%	<u>5,985,000</u>
Total	<u>26,045,000</u>

**VERMONT HOUSING FINANCE AGENCY**

Notes to Financial Statements

June 30, 2000

B. Multi-Family Mortgage Programs, Continued:	
Direct Placement Programs:	
Canterbury Inn Housing Program:	
1986 Series A, maturing 2000 to 2011, interest at 4.66% through 2002, variable to maturity at rate of 95% of Eleven General Obligation Bond Index	\$ 325,500
Northgate Housing Program:	
Eleven series of bonds, issued December 1989, maturing 2000 to 2031, interest at 7.085% to 9.23%	8,043,592
Highgate Housing Program:	
Two series of bonds, issued May 1991, maturing 2000 to 2031, interest at 6.45% to 7.741%	2,136,575
St. Johnsbury Housing Development Bond:	
Taxable bond, issued August 1990, maturing 2000 to 2005, interest at 7.5%	383,300
French Hill Manor Mobile Home Park Bond:	
Taxable bond, issued November 1990, maturing 2000 to 2010, interest at 9.75% to 11.25%	107,100
Pine Meadow Development Bond:	
Taxable bond, issued July 1991, maturing 2000 to 2016, interest at 6%	490,200
Whitney Hill Housing Development Bond:	
Taxable bond, issued January 1992, maturing 2000 to 2007, interest at 9%	1,173,700
Hillside Mobile Home Park Bond:	
Taxable bond, issued March 1993, maturing 2000 to 2013, interest at 9% to 12.25%	299,300
Kilbourn Mobile Home Park Bond:	
Taxable bond, issued May 1996, maturing 2000 to 2016, interest at 7.5%	243,000
Black River Overlook Housing Project Bond:	
Taxable bond, issued September 1998, maturing 2000 to 2018, interest at 8%	333,360

**VERMONT HOUSING FINANCE AGENCY**

Notes to Financial Statements

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B. Multi-Family Mortgage Programs, Continued:	
Direct Placement Programs, Continued:	
Crystal Lake Housing Bond:	
Issued December 1999, maturing 2001, interest at 4.75%	\$ 900,000
Portland and Maine Housing Bond:	
Issued December 1999, maturing 2001, interest at 4.75%	550,000
Swanton Housing Bond:	
Issued December 1999, maturing 2001, interest at 4.75%	980,000
Saxtons River Housing Bond:	
Issued June 2000, maturing 2000 interest at 5.0%	459,000
Franklin Carriage House Bond:	
Issued April 2000, maturing 2001, interest at 5.1%	<u>725,000</u>
Total	<u>17,149,627</u>
Winchester Housing Development Program:	
1989 Series A, maturing 2000 to 2016, interest at 7.5% to 7.75%	<u>7,470,000</u>
Total Multi-Family Mortgage Programs	<u>91,099,627</u>
C. General Fund:	
Northgate Housing Site Acquisition, issued December 1989, maturing 2000 to 2031, interest at 7%	<u>611,061</u>
Total bonds payable	<u>\$ 568,495,688</u>

**VERMONT HOUSING FINANCE AGENCY**

Notes to Financial Statements

June 30, 2000

Future maturities on bonds payable as of June 30, 2000 are as follows:

Year ending June 30:	Principal Amount								
	Single Family Mortgage Programs		Multi-Family Mortgage Programs					General Fund	Total
	Home Mortgage Purchase Program	Housing Program	Mortgage Program	Housing Program	Direct Placement Programs	Housing Develop- ment Program			
(Amounts in Thousands)									
2001	\$ 1,120	4,110	1,070	1,175	3,880	225	6	11,586	
2002	1,210	4,925	1,115	1,235	285	245	6	9,021	
2003	1,300	5,785	1,170	1,305	311	265	6	10,142	
2004	1,395	6,565	1,225	1,375	333	280	7	11,180	
2005	1,505	6,340	1,290	1,455	363	305	7	11,265	
Thereafter	<u>87,075</u>	<u>355,455</u>	<u>34,565</u>	<u>19,500</u>	<u>11,978</u>	<u>6,150</u>	<u>579</u>	<u>515,302</u>	
	<u>\$ 93,605</u>	<u>383,180</u>	<u>40,435</u>	<u>26,045</u>	<u>17,150</u>	<u>7,470</u>	<u>611</u>	<u>568,496</u>	

During the year ended June 30, 2000, the Agency issued Multi-Family Mortgage Bonds, 1999 Series C and D, totaling \$31,185,000 to refund the outstanding principal of the Multi-Family Mortgage Bonds, 1977 Series A, 1977 Series B, 1978 Series A, 1979 Series A and 1988 Series A. Based on the terms of the old and new debt, these refundings are estimated to result in a reduction of interest payments over the next twenty-one years of approximately \$21,000,000.

**(8) Notes Payable**

The Agency may borrow from the Federal Home Loan Bank ("FHLB") in an amount not to exceed assets pledged to the FHLB. As of June 30, 2000, the Agency had outstanding borrowings totalling \$6,991,322 which are secured by investments and mortgage loans with a carrying value of \$8,153,395. These borrowings have interest rates ranging from 6.32% to 7.66% and mature through November 2018.

The Agency is operating under an unsecured variable rate line of credit for \$5,000,000 with the Howard Bank expiring in December 2001. At June 30, 2000, there was a \$3,000,000 balance outstanding at 7.3762%.

The Agency issued \$21,000,000 of Series 10 notes in April 1999, \$30,000,000 of Series 11 notes in August 1999, and \$35,000,000 of Series 12 notes in February 2000 in the Single Family Housing Program. The Series 10 notes mature in April 2001, and have an interest rate of 3.55%. The Series 11 notes have interest rates of 3.70% and 4.30% and mature in September 2000 and September 2001. The Series 12 notes have interest rates of 4.25% and 4.85% and mature in March 2001 and February 2002. The proceeds of these notes are invested in guaranteed investment contracts.

## VERMONT HOUSING FINANCE AGENCY

Notes to Financial Statements

June 30, 2000

### **(9) Restricted Fund Balances**

Pursuant to the Act and agreements with bondholders and other parties, the Agency's assets are pledged to secure specific obligations or are otherwise restricted.

Programs which are financed by the issuance of bonds are accounted for separately in accordance with each of the general bond resolutions. Program assets and revenues are pledged to bondholders. Revenues in excess of required amounts are available to be transferred to the General Fund.

Amounts transferred to the General Fund from the bond resolutions are free and clear of any lien or pledge created by the bond resolutions, and may be used for any lawful purpose under the Act, including payments to various accounts within the bond resolutions. All of the outstanding bonds, except for the Single Family Housing Bonds, are general obligations of the Agency. For general obligations bonds, the Agency covenants that it will restore deficiencies to the bond programs, as defined by the bond resolutions, from the General Fund.

The General Fund is also the primary source to pay administrative expenses in connection with current and future housing programs, to cover loan losses incurred and to provide collateral for credit agreements.

### **(10) Pension Plan**

Upon meeting certain eligibility requirements, the Agency's employees are eligible to participate in a non-contributory defined contribution pension plan. For the year ended June 30, 2000, the Agency had a total payroll of \$1,477,572, of which \$1,416,560 was covered by the pension plan. The Agency's contribution to the Plan is 10% of the covered payroll. Employees vest in benefits under the Plan 20% per year of service and are fully vested after five years. Forfeitures of nonvested benefits by terminated employees reduce the Agency's contribution. The cost of the plan was \$128,710 for the year ended June 30, 2000, and is included in salaries and benefits expense.

### **(11) Loss on Bond Redemptions**

During the year ended June 30, 2000, the Agency redeemed \$6,075,000 of its Single Family Mortgage Purchase Program Bonds, and \$28,235,000 of its Single Family Housing Program Bonds. Loss on bond redemptions of \$334,007 was recognized which represents the unamortized balance of bond discount and cost of issuance expenses associated with the bonds retired.

**VERMONT HOUSING FINANCE AGENCY**

Notes to Financial Statements

June 30, 2000

The following is a summary of the redeemed bonds:

Single Family Insured Mortgage Program	Single Family Housing Program
1976 Series A      \$            2,535,000	Series 2                      \$            14,095,000
1977 Series A <u>3,540,000</u>	Series 5                                      840,000
\$ <u>6,075,000</u>	Series 6 <u>13,300,000</u>
	\$ <u><u>28,235,000</u></u>

**(12) Commitments and Contingencies**

At June 30, 2000, the Agency had outstanding commitments in the amount of \$13,375,191 to purchase or finance mortgage loans pursuant to its normal funding from bond proceeds. In addition, there were commitments of \$14,882,948 for general loans or future program subsidy purposes.

Under the Single Family Mortgage Programs, the Agency has obtained irrevocable letters of credit to satisfy the requirements of certain bond resolutions. The letters of credit available at June 30, 2000 to pay losses incurred on mortgage loans are as follows:

	Amount	Expiration Date
Housing Program Bonds:		
Series 2	\$            771,747	01/12/01
Series 7	<u>786,250</u>	01/12/01
Total	\$ <u><u>1,557,997</u></u>	

There were no amounts outstanding under the letters of credit as of June 30, 2000. In addition to the letters of credit, the Agency has obtained surety bonds in the amount of \$11,467,165 expiring between 2025 and 2037.

The Agency is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency manages these risks through purchasing commercial insurance packages in the name of the Agency. The Agency has not experienced settled claims resulting from these risks which have exceeded its commercial insurance coverage. In addition, the Agency's bylaws provide for the indemnification of Agency commissioners and officers by the Agency. The Agency has not purchased commercial insurance coverage or otherwise reserved assets of the Agency in connection with this indemnification requirement.

**VERMONT HOUSING FINANCE AGENCY**

Notes to Financial Statements

June 30, 2000

**(13) Subsequent Events**

In August 2000, the Agency issued \$35,720,000 of bonds and \$35,000,000 of notes under the Single Family Housing Bonds, Series 13. The bond proceeds will be used to purchase single family mortgages, while the note proceeds are invested in guaranteed investment contracts. The Agency has obtained surety bonds in the amount of \$1,227,458 expiring in 2031 in connection with these bonds.