
VERMONT HOUSING FINANCE AGENCY

Financial Statements

June 30, 2001

(With Independent Auditors' Report Thereon)

VERMONT HOUSING FINANCE AGENCY

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One Church Street
P.O. Box 564
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Independent Auditors' Report

To the Honorable Elizabeth M. Ready
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, 2001, 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, 2001, 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 5, 2001



VERMONT HOUSING FINANCE AGENCY

Balance Sheet

June 30, 2001

Assets	General Fund	Single-Family Mortgage Programs	Multi-Family Mortgage Programs	(Memorandum Only) Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents	\$ 5,744,324	104,931,113	14,558,785	125,234,222
Investments, at fair value	100,000	145,345,613	8,573,652	154,019,265
Mortgage and construction loans receivable	16,089,091	384,825,995	93,470,619	494,385,705
Accrued interest receivable:				
On mortgage and construction loans and notes receivable	909,385	2,404,274	409,306	3,722,965
On investments	13,108	2,513,654	337,938	2,864,700
Deferred costs of bond issuance	—	2,449,936	879,629	3,329,565
Deferred mortgage origination fees, net	303,952	—	—	303,952
Land	775,000	—	—	775,000
Building, at cost, less accumulated depreciation of \$162,636	838,198	—	—	838,198
Office furniture and fixtures, at cost, less accumulated depreciation of \$520,662	433,928	—	—	433,928
Other receivables and prepaid expenses	1,039,580	460,728	52,757	1,553,065
Interfund receivable (payables)	(91,995)	(220,782)	312,777	—
Real estate owned	—	787,823	—	787,823
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>26,154,571</u>	<u>643,498,354</u>	<u>118,595,463</u>	<u>788,248,388</u>
 Liabilities and Fund Balances				
Accounts payable	\$ 1,056,521	480,302	73,156	1,609,979
Escrowed cash deposits	3,512,827	124	718,242	4,231,193
Notes payable	11,872,292	102,500,000	—	114,372,292
Accrued interest payable	93,193	5,537,691	1,872,752	7,503,636
Bonds payable	605,516	500,340,000	99,580,586	600,526,102
Unamortized discount on bonds payable	—	(3,915,081)	(1,810,646)	(5,725,727)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	17,140,349	604,943,036	100,434,090	722,517,475
Commitments and contingencies				
Fund balances - restricted	<u>9,014,222</u>	<u>38,555,318</u>	<u>18,161,373</u>	<u>65,730,913</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	\$ <u>26,154,571</u>	<u>643,498,354</u>	<u>118,595,463</u>	<u>788,248,388</u>

See accompanying notes to financial statements.

VERMONT HOUSING FINANCE AGENCY
Statement of Revenues, Expenses and Changes in Fund Balances
Year ended June 30, 2001

	<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	\$ 1,352,377	29,028,765	8,441,679	38,822,821
Investments	70,328	15,603,256	1,388,996	17,062,580
Fee income:				
Multi-Family Mortgage Programs	375,469	—	96,667	472,136
Single Family Mortgage Programs	(10,025)	—	—	(10,025)
Grant income	4,860	—	—	4,860
Net increase in fair value of investments	—	777,634	688,808	1,466,442
Miscellaneous income	79,047	—	—	79,047
Total revenues	<u>1,872,056</u>	<u>45,409,655</u>	<u>10,616,150</u>	<u>57,897,861</u>
Expenses:				
Financing costs, including interest and amortization of premium, discount and costs of issuance	866,521	35,681,010	5,790,795	42,338,326
Mortgage service and contract administration fees	139,212	1,314,178	65,436	1,518,826
Salaries and benefits	2,083,204	—	—	2,083,204
Operating expenses	870,343	—	—	870,343
Professional fees	132,424	—	—	132,424
Trustee and assignee fees	202,981	—	—	202,981
Property disposition and loan loss expenses	(4,218)	553,209	—	548,991
Loss on bond redemptions	—	569,354	—	569,354
Total expenses	<u>4,290,467</u>	<u>38,117,751</u>	<u>5,856,231</u>	<u>48,264,449</u>
 Excess (deficiency) of revenues over expenses	 (2,418,411)	 7,291,904	 4,759,919	 9,633,412
Fund balances at beginning of year	8,630,152	33,360,257	14,107,092	56,097,501
Transfers to general fund	3,070,639	(2,365,001)	(705,638)	—
Transfers from general fund	(268,158)	268,158	—	—
Fund balances at end of year	<u>\$ 9,014,222</u>	<u>38,555,318</u>	<u>18,161,373</u>	<u>65,730,913</u>

See accompanying notes to financial statements.

VERMONT HOUSING FINANCE AGENCY

Statement of Cash Flows

Year ended June 30, 2001

	<u>General Fund</u>	<u>Single-Family Mortgage Programs</u>	<u>Multi-Family Mortgage Programs</u>	<u>(Memorandum Only) Total</u>
Cash flows from operating activities:				
Excess (deficiency) of revenues over expenses	\$ (2,418,411)	7,291,904	4,759,919	9,633,412
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:				
Transfers from (to) other programs	2,802,481	(2,096,843)	(705,638)	—
Depreciation	183,297	—	—	183,297
Amortization of discounts/premiums on bonds payable	—	140,084	115,943	256,027
Amortization of costs of bond issuance	—	78,617	47,275	125,892
Losses on loans and real estate owned	—	862,311	—	862,311
Provision for loan losses	—	(415,096)	—	(415,096)
Net increase in fair value of investments	—	(777,634)	(688,808)	(1,466,442)
Loss on bond redemptions	—	569,354	—	569,354
Changes in assets and liabilities:				
Decrease (increase) in accrued interest receivable	(130,747)	296,239	(53,342)	112,150
Decrease (increase) in other receivables and prepaid expenses	62,265	398,371	(44,635)	416,001
Decrease (increase) in interfund receivables and payables	517,385	248,337	(765,722)	—
Decrease in deferred mortgage origination fees, net	(459,956)	—	—	(459,956)
Increase in accounts payable	709,097	277,210	73,156	1,059,463
Increase in accrued interest payable	15,091	50,528	320,101	385,720
 Net cash provided by operating activities	 <u>1,280,502</u>	 <u>6,923,382</u>	 <u>3,058,249</u>	 <u>11,262,133</u>
 Cash flows from investing activities:				
Purchases of individual mortgages	(12,000)	(60,172,833)	—	(60,184,833)
Purchases of Multi-Family mortgage loans and advances on construction loans	(8,439,005)	—	(16,714,270)	(25,153,275)
Principal collections on mortgage loans, notes receivable and construction loans	6,055,120	42,427,268	7,266,162	55,748,550
Purchases of investments	(100,000)	(72,495,928)	—	(72,595,928)
Proceeds from sales and maturities investments	100,000	53,578,717	50,990	53,729,707
Increase (decrease) in escrowed cash deposit	67,502	124	(1,021,157)	(953,531)
Cost of real estate owned	—	(3,779,348)	—	(3,779,348)
Proceeds from sales of real estate owned	—	3,020,109	—	3,020,109
Purchase of office furniture and fixtures	(94,239)	—	—	(94,239)
Capital improvements	(236,920)	—	—	(236,920)
 Net cash used for investing activities	 <u>(2,659,542)</u>	 <u>(37,421,891)</u>	 <u>(10,418,275)</u>	 <u>(50,499,708)</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	\$ —	67,063,081	16,115,000	83,178,081
Payments on bond principal	(5,545)	(43,800,000)	(7,634,041)	(51,439,586)
Proceeds from issuance of notes payable	2,475,000	70,000,000	—	72,475,000
Repayment of notes payable	(594,030)	(53,500,000)	—	(54,094,030)
Cost of bond issuance	—	(372,000)	(120,000)	(492,000)
Net cash provided by non-capital financing activities	<u>1,875,425</u>	<u>39,391,081</u>	<u>8,360,959</u>	<u>49,627,465</u>
Net increase in cash and cash equivalents	496,385	8,892,572	1,000,933	10,389,890
Cash and cash equivalents at beginning of year	<u>5,247,939</u>	<u>96,038,541</u>	<u>13,557,852</u>	<u>114,844,332</u>
Cash and cash equivalents at end of year	<u>\$ 5,744,324</u>	<u>104,931,113</u>	<u>14,558,785</u>	<u>125,234,222</u>
Supplemental cash flow information:				
Interest paid	<u>\$ 795,497</u>	<u>35,345,614</u>	<u>10,333,381</u>	<u>46,474,492</u>

See accompanying notes to financial statements

VERMONT HOUSING FINANCE AGENCY
Notes to Financial Statements
June 30, 2001

(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, 2001

(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 June 2001. 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 trusteed accounts. As of June 30, 2001, reserve requirements totalled \$27,226,319 for the Single Family Mortgage Programs and \$7,679,158 for the Multi-Family Mortgage Programs. Amounts actually held in trusteed accounts as of June 30, 2001 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:

Balance Sheet Data				
		Total Assets	Bonds Payable	Fund Balances
Insured Mortgage Program	\$	3,940,209	—	3,939,308
Mortgage Purchase Program		142,645	—	142,618
Home Mortgage Purchase Program		88,470,186	69,135,000	19,702,499
Housing Program		550,945,314	431,205,000	14,770,893
Total Single Family Mortgage Programs	\$	643,498,354	500,340,000	38,555,318

VERMONT HOUSING FINANCE AGENCY
Notes to Financial Statements
June 30, 2001

Balance Sheet Data				
		Total Assets	Bonds Payable	Fund Balances
Mortgage Program	\$	54,063,537	48,160,000	5,302,148
Housing Program		36,441,377	24,870,000	11,382,432
Direct Placement Programs		19,813,324	19,305,586	354,465
Housing Development Program		8,277,225	7,245,000	1,122,328
Total Multi-Family Mortgage Programs	\$	118,595,463	99,580,586	18,161,373
Operating Data				
		Revenues	Financing and Related Costs	Excess of Revenues over Expenses
Insured Mortgage Program	\$	416,523	—	401,455
Mortgage Purchase Program		12,499	—	15,205
Home Mortgage Purchase Program		8,447,478	6,133,146	1,499,343
Housing Program		36,533,155	29,547,864	5,375,901
Total Single Family Mortgage Programs	\$	45,409,655	35,681,010	7,291,904
Mortgage Program	\$	4,137,842	2,534,520	1,537,886
Housing Program		4,531,033	1,559,496	2,971,537
Direct Placement Programs		1,197,977	1,113,005	84,972
Housing Development Program		749,298	583,774	165,524
Total Multi-Family Mortgage Programs	\$	10,616,150	5,790,795	4,759,919

(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, 2001

(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, 2001, the allowance for loan losses totalled \$1,755,746, 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, 2001

(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, 2001, gross unrealized gains and gross unrealized losses pertaining to these investments amounted to \$4,486,069 and \$82,784, respectively.

Cash and Cash Equivalents

The Agency's cash and cash equivalents at June 30, 2001 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.

	<u>Category</u>			<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Cash	\$ 1,364,647	1,227,983	1,407,887	4,000,517
Investment agreements with financial institutions	—	57,493,246	—	57,493,246
	<u>\$ 1,364,647</u>	<u>58,721,229</u>	<u>1,407,887</u>	61,493,763
Investment agreements with insurance companies				43,369,130
Money market accounts				<u>20,371,329</u>
				<u>\$ 125,234,222</u>

VERMONT HOUSING FINANCE AGENCY
Notes to Financial Statements
June 30, 2001

The bank balance of the Agency's cash at June 30, 2001 was \$4,070,383. 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, 2001 is as follows:

	Fair Value
U.S. Treasury and Government Agency Securities	\$ 24,549,485
Certificate of deposit	100,000
Investment agreements	129,369,780
	\$ 154,019,265

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, 2001, approximately 90% 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, 2001, \$342,112 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, 2001

(5) Real Estate Owned

Real estate owned at June 30, 2001 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, 2001, the valuation allowance totalled \$202,825.

During fiscal year 2001, the Agency recorded noncash investing transactions totaling \$3,552,316 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, 2001 are as follows:

A. Single Family Mortgage Programs:

Home Mortgage Purchase Program:

1989 Series A, maturing 2001 to 2029, interest at 7.3% to 7.85%	\$ 33,500,000
1989 Series B, maturing 2001 to 2024, interest at 7.4% to 7.6%	<u>35,635,000</u>
Total	<u>69,135,000</u>

Housing Program:

Series 1, maturing 2001 to 2025, interest at 6.1% to 6.8%	6,995,000
Series 2, maturing 2001 to 2025, interest at 5.85% to 6.875%	870,000
Series 3, maturing 2001 to 2025, interest at 5.85% to 6.875%	29,320,000

VERMONT HOUSING FINANCE AGENCY

Notes to Financial Statements

June 30, 2001

A. Single Family Mortgage Programs, Continued:

Housing Program, Continued:

Series 4, maturing 2001 to 2025, interest at 5.7% to 6.40%	\$ 26,965,000
Series 5, maturing 2001 to 2027, interest at 5.6% to 7.0%	24,720,000
Series 6, maturing 2001 to 2031, interest at 5.0% to 7.2%	46,655,000
Series 7, maturing 2001 to 2031, interest at 5.0% to 6.3%	42,325,000
Series 8, maturing in 2031, interest at 6.05%	31,630,000
Series 9, maturing 2001 to 2037, interest at 3.9% to 6.0%	64,160,000
Series 10, maturing 2001 to 2030, interest at 3.55% to 5.25%	34,210,000
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%	30,000,000
Series 13, maturing 2002 to 2031, interest at 4.5% to 5.97%	35,720,000
Series 14, maturing 2003 to 2032, interest at 3.55% to 6.05%	<u>31,635,000</u>
Total	<u>431,205,000</u>
Total Single Family Mortgage Programs	<u>500,340,000</u>

B. Multi-Family Mortgage Programs:

Mortgage Program:

1999 Series A, maturing 2002 to 2020, interest at 3.75% to 5.125%	4,895,000
1999 Series B, maturing 2002 to 2030, interest at 4.3% to 6.0%	4,125,000
1999 Series C and D, maturing 2002 to 2021, interest at 4.55% to 5.8%	30,345,000
2000 Series A, maturing in 2039, interest at 5.9%	5,260,000
2000 Series B, C and D, maturing 2014 to 2031, interest at 5.65% to 6.7%	<u>3,535,000</u>
Total	<u>48,160,000</u>

VERMONT HOUSING FINANCE AGENCY

Notes to Financial Statements

June 30, 2001

B. Multi-Family Mortgage Programs, Continued:

Housing Program:

1995 Series A, maturing 2002 to 2014, interest at 5.15% to 6.15%	\$ 18,975,000
1997 Series A, maturing 2002 to 2029, interest at 4.4% to 5.75%	<u>5,895,000</u>
Total	<u>24,870,000</u>

Direct Placement Programs:

Canterbury Inn Housing Program:

1986 Series A, maturing 2001 to 2011, interest at 4.66% through 2002, variable to maturity at rate of 95% of Eleven General Obligation Bond Index	308,200
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Northgate Housing Program:

Eleven series of bonds, issued December 1989, maturing 2001 to 2031, interest at 7.085% to 9.23%	7,862,007
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Highgate Housing Program:

Two series of bonds, issued May 1991, maturing 2001 to 2031, interest at 6.45% to 7.741%	2,052,019
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St. Johnsbury Housing Development Bond:

Taxable bond, issued August 1990, maturing 2001 to 2005, interest at 7.5%	377,900
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Pine Meadow Development Bond:

Taxable bond, issued July 1991, maturing 2002 to 2016, interest at 6%	473,500
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Whitney Hill Housing Development Bond:

Taxable bond, issued January 1992, maturing 2001 to 2007, interest at 9%	1,158,600
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Hillside Mobile Home Park Bond:

Taxable bond, issued March 1993, maturing 2001 to 2013, interest at 9% to 12.25%	293,400
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Kilbourn Mobile Home Park Bond:

Taxable bond, issued May 1996, maturing 2001 to 2016, interest at 7.5%	236,900
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VERMONT HOUSING FINANCE AGENCY

Notes to Financial Statements

June 30, 2001

B. Multi-Family Mortgage Programs, Continued:

Direct Placement Programs, Continued:

Black River Overlook Housing Project Bond:

Taxable bond, issued September 1998, maturing 2001 to 2018, interest at 8%	\$ 323,060
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Bus Barns Housing Bond:

Issued December 2000, maturing 2001, interest at 4.75%	1,100,000
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Housing Vermont – McAuley Square Housing Bond:

Issued November 2000, maturing 2001, interest at 5.5%	1,250,000
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Ben-South Housing Bond:

Issued January 2001, maturing 2002, interest at 5.25%	850,000
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Bus Barns Housing Bond:

Issued May 2001, maturing 2001 interest at 4.75%	100,000
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Rutland Rehab Bond:

Issued May 2001, maturing 2001, interest at 4.75%	270,000
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Columbian Avenue Bond:

Issued May 2001, maturing 2002, interest at 5.0%	700,000
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Jeffersonville Housing Bond:

Issued June 2001, maturing 2002, interest at 4.75%	1,200,000
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Clark & Canal Streets Bond:

Issued June 2001, maturing 2002, interest at 4.8%	<u>750,000</u>
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Total	<u>19,305,586</u>
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Winchester Housing Development Program:

1989 Series A, maturing 2002 to 2016, interest at 7.5% to 7.75%	<u>7,245,000</u>
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Total Multi-Family Mortgage Programs	<u>99,580,586</u>
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C. General Fund:

Northgate Housing Site Acquisition,
issued December 1989, maturing
2001 to 2031, interest at 7%

<u>605,516</u>

Total bonds payable	\$ <u>600,526,102</u>
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VERMONT HOUSING FINANCE AGENCY
Notes to Financial Statements
June 30, 2001

Future maturities on bonds payable as of June 30, 2001 are as follows:

<u>Year ending June 30:</u>	Principal Amount							
	Single Family Mortgage Programs			Multi-Family Mortgage Programs				
	Home Mortgage Purchase Program	Housing Program	Mortgage Program	Housing Program	Direct Placement Programs	Housing Development Program	General Fund	Total
	(Amounts in Thousands)							
2002	\$ 910	4,705	1,155	1,235	6,505	245	6	14,761
2003	980	6,490	1,350	1,305	311	265	6	10,707
2004	1,045	7,300	1,440	1,375	333	280	7	11,780
2005	1,125	7,105	1,515	1,455	363	305	7	11,875
2006	1,205	6,775	1,590	1,540	389	325	8	11,832
Thereafter	63,870	398,830	41,110	17,960	11,404	5,825	572	539,571
	\$ 69,135	431,205	48,160	24,870	19,305	7,245	606	600,526

(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, 2001, the Agency had outstanding borrowings totalling \$6,897,292 which are secured by investments and mortgage loans with a carrying value of \$8,377,231. 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, 2001, there was a \$4,975,000 balance outstanding at 4.7813%.

As of June 30, 2001, the Agency had \$102,500,000 of notes payable in the Single Family Housing Programs. These notes have interest rates ranging from 3.28% to 4.85% and mature between September 2001 and April 2003. The proceeds of these notes are invested in guaranteed investment contracts.

VERMONT HOUSING FINANCE AGENCY
Notes to Financial Statements
June 30, 2001

(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, 2001, the Agency had a total payroll of \$1,601,524, of which \$1,451,804 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 \$136,022 for the year ended June 30, 2001, and is included in salaries and benefits expense.

(11) Loss on Bond Redemptions

During the year ended June 30, 2001, the Agency redeemed \$23,480,000 of its Single Family Home Mortgage Purchase Program Bonds, and \$15,275,000 of its Single Family Housing Program Bonds. Loss on bond redemptions of \$569,354 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, 2001

The following is a summary of the redeemed bonds:

<u>Single Family Home Mortgage Purchase Program</u>		<u>Single Family Housing Program</u>	
1989 Series A	\$ 10,970,000	Series 2	\$ 6,405,000
1989 Series B	<u>12,510,000</u>	Series 5	4,585,000
	\$ <u>23,480,000</u>	Series 6	<u>4,285,000</u>
			\$ <u>15,275,000</u>

(12) Commitments and Contingencies

At June 30, 2001, the Agency had outstanding commitments in the amount of \$5,491,239 to purchase or finance mortgage loans pursuant to its normal funding from bond proceeds. In addition, there were commitments of \$17,367,160 for general loans or future program subsidy purposes.

Under the Single Family Mortgage Programs, the Agency has obtained surety bonds in the amount of \$14,118,395 expiring between 2025 and 2037, which satisfy the requirements of certain bond resolutions.

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.

(13) Subsequent Events

In July 2001, the Agency issued \$12,905,000 of bonds under the Multi Family Mortgage Bond Program, 2001 Series A, B, C and D. The bond proceeds will be used to finance ten different projects.

In September 2001, the Agency issued \$32,500,000 of bonds and \$33,000,000 of notes under the Single Family Housing Bonds, Series 15. 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 \$14,118,395 expiring in 2031 in connection with these bonds.