

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

**FINANCIAL REPORT**

**June 30, 2006**

**and**

**June 30, 2005**

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**PORTER, MUIRHEAD, CORNIA & HOWARD**

*(A Corporation of Certified Public Accountants)*

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Wyoming Community Development Authority  
Casper, Wyoming

We have audited the accompanying basic financial statements of the Wyoming Community Development Authority, a component unit of the State of Wyoming, as of and for the years ended June 30, 2006 and 2005, as listed in the table of contents. These financial statements are the responsibility of the Wyoming Community Development Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Wyoming Community Development Authority as of June 30, 2006 and 2005, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



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Our audits were conducted for the purpose of forming an opinion on the Wyoming Community Development Authority's basic financial statements. The detailed balance sheet and the detailed schedule of revenues, expenses and changes in fund equity as of and for the year ended June 30, 2006, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The detailed balance sheet and the detailed schedule of revenues, expenses and changes in fund equity as of and for the year ended June 30, 2006, have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Porter, Muirhead, Cornia & Howard*

Porter, Muirhead, Cornia & Howard

Certified Public Accountants

August 21, 2006

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2006 and 2005

This section of the Wyoming Community Development Authority's (the Authority) annual financial report presents our discussion and analysis of financial activities for the fiscal year ended June 30, 2006. The selected data presented was derived from the Authority's financial statements, which were audited by Porter, Muirhead, Cornia & Howard, Certified Public Accountants. The Authority is a self-supporting entity and follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short-term and long-term financial information about the Authority's activities. The Independent Auditor's Report, audited financial statements and accompanying notes, and supplementary information should be read in conjunction with the following discussion.

**Financial Highlights**

The Authority's overall financial position and results of operations for the current and prior year are presented below.

	2006	2005	Change
Cash and cash equivalents	\$ 45,173,551	\$ 71,469,899	-36.79%
Investments	307,574,785	209,458,369	46.84%
Mortgage loans receivable	734,467,427	692,791,282	6.02%
Total assets	1,121,899,699	1,001,501,755	12.02%
Bonds payable	883,313,163	762,966,146	15.77%
Total liabilities	902,152,359	786,379,767	14.72%
Fund equity	219,747,340	215,121,988	2.15%
Total operating revenues	47,415,610	59,727,941	-20.61%
Total operating expenses	45,542,156	43,560,971	4.55%
Operating income	1,873,454	16,166,970	-88.41%

**Financial Position**

Cash and cash equivalents decreased \$26.3 million from 2005, due in part to a decrease in funds held as of June 30, 2006 to redeem bonds of \$11.6 million. In addition, funds on hand for future mortgage loan purchases of approximately \$14.7 million were invested in short-term securities. Investment balances grew by 46.84% (\$98.1 million) from 2005 due to three major factors. The increase includes: (1) the investment of \$40.4 million in proceeds from short term bonds, (2) an increase of \$69.9 million for future mortgage loan purchases held in guaranteed investment contracts or short term investments, and, finally the decrease of \$12.2 million in the unrealized fair value of the investment portfolio. The Authority purchased \$201.5 million of mortgage loans and received \$153.0 million of mortgage loan principal repayments (scheduled \$23.7 million and prepaid \$129.3 million), for a net increase of \$48.5 million. However, the Authority also increased loan loss reserves (not including a reduction in loan loss reserves for economic development loans) by \$2.2 million, for the net increase in mortgage loans receivable of \$46.4 million (6.70%). The increase in total assets of \$120.4 million is primarily the result of the changes discussed above.

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2006 and 2005

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***Financial Position (Continued)***

Bonds payable increased \$120.3 million from 2005. The Authority issued \$210.4 million in bonds (\$60.4 million more than in 2005) and redeemed \$69.8 million in bonds (\$27.2 million less than in 2005) during 2006. Normal maturities reduced bonds outstanding an additional \$20.3 million. Due to strong economic growth within the State, the Authority experienced increased demand for its Single Family mortgage loan programs. As a result, the Authority not only issued more bonds during the year, but was also able to recycle approximately \$34 million of prepayments into purchases of new mortgage loans. See the Debt Administration discussion below.

***Results of Operation***

The Authority's operating income for the year decreased \$14.3 million as a result of the following:

Operating revenues decreased by \$12.3 million (20.61%) from the prior year due to three major factors: (1) a \$12.2 million reduction in the net fair value of investments during 2006 compared to the increase in net fair value of \$6.2 million recorded in 2005, (2) the growth of mortgage interest income of \$1.4 million from 2005, which reflects the effects of the Authority's growing mortgage portfolio and the fairly level mortgage interest rates experienced during the year, and (3) an increase in investment interest income of \$4.4 million over the prior year, due to higher investment rates and the growth of the Authority's investments as discussed above. Other miscellaneous revenues increased approximately \$.3 million during 2006.

Operating expenses increased by \$2.0 million or 4.55% from 2005. The major factor was a rise in interest expense of \$2.1 million related to the increased level of bonds outstanding, as discussed above. Other individual expense categories saw insignificant changes from the prior year and together accounted for a \$.1 million decrease.

The decrease of operating income of \$14.3 million is primarily the result of the sizeable decline in fair value of the Authority's investment portfolio from 2005, which is discussed above. Although GASB Statement No. 31 requires that unrealized gains and losses be reported in the operating results of the Authority, the Authority intends to hold its investments to maturity,

***Debt Administration***

Demand for the Authority's Single Family Programs increased during 2006 due to continued low interest rates and the State's growing economy. To meet this demand the Authority issued a total \$210.4 million in mortgage revenue bonds and recycled approximately \$34 million of mortgage prepayments. In order to provide competitive mortgage rates, the Authority continued to incorporate variable rate bonds and interest rate swap agreements in its financing strategy. In addition, the issuance of a short term bond was also utilized in order to obtain the lowest bond yield possible. Short term bonds are generally converted to long term bonds within 18-24 months, pending such conversion, proceeds are invested and not used to finance mortgages.

Mortgage prepayments decreased by approximately \$3.4 million from 2005. The Authority redeemed \$69.8 million of bonds from mortgage prepayments, a decline of \$27.2 million from 2005.

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2006 and 2005

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**Debt Administration (Continued)**

Currently, the Authority intends to continue to recycle mortgage prepayments and use variable rate bonds, interest rate swaps and short term bonds in order to reduce its long term cost of funds, while providing the most competitive mortgage rate possible. In the future, the Authority will use time-tested financing strategies as well as seek out innovative financing methods in order to meet these goals. See Note 6 for additional bond information.

The financial rating for the Authority's 1994 Indenture Housing Revenue Bond Program remained at Aa1 from Moody's Investment Service and AA+ from Standard & Poor's. The financial rating for the Authority's 1978 Indenture Single Family Mortgage Bond Program remained at Aa2 from Moody's and AA+ from Standard & Poor's.

**Conclusion**

The above discussion and analysis is presented to provide additional information regarding the activities of the Authority and also to meet the disclosure requirements of GASB Statement No. 34. If you have questions about the report or need additional financial information, please contact the Director of Finance, Wyoming Community Development Authority, P.O. Box 634, Casper, Wyoming 82602, or go to our website at [www.wyomingcda.com](http://www.wyomingcda.com).

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

BALANCE SHEETS  
June 30, 2006 and 2005

<b>ASSETS</b>	2006	2005
Current Assets		
Cash and cash equivalents	\$ 4,618,623	\$ 10,523,012
Investments	42,801,501	41,159,208
Economic development loans and lease, net of loan loss reserve of 2006 \$0; 2005 \$560,000	-	219,213
Interest receivable		
Mortgage loans	82,920	87,670
Investments	541,381	396,775
Accounts receivable and other assets	476,882	624,085
Total current assets	48,521,307	53,009,963
Noncurrent Assets		
Restricted cash and cash equivalents	40,554,928	60,946,887
Restricted investments	264,773,284	168,299,161
Restricted mortgage loans receivable, net	729,567,644	682,957,396
Restricted interest receivable		
Mortgage loans	4,117,218	3,673,507
Investments	2,595,045	1,887,448
Restricted accounts receivable and other assets	4,899,783	5,505,652
Mortgage loans receivable, net	9,642,512	9,833,886
Deferred issuance, servicing and other costs, net	15,467,147	13,556,954
Property and equipment, net	1,760,831	1,830,901
Total noncurrent assets	1,073,378,392	948,491,792
Total assets	\$ 1,121,899,699	\$ 1,001,501,755

See accompanying notes to the basic financial statements



**LIABILITIES AND FUND EQUITY**

	<u>2006</u>	<u>2005</u>
Current Liabilities		
Bonds payable	\$ 55,860,295	\$ 14,659,521
Accrued interest payable	3,426,565	2,894,436
Arbitrage rebate payable	1,002,170	1,052,327
Accounts payable and other liabilities	1,235,224	5,088,733
Total current liabilities	<u>61,524,254</u>	<u>23,695,017</u>
Noncurrent Liabilities		
Bonds payable	827,452,868	748,306,625
Deferred arbitrage rebate	4,619,311	5,562,255
Other deferred credits	8,555,926	8,815,870
Total noncurrent liabilities	<u>840,628,105</u>	<u>762,684,750</u>
Total liabilities	<u>902,152,359</u>	<u>786,379,767</u>
Commitments and Contingencies		
Fund Equity		
Invested in capital assets	1,760,831	1,830,901
Restricted	152,611,876	149,221,844
Unrestricted	65,374,633	64,069,243
Total fund equity	<u>219,747,340</u>	<u>215,121,988</u>
Total liabilities and fund equity	<u>\$ 1,121,899,699</u>	<u>\$ 1,001,501,755</u>

See accompanying notes to the basic financial statements

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY  
Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Operating Revenues		
Mortgage interest	\$ 42,695,476	\$ 41,282,917
Investment interest income	16,141,738	11,708,970
Net change in fair value of investments	(12,258,393)	6,220,192
Economic development loan and lease income	44,911	92,630
Fees and other income	791,878	423,232
Total operating revenue	<u>47,415,610</u>	<u>59,727,941</u>
 Operating Expenses		
Interest expense	37,693,710	35,545,106
Servicer fees	645,635	781,657
Amortization of deferred issuance and other costs	1,999,018	2,149,960
Provision for loan losses	1,522,216	1,669,089
General and administrative	3,681,577	3,415,159
Total operating expenses	<u>45,542,156</u>	<u>43,560,971</u>
 Operating income	<u>1,873,454</u>	<u>16,166,970</u>
 Nonoperating Revenue (Expenses)		
Federal program income	5,063,286	5,884,367
Federal program expense	(2,311,388)	(2,342,958)
Nonoperating income	<u>2,751,898</u>	<u>3,541,409</u>
 Net income	4,625,352	19,708,379
 Fund equity, beginning	<u>215,121,988</u>	<u>195,413,609</u>
 Fund equity, ending	<u>\$ 219,747,340</u>	<u>\$ 215,121,988</u>

See accompanying notes to the basic financial statements

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash Flows from Operating Activities		
Cash receipts for services	\$ 679,765	\$ 501,562
Interest income on mortgage loans	42,384,118	42,231,313
Principal received on mortgage and economic development loans	153,805,509	150,585,999
Cash payments to purchase mortgage loans	(201,527,386)	(193,117,027)
Cash payments to servicers	(668,403)	(781,657)
Cash payments to suppliers	(1,929,874)	(1,732,989)
Cash payments to employees	(1,398,194)	(1,359,112)
Other cash payments	(1,011,101)	(1,921,395)
Net cash provided by (used in) operating activities	<u>(9,665,566)</u>	<u>(5,593,306)</u>
Cash Flows from Noncapital Financing Activities		
Federal revenue	5,063,286	5,884,367
Federal expenses	(2,311,388)	(2,342,958)
Proceeds from bonds	210,416,400	150,000,000
Principal paid on bonds	(90,102,820)	(138,132,827)
Interest paid on bonds and note payable	(37,161,581)	(35,573,672)
Payment of bond issuance costs	(1,820,535)	(1,634,711)
Net cash (used in) noncapital financing activities	<u>84,083,362</u>	<u>(21,799,801)</u>
Cash Flows from Capital and Related Financing Activities		
Purchase of fixed assets	(40,193)	(152,376)
Purchase of mortgage servicing rights	(2,088,677)	(1,426,713)
Net cash (used in) capital and related financing activities	<u>(2,128,870)</u>	<u>(1,579,089)</u>
Cash Flows from Investing Activities		
Interest received from investments	15,289,535	11,676,097
Purchase of investments	(315,810,339)	(311,988,469)
Proceeds from sales and maturities of investments	201,935,530	341,433,432
Net cash provided by investing activities	<u>(98,585,274)</u>	<u>41,121,060</u>
Increase (decrease) in cash and cash equivalents	(26,296,348)	12,148,864
Cash and cash equivalents, beginning	71,469,899	59,321,035
Cash and cash equivalents, ending	<u>\$ 45,173,551</u>	<u>\$ 71,469,899</u>

(Continued)

See accompanying notes to the basic financial statements

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

**STATEMENTS OF CASH FLOWS (CONTINUED)**

Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Reconciliation of ending cash and cash equivalents		
Current cash and cash equivalents	\$ 4,618,623	\$ 10,523,012
Noncurrent restricted cash and cash equivalents	40,554,928	60,946,887
Cash and cash equivalents, ending	<u>\$ 45,173,551</u>	<u>\$ 71,469,899</u>
Reconciliation of operating income to net cash provided		
by (used in) operating activities		
Operating income	\$ 1,873,454	\$ 16,166,970
Adjustments to reconcile operating income to net cash provided by		
(used in) operating activities:		
Interest on bonds and note payable	37,693,710	35,545,106
Net change in fair value of investments	12,258,393	(6,220,192)
Interest from investments	(16,141,738)	(11,708,970)
Mortgage loan principal repayments		
Scheduled	23,746,174	17,100,179
Prepaid	129,280,122	132,728,501
Purchase of mortgage loans	(201,527,386)	(193,117,027)
Amortization of commitment fees and loan discounts	(959,743)	(502,810)
Economic development loans and lease repayments	779,213	757,319
Amortization of deferred issuance and other costs	1,999,019	2,149,963
Accretion of interest on capital appreciation bonds	33,437	31,441
Increase (decrease) in provision for loan losses	1,522,216	1,669,089
Net change in other assets and liabilities	(222,437)	(192,875)
Net cash provided by (used in) operating activities	<u>\$ (9,665,566)</u>	<u>\$ (5,593,306)</u>
Supplemental cash flow information		
Noncash investing activity		
Investment purchase in progress	<u>\$ -</u>	<u>\$ 3,500,000</u>

See accompanying notes to the basic financial statements

# WYOMING COMMUNITY DEVELOPMENT AUTHORITY

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006 and 2005

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### **Note 1. Authority Legislation**

The Wyoming Community Development Authority (the "Authority") was created in 1975 by the Wyoming Community Development Authority Act to provide financing for housing needs within the State of Wyoming (the "State"). The Authority is a component unit of the State and is reported as an enterprise fund.

In March 2002, the Authority was authorized by the Legislature of the State of Wyoming to issue additional bonds. In addition to the bonds presently outstanding, any bonds authorized for care facility projects, bonds that may be issued to refund bonds, and bonds the Authority may issue from time to time as private activity bonds exempt from federal income taxation under Section 146 of the Internal Revenue Code of 1986, as amended, the Authority may issue and have outstanding additional bonds in an aggregate amount of up to \$400,000,000. In addition, the Authority may issue and have outstanding additional bonds for care facility projects in an aggregate amount of up to \$250,000,000. Amounts so issued shall not be deemed to constitute a debt of the State or any political subdivision thereof.

### **Note 2. Significant Accounting Policies**

#### ***Fund Accounting and Generally Accepted Accounting Principles***

The financial activities of the Authority are recorded in funds established under various bond indentures (program funds) and in funds established for the administration of the Authority's programs. The Authority uses the accrual method of accounting. The Authority's program funds and other funds have been presented on a combined basis, as the Authority is considered a single enterprise fund for financial reporting purposes. All interfund balances and transactions have been eliminated in the financial statements.

The accounting principles generally accepted in the United States of America that are applicable to the Authority are generally those applicable to similar businesses in the private sector; however, the Authority has elected the provision of Governmental Accounting Standards Board (GASB) Statement No. 20 which applies all GASB pronouncements and those Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989.

Further description of the Funds established by the Authority is as follows:

#### ***Single and Multi-Family Program Funds***

These funds, established under the Single Family Mortgage Bonds 1978 Indenture, the Housing Revenue Bonds 1994 Indenture, the Multi-family Mortgage Bonds 1982 Indenture, the Wyoming Homeownership Bonds 1992 Indenture and the Multi-Family Housing Revenue Bonds Indenture are to account for the proceeds from the sale of Single and Multi-Family Mortgage Bonds and the debt service requirements of the bond indebtedness. Activities of these funds are, in general, limited to the purchase of mortgage loans collateralized by eligible mortgages on single and multi-family residential housing. Assets in these funds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The trust indentures have various insurance, guaranty and reserve provisions as set forth in those trust indentures.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as needed.

# WYOMING COMMUNITY DEVELOPMENT AUTHORITY

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006 and 2005

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### **Note 2. Significant Accounting Policies (Continued)**

#### ***Federal Program Fund***

This fund was established for the purpose of receiving and disbursing funds relating to projects funded by the U.S. Department of Housing and Urban Development's Community Development Block Grant, HOME Investment Partnership, and other federal programs. These funds are restricted by federal law to specific purposes.

#### ***Housing Trust Fund***

This fund was established to provide direct funding of approved housing or housing projects within the State of Wyoming.

#### ***Mortgage Guaranty Fund***

This fund is used to provide mortgage guarantees on mortgage loans, leases, or other credit agreements purchased by the Authority. Claims made against the Mortgage Guaranty Fund are not a debt or liability of the State nor a general obligation of the Authority. The Authority has committed \$1,026,955 to guarantee mortgage and project loans with principal balances outstanding of \$2,808,026 as of June 30, 2006. The Authority has also committed \$250,000 to guarantee second mortgages with principal balances outstanding of \$8,381,585. Initial recovery of second mortgage losses will come from other available sources.

#### ***General Fund***

This fund is utilized to account for all other activities of the Authority, including mortgage-servicing activities, which are not accounted for in the individual Program Funds, the Mortgage Guaranty Fund, the Federal Program Fund, or the Housing Trust Fund.

#### ***Interfund Activity***

As a general rule, the effect of interfund activity has been eliminated from the Authority's basic financial statements.

#### ***Cash and Cash Equivalents***

For purposes of reporting the statements of cash flows, the Authority considers all cash, obligations of the U.S. Treasury or agencies and instrumentalities of the U.S. Government with initial maturities of three months or less, and money market investments to be cash equivalents.

#### ***Investments***

The trust indentures and State statutes authorize the types of investments in which the Authority invests. Among these authorized investments are certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities of the U.S. Government, mortgage backed securities, guaranteed investment contracts, mutual funds and repurchase agreements with banks with the underlying securities being obligations of the U.S. Treasury or agencies and instrumentalities of the U.S. Government. The investments are carried at fair value, except for certificates of deposit which are carried at cost.

WYOMING COMMUNITY DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006 and 2005

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**Note 2. Significant Accounting Policies (Continued)**

***Mortgage Loans Receivable***

Loans receivable are reported net of the loan loss reserve. The loan loss reserve for mortgages is increased or decreased by provisions and (recoveries/deductions) charged or credited against operations based on a periodic evaluation of the loan portfolio and actual losses that occur. Deferred commitment fees on mortgages are amortized to earnings over the estimated life of the mortgages by a method which approximates the interest method. Interest income on delinquent loans is accrued up to one year, after which time the loan is classified as a non-accrual loan.

***Deferred Issuance and Other Costs***

Deferred issuance and other costs consist of bond issuance costs, including underwriter discounts, and costs of acquiring mortgage loan servicing rights. The deferred issuance costs are amortized over the life of the remaining outstanding bonds. The cost of loan servicing rights is amortized in proportion to, and over the period of, estimated net servicing revenue.

***Economic Development Loans and Lease***

The economic development loans are reported net of the loan loss reserve. The loan loss is increased or decreased by provisions and (recoveries/deductions) charged or credited against operations based on a periodic evaluation of the loan portfolio and actual losses that occur. Management's periodic evaluation of the adequacy of the reserve is based on the Authority's past loan loss experience, known and inherent risks within the portfolio, and adverse situations that may affect a borrower's ability to repay. During the year ended June 30, 2006, all of these outstanding loan balances were received.

A financing lease was entered into by the Authority, as lessor, for the purpose of providing economic development assistance. The lease covers buildings, improvements, fixtures, and other real property. Under the direct financing method of accounting for leases, the total rentals receivable under the lease contract, net of unearned income, are recorded as the net investment in the direct financing lease. The unearned income is reduced each month as the rent is earned so as to provide a constant periodic rate of return on the unrecovered investment.

***Property and Equipment***

Property and equipment, including rehabilitations of single-family dwellings, is stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the following estimated useful lives:

Furniture and equipment	3 - 7 years
Buildings and improvements	20 - 40 years

# WYOMING COMMUNITY DEVELOPMENT AUTHORITY

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006 and 2005

### Note 2. Significant Accounting Policies (Continued)

#### *Arbitrage Rebate Payable, Deferred Arbitrage Rebate and Other Deferred Credits*

As a result of applicable federal income tax rules, the Authority is limited in the investment yield which it may retain for its own use on the nonmortgage investments of most of its bond issues. For bond issues before 1989, the excess yields can be rebated to mortgagors, used to reduce future mortgage loan interest rates, or paid to the federal government. For bond issues after 1988, excess arbitrage yields must be rebated to the federal government not less than every five years pursuant to applicable federal tax regulations. The Authority has deferred \$4,619,311 and \$5,562,255 at June 30, 2006 and 2005, respectively, for arbitrage rebates. The Authority has recorded an arbitrage rebate payable of \$1,002,170 and \$1,052,327 at June 30, 2006 and 2005, respectively, for amounts expected to be assessed within the next year.

The Authority has recorded deferred interest income of \$4,879,621 and \$5,095,613 at June 30, 2006 and 2005, respectively, from bond issues to recognize the effect of reducing mortgage loan interest rates in the future to comply with applicable federal tax laws. These deferred amounts are being amortized into mortgage interest income over the estimated life of the related mortgages. As of June 30, 2006 and 2005, the Authority also deferred \$704,350 and \$494,183 of interest income related to the HOME Run loan program.

Additionally, the Authority has deferred \$2,971,955 and \$3,226,074 as of June 30, 2006 and 2005, respectively, in unamortized commitment fees received. These fees are being amortized over the estimated life of the related mortgages by a method which approximates the interest method.

#### *Revenue and Expense Recognition*

The Authority records all revenues derived from mortgages, investments, servicing and financing as operating revenues since these revenues are generated from the Authority's daily operations needed to carry out its statutory purpose. The Authority considers revenues and expenses related to federal programs to be nonoperating revenues and expenses.

### Note 3. Cash and Cash Equivalents and Investments

Deposits are placed with various financial institutions and are carried at cost. At June 30, 2006, the carrying amount of the Authority's bank deposits was \$609,616 and the bank balance was \$2,431,976. The difference between the carrying amount and the bank balance is a result of transactions in transit. All bank deposits at June 30, 2006 were covered by insurance or collateral held in joint custody with the financial institution.

The components of the Authority's investment portfolio are as follows:

	2006	2005
Investments		
Certificates of deposit	\$ 276,547	\$ 476,547
U.S. Government and agency securities	233,609,380	200,481,822
Guaranteed investment contracts	73,688,858	8,500,000
	<u>307,574,785</u>	<u>209,458,369</u>
Total	<u>\$ 307,574,785</u>	<u>\$ 209,458,369</u>



**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2006 and 2005

**Note 3. Cash and Cash Equivalents and Investments (Continued)**

Investments are reported in the following classifications:

	<u>2006</u>	<u>2005</u>
Current	\$ 42,801,501	\$ 41,159,208
Noncurrent - restricted by bond indentures or contracts	<u>264,773,284</u>	<u>168,299,161</u>
 Total	 <u>\$ 307,574,785</u>	 <u>\$ 209,458,369</u>

The net change in fair value of investments takes into account all changes in fair value that occurred during the year. Fair value for individual investments fluctuates based on changes in the market interest rates available to investors. At June 30, 2006 and 2005, the Authority had unrealized investment gains (losses) of (\$1,557,648) and \$10,595,870, respectively, in its investment portfolio. The unrealized gains (losses) of (\$12,153,518) and \$6,364,684 for the years ended June 30, 2006 and 2005, respectively, as well as the effects of any realized gains and losses, which may have been partially or fully recognized in prior years, are included in the net change in fair value of investments as reported.

As of June 30, 2006, the Authority had the following investments and maturities.

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
Certificates of deposit	\$ 276,547	\$ 276,547	\$ -	\$ -	\$ -
U.S. government and agency securities	233,609,380	46,702,539	771,541	12,466,504	173,668,796
Guaranteed investment contracts	<u>73,688,858</u>	<u>73,688,858</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 307,574,785</u>	<u>\$ 120,667,944</u>	<u>\$ 771,541</u>	<u>\$ 12,466,504</u>	<u>\$ 173,668,796</u>

***Interest Rate Risk***

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority attempts to match its investment maturities to the expected call dates of its bonds or needs for purchasing mortgages. With this investment focus, investments would be expected to reach maturity with limited realized gains or losses.

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006 and 2005

**Note 3. Cash and Cash Equivalents and Investments (Continued)**

***Credit Risk***

As mentioned in Note 1, State statutes limit the types of investments available to the Authority. Investments, including the underlying securities for repurchase agreements, are held by the Authority's trustees in the Authority's name. Guaranteed investment contracts which have a maturity beyond 18 months are generally guaranteed by AAA rated institutions or collateralized.

***Custodial Credit Risk***

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority would not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Substantially all of the Authority's investments are held in the name of the Authority by a trustee.

***Reserve Requirements***

The 1978, 1982 and 1994 Indentures require the Authority to place a portion of bond proceeds in bond, mortgage and special reserve accounts. As of June 30, 2006, the Authority has \$81,852,086 in these reserve accounts which exceeds the reserve requirements contained in the applicable trust indentures of \$63,564,210. The amounts reserved in these accounts are as follows:

	1978	1982	1994
	<u>Indenture</u>	<u>Indenture</u>	<u>Indenture</u>
Bond reserve requirement	\$ 18,465,285	\$ 43,001	\$ 21,835,456
Mortgage reserve requirement	1,132,900	19,309	15,133,259
Restricted special reserve requirement	<u>-</u>	<u>-</u>	<u>6,935,000</u>
 Total required reserves	 <u>\$ 19,598,185</u>	 <u>\$ 62,310</u>	 <u>\$ 43,903,715</u>
 Total cash and investments held for reserves	 <u>\$ 24,435,013</u>	 <u>\$ 368,000</u>	 <u>\$ 57,049,073</u>

**Note 4. Mortgage Loans Receivable, Net**

	<u>2006</u>	<u>2005</u>
Single Family Mortgage Bonds 1978 Indenture Fund, bearing interest at 0% to 11.875%, 25 to 30 year term, FHA or private mortgage company insured or guaranteed by RD, VA, or mortgage guaranty fund	\$ 107,189,422	\$ 110,464,180
Less: Reserve for losses on loans	<u>(3,844,454)</u>	<u>(3,829,454)</u>
	<u>103,344,968</u>	<u>106,634,726</u>

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2006 and 2005

**Note 4. Mortgage Loans Receivable, Net (Continued)**

	<u>2006</u>	<u>2005</u>
Housing Revenue Bonds 1994 Indenture Fund, bearing interest at 4.00% to 8.625%, 25 to 30 year term, FHA or private mortgage company insured, or guaranteed by RD, VA or mortgage guaranty fund	\$ 626,053,539	\$ 569,947,585
Less: Reserve for losses on loans	<u>(22,142,893)</u>	<u>(19,720,962)</u>
	<u>603,910,646</u>	<u>550,226,623</u>
 Wyoming Homeownership Bonds 1992 Indenture Fund, bearing interest at 7.625%, 30 year term, FHA or private mortgage company insured, or RD guaranteed	 <u>1,375,729</u>	 <u>1,699,805</u>
 Multi-Family Mortgage Bonds 1982 Indenture Fund, bearing interest at 12.0%, 40 year term, FHA insured	 <u>1,189,984</u>	 <u>1,210,642</u>
 Multi-Family Housing Revenue Bonds Indentures Fund, bearing interest at a variable rate, 30 year term, collateralized by mortgages	 <u>6,190,000</u>	 <u>13,285,000</u>
 Federal Program Fund with various terms, including deferred payments and fixed rates, 10 to 30 year term	 13,756,317	 10,658,046
Less: Reserve for losses on loans	<u>(200,000)</u>	<u>(200,000)</u>
	<u>13,556,317</u>	<u>10,458,046</u>
 Housing Trust Fund, bearing interest at 0% to 11.375%, 1 to 30 year term, FHA or private mortgage company insured or guaranteed by VA or mortgage guaranty fund	 13,126,407	 13,557,781
Less: Reserve for losses on loans	<u>(3,483,895)</u>	<u>(3,723,895)</u>
	<u>9,642,512</u>	<u>9,833,886</u>
 Mortgage loans receivable, before eliminations	 739,210,156	 693,348,728
Less: Interfund collections not yet posted against fund mortgages	-	<u>(557,446)</u>
Total mortgage loans receivable, net	<u>\$ 739,210,156</u>	<u>\$ 692,791,282</u>
 Reported in the following classifications		
Restricted mortgage loans receivable, net	\$ 729,567,644	\$ 682,957,396
Mortgage loans receivable, net	<u>9,642,512</u>	<u>9,833,886</u>
	<u>\$ 739,210,156</u>	<u>\$ 692,791,282</u>

Total loan loss reserves for mortgage loans receivable established by the Authority as of June 30, 2006 and 2005 were \$29,671,242 and \$27,474,311, for mortgage loans receivable. An additional \$560,000 in loan loss reserves had been established for economic development loans as of June 30, 2005, though that reserve was considered no longer necessary since the full loan balances had been received. Therefore, the related reserve was eliminated in the year ended June 30, 2006.

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006 and 2005

**Note 5. Federal Programs**

The Authority receives funds to provide housing assistance to low income families in Wyoming through various federal programs. Programs provide grants to individuals or organizations for the purchase, construction, and rehabilitation of single and multi-family residential properties. Revenue is recognized as expenses are incurred under these programs. Funding from these programs has been fully utilized or obligated as of June 30, 2006.

Federal program funds are also received for the purpose of making low interest loans to qualified borrowers. As these loans are collected, the funds must be re-loaned under the same program restrictions. These funds, net of any allowance for losses on loans, are included in net income when received and remain in retained earnings, subject to the program use restrictions, as long as the program is available under federal regulations.

**Note 6. Bonds Payable**

Bonds are generally payable in scheduled annual and semiannual installments and are subject to mandatory sinking fund requirements in scheduled amounts. Redemption is optional after various dates at prices ranging from 100 to 103 per 100. Capital Appreciation Bonds (CABs) are reported at accreted value.

The bonds of the 1978, 1992, and 1994 Indentures are special obligations of the Authority, payable solely from the income and receipts of these indentures. The bonds of the 1982 Indenture are general obligations of the Authority payable from any of its revenues, income and receipts. All of the bonds are secured by mortgage loans and other assets of the respective indentures. Interest on all outstanding bonds is payable semi-annually, except for 2001 Series A Bonds, 2002 Series A Bonds, 2003 Series B Bonds, 2001 Series 7 Bonds, 2002 Series 8 Bonds, 2003 Series 4 Bonds, 2004 Series 3 Bonds, 2004 Series 6 Bonds, 2004 Series 9 Bonds, 2004 Series 11 Bonds, 2005 Series 2 Bonds, 2005 Series 4 Bonds, 2005 Series 7 Bonds, 2006 Series 2 Bonds, 2006 Series 5 Bonds, CABs, and Wyoming Homeownership Bonds Series I.

The Authority has variable rate debt which reprices weekly, based on market interest rates.

	Balance at June 30, 2005	Issued	Retired	Balance at June 30, 2006	Amount Due Within 1 Year
<b>Single Family Mortgage Bonds 1978 Indenture Fund</b>					
1993 Series E, redeemed original amount issued \$29,565,000	\$ 695,000	\$ -	\$ 695,000	\$ -	\$ -
1998 Series B, 2025 to 2033 interest at 5.30%, original amount issued \$15,000,000	13,000,000	-	-	13,000,000	-
2001 Series A, 2025 to 2035 variable interest, interest at 3.92%, original amount issued \$9,545,000	9,545,000	-	-	9,545,000	-

(Continued)

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2006 and 2005

**Note 6. Bonds Payable (Continued)**

	Balance at June 30, 2005	Issued	Retired	Balance at June 30, 2006	Amount Due Within 1 Year
2002 Series A, 2022 to 2032 variable interest, interest at 3.92%, original amount issued \$37,000,000	\$ 37,000,000	\$ -	\$ -	\$ 37,000,000	\$ -
2003 Series A/B, 2022 to 2033, interest at 3.92% to 4.55%, original amount issued \$53,745,000	53,745,000	-	-	53,745,000	-
Principal amounts of bonds outstanding 1978 Trust Indenture	113,985,000	-	695,000	113,290,000	-
Less: deferred loss on prior series refunded by 1998 Series A and 2003 Series A/B	(1,016,378)	-	(57,496)	(958,882)	-
Principal amounts of bonds outstanding 1978 Trust Indenture Fund, net	112,968,622	-	637,504	112,331,118	-
<b>Housing Revenue Bonds 1994 Indenture Fund</b>					
1995 Series 4 and 5, redeemed original amount issued \$35,000,000	30,000	-	30,000	-	-
1995 Series 6 (including CABs), 2015, interest rate at 6.25%, original amount issued \$15,097,280 at discount of \$473,253	526,747	-	(33,437)	560,184	-
1996 Series 5 and 6, redeemed original amount issued \$40,000,000	155,000	-	155,000	-	-
1996 Series 7, 2006 to 2030, interest at 4.7% to 5.3%, original amount issued \$60,000,000	27,695,000	-	1,310,000	26,385,000	480,000
1997 Series 1, redeemed original amount issued \$10,435,000	890,000	-	890,000	-	-

(Continued)

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2006 and 2005

**Note 6. Bonds Payable (Continued)**

	Balance at June 30, 2005	Issued	Retired	Balance at June 30, 2006	Amount Due Within 1 Year
1997 Series 4, 2007 to 2008, interest at 5.20% to 5.25%, original amount issued \$50,000,000	\$ 2,870,000	\$ -	\$ 905,000	\$ 1,965,000	\$ 950,000
1997 Series 5, 2007 to 2030, interest at 4.60% to 5.3%, original amount issued \$100,000,000	36,940,000	-	660,000	36,280,000	700,000
1997 Series 6 and 7, 2007 to 2015, interest at 5.35%, original amount issued \$50,000,000	11,805,000	-	1,670,000	10,135,000	-
1998 Series 1 and 2, 2006 to 2026, interest at 4.90% to 5.45%, original amount issued \$40,000,000	14,480,000	-	460,000	14,020,000	755,000
1998 Series 3, 2007 to 2030, interest at 4.55% to 5.35%, original amount issued \$30,000,000	26,475,000	-	4,230,000	22,245,000	530,000
1999 Series 1, 2006 to 2030, interest at 4.55% to 5.32%, original amount issued \$30,000,000	23,985,000	-	560,000	23,425,000	580,000
1999 Series 4, 2006 to 2019, interest at 5.00% to 5.55%, original amount issued \$40,000,000	15,460,000	-	1,585,000	13,875,000	730,000
1999 Series 7 and 8, 2020 to 2026, interest at 6.15%, original amount issued \$25,000,000	8,910,000	-	1,680,000	7,230,000	-
1999 Series 10 and 11, 2015 to 2024, interest at 6.15%, original amount issued \$25,000,000	8,785,000	-	1,925,000	6,860,000	-

(Continued)

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2006 and 2005

**Note 6. Bonds Payable (Continued)**

	Balance at June 30, 2005	Issued	Retired	Balance at June 30, 2006	Amount Due Within 1 Year
2000 Series 1 and 2, 2013 2022, interest at 6.05%, original amount issued \$35,000,000	\$ 9,930,000	\$ -	\$ 1,295,000	\$ 8,635,000	\$ -
2000 Series 4 and 5, 2021 to 2026, interest at 6.1%, original amount issued \$50,000,000 at premium of \$189,437	18,664,437	-	6,037,062	12,627,375	-
2000 Series 6 and 7, 2006 to 2026, interest at 5.0% to 5.85%, original amount issued \$30,000,000	11,720,000	-	745,000	10,975,000	525,000
2001 Series 1, 2006 to to 2027, interest at 5.25% 5.35%, original amount issued \$30,000,000 at premium of \$179,692	22,134,692	-	9,672,698	12,461,994	555,000
2001 Series 3 and 4, 2007 to 2011, interest at 4.50% to 5.00%, original amount issued \$44,600,000	20,180,000	-	15,705,000	4,475,000	805,000
2001 Series 5, 6 & 7, 2006 to 2031, interest at 3.75% to 5.30%; original amount issued \$33,500,000	30,740,000	-	6,390,000	24,350,000	525,000
2002 Series 1 and 2, 2006 to 2026, interest at 3.95% to 5.50%, original amount issued \$42,475,000	11,940,000	-	1,935,000	10,005,000	640,000
2002 Series 3, 2014 to to 2016, interest at 4.8%, original amount issued \$36,820,000 at premium of \$483,904	4,783,904	-	1,640,904	3,143,000	-

(Continued)

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2006 and 2005

**Note 6. Bonds Payable (Continued)**

	Balance at June 30, 2005	Issued	Retired	Balance at June 30, 2006	Amount Due Within 1 Year
2002 Series 4 and 5, 2006 to 2027, interest at 3.35% to 5.30%, original amount issued \$42,110,000	\$ 39,360,000	\$ -	\$ 14,145,000	\$ 25,215,000	\$ 720,000
2002 Series 6, 7 & 8 2006 to 2033, interest at 2.50% to 5.20%; original amount issued \$27,000,000	24,795,000	-	1,975,000	22,820,000	470,000
2003 Series 1, 2007 to 2032, interest at 2.30% to 4.60%; original amount issued \$26,065,000	25,145,000	-	870,000	24,275,000	415,000
2003 Series 2, 3, and 4, 2007 to 2032, interest at 2.75% to 5.25%; original amount issued \$26,230,000	25,745,000	-	535,000	25,210,000	500,000
2003 Series 5 and 6, 2007 to 2034, interest at 2.70% to 5.00%; original amount issued \$25,990,000	25,750,000	-	420,000	25,330,000	370,000
2004 Series 1, 2, & 3, 2006 to 2034, interest at 1.50% to 4.60%; original amount issued \$35,000,000	34,565,000	-	1,335,000	33,230,000	705,000
2004 Series 4, 5, and 6, 2007 to 2035, interest at 2.85% to 5.25%; original amount issued \$40,000,000	39,825,000	-	900,000	38,925,000	670,000
2004 Series 7, 8, and 9, 2006 to 2034, interest at 2.45% to 5.00%; original amount issued \$40,000,000	39,650,000	-	925,000	38,725,000	690,000
2004 Series 10 and 11, 2007 to 2035, interest at 2.75% to 4.90%; original amount issued \$30,000,000	30,000,000	-	535,000	29,465,000	550,000

(Continued)



**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2006 and 2005

**Note 6. Bonds Payable (Continued)**

	Balance at June 30, 2005	Issued	Retired	Balance at June 30, 2006	Amount Due Within 1 Year
2005 Series 1 and 2, 2006 to 2035, interest at 2.95% to 4.95%; original amount issued \$40,000,000	\$ 40,000,000	\$ -	\$ 345,000	\$ 39,655,000	\$ 710,000
2005 Series 3 and 4, 2006 to 2035, interest at 3.00% to 4.70%; original amount issued \$40,000,000	-	40,000,000	355,000	39,645,000	595,000
2005 Series 5, 6 and 7, 2006 to 2036, interest at 3.15% to 4.85%; original amount issued \$40,000,000	-	40,000,000	10,000	39,990,000	710,000
2006 Series 1 and 2, 2006 to 2035, interest at 3.30% to 4.90%; original amount issued \$40,000,000	-	40,000,000	-	40,000,000	485,000
2006 Series 3, 2007, interest at 4.50%; original amount issued \$40,000,000 premium of \$416,400	-	40,416,400	183,574	40,232,826	40,000,000
2006 Series 4 and 5, 2007 to 2036, interest at 3.70% to 5.05%; original amount issued \$50,000,000	-	50,000,000	-	50,000,000	430,000
Principal amounts of bonds outstanding 1994 Fund Indenture	633,934,780	210,416,400	81,980,801	762,370,379	55,795,000
<b>Multi-Family Mortgage Bonds 1982 Indenture Fund</b>					
1992 Series A, general obligation, 2006 to 2024, interest at 6.9% to 6.95%, original amount issued \$5,530,000	1,075,000	-	30,000	1,045,000	30,000

(Continued)

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2006 and 2005

**Note 6. Bonds Payable (Continued)**

	Balance at June 30, 2005	Issued	Retired	Balance at June 30, 2006	Amount Due Within 1 Year
<b>Multi-Family Housing Revenue Bonds Indentures Fund</b>					
Floating Rate Demand Revenue Bonds, 1996 Series A, variable interest, original amount issued \$7,300,000	\$ 7,100,000	\$ -	\$ 910,000	\$ 6,190,000	\$ -
Floating Rate Demand Revenue Bonds, 1999 Series A, redeemed original amount issued \$6,605,000	6,185,000	-	6,185,000	-	-
	<u>13,285,000</u>	<u>-</u>	<u>7,095,000</u>	<u>6,190,000</u>	<u>-</u>
<b>Wyoming Homeownership Bonds 1992 Indenture Fund</b>					
Homeownership Revenue Bonds Series I, due 2024, interest at 6.7%, original amount issued \$24,964,754	1,702,744	-	326,078	1,376,666	35,295
Total bonds payable	<u>\$ 762,966,146</u>	<u>\$ 210,416,400</u>	<u>\$ 90,069,383</u>	<u>\$ 883,313,163</u>	<u>\$ 55,860,295</u>

Scheduled bond principal and sinking fund requirements in each indenture for the five fiscal years subsequent to June 30, 2006, which includes in each of the respective years the bonds to be remarketed or expected to be refunded, are as follows:

	Single Family Mortgage Bonds 1978 Indenture Fund	Housing Revenue Bonds 1994 Indenture Fund	Multi-Family Mortgage Bonds 1982 Indenture Fund	Wyoming Homeownership Bonds 1992 Indenture Fund	Totals
2007	\$ -	\$ 55,795,000	\$ 30,000	\$ 35,295	\$ 55,860,295
2008	-	17,235,000	30,000	38,082	17,303,082
2009	-	17,235,000	30,000	41,090	17,306,090
2010	-	17,705,000	30,000	44,335	17,779,335
2011	-	18,070,000	30,000	47,836	18,147,836

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006 and 2005

**Note 6. Bonds Payable (Continued)**

Annual debt service requirements for the five fiscal years subsequent to June 30, 2006, and for each five year segment thereafter, including the bonds to be remarketed or expected to be refunded, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2007	\$ 55,860,295	\$ 40,768,112	\$ 96,628,407
2008	17,303,082	38,988,536	56,291,618
2009	17,306,090	38,248,811	55,554,901
2010	17,779,335	37,504,016	55,283,351
2011	18,147,836	36,771,978	54,919,814
5 years ending 2016	98,712,177	171,319,150	270,031,327
5 years ending 2021	113,326,888	145,776,973	259,103,861
5 years ending 2026	211,070,963	106,457,753	317,528,716
5 years ending 2031	205,505,000	54,285,834	259,790,834
5 years ending 2036	128,170,000	12,469,932	140,639,932
5 years ending 2041	560,000	11,284	571,284
	<u>\$ 883,741,666</u>	<u>\$ 682,602,379</u>	<u>\$ 1,566,344,045</u>

The balances above do not include premiums, discounts, or losses on refundings in the amount of \$428,503 that are reported as components of bonds payable.

**Swap Payments and Associated Debt**

Using rates as of June 30, 2006 and giving effect to scheduled reductions in the notional amount of the swap, debt service requirements of the Authority's outstanding variable-rate debt in 2005 Series 2, 2005 Series 4, 2005 Series 7, 2006 Series 2 and 2006 Series 5 and net swap payments are as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

	<u>Variable Rate Bonds</u>		<u>Interest Rate</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Swaps (net)</u>	
2007	\$ -	\$ 1,693,726	\$ (93,045)	\$ 1,600,681
2008	-	1,692,600	(87,422)	1,605,178
2009	-	1,692,600	(77,928)	1,614,672
2010	-	1,692,600	(67,696)	1,624,904
2011	-	1,692,600	(58,196)	1,634,404
5 years ending 2016	115,000	8,463,000	(156,592)	8,421,408
5 years ending 2021	2,230,000	8,279,840	(33,233)	10,476,607
5 years ending 2026	3,605,000	7,679,771	(206)	11,284,565
5 years ending 2031	4,730,000	6,856,241	-	11,586,241
5 years ending 2036	30,760,000	4,164,102	-	34,924,102
5 years ending 2041	560,000	11,284	-	571,284
	<u>\$ 42,000,000</u>	<u>\$ 43,918,364</u>	<u>\$ (574,318)</u>	<u>\$ 85,344,046</u>

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2006 and 2005

**Note 7. Note Payable**

The Authority has a line of credit agreement with a financial institution, secured by specific investments and mortgages. This agreement allows the Authority to borrow approximately 80% of the value of the investment collateral. As of June 30, 2006, the Authority had investments of approximately \$12,717,426 on deposit with this financial institution; however, no amounts were outstanding on this line.

**Note 8. Interest Rate Swaps**

*Swap Objectives*

The Authority has entered into interest rate swap agreements in connection with variable-rate bond series as a technique to lower the cost of long-term debt. The objective of the swaps is to effectively change the variable interest rate on the bonds to a synthetic fixed rate.

*Terms and Values*

June 30, 2006

Bond Series	Swap Contractual Dates	Notional Amount	Fixed Rate Paid	Variable Rate Received	Termination Date	Fair Value	Counterparty Credit Rating
2005 Series 2	3/31/2005	\$ 7,835,000	3.523%	70% of LIBOR	6/1/2021	\$ 156,319	AAA/Aaa
2005 Series 4	6/30/2005	7,965,000	3.260%	70% of LIBOR	12/1/2021	324,421	AAA/Aaa
2005 Series 7	9/20/2005	8,000,000	3.325%	70% of LIBOR	12/1/2016	216,882	AAA/Aaa
2006 Series 2	1/19/2006	8,000,000	3.465%	70% of LIBOR	12/1/2013	227,879	AAA/Aaa
2006 Series 5	4/20/2006	10,000,000	3.926%	70% of LIBOR	6/1/2014	9,982	AAA/Aaa
Pending	6/26/2006	10,000,000	4.115%	70% of LIBOR	6/1/2014	(105,418)	AAA/Aaa
		<u>\$ 51,800,000</u>				<u>\$ 830,065</u>	

June 30, 2005

Bond Series	Swap Contractual Dates	Notional Amount	Fixed Rate Paid	Variable Rate Received	Termination Date	Fair Value	Counterparty Credit Rating
2005 Series 2	3/31/2005	\$ 8,000,000	3.523%	70% of LIBOR	6/1/2021	\$ (225,338)	AAA/Aaa
2005 Series 4	6/30/2005	8,000,000	3.260%	70% of LIBOR	12/1/2021	(77,889)	AAA/Aaa
		<u>\$ 16,000,000</u>				<u>\$ (303,227)</u>	

As of June 30, 2006 and 2005, the Authority's swap agreements had a fair value of \$830,065 and (\$303,227), respectively. The negative fair value of the swaps may be offset by reductions in total interest payments required under the related variable-rate bond, creating lower synthetic rates. Because the coupons on the related variable-rate bonds adjust to the changing interest rates, the bonds do not have a corresponding fair value increase. The fair value amounts, obtained from the counterparty, represent mid-market valuations that approximate the current economic value using prices and rates at the average of the estimated bid and offer amounts.

WYOMING COMMUNITY DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006 and 2005

**Note 8. Interest Rate Swaps (Continued)**

*Swap Risks*

**Credit Risk** – As of June 30, 2006, the Authority was exposed to credit risk on certain swaps which had a positive fair value. The positive fair value of the swaps represents the Authority's exposure as of June 30, 2006, to a potential counterparty failure. Should the counterparty to this transaction fail to perform according to the swap contract, the Authority would face a maximum possible loss equivalent to the swap's fair value. As of June 30, 2006, the swap counterparty was rated Aaa by Moody's Investors Service and AAA by Standard & Poor's. The Authority's policy to manage credit risk would require the Authority to seek credit enhancements should the counterparty's ratings be below AA- or Aa3.

**Basis Risk** – Basis risk is the potential mismatch between the variable interest rate paid on the underlying bonds and the variable rate payments received by the Authority pursuant to the swap. The Authority's variable rate bond interest payments should correspond to the BMA Index, while the payments the Authority receives pursuant to the swap are 70 percent of LIBOR. The Authority is exposed to basis risk should 70% of LIBOR and BMA Index rates converge. If a change occurs that results in the rates moving to convergence (that is, the BMA Index exceeding 70 percent of LIBOR), the value to the Authority of the hedge from the swap is diminished. As of June 30, 2006 and 2005, the BMA Index rate was 3.97 and 2.29 percent, respectively, while 70 percent of LIBOR (the swap rate) was 3.75 and 2.34 percent, respectively.

**Termination Risk** – The Authority or the counterparty may terminate the swaps if the other party fails to perform under the terms of the swap contracts. The swaps may be terminated by the Authority at its discretion with a maximum of ten days' notice. If a swap was terminated, the variable-rate bonds would no longer carry a synthetic fixed rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

**Rollover Risk** – The Authority is exposed to rollover risk on swaps that mature or may be terminated prior to the maturity of the associated bonds. When these swaps terminate or are terminated by either party, the Authority will not realize the synthetic fixed rate offered by the swaps on the underlying bond issues. The following bond series are exposed to rollover risk:

June 30, 2006

<u>Associated Bond Issuance</u>	<u>Bond Maturity Date</u>	<u>Swap Termination Date</u>
2005 Series 2	December 1, 2035	June 1, 2021
2005 Series 4	December 1, 2035	December 1, 2021
2005 Series 7	June 1, 2036	December 1, 2016
2006 Series 2	December 1, 2035	December 1, 2013
2006 Series 5	December 1, 2036	June 1, 2014

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2006 and 2005

**Note 9. Fund Equity**

The Authority's fund equity is reported in three components: investment in capital assets, restricted and unrestricted. Restricted fund equity includes amounts restricted under terms of an award, contract or law. Unrestricted equity includes all other equity components not meeting the criteria above. Below is a summary of fund equity as of June 30, 2006 and 2005:

	2006	2005
Investment in capital assets	<u>\$ 1,760,831</u>	<u>\$ 1,830,901</u>
Restricted		
Restricted by bond indentures	132,711,421	132,073,287
Restricted by grants	<u>19,900,455</u>	<u>17,148,557</u>
	<u>152,611,876</u>	<u>149,221,844</u>
Unrestricted		
Designated for the Housing Trust Fund	32,980,848	31,505,888
Designated for the Mortgage Guaranty Fund	15,055,224	14,678,133
Designated for non-current assets	7,808,186	6,609,509
Designated for operating reserve funds	9,526,375	11,271,713
Designated for operating funds federal programs	4,000	4,000
	<u>65,374,633</u>	<u>64,069,243</u>
Total fund equity	<u><u>\$ 219,747,340</u></u>	<u><u>\$ 215,121,988</u></u>

The terms of the various bond indentures for the single-family and multi-family programs generally restrict the assets of the respective trust indenture by requiring their retention in the trust to satisfy debt service obligations of the applicable trust indenture. Monies can be withdrawn from a trust indenture with a cash flow certificate which demonstrates the Authority's ability to pay program expenses and debt service when due, in each bond year. In addition, some series in the 1994 Indenture may be subject to over-parity tests.

In addition, should the Authority fail to comply with terms of the general obligation bonds and the line of credit, the holders of such general obligations would have recourse to the Authority's unrestricted fund equity.

**Note 10. Mortgage Loan Servicing**

The Authority's mortgage servicing department services a total of 10,184 single-family loans with unpaid principal balances of \$632,450,656 as of June 30, 2006. Included in these amounts were 2,834 second mortgages with outstanding principal balances of \$7,383,737. Escrow balances for these loans were \$4,104,368 at June 30, 2006. These escrow balances are not included in the accompanying combined financial statements. During the years ended June 30, 2006 and 2005, the Authority purchased and capitalized loan servicing rights of \$2,088,677 and \$1,426,713, respectively, for approximately \$177,000,000 and \$149,000,000, respectively, of loans.

# WYOMING COMMUNITY DEVELOPMENT AUTHORITY

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006 and 2005

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### **Note 11. Retirement Commitments**

#### ***Retirement Plan***

The Authority's full-time employees participate in the Wyoming Retirement System (the "System"), a cost-sharing multiple-employer public employee retirement system. The System provides retirement benefits at age 60 with early retirement options available. The System also provides disability and death benefits. Benefits are established by State statute. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Wyoming Retirement System, Fifth Floor West, 6101 Yellowstone Road, Cheyenne, Wyoming 82002 or by calling (307)777-7691. The System statutorily requires 11.25% of the covered employee's salary to be contributed to the plan of which 5.57% is the responsibility of the employee and 5.68% is the responsibility of the employer. The Authority has elected to pay the total contributions on behalf of its employees. The Authority's contributions to the System for the years ended June 30, 2006, 2005 and 2004 were \$142,678, \$134,602, and \$123,984, respectively, equal to the required contributions for each year.

#### ***Deferred Compensation Plan***

The Authority also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation plan, accounted for by the State of Wyoming and available to all of the Authority's full-time employees, permits employees to defer a portion of their salary until future years. Compensation deferred under this plan is not available until termination, retirement, death or unforeseeable emergency. All deferred compensation and earnings are held in trust or custodial accounts for the exclusive benefit of individual program participants and their beneficiaries. Investments are managed and controlled by the deferred compensation plan's trustee, not the Authority, under various investment options as directed by the employee. These investments and the related liability to the employees are not included in the Authority's financial statements.

### **Note 12. Commitments and Contingencies**

At June 30, 2006, the Authority was committed to purchase single-family mortgages aggregating approximately \$6,752,000 under the 1978 Indenture, \$58,427,000 under the 1994 Indenture and \$2,090,000 under the Housing Trust Fund. In addition, at June 30, 2006, the Authority had committed approximately \$7,673,384 for other project mortgages to be funded through federal programs or housing trust funds.

The Authority has variable rate bonds outstanding in the 1978 Indenture of \$52,545,000 and in the 1994 Indenture of \$79,900,000. These bonds are subject to tender at par for repurchase by the Authority at the option of the bondholders; however, the Authority may remarket these bonds if they are tendered by the bondholders. As of June 30, 2005, \$6,000,000 of the variable rate debt is subject to repurchase directly by the Authority, and \$92,445,000 of the repurchase commitment has been assumed by Westdeutsche Landesbank Girozentrale and \$34,000,000 of the repurchase commitment has been assumed by State Street Bank, through a standby bond purchase agreement. Under these agreements, the Banks will purchase any bonds tendered by bondholders and will adjust the interest rate associated with any unremarketed bonds to a Bank rate.

# WYOMING COMMUNITY DEVELOPMENT AUTHORITY

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006 and 2005

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### **Note 13. Risk Management**

The Authority carries commercial insurance for risks of loss related to wrongful acts, general liability protection, and theft of, damage to, or destruction of real and personal property. Settled claims resulting from these risks have not exceeded the commercial insurance coverage.

The Authority manages its risks in respect to the mortgages it acquires by obtaining insurance or guarantees from various sources. None of the insurance and guarantees cover 100% of potential losses on the mortgage portfolio. The Authority has established loan loss reserves for additional coverage of potential losses that exist in its mortgage portfolio.

The Authority participates in the State of Wyoming self-insured employee medical, life and dental insurance program. This group medical insurance program is co-administered with a third-party health provider/claim service company. The State self-insures medical costs and assumes all the risk for claims incurred by plan participants. The employee life insurance and dental insurance plans are administered solely by insurance providers. The State does not retain any risk of loss for the life or dental insurance plans as the insurance providers assume all the risk for claims incurred by the participants. The Authority contributes the insurance premiums for each covered participant for these plans.

The State's group insurance fund, which includes medical, life and dental, was solvent at June 30, 2006 and the Authority expects to incur no liability in connection with the group insurance program. Group insurance premiums paid by the Authority during the years ended June 30, 2006 and 2005 were \$219,248 and \$195,846, respectively.

### **Note 14. Subsequent Events**

On July 26, 2006 the Authority issued \$50,000,000 of bonds under the 1994 Indenture. Prior to June 30, 2006, the Authority had entered into an interest rate swap agreement, with a calculation starting effective date of July 26, 2006, in connection with the \$10,000,000 variable rate debt portion of the \$50,000,000 issued.



**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

**DETAILED BALANCE SHEET**

June 30, 2006

	Single Family Mortgage Bonds 1978 Indenture Fund	Housing Revenue Bonds 1994 Indenture Fund	Wyoming Homeownership Bonds 1992 Indenture Fund	Multi-Family Mortgage Bonds 1982 Indenture Fund	Multi-Family Housing Revenue Bonds Indentures Fund
<b>ASSETS</b>					
Current Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Interest receivable: Mortgage loans	-	-	-	-	-
Investments	-	-	-	-	-
Accounts receivable and other assets	-	-	-	-	-
Total current assets	-	-	-	-	-
Noncurrent Assets					
Restricted cash and cash equivalents	13,014,937	25,208,276	400,420	136,029	-
Restricted investments	64,391,336	198,841,492	389,000	1,151,456	-
Restricted mortgage loans receivable, net	103,344,968	603,910,646	1,375,729	1,189,984	6,190,000
Restricted interest receivable					
Mortgage loans	635,179	3,461,310	8,850	11,879	-
Investments	595,541	1,977,957	1,723	12,412	-
Restricted accounts receivable and other assets	74,948	8,609	70,414	-	-
Mortgage loans receivable, net	-	-	-	-	-
Deferred issuance, servicing and other costs, net	927,734	6,719,830	7,484	3,913	-
Property and equipment, net	-	-	-	-	-
Total noncurrent assets	182,984,643	840,128,120	2,253,620	2,505,673	6,190,000
Total assets	\$ 182,984,643	\$ 840,128,120	\$ 2,253,620	\$ 2,505,673	\$ 6,190,000
<b>LIABILITIES AND FUND EQUITY</b>					
Current Liabilities					
Bonds payable	\$ -	\$ 55,795,000	\$ 35,295	\$ 30,000	\$ -
Accrued interest payable	394,696	3,025,718	-	6,046	-
Arbitrage rebate payable	-	1,002,170	-	-	-
Accounts payable and other liabilities	94,088	272,740	72,929	124	-
Total current liabilities	488,784	60,095,628	108,224	36,170	-
Noncurrent Liabilities					
Bonds payable	112,331,118	706,575,379	1,341,371	1,015,000	6,190,000
Deferred arbitrage rebate	906,265	3,713,046	-	-	-
Other deferred credits	3,087,349	5,448,551	13,750	-	-
Total noncurrent liabilities	116,324,732	715,736,976	1,355,121	1,015,000	6,190,000
Total liabilities	116,813,516	775,832,604	1,463,345	1,051,170	6,190,000
Fund Equity					
Invested in capital assets	-	-	-	-	-
Restricted	66,171,127	64,295,516	790,275	1,454,503	-
Unrestricted	-	-	-	-	-
Total fund equity	66,171,127	64,295,516	790,275	1,454,503	-
Total liabilities and fund equity	\$ 182,984,643	\$ 840,128,120	\$ 2,253,620	\$ 2,505,673	\$ 6,190,000

Federal Program Fund	Housing Trust Fund	Mortgage Guaranty Fund	General Fund	Eliminations	Total
\$ -	\$ 2,284,674	\$ 863,133	\$ 1,470,816	\$ -	\$ 4,618,623
-	20,663,741	14,013,331	8,124,429	-	42,801,501
-	82,920	-	-	-	82,920
-	257,975	180,254	103,152	-	541,381
-	-	-	536,932	(60,050)	476,882
-	23,289,310	15,056,718	10,235,329	(60,050)	48,521,307
1,795,266	-	-	-	-	40,554,928
-	-	-	-	-	264,773,284
13,556,317	-	-	-	-	729,567,644
-	-	-	-	-	4,117,218
7,412	-	-	-	-	2,595,045
4,545,812	200,000	-	-	-	4,899,783
-	9,642,512	-	-	-	9,642,512
-	-	-	7,808,186	-	15,467,147
-	-	-	1,760,831	-	1,760,831
19,904,807	9,842,512	-	9,569,017	-	1,073,378,392
\$ 19,904,807	\$ 33,131,822	\$ 15,056,718	\$ 19,804,346	\$ (60,050)	\$ 1,121,899,699
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,860,295
-	44	-	61	-	3,426,565
-	-	-	-	-	1,002,170
352	150,930	1,494	702,617	(60,050)	1,235,224
352	150,974	1,494	702,678	(60,050)	61,524,254
-	-	-	-	-	827,452,868
-	-	-	-	-	4,619,311
-	-	-	6,276	-	8,555,926
-	-	-	6,276	-	840,628,105
352	150,974	1,494	708,954	(60,050)	902,152,359
-	-	-	1,760,831	-	1,760,831
19,900,455	-	-	-	-	152,611,876
4,000	32,980,848	15,055,224	17,334,561	-	65,374,633
19,904,455	32,980,848	15,055,224	19,095,392	-	219,747,340
\$ 19,904,807	\$ 33,131,822	\$ 15,056,718	\$ 19,804,346	\$ (60,050)	\$ 1,121,899,699

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

**DETAILED SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY**  
**Year Ended June 30,2006**

	Single Family Mortgage Bonds 1978 Indenture Fund	Housing Revenue Bonds 1994 Indenture Fund	Wyoming Homeownership Bonds 1992 Indenture Fund	Multi-Family Mortgage Bonds 1982 Indenture Fund	Multi-Family Housing Revenue Bonds Indentures Fund
<b>Operating Revenues</b>					
Mortgage interest	\$ 6,554,284	\$ 34,975,597	\$ 119,973	\$ 143,953	\$ -
Investment interest income	3,667,984	9,518,036	38,920	67,667	-
Net change in fair value of investment:	(2,616,026)	(7,522,540)	(12,367)	(69,413)	-
Economic development loan and lease income	-	-	-	-	-
Fees and other income	1,160	652	6,395	-	-
Total operating revenue	<u>7,607,402</u>	<u>36,971,745</u>	<u>152,921</u>	<u>142,207</u>	<u>-</u>
<b>Operating Expenses</b>					
Interest expense	4,911,249	32,606,620	100,809	73,893	-
Servicer fees	402,989	2,174,848	3,662	1,500	-
Amortization of deferred issuance and other costs	55,050	1,043,087	10,538	343	-
Provision for (recovery of) loan losses	15,000	2,421,932	-	-	-
General and administrative	61,071	336,878	8,764	7,908	-
Total operating expenses	<u>5,445,359</u>	<u>38,583,365</u>	<u>123,773</u>	<u>83,644</u>	<u>-</u>
Operating income (loss)	<u>2,162,043</u>	<u>(1,611,620)</u>	<u>29,148</u>	<u>58,563</u>	<u>-</u>
<b>Nonoperating Revenue (Expenses)</b>					
Federal program income	-	-	-	-	-
Federal program expense	-	-	-	-	-
Nonoperating income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income (loss) before transfers	2,162,043	(1,611,620)	29,148	58,563	-
Transfers in (out)	<u>(1,820,534)</u>	<u>1,820,534</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income (loss)	341,509	208,914	29,148	58,563	-
Fund equity, beginning of year	65,829,618	64,086,602	761,127	1,395,940	-
Fund equity, end of year	<u>\$ 66,171,127</u>	<u>\$ 64,295,516</u>	<u>\$ 790,275</u>	<u>\$ 1,454,503</u>	<u>\$ -</u>

Federal Program Fund	Housing Trust Fund	Mortgage Guaranty Fund	General Fund	Eliminations	Total
\$ -	\$ 901,669	\$ -	\$ -	\$ -	\$ 42,695,476
-	1,436,533	865,595	547,003	-	16,141,738
-	(1,113,777)	(487,904)	(436,366)	-	(12,258,393)
-	-	-	44,911	-	44,911
-	67,383	-	2,711,820	(1,995,532)	791,878
-	1,291,808	377,691	2,867,368	(1,995,532)	47,415,610
-	387	-	752	-	37,693,710
-	58,168	-	-	(1,995,532)	645,635
-	-	-	890,000	-	1,999,018
-	(354,716)	-	(560,000)	-	1,522,216
-	113,009	600	3,153,347	-	3,681,577
-	(183,152)	600	3,484,099	(1,995,532)	45,542,156
-	1,474,960	377,091	(616,731)	-	1,873,454
5,063,286	-	-	-	-	5,063,286
(2,311,388)	-	-	-	-	(2,311,388)
2,751,898	-	-	-	-	2,751,898
2,751,898	1,474,960	377,091	(616,731)	-	4,625,352
-	-	-	-	-	-
2,751,898	1,474,960	377,091	(616,731)	-	4,625,352
17,152,557	31,505,888	14,678,133	19,712,123	-	215,121,988
\$ 19,904,455	\$ 32,980,848	\$ 15,055,224	\$ 19,095,392	\$ -	\$ 219,747,340