

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

**FINANCIAL REPORT**

**June 30, 2008**

**and**

**June 30, 2007**

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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 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, 2008 and 2007, 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, 2008 and 2007, 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 on pages 3-5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

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, 2008, 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, 2008, 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

September 29, 2008

# WYOMING COMMUNITY DEVELOPMENT AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008 and 2007

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, 2008. 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.

|                              | 2008          | Change       |         | 2007          | Change      |         | 2006          |
|------------------------------|---------------|--------------|---------|---------------|-------------|---------|---------------|
| Cash and cash equivalents    | 145,150,507   | 57,971,490   | 66.50%  | 87,179,017    | 42,005,466  | 92.99%  | 45,173,551    |
| Investments                  | 299,102,555   | (69,431,417) | -18.84% | 368,533,972   | 60,959,187  | 19.82%  | 307,574,785   |
| Mortgage loans<br>receivable | 1,049,335,729 | 169,665,498  | 19.29%  | 879,670,231   | 146,650,075 | 20.01%  | 733,020,156   |
| Total assets                 | 1,532,863,265 | 163,862,050  | 11.97%  | 1,369,001,215 | 253,291,516 | 22.70%  | 1,115,709,699 |
| Bonds payable                | 1,255,302,149 | 143,712,535  | 12.93%  | 1,111,589,614 | 234,466,451 | 26.73%  | 877,123,163   |
| Total liabilities            | 1,274,057,537 | 144,500,380  | 12.79%  | 1,129,557,157 | 233,594,798 | 26.07%  | 895,962,359   |
| Fund equity                  | 258,805,728   | 19,361,670   | 8.09%   | 239,444,058   | 19,696,718  | 8.96%   | 219,747,340   |
| Total operating revenues     | 86,171,446    | 9,276,458    | 12.06%  | 76,894,988    | 29,479,378  | 62.17%  | 47,415,610    |
| Total operating expenses     | 68,631,166    | 10,937,297   | 18.96%  | 57,693,869    | 12,151,713  | 26.68%  | 45,542,156    |
| Operating income             | 17,540,280    | (1,660,839)  | -8.65%  | 19,201,119    | 17,327,665  | 924.90% | 1,873,454     |

### Financial Position

Cash and cash equivalents increased \$58.0 million from 2007, due to an increase in funds on hand to fund future mortgage loan purchases and other programs. Investment balances declined by 18.84% (\$69.4 million) due to: (1) a decrease of \$45.1 million in guaranteed investment contracts; (2) a decrease of \$27.5 million for investments converted to cash; and (3) the increase in the unrealized fair value of the investment portfolio of \$3.2 million. Mortgage loans receivable increased by \$169.7 million or 19.29%. Included in this increase are mortgage loan purchases of \$310.1 million, less repayments of principal of \$133.8 million and less an increase in loan loss reserves of \$6.6 million over the prior year. The overall increase in total assets of \$163.9 million is primarily the result of the changes discussed above.

# WYOMING COMMUNITY DEVELOPMENT AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008 and 2007

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### ***Financial Position (Continued)***

Bonds payable increased \$143.7 million from 2007. This increase includes bonds issued during the year of \$175.4 million less normal maturities of \$26.7 million and redemptions of \$5.3 million. Continued strong economic growth within the State has fueled an on going demand for the Authority's Single Family mortgage loan programs. While the Authority issued \$140.0 million fewer bonds than in 2007 it was able to recycle approximately \$136.0 million of prepayments (approximately 70.0 million more than in 2007) into purchases of new mortgage loans. See the Debt Administration discussion below.

### ***Results of Operation***

The Authority's total operating revenue was \$86.2 million (up \$9.3 million from 2007) and its operating expenses were \$68.6 million (up \$10.9 million from 2007) resulting in a net decrease in operating income of \$1.7 million or 8.65%.

The increase of \$9.3 million (12.06%) in total operating revenues includes; (1) an increase of \$8.5 million in mortgage interest as a result of the Authority's growing mortgage portfolio and the slight increase in mortgage rates experienced during the year; (2) a \$3.2 million increase in the change in net fair value of investments from 2007; and (3) a decline in investment interest income of \$2.2 million due to lower investment rates encountered during the year. Other miscellaneous revenues decreased approximately \$.2 million during 2008.

The increase of \$10.9 million (18.95%) in total operating expenses is primarily due to a rise in interest expense of \$9.1 million related to the increased level of bonds outstanding and slightly higher bond interest rates. In addition the provision for loan losses increased \$1.0 million and general and administrative expenses increased by \$.8 million over 2007.

### **Debt Administration**

The Authority issued \$175.4 million in Housing Revenue Bonds during 2008, which is approximately \$140.0 million less than in 2007. The decline in the level of bonds issued from the prior year was made possible by the Authority's ability to recycle approximately \$136.0 million of loan prepayments. The Authority uses various financing strategies to obtain the most favorable rates possible and currently intends to continue to recycle mortgage prepayments and explore the use of alternative financing methods in order to reduce its long term cost of funds. 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.

# WYOMING COMMUNITY DEVELOPMENT AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008 and 2007

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### **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, 2008 and 2007

| <b>ASSETS</b>                                     | 2008                 | 2007                 |
|---|----------------------|----------------------|
| <b>Current Assets</b>                             |                      |                      |
| Cash and cash equivalents                         | \$ 25,790,564        | \$ 8,375,473         |
| Investments                                       | 67,154,804           | 77,560,310           |
| Interest receivable                               |                      |                      |
| Mortgage loans                                    | 109,591              | 90,057               |
| Investments                                       | 442,610              | 649,311              |
| Accounts receivable and other assets              | 2,128,182            | 599,958              |
| Total current assets                              | 95,625,751           | 87,275,109           |
| <b>Noncurrent Assets</b>                          |                      |                      |
| Restricted cash and cash equivalents              | 119,359,943          | 78,803,544           |
| Restricted investments                            | 231,947,751          | 290,973,662          |
| Restricted mortgage loans receivable, net         | 1,038,120,511        | 869,211,445          |
| Restricted interest receivable                    |                      |                      |
| Mortgage loans                                    | 6,022,604            | 4,809,637            |
| Investments                                       | 2,155,659            | 2,902,259            |
| Restricted accounts receivable and other assets   | 4,126,065            | 3,437,035            |
| Mortgage loans receivable, net                    | 11,215,218           | 10,458,786           |
| Deferred issuance, servicing and other costs, net | 22,577,295           | 19,366,768           |
| Property and equipment, net                       | 1,712,468            | 1,762,970            |
| Total noncurrent assets                           | 1,437,237,514        | 1,281,726,106        |
| <br>Total assets                                  | <br>\$ 1,532,863,265 | <br>\$ 1,369,001,215 |

See notes to the basic financial statements



**LIABILITIES AND FUND EQUITY**

|  | <u>2008</u>             | <u>2007</u>             |
|--|-------------------------|-------------------------|
| Current Liabilities                    |                         |                         |
| Bonds payable                          | \$ 61,998,436           | \$ 54,949,016           |
| Accrued interest payable               | 4,640,274               | 4,358,094               |
| Arbitrage rebate payable               | 897,305                 | 1,376,739               |
| Accounts payable and other liabilities | 1,304,147               | 1,395,984               |
| Total current liabilities              | <u>68,840,162</u>       | <u>62,079,833</u>       |
| Noncurrent Liabilities                 |                         |                         |
| Bonds payable                          | 1,193,303,713           | 1,056,640,598           |
| Deferred arbitrage rebate              | 2,639,383               | 2,707,483               |
| Other deferred credits                 | 9,274,279               | 8,129,243               |
| Total noncurrent liabilities           | <u>1,205,217,375</u>    | <u>1,067,477,324</u>    |
| Total liabilities                      | <u>1,274,057,537</u>    | <u>1,129,557,157</u>    |
| Commitments and Contingencies          |                         |                         |
| Fund Equity                            |                         |                         |
| Invested in capital assets             | 1,712,468               | 1,762,970               |
| Restricted                             | 179,815,173             | 166,192,955             |
| Unrestricted                           | 77,278,087              | 71,488,133              |
| Total fund equity                      | <u>258,805,728</u>      | <u>239,444,058</u>      |
| Total liabilities and fund equity      | <u>\$ 1,532,863,265</u> | <u>\$ 1,369,001,215</u> |

See notes to the basic financial statements

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY  
Years Ended June 30, 2008 and 2007

|   | <u>2008</u>           | <u>2007</u>           |
|---|-----------------------|-----------------------|
| Operating Revenues                                |                       |                       |
| Mortgage interest                                 | \$ 58,384,028         | \$ 49,869,315         |
| Investment interest income                        | 21,248,347            | 23,451,972            |
| Net change in fair value of investments           | 5,727,272             | 2,492,314             |
| Fees and other income                             | 811,799               | 1,081,387             |
| Total operating revenue                           | <u>86,171,446</u>     | <u>76,894,988</u>     |
| <br>Operating Expenses                            |                       |                       |
| Interest expense                                  | 55,195,500            | 46,060,088            |
| Servicer fees                                     | 377,821               | 466,203               |
| Amortization of deferred issuance and other costs | 1,807,855             | 1,722,799             |
| Provision for loan losses                         | 6,642,053             | 5,645,922             |
| General and administrative                        | 4,607,937             | 3,798,857             |
| Total operating expenses                          | <u>68,631,166</u>     | <u>57,693,869</u>     |
| <br>Operating income                              | <u>17,540,280</u>     | <u>19,201,119</u>     |
| <br>Nonoperating Revenue (Expenses)               |                       |                       |
| Federal program income                            | 4,963,672             | 2,535,483             |
| Federal program expense                           | (3,142,282)           | (2,039,884)           |
| Nonoperating income                               | <u>1,821,390</u>      | <u>495,599</u>        |
| <br>Net income                                    | 19,361,670            | 19,696,718            |
| <br>Fund equity, beginning of year                | <u>239,444,058</u>    | <u>219,747,340</u>    |
| <br>Fund equity, end of year                      | <u>\$ 258,805,728</u> | <u>\$ 239,444,058</u> |

See notes to the basic financial statements

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2008 and 2007

|   | 2008                  | 2007                 |
|---|-----------------------|----------------------|
| Cash Flows from Operating Activities                        |                       |                      |
| Cash receipts for services                                  | \$ 811,799            | \$ 896,214           |
| Interest income on mortgage loans                           | 58,982,994            | 49,664,123           |
| Principal received on mortgage                              | 133,801,300           | 140,951,970          |
| Cash payments to purchase mortgage loans                    | (310,108,851)         | (293,247,967)        |
| Cash payments to servicers                                  | (377,821)             | (466,203)            |
| Cash payments to suppliers                                  | (3,746,270)           | (2,929,432)          |
| Cash payments to employees                                  | (1,570,338)           | (1,377,264)          |
| Other cash payments   | (2,339,779)           | (112,000)            |
| Net cash (used in) operating activities                     | <u>(124,546,966)</u>  | <u>(106,620,559)</u> |
| Cash Flows from Noncapital Financing Activities             |                       |                      |
| Federal revenue   | 4,963,672             | 2,535,483            |
| Federal expenses  | (3,142,282)           | (2,039,884)          |
| Proceeds from bonds   | 175,355,000           | 315,321,254          |
| Principal paid on bonds                                     | (31,680,281)          | (80,890,365)         |
| Interest paid on bonds and note payable                     | (54,875,504)          | (45,128,559)         |
| Payment of bond issuance costs                              | (1,810,830)           | (2,824,979)          |
| Net cash provided by noncapital financing activities        | <u>88,809,775</u>     | <u>186,972,950</u>   |
| Cash Flows from Capital and Related Financing Activities    |                       |                      |
| Purchase of fixed assets                                    | (81,994)              | (119,440)            |
| Purchase of mortgage servicing rights                       | (3,207,552)           | (2,797,440)          |
| Net cash (used in) capital and related financing activities | <u>(3,289,546)</u>    | <u>(2,916,880)</u>   |
| Cash Flows from Investing Activities                        |                       |                      |
| Interest received from investments                          | 21,839,538            | 23,036,828           |
| Purchase of investments                                     | (291,325,230)         | (389,394,950)        |
| Proceeds from sales and maturities of investments           | 366,483,919           | 330,928,077          |
| Net cash provided by (used in) investing activities         | <u>96,998,227</u>     | <u>(35,430,045)</u>  |
| Increase in cash and cash equivalents                       | 57,971,490            | 42,005,466           |
| Cash and cash equivalents, beginning of year                | 87,179,017            | 45,173,551           |
| Cash and cash equivalents, end of year                      | <u>\$ 145,150,507</u> | <u>\$ 87,179,017</u> |

(Continued)

See notes to the basic financial statements

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

STATEMENTS OF CASH FLOWS (CONTINUED)

Years Ended June 30, 2008 and 2007

|   | 2008                    | 2007                    |
|---|-------------------------|-------------------------|
| Reconciliation of ending cash and cash equivalents                                      |                         |                         |
| Current cash and cash equivalents   | \$ 25,790,564           | \$ 8,375,473            |
| Noncurrent restricted cash and cash equivalents   | 119,359,943             | 78,803,544              |
| Cash and cash equivalents, ending   | <u>\$ 145,150,507</u>   | <u>\$ 87,179,017</u>    |
| Reconciliation of operating income to net cash<br>(used in) operating activities        |                         |                         |
| Operating income  | \$ 17,540,280           | \$ 19,201,119           |
| Adjustments to reconcile operating income to net cash<br>(used in) operating activities |                         |                         |
| Interest on bonds and note payable  | 55,195,500              | 46,060,088              |
| Net change in fair value of investments   | (5,727,272)             | (2,492,314)             |
| Interest from investments   | (21,248,347)            | (23,451,972)            |
| Mortgage loan principal repayments  |                         |                         |
| Scheduled   | 21,755,099              | 31,731,431              |
| Prepaid   | 113,346,988             | 111,325,026             |
| Purchase of mortgage loans  | (311,409,638)           | (295,352,454)           |
| Amortization of commitment fees and loan discounts                                      | (841,280)               | (627,760)               |
| Amortization of deferred issuance and other costs                                       | 1,807,855               | 1,758,360               |
| Increase in provision for loan losses   | 6,642,053               | 5,645,922               |
| Net change in other assets and liabilities  | (1,608,204)             | (418,005)               |
| Net cash (used in) operating activities   | <u>\$ (124,546,966)</u> | <u>\$ (106,620,559)</u> |

See notes to the basic financial statements

# WYOMING COMMUNITY DEVELOPMENT AUTHORITY

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008 and 2007

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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 Single Family Mortgage Revenue Bonds 2007 Indenture, the Multi-Family Mortgage Bonds 1982 Indenture, and the Wyoming Homeownership Bonds 1992 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, 2008 and 2007

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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 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 \$797,445 to guarantee mortgage and project loans with principal balances outstanding of \$1,854,575 as of June 30, 2008. The Authority has also committed \$250,000 to guarantee second mortgages with principal balances outstanding of \$11,105,724. 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.

# WYOMING COMMUNITY DEVELOPMENT AUTHORITY

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008 and 2007

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

#### ***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.

#### ***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.

#### ***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, 2008 and 2007

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### **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 non-mortgage 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 \$2,639,382 and \$2,707,483 at June 30, 2008 and 2007, respectively, for arbitrage rebates. The Authority has recorded an arbitrage rebate payable of \$897,305 and \$1,376,739 at June 30, 2008 and 2007, respectively, for amounts expected to be assessed within the next year.

The Authority could also incur arbitrage rebates related to excess yields collected on mortgage receivables funded with Bond proceeds; management monitors whether excess yields are accumulating in a given series. The Authority has recorded deferred interest income of \$3,340,457 and \$4,026,887 at June 30, 2008 and 2007, 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, 2008 and 2007, the Authority also deferred \$3,017,359 and \$1,171,436, respectively, of interest income related to the HOME Run loan program.

Additionally, the Authority has deferred \$2,916,463 and \$2,930,920 as of June 30, 2008 and 2007, 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 non-operating revenues and expenses.

#### ***Reclassifications***

Certain items on the statement of cash flows for the year ended June 30, 2007, have been reclassified, to be consistent with the classifications adopted for the year ended June 30, 2008, with no effect on net cash used in operating activities.



**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2008 and 2007

**Note 3. Cash and Cash Equivalents and Investments**

Deposits are placed with various financial institutions and are carried at cost. At June 30, 2008, the carrying amount of the Authority's bank deposits was \$8,304,355 and the bank balance was \$9,047,235. The difference between the carrying amount and the bank balance is a result of transactions in transit. All bank deposits at June 30, 2008 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:

|                                       | <u>2008</u>               | <u>2007</u>               |
|---------------------------------------|---------------------------|---------------------------|
| Investments                           |                           |                           |
| Certificates of deposit               | \$ 276,547                | \$ 276,547                |
| U.S. Government and agency securities | 222,960,301               | 247,322,969               |
| Guaranteed investment contracts       | <u>75,865,707</u>         | <u>120,934,456</u>        |
| <br>Total                             | <br><u>\$ 299,102,555</u> | <br><u>\$ 368,533,972</u> |

Investments are reported in the following classifications:

|   | <u>2008</u>               | <u>2007</u>               |
|---|---------------------------|---------------------------|
| Current   | \$ 67,154,804             | \$ 77,560,310             |
| Noncurrent - restricted by bond indentures or contracts | <u>231,947,751</u>        | <u>290,973,662</u>        |
| <br>Total   | <br><u>\$ 299,102,555</u> | <br><u>\$ 368,533,972</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, 2008 and 2007, the Authority had unrealized investment gains (losses) of \$6,675,149 and \$952,614, respectively, in its investment portfolio. The unrealized gains (losses) of \$5,722,535 and \$2,510,262 for the years ended June 30, 2008 and 2007, 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, 2008, 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 | 222,960,301               | 65,751,153                       | 1,317,321                | 31,701,104               | 124,190,723               |
| Guaranteed investment contracts       | 75,865,707                | 35,537,271                       | 40,328,436               | -                        | -                         |
| <br>Total                             | <br><u>\$ 299,102,555</u> | <br><u>\$ 101,564,971</u>        | <br><u>\$ 41,645,757</u> | <br><u>\$ 31,701,104</u> | <br><u>\$ 124,190,723</u> |

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008 and 2007

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

***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.

***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 and 1994 Indentures require the Authority to place a portion of bond proceeds in bond, mortgage and special reserve accounts. As of June 30, 2008, the Authority has \$88,361,613 in these reserve accounts which exceeds the reserve requirements contained in the applicable trust indentures of \$75,311,651. The amounts reserved in these accounts are as follows:

|   | 1978<br>Indenture    | 1994<br>Indenture    |
|---|----------------------|----------------------|
| Bond reserve requirement                        | \$ 14,621,927        | \$ 33,048,292        |
| Mortgage reserve requirement                    | 1,132,900            | 19,573,532           |
| Restricted special reserve requirement          | -                    | 6,935,000            |
| Total required reserves                         | <u>\$ 15,754,827</u> | <u>\$ 59,556,824</u> |
| Total cash and investments held<br>for reserves | <u>\$ 24,444,388</u> | <u>\$ 63,917,225</u> |

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2008 and 2007

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

|   | <u>2008</u>             | <u>2007</u>           |
|---|-------------------------|-----------------------|
| Single Family Mortgage Bonds 1978 Indenture Fund, bearing interest at 0% to 11.375%, 25 to 30 year term, FHA or private mortgage company insured or guaranteed by RD, VA, or mortgage guaranty fund | \$ 80,668,115           | \$ 95,412,097         |
| Less: Reserve for losses on loans   | <u>(3,844,455)</u>      | <u>(3,844,454)</u>    |
|   | <u>76,823,660</u>       | <u>91,567,643</u>     |
| <br>Housing Revenue Bonds 1994 Indenture Fund, bearing interest at 2.25% to 8.625%, 25 to 30 year term, FHA or private mortgage company insured, or guaranteed by RD, VA or mortgage guaranty fund  | <br>978,676,590         | <br>789,296,082       |
| Less: Reserve for losses on loans   | <u>(34,192,893)</u>     | <u>(27,892,893)</u>   |
|   | <u>944,483,697</u>      | <u>761,403,189</u>    |
| <br>Wyoming Homeownership Bonds 1992 Indenture Fund, bearing interest at 7.625%, 30 year term, FHA or private mortgage company insured, or RD guaranteed  | <br>916,468             | <br>1,076,538         |
| <br>Federal Program Fund with various terms, including deferred payments and fixed rates, 10 to 30 year term  | <br>16,096,686          | <br>15,364,075        |
| Less: Reserve for losses on loans   | <u>(200,000)</u>        | <u>(200,000)</u>      |
|   | <u>15,896,686</u>       | <u>15,164,075</u>     |
| <br>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                                 | <br>14,999,113          | <br>13,942,681        |
| Less: Reserve for losses on loans   | <u>(3,783,895)</u>      | <u>(3,483,895)</u>    |
|   | <u>11,215,218</u>       | <u>10,458,786</u>     |
| Total mortgage loans receivable, net  | <u>\$ 1,049,335,729</u> | <u>\$ 879,670,231</u> |
| <br>Reported in the following classifications   |                         |                       |
| Restricted mortgage loans receivable, net   | \$ 1,038,120,511        | \$ 869,211,445        |
| Mortgage loans receivable, net  | <u>11,215,218</u>       | <u>10,458,786</u>     |
|   | <u>\$ 1,049,335,729</u> | <u>\$ 879,670,231</u> |

Total loan loss reserves for mortgage loans receivable established by the Authority as of June 30, 2008 and 2007 were \$42,021,243 and \$35,421,241, respectively, for mortgage loans receivable.

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2008 and 2007

**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, 2008.

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% (par) to 102% of par. Capital Appreciation Bonds (CABs) are reported at accreted value.

The bonds of the 1978, 1992, 1994, and 2007 Indentures are special obligations of the Authority, payable solely from the income and receipts of these indentures. All of the bonds are secured by mortgage loans and other assets of the respective indentures. Interest on outstanding bonds is generally payable either semi-annually or annually, except for variable rate debt which reprices weekly, based on market interest rates.

|  | Balance at<br>June 30, 2007 | Issued | Retired | Balance at<br>June 30, 2008 | Amount Due<br>Within 1 Year |
|--|-----------------------------|--------|---------|-----------------------------|-----------------------------|
| <b>Single Family Mortgage Bonds 1978 Indenture Fund</b>  |                             |        |         |                             |                             |
| 1998 Series B, 2025 to 2033<br>interest at 5.30%, original amount<br>issued \$15,000,000                       | \$ 13,000,000               | \$ -   | \$ -    | \$ 13,000,000               | \$ -                        |
| 2001 Series A, 2025 to 2035<br>variable interest, interest at<br>1.45%, original amount<br>issued \$9,545,000  | 9,545,000                   | -      | -       | 9,545,000                   | -                           |
| 2002 Series A, 2022 to 2032<br>variable interest, interest at<br>1.45%, original amount<br>issued \$37,000,000 | 37,000,000                  | -      | -       | 37,000,000                  | -                           |
| 2003 Series A/B, 2022 to<br>2033, interest at 1.45% to 4.55%,<br>original amount<br>issued \$53,745,000        | 53,745,000                  | -      | -       | 53,745,000                  | -                           |
|  |                             |        |         |                             | (Continued)                 |

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2008 and 2007

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

|  | Balance at<br>June 30, 2007 | Issued | Retired   | Balance at<br>June 30, 2008 | Amount Due<br>Within 1 Year |
|--|-----------------------------|--------|-----------|-----------------------------|-----------------------------|
| Principal amounts of bonds<br>outstanding 1978 Trust Indenture   | \$ 113,290,000              | \$ -   | \$ -      | \$ 113,290,000              | \$ -                        |
| Less: deferred loss on prior<br>series refunded by 1998 Series A<br>and 2003 Series A/B  | (901,386)                   | -      | (57,496)  | (843,890)                   | -                           |
| Principal amounts of bonds<br>outstanding 1978<br>Indenture Fund, net  | 112,388,614                 | -      | (57,496)  | 112,446,110                 | -                           |
| <b>Housing Revenue Bonds 1994 Indenture Fund</b>   |                             |        |           |                             |                             |
| 1995 Series 6 (including CABs),<br>2015, interest rate at 6.25%,<br>original amount<br>issued \$15,097,280<br>at discount of \$473,253 | 595,746                     | -      | (37,816)  | 633,562                     | -                           |
| 1996 Series 7, 2008 to<br>2030, interest at 4.9%<br>to 5.3% original amount<br>issued \$60,000,000                                     | 23,895,000                  | -      | 1,955,000 | 21,940,000                  | 540,000                     |
| 1997 Series 4, redeemed,<br>original amount<br>issued \$50,000,000   | 1,015,000                   | -      | 1,015,000 | -                           | -                           |
| 1997 Series 5, 2009 to<br>2030, interest at 4.80%<br>to 5.3%, original amount<br>issued \$100,000,000                                  | 35,580,000                  | -      | 3,285,000 | 32,295,000                  | 785,000                     |
| 1997 Series 6 and 7, 2009<br>to 2015, interest at 5.35%,<br>original amount<br>issued \$50,000,000                                     | 8,940,000                   | -      | 525,000   | 8,415,000                   | -                           |
| 1998 Series 1 and 2, 2008<br>to 2026, interest at 5.05%<br>to 5.45%, original amount<br>issued \$40,000,000                            | 13,065,000                  | -      | 790,000   | 12,275,000                  | 830,000                     |

(Continued)

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2008 and 2007

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

|  | Balance at<br>June 30, 2007 | Issued | Retired      | Balance at<br>June 30, 2008 | Amount Due<br>Within 1 Year |
|--|-----------------------------|--------|--------------|-----------------------------|-----------------------------|
| 1998 Series 3, 2009 to 2030, interest at 4.75% to 5.35%, original amount issued \$30,000,000                         | \$ 21,715,000               | \$ -   | \$ 1,500,000 | \$ 20,215,000               | \$ 595,000                  |
| 1999 Series 1, 2008 to 2030, interest at 4.75% to 5.32%, original amount issued \$30,000,000                         | 22,845,000                  | -      | 1,110,000    | 21,735,000                  | 635,000                     |
| 1999 Series 4, 2008 to 2019, interest at 5.20% to 5.55%, original amount issued \$40,000,000                         | 13,145,000                  | -      | 765,000      | 12,380,000                  | 805,000                     |
| 1999 Series 7 and 8, 2020 to 2026, interest at 6.15%, original amount issued \$25,000,000                            | 6,660,000                   | -      | 230,000      | 6,430,000                   | -                           |
| 1999 Series 10 and 11, 2016 to 2024, interest at 6.15%, original amount issued \$25,000,000                          | 6,560,000                   | -      | 75,000       | 6,485,000                   | -                           |
| 2000 Series 1 and 2, 2015 to 2022, interest at 6.05%, original amount issued \$35,000,000                            | 8,195,000                   | -      | 195,000      | 8,000,000                   | -                           |
| 2000 Series 4 and 5, 2021 to 2026, interest at 6.1%, original amount issued \$50,000,000 at premium of \$189,437     | 12,465,312                  | -      | 122,062      | 12,343,250                  | -                           |
| 2000 Series 6 and 7, 2008 to 2026, interest at 5.15% to 5.85%, original amount issued \$30,000,000                   | 10,430,000                  | -      | 545,000      | 9,885,000                   | 570,000                     |
| 2001 Series 1, 2008 to 2027, interest at 5.25% to 5.35%, original amount issued \$30,000,000 at premium of \$179,692 | 11,884,296                  | -      | 602,698      | 11,281,598                  | 605,000                     |

(Continued)

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2008 and 2007

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

|  | Balance at<br>June 30, 2007 | Issued | Retired      | Balance at<br>June 30, 2008 | Amount Due<br>Within 1 Year |
|--|-----------------------------|--------|--------------|-----------------------------|-----------------------------|
| 2001 Series 3 and 4, 2009 to 2010, interest at 4.80% to 4.95%, original amount issued \$44,600,000         | \$ 3,075,000                | \$ -   | \$ 1,445,000 | \$ 1,630,000                | \$ 890,000                  |
| 2001 Series 5, 6 and 7, 2008 to 2031, interest at 1.85% to 5.30%; original amount issued \$33,500,000      | 23,350,000                  | -      | 780,000      | 22,570,000                  | 575,000                     |
| 2002 Series 1 and 2, 2008 to 2026, interest at 4.50% to 5.50%, original amount issued \$42,475,000         | 7,970,000                   | -      | 1,320,000    | 6,650,000                   | 405,000                     |
| 2002 Series 3, 2015 to 2016, interest at 4.8%, original amount issued \$36,820,000 at premium of \$483,904 | 2,522,096                   | -      | 435,904      | 2,086,192                   | -                           |
| 2002 Series 4 and 5, 2008 to 2027, interest at 3.95% to 5.30%, original amount issued \$42,110,000         | 24,495,000                  | -      | 745,000      | 23,750,000                  | 775,000                     |
| 2002 Series 6, 7 and 8, 2008 to 2033, interest at 1.85% to 5.20% original amount issued \$27,000,000       | 20,655,000                  | -      | 1,145,000    | 19,510,000                  | 505,000                     |
| 2003 Series 1, 2009 to 2032, interest at 3.00% to 4.60% original amount issued \$26,065,000                | 23,325,000                  | -      | 990,000      | 22,335,000                  | 435,000                     |
| 2003 Series 2, 3, and 4, 2009 to 2032, interest at 1.85% to 5.25% original amount issued \$26,230,000      | 24,710,000                  | -      | 515,000      | 24,195,000                  | 525,000                     |
| 2003 Series 5 and 6, 2009 to 2034, interest at 3.35% to 5.00% original amount issued \$25,990,000          | 24,600,000                  | -      | 510,000      | 24,090,000                  | 530,000                     |

(Continued)

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2008 and 2007

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

|   | Balance at<br>June 30, 2007 | Issued | Retired    | Balance at<br>June 30, 2008 | Amount Due<br>Within 1 Year |
|---|-----------------------------|--------|------------|-----------------------------|-----------------------------|
| 2004 Series 1, 2, and 3, 2008 to 2034, interest at 1.85% to 4.60% original amount issued \$35,000,000 | \$ 31,650,000               | \$ -   | \$ 810,000 | \$ 30,840,000               | \$ 735,000                  |
| 2004 Series 4, 5, and 6, 2009 to 2035, interest at 1.85% to 5.25% original amount issued \$40,000,000 | 37,500,000                  | -      | 1,460,000  | 36,040,000                  | 690,000                     |
| 2004 Series 7, 8, and 9, 2008 to 2034, interest at 1.85% to 5.00% original amount issued \$40,000,000 | 37,080,000                  | -      | 1,535,000  | 35,545,000                  | 735,000                     |
| 2004 Series 10 and 11, 2009 to 2035, interest at 1.85% to 4.90% original amount issued \$30,000,000   | 28,915,000                  | -      | 560,000    | 28,355,000                  | 585,000                     |
| 2005 Series 1 and 2, 2008 to 2035, interest at 1.85% to 4.95% original amount issued \$40,000,000     | 38,945,000                  | -      | 725,000    | 38,220,000                  | 750,000                     |
| 2005 Series 3 and 4, 2008 to 2035, interest at 1.80% to 4.70% original amount issued \$40,000,000     | 39,050,000                  | -      | 625,000    | 38,425,000                  | 660,000                     |
| 2005 Series 5, 6 and 7, 2008 to 2036, interest at 1.80% to 4.85% original amount issued \$40,000,000  | 39,280,000                  | -      | 810,000    | 38,470,000                  | 620,000                     |
| 2006 Series 1 and 2, 2008 to 2035, interest at 1.80% to 4.90% original amount issued \$40,000,000     | 39,515,000                  | -      | 540,000    | 38,975,000                  | 570,000                     |
| 2006 Series 4 and 5, 2008 to 2036, interest at 1.80% to 5.05% original amount issued \$50,000,000     | 49,570,000                  | -      | 695,000    | 48,875,000                  | 735,000                     |

(Continued)



**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2008 and 2007

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

|   | Balance at<br>June 30, 2007 | Issued      | Retired    | Balance at<br>June 30, 2008 | Amount Due<br>Within 1 Year |
|---|-----------------------------|-------------|------------|-----------------------------|-----------------------------|
| 2006 Series 6 and 7, 2008 to 2037, interest at 1.80% to 5.50% original amount issued \$50,000,000 at premium of \$347,819 | \$ 50,227,983               | \$ -        | \$ 662,854 | \$ 49,565,129               | \$ 680,000                  |
| 2006 Series 8 and 9, 2008 to 2037, interest at 1.80% to 4.70% original amount issued \$50,000,000                         | 49,780,000                  | -           | 650,000    | 49,130,000                  | 695,000                     |
| 2007 Series 1 and 2, 2008 to 2037, interest at 1.80% to 4.80%; original amount issued \$30,000,000                        | 29,945,000                  | -           | 405,000    | 29,540,000                  | 425,000                     |
| 2007 Series 3 and 4, 2008 to 2037, interest at 1.80% to 4.75% original amount issued \$70,000,000                         | 70,000,000                  | -           | 840,000    | 69,160,000                  | 1,015,000                   |
| 2007 Series 5 and 6, 2008 to 2038, interest at 1.80% to 4.90% original amount issued \$70,000,000                         | 70,000,000                  | -           | 660,000    | 69,340,000                  | 990,000                     |
| 2007 Series 7, 8 and 9, 2008 to 2038, interest at 1.80% to 5.701% original amount issued \$60,000,000                     | -                           | 60,000,000  | -          | 60,000,000                  | 735,000                     |
| 2007 Series 10, 11 and 12, 2008 to 2038, interest at 1.80% to 5.50% original amount issued \$60,000,000                   | -                           | 60,000,000  | -          | 60,000,000                  | 610,000                     |
| 2008 Series 1 and 2, 2009 to 2038, interest at 1.80% to 5.60% original amount issued \$60,000,000                         | -                           | 50,000,000  | -          | 50,000,000                  | 435,000                     |
| Principal amounts of bonds outstanding 1994 Indenture Fund  | 963,150,433                 | 170,000,000 | 31,540,702 | 1,101,609,731               | 21,670,000                  |

(Continued)

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2008 and 2007

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

|   | Balance at<br>June 30, 2007 | Issued         | Retired       | Balance at<br>June 30, 2008 | Amount Due<br>Within 1 Year |
|---|-----------------------------|----------------|---------------|-----------------------------|-----------------------------|
| <b>Single Family Mortgage Revenue Bonds 2007 Indenture Fund</b>   |                             |                |               |                             |                             |
| Draw Down Series 2007<br>available as needed, not to exceed<br>\$500,000,000, variable interest<br>rate, callable on demand or<br>maturing 2010 | \$ 34,973,436               | \$ 5,355,000   | \$ -          | \$ 40,328,436               | \$ 40,328,436               |
| <b>Wyoming Homeownership Bonds 1992 Indenture Fund</b>  |                             |                |               |                             |                             |
| Homeownership Revenue Bonds<br>Series I, due 2024, interest<br>at 6.7%, original amount<br>issued \$24,964,754                                  | 1,077,131                   | -              | 159,259       | 917,872                     | 28,938                      |
| Total bonds payable   | \$ 1,111,589,614            | \$ 175,355,000 | \$ 31,642,465 | \$ 1,255,302,149            | \$ 62,027,374               |

Scheduled bond principal and sinking fund requirements in each indenture for the five fiscal years subsequent to June 30, 2008, which includes in each of the respective years the bonds to be remarketed or expected to be refunded, are as follows:

|      | Single Family<br>Mortgage Bonds<br>1978 Indenture<br>Fund | Housing Revenue<br>Bonds<br>1994 Indenture<br>Fund | Single<br>Family Mortgage<br>Revenue<br>Bonds 2007<br>Indenture Fund | Wyoming<br>Homeownership<br>Bonds 1992<br>Indenture Fund | Totals        |
|------|---|--|--|--|---------------|
| 2009 | \$ -  | \$ 21,670,000                                      | \$ 40,328,436  | \$ 28,938  | \$ 62,027,374 |
| 2010 | -   | 22,365,000   | -  | 31,224   | 22,396,224    |
| 2011 | -   | 22,770,000   | -  | 33,690   | 22,803,690    |
| 2012 | -   | 22,350,000   | -  | 36,350   | 22,386,350    |
| 2013 | -   | 26,040,000   | -  | 39,221   | 26,079,221    |

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008 and 2007

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

Annual debt service requirements for the five fiscal years subsequent to June 30, 2008, 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> |
|---------------------|------------------------|-----------------------|---------------------------|
| 2008                | \$ 62,027,374          | \$ 52,381,309         | \$ 114,408,683            |
| 2009                | 22,396,224             | 51,402,932            | 73,799,156                |
| 2010                | 22,803,690             | 50,473,237            | 73,276,927                |
| 2011                | 22,386,350             | 49,497,057            | 71,883,407                |
| 2012                | 26,079,221             | 48,492,206            | 74,571,427                |
| 5 years ending 2017 | 143,992,755            | 223,502,617           | 367,495,372               |
| 5 years ending 2022 | 205,677,305            | 184,943,502           | 390,620,807               |
| 5 years ending 2027 | 282,183,389            | 125,991,233           | 408,174,622               |
| 5 years ending 2032 | 288,995,000            | 63,224,994            | 352,219,994               |
| 5 years ending 2037 | 173,130,000            | 13,596,404            | 186,726,404               |
| 5 years ending 2042 | 6,025,000              | 92,280                | 6,117,280                 |
|                     | <u>\$1,255,696,308</u> | <u>\$ 863,597,771</u> | <u>\$ 2,119,294,079</u>   |

The balances above do not include premiums, discounts, or losses on refundings in the amount of \$394,159 that are reported as components of bonds payable.

**Swap Payments and Associated Debt**

Using rates as of June 30, 2008 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, 2006 Series 5, 2006 Series 7, 2006 Series 9, 2007 Series 2, 2007 Series 4, 2007 Series 6, 2007 Series 8, 2007 Series 11, and 2008 Series 2 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>   |                       |
| 2009                | \$ -                       | \$ 2,399,068         | \$ 2,404,297         | \$ 4,803,365          |
| 2010                | -                          | 2,398,000            | 2,361,006            | 4,759,006             |
| 2011                | -                          | 2,398,000            | 2,319,470            | 4,717,470             |
| 2012                | -                          | 2,401,841            | 2,276,089            | 4,677,930             |
| 2013                | -                          | 2,407,298            | 2,247,424            | 4,654,722             |
| 5 years ending 2018 | 1,425,000                  | 11,966,070           | 4,023,995            | 17,415,065            |
| 5 years ending 2023 | 13,030,000                 | 11,381,618           | 40,758               | 24,452,376            |
| 5 years ending 2028 | 19,000,000                 | 9,962,586            | -                    | 28,962,586            |
| 5 years ending 2033 | 28,585,000                 | 8,000,512            | -                    | 36,585,512            |
| 5 years ending 2038 | 67,105,000                 | 3,177,570            | -                    | 70,282,570            |
| 5 years ending 2043 | 3,855,000                  | 34,790               | -                    | 3,889,790             |
|                     | <u>\$ 133,000,000</u>      | <u>\$ 56,527,353</u> | <u>\$ 15,673,039</u> | <u>\$ 205,200,392</u> |

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2008 and 2007

**Note 7. Conduit Debt**

From time to time, the Authority has issued Multi-Family Housing Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of low-income multi-family housing deemed to be in the public interest. The bonds are secured by the revenues from the property financed. Neither the Authority, nor the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2008, there were two such series of Multi-Family Housing Revenue bonds outstanding, with an aggregate principal amount payable of \$6,965,000.

**Note 8. Note Payable**

The Authority has a line of credit agreement with a financial institution, secured by specific investments. This agreement allows the Authority to borrow approximately 80% of the value of the investment collateral. As of June 30, 2008, the Authority had investments of approximately \$7,351,886 par value on deposit with this financial institution; however, no amounts were outstanding on this line.

**Note 9. 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, 2008

| 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              | \$ 6,275,000          | 3.523%          | 70% of LIBOR           | 6/1/2021         | \$ (102,957)          | AAA/Aaa                    |
| 2005 Series 4  | 6/30/2005              | 6,885,000             | 3.260%          | 70% of LIBOR           | 12/1/2021        | (7,345)               | AAA/Aaa                    |
| 2005 Series 7  | 9/20/2005              | 6,890,000             | 3.325%          | 70% of LIBOR           | 12/1/2016        | (85,633)              | AAA/Aaa                    |
| 2006 Series 2  | 1/19/2006              | 8,000,000             | 3.465%          | 70% of LIBOR           | 12/1/2013        | (185,469)             | AAA/Aaa                    |
| 2006 Series 5  | 4/20/2006              | 10,000,000            | 3.926%          | 70% of LIBOR           | 6/1/2014         | (474,308)             | AAA/Aaa                    |
| 2006 Series 7  | 6/26/2006              | 10,000,000            | 4.115%          | 70% of LIBOR           | 6/1/2014         | (574,094)             | AAA/Aaa                    |
| 2006 Series 9  | 9/27/2006              | 10,000,000            | 3.621%          | 70% of LIBOR           | 12/1/2014        | (315,245)             | AAA/Aaa                    |
| 2007 Series 2  | 1/11/2007              | 6,000,000             | 3.678%          | 70% of LIBOR           | 12/1/2014        | (209,204)             | AAA/Aaa                    |
| 2007 Series 4  | 3/13/2007              | 14,000,000            | 3.577%          | 70% of LIBOR           | 6/1/2015         | (406,521)             | AAA/Aaa                    |
| 2007 Series 6  | 5/10/2007              | 14,000,000            | 3.661%          | 70% of LIBOR           | 6/1/2015         | (477,519)             | AAA/Aaa                    |
| 2007 Series 8  | 7/31/2007              | 12,000,000            | 3.924%          | USD-SIFMA              | 6/1/2015         | (476,613)             | AAA/Aaa                    |
| 2007 Series 11 | 11/7/2007              | 12,000,000            | 3.530%          | 70% of LIBOR           | 12/1/2015        | (309,190)             | AAA/Aaa                    |
| 2008 Series 2  | 5/13/2008              | 13,000,000            | 3.075%          | 70% of LIBOR           | 6/1/2016         | 68,119                | AAA/Aaa                    |
|                |                        | <u>\$ 129,050,000</u> |                 |                        |                  | <u>\$ (3,555,979)</u> |                            |

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2008 and 2007

**Note 9. Interest Rate Swaps (Continued)**

***Terms and Values (Continued)***

June 30, 2007

| Bond Series   | Swap<br>Contractual<br>Dates | Notional<br>Amount   | Fixed Rate<br>Paid | Variable Rate<br>Received | Termination<br>Date | Fair<br>Value       | Counterparty<br>Credit<br>Rating |
|---------------|------------------------------|----------------------|--------------------|---------------------------|---------------------|---------------------|----------------------------------|
| 2005 Series 2 | 3/31/2005                    | \$ 7,230,000         | 3.523%             | 70% of LIBOR              | 6/1/2021            | \$ 103,041          | AAA/Aaa                          |
| 2005 Series 4 | 6/30/2005                    | 7,585,000            | 3.260%             | 70% of LIBOR              | 12/1/2021           | 254,680             | AAA/Aaa                          |
| 2005 Series 7 | 9/20/2005                    | 7,685,000            | 3.325%             | 70% of LIBOR              | 12/1/2016           | 149,071             | AAA/Aaa                          |
| 2006 Series 2 | 1/19/2006                    | 8,000,000            | 3.465%             | 70% of LIBOR              | 12/1/2013           | 163,660             | AAA/Aaa                          |
| 2006 Series 5 | 4/20/2006                    | 10,000,000           | 3.926%             | 70% of LIBOR              | 6/1/2014            | (41,207)            | AAA/Aaa                          |
| 2006 Series 7 | 6/26/2006                    | 10,000,000           | 4.115%             | 70% of LIBOR              | 6/1/2014            | (150,019)           | AAA/Aaa                          |
| 2006 Series 9 | 9/27/2006                    | 10,000,000           | 3.621%             | 70% of LIBOR              | 12/1/2014           | 149,938             | AAA/Aaa                          |
| 2007 Series 2 | 1/11/2007                    | 6,000,000            | 3.678%             | 70% of LIBOR              | 12/1/2014           | 67,482              | AAA/Aaa                          |
| 2007 Series 4 | 3/13/2007                    | 14,000,000           | 3.577%             | 70% of LIBOR              | 6/1/2015            | 267,469             | AAA/Aaa                          |
| 2007 Series 6 | 5/10/2007                    | 14,000,000           | 3.661%             | 70% of LIBOR              | 6/1/2015            | 193,033             | AAA/Aaa                          |
|               |                              | <u>\$ 94,500,000</u> |                    |                           |                     | <u>\$ 1,157,148</u> |                                  |

As of June 30, 2008 and 2007, the Authority's swap agreements had a fair value of (\$3,555,979) and \$1,157,148, respectively. If negative, the 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 an independent third-party, represent mid-market valuations that approximate the current economic value using prices and rates at the average of the estimated bid and offer amounts.

***Swap Risks***

**Credit Risk** – As of June 30, 2008, the Authority was exposed to credit risk on certain swaps which had a positive fair value. The positive fair value of any one swap represents the Authority's exposure as of June 30, 2008, to the potential failure of a single counterparty. 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, 2008, 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 SIFMA Index (formerly the BMA Index), while the payments the Authority receives pursuant to the swap are for the most part 70 percent of LIBOR. The Authority is exposed to basis risk should LIBOR and SIFMA Index rates converge. If a change occurs that results in the rates moving to convergence (that is, the SIFMA Index exceeding 70 percent of LIBOR), the value to the Authority of the hedge from the swap is diminished. As of June 30, 2008 and 2007, the SIFMA Index rate was 1.55 and 3.73 percent, respectively, while 70 percent of LIBOR (the swap rate) was 1.72 and 3.72 percent, respectively.

WYOMING COMMUNITY DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008 and 2007

**Note 9. Interest Rate Swaps (Continued)**

**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, 2008

| Associated Bond Issuance | Bond Maturity Date | Swap Termination Date |
|--------------------------|--------------------|-----------------------|
| 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          |
| 2006 Series 7            | June 1, 2037       | June 1, 2014          |
| 2006 Series 9            | June 1, 2037       | December 1, 2014      |
| 2007 Series 2            | June 1, 2037       | December 1, 2014      |
| 2007 Series 4            | December 1, 2037   | June 1, 2015          |
| 2007 Series 6            | December 1, 2037   | June 1, 2015          |
| 2007 Series 8            | June 1, 2038       | June 1, 2015          |
| 2007 Series 11           | December 1, 2038   | December 1, 2015      |
| 2008 Series 2            | December 1, 2038   | June 1, 2016          |

**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008 and 2007

**Note 10. 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, 2008 and 2007:

|   | 2008                  | 2007                  |
|---|-----------------------|-----------------------|
| Investment in capital assets              | \$ 1,712,468          | \$ 1,762,970          |
| Restricted                                |                       |                       |
| Restricted by bond indentures             | 157,597,798           | 145,796,970           |
| Restricted by grants                      | 22,217,375            | 20,395,985            |
|   | <u>179,815,173</u>    | <u>166,192,955</u>    |
| Unrestricted                              |                       |                       |
| Designated for the Housing Trust Fund     | 37,836,212            | 35,693,784            |
| Designated for the Mortgage Guaranty Fund | 17,183,649            | 16,052,943            |
| Designated for non-current assets         | 11,723,178            | 9,595,626             |
| Designated for operating reserve funds    | 10,535,048            | 10,145,780            |
|   | <u>77,278,087</u>     | <u>71,488,133</u>     |
| Total fund equity                         | <u>\$ 258,805,728</u> | <u>\$ 239,444,058</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 11. Mortgage Loan Servicing**

The Authority's mortgage servicing department services a total of 12,760 single-family loans with unpaid principal balances of \$1,017,176,083 as of June 30, 2008. Included in these amounts were 3,398 second mortgages with outstanding principal balances of \$10,502,146. Escrow balances for these loans were \$3,996,069 at June 30, 2008. These escrow balances are not included in the accompanying combined financial statements. During the years ended June 30, 2008 and 2007, the Authority purchased and capitalized loan servicing rights of \$3,207,552 and \$2,797,440, respectively, for loans of approximately \$320,000,000 and \$280,000,000, respectively.

# WYOMING COMMUNITY DEVELOPMENT AUTHORITY

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008 and 2007

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### **Note 12. 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, 2008, 2007 and 2006 were \$143,651, \$130,002, and \$142,678, 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 13. Commitments, Concentrations and Contingencies**

At June 30, 2008, the Authority was committed to purchase single-family mortgages aggregating approximately \$2,381,505 under the 1978 Indenture, \$52,062,392 under the 1994 Indenture and \$1,897,303 under the Housing Trust Fund. In addition, at June 30, 2008, the Authority had committed approximately \$5,617,748 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 \$170,900,000. 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, 2008, \$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 \$125,000,000 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 not remarketed, and will adjust the interest rate associated with any to a Bank rate.



# WYOMING COMMUNITY DEVELOPMENT AUTHORITY

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008 and 2007

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### **Note 13. Commitments, Concentrations and Contingencies (Continued)**

The Authority uses a number of insurers for its mortgage receivables as noted in Note 4. The Authority requires private mortgage insurance (PMI) on some mortgages with coverage ranging from 35% to 50% of the outstanding balances. As of June 30, 2008, approximately 27% and 24% of the Authority's outstanding mortgage receivable balances were covered by PMI from Radian and Genworth, respectively.

In addition, the Authority has obtained pool insurance for its mortgage receivables. Pool insurance provides stop loss coverage of up to 5% of the covered balances with a .5% to 1% deductible. As of June 30, 2008, approximately 40% and 22% of the Authority's outstanding mortgage receivable balances were covered by pool insurance from Radian and Genworth, respectively.

### **Note 14. 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, 2008 and 2007 were \$268,237 and \$176,023, respectively.

# WYOMING COMMUNITY DEVELOPMENT AUTHORITY

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008 and 2007

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### **Note 15. Subsequent Events**

On July 1, 2008, the Authority redeemed \$40,328,436 of bonds under the 2007 Indenture. On September 4, 2008, the Authority issued \$60,000,000 of bonds under the 1994 Indenture.

During September 2008, there were disruptions in the credit markets which caused significant increases in short term interest rates. The Authority has \$223,445,000 of variable rate debt on which the interest rate resets weekly. As of September 24, 2008 and September 25, 2008 the interest rate on this variable rate debt had reset to rates ranging from 9.15% to 11.00%. The rates on this debt reset weekly. It is uncertain how long this market disruption will last. Legislation has been proposed in Congress to address the conditions in the credit markets and the Authority continues to monitor their variable rate obligations and the impact of high variable interest rates.

On September 26, 2008, the Authority drew on its standby bond purchase agreement with Westdeutsche Landesbank Girozentrale to repurchase a total of \$14,550,000 of variable rate bonds. The Westdeutsche Landesbank Girozentrale provided this financing at their bank rate of 5%. The Authority's remarketing agent will continue to actively remarket these bonds.

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**WYOMING COMMUNITY DEVELOPMENT AUTHORITY**

**DETAILED BALANCE SHEET**

June 30, 2008

|  | Single Family<br>Mortgage Bonds<br>1978 Indenture<br>Fund | Housing Revenue<br>Bonds<br>1994 Indenture<br>Fund | Single Family<br>Mortgage Revenue<br>Bonds 2007<br>Indenture Fund | Wyoming<br>Homeownership<br>Bonds 1992<br>Indenture Fund | Multi-Family<br>Mortgage<br>Bonds 1982<br>Indenture Fund |
|--|---|--|---|--|--|
| <b>ASSETS</b>  |   |  |   |  |  |
| Current Assets                                       |   |  |   |  |  |
| Cash and cash equivalents                            | \$ -  | \$ -   | \$ 432,367  | \$ -   | \$ -   |
| Investments  | -   | -  | 40,328,436  | -  | -  |
| Interest receivable: Mortgage loans                  | -   | -  | -   | -  | -  |
| Investments  | -   | -  | 102,066   | -  | -  |
| Accounts receivable and other assets                 | -   | -  | -   | -  | -  |
| Total current assets                                 | -   | -  | 40,862,869  | -  | -  |
| Noncurrent Assets                                    |   |  |   |  |  |
| Restricted cash and cash equivalents                 | 25,614,407  | 88,993,590   | -   | 879,806  | 1,154,870  |
| Restricted investments                               | 79,651,644  | 151,805,460  | -   | -  | 490,647  |
| Restricted mortgage loans receivable, net            | 76,823,660  | 944,483,697  | -   | 916,468  | -  |
| Restricted interest receivable                       |   |  |   |  |  |
| Mortgage loans                                       | 465,910   | 5,551,056  | -   | 5,638  | -  |
| Investments  | 537,578   | 1,599,359  | -   | 1,434  | 12,756   |
| Restricted accounts receivable and<br>other assets   | 36,785  | 307,120  | -   | -  | -  |
| Mortgage loans receivable, net                       | -   | -  | -   | -  | -  |
| Deferred issuance, servicing and<br>other costs, net | 844,607   | 9,992,720  | 16,790  | -  | -  |
| Property and equipment, net                          | -   | -  | -   | -  | -  |
| Total noncurrent assets                              | 183,974,591   | 1,202,733,002                                      | 16,790  | 1,803,346  | 1,658,273  |
| Total assets   | \$ 183,974,591  | \$ 1,202,733,002                                   | \$ 40,879,659   | \$ 1,803,346   | \$ 1,658,273   |
| <b>LIABILITIES AND FUND EQUITY</b>                   |   |  |   |  |  |
| Current Liabilities                                  |   |  |   |  |  |
| Bonds payable  | \$ -  | \$ 21,670,000                                      | \$ 40,328,436   | \$ -   | \$ -   |
| Accrued interest payable                             | 303,315   | 4,262,807  | 74,034  | -  | -  |
| Arbitrage rebate payable                             | 277,631   | 161,947  | 457,727   | -  | -  |
| Accounts payable and other liabilities               | 48,907  | 647,072  | -   | 1,822  | -  |
| Total current liabilities                            | 629,853   | 26,741,826   | 40,860,197  | 1,822  | -  |
| Noncurrent Liabilities                               |   |  |   |  |  |
| Bonds payable  | 112,446,110   | 1,079,939,731                                      | -   | 917,872  | -  |
| Deferred arbitrage rebate                            | 370,779   | 2,265,932  | 2,672   | -  | -  |
| Other deferred credits                               | 2,669,874   | 6,604,405  | -   | -  | -  |
| Total noncurrent liabilities                         | 115,486,763   | 1,088,810,068                                      | 2,672   | 917,872  | -  |
| Total liabilities                                    | 116,116,616   | 1,115,551,894                                      | 40,862,869  | 919,694  | -  |
| Fund Equity  |   |  |   |  |  |
| Invested in capital assets                           | -   | -  | -   | -  | -  |
| Restricted   | 67,857,975  | 87,181,108   | 16,790  | 883,652  | 1,658,273  |
| Unrestricted   | -   | -  | -   | -  | -  |
| Total fund equity                                    | 67,857,975  | 87,181,108   | 16,790  | 883,652  | 1,658,273  |
| Total liabilities and fund equity                    | \$ 183,974,591  | \$ 1,202,733,002                                   | \$ 40,879,659   | \$ 1,803,346   | \$ 1,658,273   |

| Federal Program Fund | Housing Trust Fund | Mortgage Guaranty Fund | General Fund  | Eliminations | Total            |
|----------------------|--------------------|------------------------|---------------|--------------|------------------|
| \$ -                 | \$ 9,661,260       | \$ 9,530,205           | \$ 6,166,732  | \$ -         | \$ 25,790,564    |
| -                    | 15,598,975         | 7,598,973              | 3,628,420     | -            | 67,154,804       |
| -                    | 109,591            | -                      | -             | -            | 109,591          |
| -                    | 230,895            | 55,965                 | 53,684        | -            | 442,610          |
| -                    | 782,886            | -                      | 1,345,296     | -            | 2,128,182        |
| -                    | 26,383,607         | 17,185,143             | 11,194,132    | -            | 95,625,751       |
| 2,717,270            | -                  | -                      | -             | -            | 119,359,943      |
| -                    | -                  | -                      | -             | -            | 231,947,751      |
| 15,896,686           | -                  | -                      | -             | -            | 1,038,120,511    |
| -                    | -                  | -                      | -             | -            | 6,022,604        |
| 4,532                | -                  | -                      | -             | -            | 2,155,659        |
| 3,598,887            | 250,000            | -                      | -             | (66,727)     | 4,126,065        |
| -                    | 11,215,218         | -                      | -             | -            | 11,215,218       |
| -                    | -                  | -                      | 11,723,178    | -            | 22,577,295       |
| -                    | -                  | -                      | 1,712,468     | -            | 1,712,468        |
| 22,217,375           | 11,465,218         | -                      | 13,435,646    | (66,727)     | 1,437,237,514    |
| \$ 22,217,375        | \$ 37,848,825      | \$ 17,185,143          | \$ 24,629,778 | \$ (66,727)  | \$ 1,532,863,265 |
| \$ -                 | \$ -               | \$ -                   | \$ -          | \$ -         | \$ 61,998,436    |
| -                    | 57                 | -                      | 61            | -            | 4,640,274        |
| -                    | -                  | -                      | -             | -            | 897,305          |
| -                    | 12,556             | 1,494                  | 659,023       | (66,727)     | 1,304,147        |
| -                    | 12,613             | 1,494                  | 659,084       | (66,727)     | 68,840,162       |
| -                    | -                  | -                      | -             | -            | 1,193,303,713    |
| -                    | -                  | -                      | -             | -            | 2,639,383        |
| -                    | -                  | -                      | -             | -            | 9,274,279        |
| -                    | -                  | -                      | -             | -            | 1,205,217,375    |
| -                    | 12,613             | 1,494                  | 659,084       | (66,727)     | 1,274,057,537    |
| -                    | -                  | -                      | 1,712,468     | -            | 1,712,468        |
| 22,217,375           | -                  | -                      | -             | -            | 179,815,173      |
| -                    | 37,836,212         | 17,183,649             | 22,258,226    | -            | 77,278,087       |
| 22,217,375           | 37,836,212         | 17,183,649             | 23,970,694    | -            | 258,805,728      |
| \$ 22,217,375        | \$ 37,848,825      | \$ 17,185,143          | \$ 24,629,778 | \$ (66,727)  | \$ 1,532,863,265 |

## WYOMING COMMUNITY DEVELOPMENT AUTHORITY

### DETAILED SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY Year Ended June 30, 2008

|  | Single Family<br>Mortgage Bonds<br>1978 Indenture<br>Fund | Housing Revenue<br>Bonds<br>1994 Indenture<br>Fund | Single Family<br>Mortgage Revenue<br>Bonds 2007<br>Indenture Fund | Wyoming<br>Homeownership<br>Bonds 1992<br>Indenture Fund | Multi-Family<br>Mortgage<br>Bonds 1982<br>Indenture Fund |
|--|---|--|---|--|--|
| <b>Operating Revenues</b>                            |   |  |   |  |  |
| Mortgage interest                                    | \$ 5,284,120  | \$ 52,003,064                                      | \$ -  | \$ 71,787  | \$ -   |
| Investment interest income                           | 4,537,065   | 12,597,820   | 1,337,865   | 35,591   | 67,771   |
| Net change in fair value of investments              | 1,263,200   | 3,420,720  | -   | 7,124  | 27,014   |
| Fees and other income                                | 2,395   | 1,875  | -   | 4,335  | -  |
| <b>Total operating revenue</b>                       | <b>11,086,780</b>   | <b>68,023,479</b>                                  | <b>1,337,865</b>  | <b>118,837</b>   | <b>94,785</b>  |
| <b>Operating Expenses</b>                            |   |  |   |  |  |
| Interest expense                                     | 4,662,369   | 49,125,904   | 1,337,865   | 68,311   | -  |
| Servicer fees  | 320,333   | 3,303,389  | -   | 2,517  | -  |
| Amortization of deferred issuance<br>and other costs | 41,604  | 686,251  | -   | -  | -  |
| Provision for loan losses                            | -   | 6,300,000  | -   | -  | -  |
| General and administrative                           | 253,713   | 443,013  | -   | 7,812  | 7,837  |
| <b>Total operating expenses</b>                      | <b>5,278,019</b>  | <b>59,858,557</b>                                  | <b>1,337,865</b>  | <b>78,640</b>  | <b>7,837</b>   |
| <b>Operating income</b>                              | <b>5,808,761</b>  | <b>8,164,922</b>                                   | <b>-</b>  | <b>40,197</b>  | <b>86,948</b>  |
| <b>Nonoperating Revenue (Expenses)</b>               |   |  |   |  |  |
| Federal program income                               | -   | -  | -   | -  | -  |
| Federal program expense                              | -   | -  | -   | -  | -  |
| <b>Nonoperating income</b>                           | <b>-</b>  | <b>-</b>   | <b>-</b>  | <b>-</b>   | <b>-</b>   |
| <b>Net income before transfers</b>                   | <b>5,808,761</b>  | <b>8,164,922</b>                                   | <b>-</b>  | <b>40,197</b>  | <b>86,948</b>  |
| <b>Transfers in (out)</b>                            | <b>(7,025,894)</b>  | <b>4,725,894</b>                                   | <b>-</b>  | <b>-</b>   | <b>-</b>   |
| <b>Net income (loss)</b>                             | <b>(1,217,133)</b>  | <b>12,890,816</b>                                  | <b>-</b>  | <b>40,197</b>  | <b>86,948</b>  |
| <b>Fund equity, beginning of year</b>                | <b>69,075,108</b>   | <b>74,290,292</b>                                  | <b>16,790</b>   | <b>843,455</b>   | <b>1,571,325</b>   |
| <b>Fund equity, end of year</b>                      | <b>\$ 67,857,975</b>                                      | <b>\$ 87,181,108</b>                               | <b>\$ 16,790</b>  | <b>\$ 883,652</b>  | <b>\$ 1,658,273</b>                                      |

| Federal<br>Program<br>Fund | Housing<br>Trust<br>Fund | Mortgage<br>Guaranty<br>Fund | General<br>Fund | Eliminations | Total          |
|----------------------------|--------------------------|------------------------------|-----------------|--------------|----------------|
| \$ -                       | \$ 1,025,057             | \$ -                         | \$ -            | \$ -         | \$ 58,384,028  |
| -                          | 1,312,117                | 824,410                      | 535,708         | -            | 21,248,347     |
| -                          | 468,757                  | 312,185                      | 228,272         | -            | 5,727,272      |
| -                          | 40,082                   | -                            | 4,076,453       | (3,313,341)  | 811,799        |
| -                          | 2,846,013                | 1,136,595                    | 4,840,433       | (3,313,341)  | 86,171,446     |
| -                          | 322                      | -                            | 729             | -            | 55,195,500     |
| -                          | 64,923                   | -                            | -               | (3,313,341)  | 377,821        |
| -                          | -                        | -                            | 1,080,000       | -            | 1,807,855      |
| -                          | 342,053                  | -                            | -               | -            | 6,642,053      |
| -                          | 296,287                  | 5,889                        | 3,593,386       | -            | 4,607,937      |
| -                          | 703,585                  | 5,889                        | 4,674,115       | (3,313,341)  | 68,631,166     |
| -                          | 2,142,428                | 1,130,706                    | 166,318         | -            | 17,540,280     |
| 4,963,672                  | -                        | -                            | -               | -            | 4,963,672      |
| (3,142,282)                | -                        | -                            | -               | -            | (3,142,282)    |
| 1,821,390                  | -                        | -                            | -               | -            | 1,821,390      |
| 1,821,390                  | 2,142,428                | 1,130,706                    | 166,318         | -            | 19,361,670     |
| -                          | -                        | -                            | 2,300,000       | -            | -              |
| 1,821,390                  | 2,142,428                | 1,130,706                    | 2,466,318       | -            | 19,361,670     |
| 20,395,985                 | 35,693,784               | 16,052,943                   | 21,504,376      | -            | 239,444,058    |
| \$ 22,217,375              | \$ 37,836,212            | \$ 17,183,649                | \$ 23,970,694   | \$ -         | \$ 258,805,728 |