

WYOMING COMMUNITY DEVELOPMENT AUTHORITY

FINANCIAL REPORT

June 30, 2012

and

June 30, 2011

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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, 2012 and 2011, 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, 2012 and 2011, 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 to the supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, 2012, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and contain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the detailed balance sheet and detailed schedule of revenues, expenses and changes in fund equity are fairly stated in all material respects in relation to the financial statements as a whole.

Porter, Muirhead, Cornia & Howard

Porter, Muirhead, Cornia & Howard

Certified Public Accountants

October 29, 2012

WYOMING COMMUNITY DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

June 30, 2012 And 2011

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, 2012. 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 years are presented below.

| | 2012 | <i>Change</i> | | 2011 | <i>Change</i> | | 2010 |
|-----------------------------|----------------|----------------|---------|----------------|---------------|---------|----------------|
| Cash and cash equivalents | \$ 351,432,884 | \$ 176,927,614 | 101.39% | \$ 174,505,270 | \$ 8,831,523 | 5.33% | \$ 165,673,747 |
| Investments | 196,732,051 | (123,884,805) | -38.64% | 320,616,856 | (85,842,645) | -21.12% | 406,459,501 |
| Mortgage loans receivable | 951,180,855 | (73,289,159) | -7.15% | 1,024,470,014 | (63,490,487) | -5.84% | 1,087,960,501 |
| Total assets | 1,567,727,108 | (30,108,839) | -1.88% | 1,597,835,947 | (133,053,060) | -7.69% | 1,730,889,007 |
| Other current liabilities | 7,809,215 | (5,694,604) | -42.17% | 13,503,819 | 1,947,718 | 16.85% | 11,556,101 |
| Bonds payable | 1,207,465,562 | (47,683,764) | -3.80% | 1,255,149,326 | (144,698,000) | -10.34% | 1,399,847,326 |
| Other long-term liabilities | 15,081,086 | (2,964,883) | -16.43% | 18,045,969 | (7,145,094) | -28.36% | 25,191,063 |
| Total liabilities | 1,230,355,863 | (56,343,251) | -4.38% | 1,286,699,114 | (149,895,376) | -10.43% | 1,436,594,490 |
| Invested in capital assets | 2,502,678 | (3,772) | -0.15% | 2,506,450 | 371,297 | 17.39% | 2,135,153 |
| Restricted | 240,978,280 | 31,974,078 | 15.30% | 209,004,202 | 18,770,662 | 9.87% | 190,233,540 |
| Unrestricted | 93,890,287 | (5,735,894) | -5.76% | 99,626,181 | (2,299,643) | -2.26% | 101,925,824 |
| Total fund equity | 337,371,245 | 26,234,412 | 8.43% | 311,136,833 | 16,842,316 | 5.72% | 294,294,517 |
| Mortgage interest | 51,923,613 | (10,380,990) | -16.66% | 62,304,603 | 3,232,670 | 5.47% | 59,071,933 |
| Investment income | 15,813,436 | 11,875,172 | 301.53% | 3,938,264 | (9,988,575) | -71.72% | 13,926,839 |
| Other income | 2,596,456 | 987,646 | 61.39% | 1,608,810 | (902,108) | -35.93% | 2,510,918 |
| Total operating revenues | 70,333,505 | 2,481,828 | 3.66% | 67,851,677 | (7,658,013) | -10.14% | 75,509,690 |
| Interest expense | 48,801,664 | (3,739,794) | -7.12% | 52,541,458 | (4,021,718) | -7.11% | 56,563,176 |
| Total operating expenses | 54,220,978 | (5,806,145) | -9.67% | 60,027,123 | (6,341,719) | -9.56% | 66,368,842 |
| Operating income | 16,112,527 | 8,287,973 | 105.92% | 7,824,554 | (1,316,294) | -14.40% | 9,140,848 |
| Net income | 26,234,412 | 9,392,096 | 55.76% | 16,842,316 | (4,516,020) | -21.14% | 21,358,336 |

WYOMING COMMUNITY DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

June 30, 2012 And 2011

Financial Position

Cash and cash equivalents increased \$176.9 million and investments declined by \$123.9 million for a combined increase in funds from 2011 of \$53.0 million. First, funds were generated by: 1) the reduction in mortgage loans outstanding of \$73.3 million, 2) a reduction of other receivables of \$9.9 million and, 3) net income of \$26.2 million, for a total increase in funds of \$109.4 million. Next, funds were used to reduce bonds payable by \$47.7 million and to decrease other liabilities by \$8.7 million for a total decrease in funds of \$56.4 million.

Mortgage loans receivable decreased by \$73.3 million. Mortgage loans increased due to purchases of \$81.2 million of Single Family mortgages and \$13.5 million of Federal Program mortgages and a reduction in loan loss reserves of \$4.1 million; and decreased due to normal principal received of \$23.6 million on program loans and \$.7 million on federal program loans and prepayments received of \$147.8 million.

Total assets declined by \$30.1 million due to a decline in investments of \$123.9 million, a decline in mortgage loans receivable of \$73.3 million, a decline in accounts receivable and other assets of \$8.7 million and a decline in interest receivable of \$1.1 million, combined with an increase in cash and liquid assets of \$176.9 million.

Other current liabilities, which includes accrued interest payable, arbitrage rebate payable and accounts payable and other liabilities, declined by \$5.69 million or 42.17%. Other long term liabilities, which includes deferred arbitrage rebate, derivative instrument liability and other deferred credits, declined by \$2.9 million.

Bonds payable declined \$47.7 million due to maturities and redemptions of \$264.4 million netted with bonds issued of \$216.7 million in bonds during the year. Bonds issued during the year included \$167.0 million issued under the 2009 Indenture and utilized \$100.2 million of convertible option bonds made available under the New Issue Bond Program (NIBP). At June 30, 2012, the remaining balance of the convertible option bonds under the NIBP was \$50.9 million. (See debt administration for addition discussion regarding the NIBP).

The decrease in total liabilities of \$56.3 million was due mostly to the decrease of \$47.7 million in Bonds outstanding as discussed above along with the decrease in other current liabilities of \$5.7 million and long term liabilities of \$2.9 million as described above.

Results of Operation

The Authority's net income for fiscal year 2012 was \$26.2 million, an increase over fiscal year 2011 of \$9.4 million. This change includes the following: an increase in total operating revenues of \$2.5 million, a decline in total operating expenses of \$5.8 million, and an increase in non-operating net income, which represents federal program activities, of \$1.1 million.

Total operating revenues rose by \$2.5 million over fiscal 2011. The major reason is due to the sizeable increase in investment income of \$11.9 million from the prior year. The major factor for the increase in investment income is due to the recognition of a net increase in investment value of \$7.6 million which is \$11.6 more than it was in fiscal year 2011. Investment income also includes \$7.2 million in interest revenue (a \$.70 million decrease from 2011) and realized gains from the sale of investments of \$1.0 million (a \$1.0 million increase over 2011). Mortgage interest revenue declined from fiscal year 2011 by \$10.4 million, while fees and other income increased by \$1.0 million.

Total operating expenses decreased by \$5.8 million from fiscal year 2011. Included in this decrease: 1) a decline in bond interest expense of \$3.7 million, 2) an increase in loan losses recaptured of \$1.2 million, and 3) a net decrease of just under \$1.0 million in other operating expenses which includes servicer fees, amortization of deferred issuance and other costs and general and administrative.

The increase in total operating revenues of \$2.5 million combined with the decrease in total operating expenses of \$5.8 million nets to an increase in total operating income from the prior year of \$8.3 million.

WYOMING COMMUNITY DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

June 30, 2012 And 2011

Debt Administration

The Authority issued \$216.7 million in bonds during 2012 (\$117.7 million less than in 2011) which included \$167.0 under the New Issue Bond Program (NIBP) and \$49.7 million under the 1994 Indenture. Of the NIBP bonds issued, 60% (\$100.2 million) were NIBP short term bonds converted to long-term below-market fixed rates and 40% (\$66.8 million) were sold to investors at market rates. The NIBP was instituted in 2009 to provide temporary financing for state housing finance agencies (HFA's) in order to assist those agencies in issuing mortgage revenue bonds. The bonds issued under the 1994 Indenture were used to refund prior series of bonds issued under the indenture and to make funds available for the purchase of loans.

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

WYOMING COMMUNITY DEVELOPMENT AUTHORITY

BALANCE SHEETS
June 30, 2012 and 2011

| ASSETS | <u>2012</u> | <u>2011</u> |
|---|-----------------------------|-----------------------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 26,725,653 | \$ 17,698,418 |
| Investments | 44,027,497 | 46,404,316 |
| Interest receivable | | |
| Mortgage loans | 56,261 | 203,989 |
| Investments | 317,608 | 452,514 |
| Accounts receivable and other assets | 2,727,726 | 6,893,510 |
| Total current assets | <u>73,854,745</u> | <u>71,652,747</u> |
| Noncurrent Assets | | |
| Restricted cash and cash equivalents | 324,707,231 | 156,806,852 |
| Restricted investments | 152,704,554 | 274,212,540 |
| Restricted mortgage loans receivable, net | 941,604,612 | 971,070,258 |
| Restricted interest receivable | | |
| Mortgage loans | 5,456,214 | 5,931,309 |
| Investments | 1,064,305 | 1,424,561 |
| Restricted accounts receivable and other assets | 22,038,162 | 26,224,438 |
| Mortgage loans receivable, net | 9,576,243 | 53,399,756 |
| Deferred hedging costs of fixed-rate swaps | 9,865,127 | 10,794,348 |
| Deferred issuance, servicing and other costs, net | 24,353,237 | 23,812,688 |
| Property and equipment, net | 2,502,678 | 2,506,450 |
| Total noncurrent assets | <u>1,493,872,363</u> | <u>1,526,183,200</u> |
| Total assets | <u>\$ 1,567,727,108</u> | <u>\$ 1,597,835,947</u> |

(Continued)

See notes to the basic financial statements

LIABILITIES AND FUND EQUITY

| | <u>2012</u> | <u>2011</u> |
|--|-----------------------------|-----------------------------|
| Current Liabilities | | |
| Bonds payable | \$ 79,845,000 | \$ 174,243,781 |
| Accrued interest payable | 3,824,021 | 3,788,243 |
| Arbitrage rebate payable | 825,606 | 168,601 |
| Accounts payable and other liabilities | 3,159,588 | 9,546,975 |
| Total current liabilities | <u>87,654,215</u> | <u>187,747,600</u> |
| Noncurrent Liabilities | | |
| Bonds payable | 1,127,620,562 | 1,080,905,545 |
| Deferred arbitrage rebate | 49,394 | 656,399 |
| Derivative instrument liability | 9,865,127 | 10,794,348 |
| Other deferred credits | 5,166,565 | 6,595,222 |
| Total noncurrent liabilities | <u>1,142,701,648</u> | <u>1,098,951,514</u> |
| Total liabilities | <u>1,230,355,863</u> | <u>1,286,699,114</u> |
| Commitments and Contingencies | | |
| Fund Equity | | |
| Invested in capital assets | 2,502,678 | 2,506,450 |
| Restricted | 240,978,280 | 209,004,202 |
| Unrestricted | 93,890,287 | 99,626,181 |
| Total fund equity | <u>337,371,245</u> | <u>311,136,833</u> |
| Total liabilities and fund equity | <u>\$ 1,567,727,108</u> | <u>\$ 1,597,835,947</u> |

WYOMING COMMUNITY DEVELOPMENT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
 Years Ended June 30, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|---|-----------------------|-----------------------|
| Operating Revenues | | |
| Mortgage interest | \$ 51,923,613 | \$ 62,304,603 |
| Investment interest income | 7,179,414 | 7,933,327 |
| Net change in fair value of investments | 8,634,022 | (3,995,063) |
| Fees and other income | 2,596,456 | 1,608,810 |
| Total operating revenue | <u>70,333,505</u> | <u>67,851,677</u> |
| Operating Expenses | | |
| Interest expense | 48,801,664 | 52,541,458 |
| Servicer fees | 147,381 | 510,389 |
| Amortization of deferred issuance and other costs | 3,494,918 | 3,333,276 |
| Recapture of loan losses | (4,129,322) | (2,926,689) |
| General and administrative | 5,906,337 | 6,568,689 |
| Total operating expenses | <u>54,220,978</u> | <u>60,027,123</u> |
| Operating income | <u>16,112,527</u> | <u>7,824,554</u> |
| Nonoperating Revenue (Expenses) | | |
| Federal program income | 15,092,757 | 18,748,265 |
| Federal program expense | <u>(4,970,872)</u> | <u>(9,730,503)</u> |
| Nonoperating income | <u>10,121,885</u> | <u>9,017,762</u> |
| Net income | 26,234,412 | 16,842,316 |
| Fund equity, beginning of year | <u>311,136,833</u> | <u>294,294,517</u> |
| Fund equity, end of year | <u>\$ 337,371,245</u> | <u>\$ 311,136,833</u> |

See notes to the basic financial statements

WYOMING COMMUNITY DEVELOPMENT AUTHORITY

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|---|-----------------------|-----------------------|
| Cash Flows from Operating Activities | | |
| Cash receipts for services | \$ 2,379,775 | \$ 1,608,810 |
| Interest income on mortgage loans | 51,117,779 | 56,824,210 |
| Principal received on mortgage loans | 171,433,408 | 166,138,813 |
| Cash payments to purchase mortgage loans | (81,204,337) | (99,721,637) |
| Cash payments to servicers | (147,381) | (510,389) |
| Cash payments to suppliers | (4,233,383) | (1,395,392) |
| Cash payments to employees | (2,568,043) | (2,479,885) |
| Other cash receipts and payments on program notes | 143,419 | (2,327,515) |
| Net cash provided by operating activities | <u>136,921,237</u> | <u>118,137,015</u> |
| Cash Flows from Noncapital Financing Activities | | |
| Federal revenue | 15,092,757 | 18,748,265 |
| Federal expenses | (4,970,872) | (9,730,503) |
| Federal program notes issued | (10,483,243) | (8,429,554) |
| Federal program note payments received | 785,638 | 1,082,227 |
| Proceeds from bonds | 216,714,680 | 100,092,240 |
| Principal paid on bonds | (264,446,818) | (244,835,726) |
| Interest paid on bonds | (48,717,512) | (52,934,753) |
| Payment of bond issuance costs | (1,688,000) | (514,890) |
| Net cash used in noncapital financing activities | <u>(97,713,370)</u> | <u>(196,522,694)</u> |
| Cash Flows from Capital and Related Financing Activities | | |
| Purchase of fixed assets | (176,189) | (547,198) |
| Purchase of mortgage servicing rights | (2,347,467) | (2,739,595) |
| Net cash used in capital and related financing activities | <u>(2,523,656)</u> | <u>(3,286,793)</u> |
| Cash Flows from Investing Activities | | |
| Interest received from investments | 7,724,576 | 8,656,413 |
| Purchase of investments | (94,707,337) | (214,679,711) |
| Proceeds from sales and maturities of investments | 227,226,164 | 296,527,293 |
| Net cash provided by investing activities | <u>140,243,403</u> | <u>90,503,995</u> |
| Increase in cash and cash equivalents | 176,927,614 | 8,831,523 |
| Cash and cash equivalents, beginning of year | <u>174,505,270</u> | <u>165,673,747</u> |
| Cash and cash equivalents, end of year | <u>\$ 351,432,884</u> | <u>\$ 174,505,270</u> |

(Continued)

See notes to the basic financial statements

WYOMING COMMUNITY DEVELOPMENT AUTHORITY

STATEMENTS OF CASH FLOWS (CONTINUED)

Years Ended June 30, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|--|-----------------------|-----------------------|
| Reconciliation of ending cash and cash equivalents | | |
| Current cash and cash equivalents | \$ 26,725,653 | \$ 17,698,418 |
| Noncurrent restricted cash and cash equivalents | 324,707,231 | 156,806,852 |
| Cash and cash equivalents, ending | <u>\$ 351,432,884</u> | <u>\$ 174,505,270</u> |
| | | |
| Reconciliation of operating income to net cash provided by operating activities | | |
| Operating income | \$ 16,112,527 | \$ 7,824,554 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | |
| Interest on bonds | 48,801,664 | 52,541,458 |
| Net change in fair value of investments | (8,634,022) | 3,995,063 |
| Interest from investments | (7,179,414) | (7,933,327) |
| Mortgage loan principal repayments | | |
| Scheduled | 23,628,774 | 28,303,088 |
| Prepaid | 147,804,634 | 138,917,952 |
| Purchase of mortgage loans | (81,204,337) | (100,803,864) |
| Amortization of commitment fees and loan discounts | (1,078,462) | (1,231,123) |
| Amortization of deferred issuance and other costs | 3,494,918 | 3,333,276 |
| Decrease in provision for loan losses | (4,129,322) | (2,926,689) |
| Net change in other assets and liabilities | (695,723) | (3,883,373) |
| Net cash provided by operating activities | <u>\$ 136,921,237</u> | <u>\$ 118,137,015</u> |
| | | |
| Supplemental Cash Flow Information | | |
| Noncash investing activity | | |
| Investment transactions in progress | \$ 2,220,000 | \$ (7,497,450) |

See notes to the basic financial statements

WYOMING COMMUNITY DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012 and 2011

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 Warehousing Bonds 2010 Indenture, the Multi-Family Mortgage Bonds 1982 Indenture, the Homeownership Mortgage Revenue Bonds 2009 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, 2012 and 2011

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, Neighborhood Stabilization Program, Tax Credit Assistance Program and other federal programs, including the Department of Treasury's Tax Credit Exchange Program. 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 \$536,390 to guarantee mortgage and project loans with principal balances outstanding of \$1,276,384 as of June 30, 2012. The Authority has also committed \$250,000 to guarantee second mortgages with principal balances outstanding of \$5,123,537. 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, 2012 and 2011

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 by provisions charged and decreased by recoveries credited to 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, 2012 and 2011

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 \$49,394 and \$656,399 at June 30, 2012 and 2011, respectively, for arbitrage rebates. The Authority has recorded an arbitrage rebate payable of \$825,606 and \$168,601 at June 30, 2012 and 2011, 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 \$92,540 and \$305,477 at June 30, 2012 and 2011, 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, 2012 and 2011, the Authority also deferred \$2,124,152 and \$3,315,915, respectively, of interest income related to the HOME Run loan program.

Additionally, the Authority has deferred \$2,949,873 and \$2,973,830 as of June 30, 2012 and 2011, 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.

WYOMING COMMUNITY DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012 and 2011

Note 3. Cash and Cash Equivalents and Investments

Deposits are placed with various financial institutions and are carried at cost. At June 30, 2012, the carrying amount of the Authority's bank deposits was \$6,375,996 and the bank balance was \$10,134,843. The difference between the carrying amount and the bank balance is a result of transactions in transit. All bank deposits at June 30, 2012 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>2012</u> | <u>2011</u> |
|---------------------------------------|-----------------------|-----------------------|
| Investments | | |
| U.S. Government and agency securities | \$ 134,922,051 | \$ 154,916,856 |
| Housing revenue bonds | 10,910,000 | 14,600,000 |
| Escrowed money market accounts | <u>50,900,000</u> | <u>151,100,000</u> |
| Total | <u>\$ 196,732,051</u> | <u>\$ 320,616,856</u> |

Investments are reported in the following classifications:

| | <u>2012</u> | <u>2011</u> |
|---|-----------------------|-----------------------|
| Current | \$ 44,027,497 | \$ 46,404,316 |
| Noncurrent - restricted by bond indentures or contracts | <u>152,704,554</u> | <u>274,212,540</u> |
| Total | <u>\$ 196,732,051</u> | <u>\$ 320,616,856</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, 2012 and 2011, the Authority had unrealized investment gains of \$15,889,684 and \$8,305,097, respectively, in its investment portfolio. The unrealized gains(losses) of \$7,584,587 and (\$3,995,134) for the years ended June 30, 2012 and 2011, 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, 2012, 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 |
| U.S. government and agency securities | \$ 134,922,051 | \$ 240,009 | \$ 3,677,122 | \$ 22,834,599 | \$ 108,170,321 |
| Housing revenue bonds | 10,910,000 | - | - | - | 10,910,000 |
| Escrowed money market accounts | 50,900,000 | - | 50,900,000 | - | - |
| Total | <u>\$ 196,732,051</u> | <u>\$ 240,009</u> | <u>\$ 54,577,122</u> | <u>\$ 22,834,599</u> | <u>\$ 119,080,321</u> |

WYOMING COMMUNITY DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012 and 2011

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, 2012, the Authority has \$95,622,187 in these reserve accounts which exceeds the reserve requirements contained in the applicable trust indentures of \$75,169,327. The amounts reserved in these accounts are as follows:

| | 1978 <u>Indenture</u> | 1994 <u>Indenture</u> | 2009 <u>Indenture</u> |
|---|--------------------------|--------------------------|--------------------------|
| Bond reserve requirement | \$ 17,938,454 | \$ 24,661,512 | \$ 6,854,850 |
| Mortgage reserve requirement | 1,050,000 | 13,419,303 | 4,310,208 |
| Restricted special reserve requirement | <u>-</u> | <u>6,935,000</u> | <u>-</u> |
| Total required reserves | <u>\$ 18,988,454</u> | <u>\$ 45,015,815</u> | <u>\$ 11,165,058</u> |
| Total cash and investments held for reserves | <u>\$ 19,128,442</u> | <u>\$ 64,622,654</u> | <u>\$ 11,871,091</u> |

WYOMING COMMUNITY DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012 and 2011

Note 4. Mortgage Loans Receivable, Net

| | <u>2012</u> | <u>2011</u> |
|---|---------------------------|-----------------------------|
| Single Family Mortgage Bonds 1978 Indenture Fund, bearing interest at 0% to 8.9%, 25 to 30 year term, FHA or private mortgage company insured, or guaranteed by RD, VA, or mortgage guaranty fund | \$ 91,236,269 | \$ 102,419,017 |
| Less: Reserve for losses on loans | <u>(3,289,454)</u> | <u>(3,689,454)</u> |
| | <u>87,946,815</u> | <u>98,729,563</u> |
| Housing Revenue Bonds 1994 Indenture Fund, bearing interest at 1.5% to 8.625%, 25 to 30 year term, FHA or private mortgage company insured, or guaranteed by RD, VA or mortgage guaranty fund | 644,575,162 | 818,187,267 |
| Less: Reserve for losses on loans | <u>(22,621,651)</u> | <u>(30,121,651)</u> |
| | <u>621,953,511</u> | <u>788,065,616</u> |
| Single Family Mortgage Warehousing Bonds 2010, bearing interest at 4.75%, 30 year term, FHA insured, or guaranteed by RD or VA | 3,555,657 | 47,351,998 |
| Less: Reserve for losses on loans | <u>(50,000)</u> | <u>(650,000)</u> |
| | <u>3,505,657</u> | <u>46,701,998</u> |
| Homeownership Mortgage Revenue Bonds 2009 Indenture Fund bearing interest at 4.25% to 4.75%, 30 year term, FHA insured, or guaranteed by RD or VA | 201,568,423 | 61,352,008 |
| Less: Reserve for losses on loans | <u>(7,055,000)</u> | <u>(2,150,000)</u> |
| | <u>194,513,423</u> | <u>59,202,008</u> |
| Wyoming Homeownership Bonds 1992 Indenture Fund, bearing interest at 7.625%, 30 year term, FHA or private mortgage company insured, or RD guaranteed | 380,028 | 425,746 |
| Federal Program Fund with various terms, including deferred payments and bearing interest at 0% to 5.19%, 10 to 30 year term | 38,150,835 | 25,542,326 |
| Less: Reserve for losses on loans | <u>(1,340,000)</u> | <u>(895,000)</u> |
| | <u>36,810,835</u> | <u>24,647,326</u> |
| Housing Trust Fund, bearing interest at 0% to 11.375%, 1 to 30 year term, FHA or private mortgage company insured, or guaranteed by VA or mortgage guaranty fund | 8,514,481 | 10,441,653 |
| Less: Reserve for losses on loans | <u>(2,443,895)</u> | <u>(3,743,895)</u> |
| | <u>6,070,586</u> | <u>6,697,758</u> |
| Total mortgage loans receivable, net | <u>\$ 951,180,855</u> | <u>\$ 1,024,470,015</u> |

WYOMING COMMUNITY DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012 and 2011

Note 4. Mortgage Loans Receivable, Net (Continued)

| | 2012 | 2011 |
|---|----------------|------------------|
| Reported in the following classifications | | |
| Restricted mortgage loans receivable, net | \$ 941,604,612 | \$ 971,070,258 |
| Mortgage loans receivable, net | 9,576,243 | 53,399,756 |
| | \$ 951,180,855 | \$ 1,024,470,014 |

Total loan loss reserves for mortgage loans receivable established by the Authority as of June 30, 2012 and 2011 were \$36,800,000 and \$41,250,000, respectively, for mortgage loans receivable.

As of June 30, 2012 and 2011, the Authority had 258 and 416 loans, respectively, delinquent for 90 days or more from the population of 11,097 and 12,305 loans, respectively. The outstanding balance of mortgages delinquent for 90 days or more was \$21,810,614 and \$29,720,808 as of June 30, 2012 and 2011, respectively.

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.

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 2010 Indenture are general obligations of the Authority, payable from any assets of the Authority, not specifically restricted to other uses. The bonds of the 1978, 1992, 1994, and 2009 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 monthly or semi-annually. Certain of the variable rate debt reprices weekly or monthly based on market interest rates.

WYOMING COMMUNITY DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012 and 2011

Note 6. Bonds Payable (Continued)

| | Balance at June 30, 2011 | Issued | Retired | Balance at June 30, 2012 | Amount Due Within 1 Year |
|---|-----------------------------|--------|-----------|-----------------------------|-----------------------------|
| Single Family Mortgage Bonds 1978 Indenture Fund | | | | | |
| 1998 Series B, 2031 to 2033 interest at 5.30%, original amount issued \$15,000,000 | \$ 4,710,000 | \$ - | \$ - | \$ 4,710,000 | \$ - |
| 2001 Series A, 2025 to 2035 variable interest, interest at 0.27%, original amount issued \$9,545,000 | 9,545,000 | - | - | 9,545,000 | - |
| 2002 Series A, 2022 to 2032 variable interest, interest at 0.27%, original amount issued \$37,000,000 | 37,000,000 | - | - | 37,000,000 | - |
| 2003 Series A/B, 2022 to 2033, interest at 0.27% to 4.55%, original amount issued \$53,745,000 | 53,745,000 | - | - | 53,745,000 | - |
| Principal amounts of bonds outstanding 1978 Indenture Fund | 105,000,000 | - | - | 105,000,000 | - |
| Less: deferred loss on prior series refunded by 1998 Series A and 2003 Series A/B | (671,403) | - | (57,496) | (613,907) | - |
| Principal amounts of bonds outstanding 1978 Indenture Fund, net | 104,328,597 | - | (57,496) | 104,386,093 | - |
| Housing Revenue Bonds 1994 Indenture Fund | | | | | |
| 1995 Series 6 (including CABs), 2015, interest at 6.25%, original amount issued \$15,097,280 at discount of \$473,253 | 762,036 | - | (48,374) | 810,410 | - |
| 1996 Series 7, 2022 to 2030, interest at 5.25% original amount issued \$60,000,000 | 15,935,000 | - | 1,320,000 | 14,615,000 | - |
| 1997 Series 5, 2017 to 2030, interest at 5.15% to 5.3%, original amount issued \$100,000,000 | 12,920,000 | - | 2,000,000 | 10,920,000 | - |

(Continued)

WYOMING COMMUNITY DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012 and 2011

Note 6. Bonds Payable (Continued)

| | Balance at June 30, 2011 | Issued | Retired | Balance at June 30, 2012 | Amount Due Within 1 Year |
|--|-----------------------------|--------|--------------|-----------------------------|-----------------------------|
| 1998 Series 3, 2017 to 2018, interest at 5.30% to 5.30%, original amount issued \$30,000,000 | \$ 10,900,000 | \$ - | \$ 9,860,000 | \$ 1,040,000 | \$ - |
| 1999 Series 1, 2017 to 2018, interest at 5.25%, original amount issued \$30,000,000 | 11,355,000 | - | 9,660,000 | 1,695,000 | - |
| 2001 Series 1, redeemed, original amount issued \$30,000,000 | 7,778,504 | - | 7,778,504 | - | - |
| 2001 Series 5, 6 and 7, 2013 to 2026, interest at 0.23% to 5.30%; original amount issued \$33,500,000 | 17,920,000 | - | 9,045,000 | 8,875,000 | - |
| 2002 Series 1 and 2, 2026 interest at 5.50%, original amount issued \$42,475,000 | 4,315,000 | - | 3,070,000 | 1,245,000 | - |
| 2002 Series 4 and 5, 2012 to 2027, interest at 4.60% to 5.30%, original amount issued \$42,110,000 | 21,325,000 | - | 880,000 | 20,445,000 | 1,400,000 |
| 2002 Series 6, 7 and 8, 2012 to 2033, interest at 3.95% to 5.20%, original amount issued \$27,000,000 | 16,470,000 | - | 7,345,000 | 9,125,000 | 590,000 |
| 2003 Series 1, 2013 to 2032, interest at 3.9% to 4.6%, original amount issued \$26,065,000 | 18,510,000 | - | 2,510,000 | 16,000,000 | 505,000 |
| 2003 Series 2, 3, and 4, 2013 to 2029, interest at 0.23% to 4.25%, original amount issued \$26,230,000 | 22,340,000 | - | 7,585,000 | 14,755,000 | 1,015,000 |
| 2003 Series 5 and 6, 2012 to 2034, interest at 3.80% to 5.00%, original amount issued \$25,990,000 | 22,455,000 | - | 440,000 | 22,015,000 | 590,000 |

(Continued)

WYOMING COMMUNITY DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012 and 2011

Note 6. Bonds Payable (Continued)

| | Balance at June 30, 2011 | Issued | Retired | Balance at June 30, 2012 | Amount Due Within 1 Year |
|--|-----------------------------|--------|--------------|-----------------------------|-----------------------------|
| 2004 Series 1, 2, and 3, 2012 to 2034, interest at 0.12% to 3.35%, original amount issued \$35,000,000 | \$ 27,225,000 | \$ - | \$ 8,445,000 | \$ 18,780,000 | \$ 820,000 |
| 2004 Series 4, 5, and 6, 2013 to 2030, interest at 0.12% to 4.4%, original amount issued \$40,000,000 | 32,230,000 | - | 11,450,000 | 20,780,000 | 535,000 |
| 2004 Series 7, 8, and 9, 2012 to 2034, interest at 3.8% to 5.00%, original amount issued \$40,000,000 | 32,245,000 | - | 7,800,000 | 24,445,000 | 860,000 |
| 2004 Series 10 and 11, 2013 to 2035, interest at 4.15% to 4.90%, original amount issued \$30,000,000 | 26,550,000 | - | 7,085,000 | 19,465,000 | 665,000 |
| 2005 Series 1 and 2, 2012 to 2034, interest at 0.2% to 4.95%, original amount issued \$40,000,000 | 35,890,000 | - | 6,840,000 | 29,050,000 | 865,000 |
| 2005 Series 3 and 4, 2012 to 2035, interest at 0.2% to 4.70%, original amount issued \$40,000,000 | 36,335,000 | - | 5,760,000 | 30,575,000 | 810,000 |
| 2005 Series 5, 6 and 7, 2012 to 2034, interest at 0.2% to 4.85%, original amount issued \$40,000,000 | 35,960,000 | - | 7,255,000 | 28,705,000 | 770,000 |
| 2006 Series 1 and 2, 2012 to 2035, interest at 0.2% to 4.90%, original amount issued \$40,000,000 | 37,160,000 | - | 680,000 | 36,480,000 | 720,000 |
| 2006 Series 4 and 5, 2012 to 2036, interest at 0.2% to 5.05%, original amount issued \$50,000,000 | 46,545,000 | - | 865,000 | 45,680,000 | 920,000 |

(Continued)

WYOMING COMMUNITY DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012 and 2011

Note 6. Bonds Payable (Continued)

| | Balance at June 30, 2011 | Issued | Retired | Balance at June 30, 2012 | Amount Due Within 1 Year |
|---|-----------------------------|--------|------------|-----------------------------|-----------------------------|
| 2006 Series 6 and 7, 2012 to 2037, interest at 0.2% to 5.50%, original amount issued \$50,000,000 at premium of \$347,819 | \$ 47,343,098 | \$ - | \$ 826,758 | \$ 46,516,340 | \$ 860,000 |
| 2006 Series 8 and 9, 2012 to 2037, interest at 0.2% to 4.70%, original amount issued \$50,000,000 | 46,930,000 | - | 825,000 | 46,105,000 | 870,000 |
| 2007 Series 1 and 2, 2012 to 2037, interest at 0.2% to 4.80%, original amount issued \$30,000,000 | 28,190,000 | - | 515,000 | 27,675,000 | 540,000 |
| 2007 Series 3 and 4, 2012 to 2037, interest at 0.2% to 4.75%, original amount issued \$70,000,000 | 63,810,000 | - | 1,190,000 | 62,620,000 | 1,250,000 |
| 2007 Series 5 and 6, 2012 to 2038, interest at 0.2% to 4.90%, original amount issued \$70,000,000 | 66,210,000 | - | 1,155,000 | 65,055,000 | 1,225,000 |
| 2007 Series 7, 8 and 9, 2016 to 2038, interest at 0.2% to 5.1%, original amount issued \$60,000,000 | 53,820,000 | - | 1,820,000 | 52,000,000 | - |
| 2007 Series 10, 11 and 12, 2012 to 2038, interest at 0.2% to 5.30%, original amount issued \$60,000,000 | 54,660,000 | - | 16,820,000 | 37,840,000 | 885,000 |
| 2008 Series 1 and 2, 2012 to 2038, interest at 0.2% to 5.15%, original amount issued \$50,000,000 | 28,690,000 | - | 10,040,000 | 18,650,000 | 735,000 |
| 2008 Series 3, 2012 to 2023, interest at 3.50% to 5.25%, original amount issued \$60,000,000 at premium of \$35,066 | 14,952,437 | - | 811,011 | 14,141,426 | 865,000 |

(Continued)

WYOMING COMMUNITY DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012 and 2011

Note 6. Bonds Payable (Continued)

| | Balance at June 30, 2011 | Issued | Retired | Balance at June 30, 2012 | Amount Due Within 1 Year |
|---|-----------------------------|-----------------------|-----------------------|-----------------------------|-----------------------------|
| 2010 Series 1 and 2, 2012 to 2030, interest at 2.25% to 4.375%, original amount issued \$34,710,000 | \$ 31,970,000 | \$ - | \$ 4,195,000 | \$ 27,775,000 | \$ 5,005,000 |
| 2012 Series 1 and 2, 2012 to 2037, interest at .4% to 4.375%, original amount issued \$49,665,000 at premium of \$177,508 | - | 49,842,508 | - | 49,842,508 | 1,390,000 |
| Principal amounts of bonds outstanding 1994 Indenture Fund | 929,701,075 | 49,842,508 | 155,822,899 | 823,720,684 | 24,690,000 |
| Wyoming Homeownership Bonds 1992 Indenture Fund | | | | | |
| Homeownership Revenue Bonds, Series I, redeemed, issued \$24,964,754 | 425,746 | - | 425,746 | - | - |
| Homeownership Mortgage Revenue Bonds 2009 Indenture Fund | | | | | |
| Homeownership Mortgage Revenue Bonds Series 2009 A, preconversion bonds, variable interest rate, original amount issued, \$193,100,000 | 151,100,000 | - | 100,200,000 | 50,900,000 | 50,900,000 |
| Homeownership Mortgage Revenue Bonds Series 2010 A and 2009 A-1, 2012 to 2041, interest at 1% to 4.25%, original amount issued \$70,000,000 at premium of \$92,240 | 69,593,908 | - | 3,158,017 | 66,435,891 | 1,160,000 |
| Homeownership Mortgage Revenue Bonds Series 2011 series A, 2009 Series A-2 and A-3, 2012 to 2041 interest at .95% to 4.625% , original amount issued \$87,000,000 at discount of \$62,141 | - | 87,000,000 | 2,997,142 | 84,002,858 | 1,590,000 |
| Homeownership Mortgage Revenue Bonds Series 2011 series B, 2009 Series A-4 and A-5, 2012 to 2041 interest at .625% to 4.25% , original amount issued \$80,000,000 at discount of \$54,964 | - | 80,000,000 | 1,979,964 | 78,020,036 | 1,505,000 |
| Principal amounts of bonds outstanding 2009 Fund Indenture | 220,693,908 | 167,000,000 | 108,335,123 | 279,358,785 | 55,155,000 |
| Total bonds payable | \$ 1,255,149,326 | \$ 216,842,508 | \$ 264,526,272 | \$ 1,207,465,562 | \$ 79,845,000 |

WYOMING COMMUNITY DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012 and 2011

Note 6. Bonds Payable (Continued)

Scheduled bond principal and sinking fund requirements in each indenture for the five fiscal years subsequent to June 30, 2012, which includes in each of the respective years the bonds to be remarketed or expected to be refunded, are as follows:

| | Single Family Mortgage Bonds 1978 Indenture Fund | Housing Revenue Bonds 1994 Indenture Fund | Homeownership Mortgage Revenue Bonds 2009 Indenture Fund | Totals |
|------|---|--|--|---------------|
| 2013 | \$ - | \$ 24,690,000 | \$ 55,155,000 | \$ 79,845,000 |
| 2014 | - | 25,605,000 | 4,475,000 | 30,080,000 |
| 2015 | - | 27,685,000 | 4,685,000 | 32,370,000 |
| 2016 | - | 28,940,000 | 4,900,000 | 33,840,000 |
| 2017 | - | 28,630,000 | 5,125,000 | 33,755,000 |

Annual debt service requirements for the five fiscal years subsequent to June 30, 2012, 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> |
|---------------------|-------------------------|-----------------------|---------------------------|
| 2013 | \$ 79,845,000 | \$ 42,176,733 | \$ 122,021,733 |
| 2014 | 30,080,000 | 41,165,068 | 71,245,068 |
| 2015 | 32,370,000 | 40,125,126 | 72,495,126 |
| 2016 | 33,840,000 | 38,935,129 | 72,775,129 |
| 2017 | 33,755,000 | 37,631,784 | 71,386,784 |
| 5 years ending 2022 | 187,325,000 | 166,270,747 | 353,595,747 |
| 5 years ending 2027 | 245,055,000 | 120,146,569 | 365,201,569 |
| 5 years ending 2032 | 280,920,000 | 70,268,280 | 351,188,280 |
| 5 years ending 2037 | 227,485,000 | 23,631,488 | 251,116,488 |
| 5 years ending 2042 | 57,205,000 | 3,042,295 | 60,247,295 |
| | <u>\$ 1,207,880,000</u> | <u>\$ 583,393,219</u> | <u>\$ 1,791,273,219</u> |

The balances above do not include net premiums, discounts, or losses on refundings in the amount of (\$414,438) that are reported as components of bonds payable.

WYOMING COMMUNITY DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012 and 2011

Note 6. Bonds Payable (Continued)

Hedging Derivative Instrument Payments and Hedged Debt

Using rates as of June 30, 2012 and giving effect to scheduled reductions in the notional amount of the hedging derivative instruments, 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 receipts or payments on the hedging derivative instruments will vary.

| | Variable Rate Bonds | | Interest Rate | Total |
|---------------------|-----------------------|---------------------|----------------------|-----------------------|
| | Principal | Interest | Swaps (net) | |
| 2013 | \$ - | \$ 243,108 | \$ 4,086,514 | \$ 4,329,622 |
| 2014 | - | \$ 241,932 | 3,893,452 | 4,135,384 |
| 2015 | - | \$ 241,932 | 2,661,069 | 2,903,001 |
| 2016 | 115,000 | \$ 242,908 | 720,853 | 1,078,761 |
| 2017 | 245,000 | \$ 241,782 | 96,764 | 583,546 |
| 5 years ending 2022 | 10,885,000 | \$ 1,168,212 | 148,857 | 12,202,069 |
| 5 years ending 2027 | 17,970,000 | \$ 1,023,453 | - | 18,993,453 |
| 5 years ending 2032 | 22,420,000 | \$ 822,185 | - | 23,242,185 |
| 5 years ending 2037 | 60,910,000 | \$ 436,075 | - | 61,346,075 |
| 5 years ending 2042 | 8,715,000 | \$ 18,279 | - | 8,733,279 |
| | <u>\$ 121,260,000</u> | <u>\$ 4,679,866</u> | <u>\$ 11,607,509</u> | <u>\$ 137,547,375</u> |

Note 7. Defeased Bonds

On June 30, 2010, the Authority issued \$31,610,000 in Housing Revenue Bonds in 2010 Series 1 with an average interest rate of 3.10 percent to partially refund \$31,610,000 of outstanding 1997 Series 5, 1997 Series 6 and 7, 1998 Series 3, 1999 Series 1, and 1999 Series 4 bonds with an average interest rate of 5.33 percent. Net proceeds of \$31,610,000 were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the partially refunded 1997 Series 5, 1997 Series 6 and 7, 1998 Series 3, 1999 Series 1, and 1999 Series 4 bonds. As a result, the refunded 1997 Series 5, 1997 Series 6 and 7, 1998 Series 3, 1999 Series 1, and 1999 Series 4 bonds are considered to be defeased and the liability for those bonds has been removed from the balance sheet. The defeased bonds were called and cancelled by August 1, 2010.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$187,813. This difference was expensed in the accompanying financial statements. The Authority completed the refunding to reduce its total debt service payments over the next 9 years by \$2.67 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$5,100,000.

WYOMING COMMUNITY DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012 and 2011

Note 8. 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, 2012, there were two such series of Multi-Family Housing Revenue bonds outstanding, with an aggregate principal amount payable of \$22,342,344.

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.

Swap Terms and Values

June 30, 2012

| 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 | \$ 2,965,000 | 3.523% | 70% of LIBOR | 6/1/2021 | \$ (88,902) | AAA/Aa3 |
| 2005 Series 4 | 6/30/2005 | 4,145,000 | 3.260% | 70% of LIBOR | 12/1/2021 | (115,979) | AAA/Aa3 |
| 2005 Series 7 | 9/20/2005 | 2,980,000 | 3.325% | 70% of LIBOR | 12/1/2016 | (114,783) | AAA/Aa3 |
| 2006 Series 2 | 1/19/2006 | 8,000,000 | 3.465% | 70% of LIBOR | 12/1/2013 | (384,573) | AAA/Aa3 |
| 2006 Series 5 | 4/20/2006 | 10,000,000 | 3.926% | 70% of LIBOR | 6/1/2014 | (727,646) | AAA/Aa3 |
| 2006 Series 7 | 6/26/2006 | 10,000,000 | 4.115% | 70% of LIBOR | 6/1/2014 | (765,120) | AAA/Aa3 |
| 2006 Series 9 | 9/27/2006 | 10,000,000 | 3.621% | 70% of LIBOR | 12/1/2014 | (826,132) | AAA/Aa3 |
| 2007 Series 2 | 1/11/2007 | 6,000,000 | 3.678% | 70% of LIBOR | 12/1/2014 | (504,169) | AAA/Aa3 |
| 2007 Series 4 | 3/13/2007 | 14,000,000 | 3.577% | 70% of LIBOR | 6/1/2015 | (1,352,088) | AAA/Aa3 |
| 2007 Series 6 | 5/10/2007 | 14,000,000 | 3.661% | 70% of LIBOR | 6/1/2015 | (1,387,041) | AAA/Aa3 |
| 2007 Series 8 | 7/31/2007 | 12,000,000 | 3.924% | USD-SIFMA | 6/1/2015 | (1,255,084) | AAA/Aa3 |
| 2007 Series 11 | 11/7/2007 | 12,000,000 | 3.530% | 70% of LIBOR | 12/1/2015 | (1,309,573) | AAA/Aa3 |
| 2008 Series 2 | 5/13/2008 | 13,000,000 | 3.075% | 70% of LIBOR | 6/1/2016 | (1,353,682) | AAA/Aa3 |
| | | <u>\$ 119,090,000</u> | | | | <u>\$ (10,184,772)</u> | |

WYOMING COMMUNITY DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012 and 2011

Note 9. Interest Rate Swaps (Continued)

Swap Terms and Values (Continued)

June 30, 2011

| 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 | \$ 3,670,000 | 3.523% | 70% of LIBOR | 6/1/2021 | \$ (182,787) | AAA/Aa3 |
| 2005 Series 4 | 6/30/2005 | 4,735,000 | 3.260% | 70% of LIBOR | 12/1/2021 | (213,687) | AAA/Aa3 |
| 2005 Series 7 | 9/20/2005 | 3,855,000 | 3.325% | 70% of LIBOR | 12/1/2016 | (195,010) | AAA/Aa3 |
| 2006 Series 2 | 1/19/2006 | 8,000,000 | 3.465% | 70% of LIBOR | 12/1/2013 | (578,424) | AAA/Aa3 |
| 2006 Series 5 | 4/20/2006 | 10,000,000 | 3.926% | 70% of LIBOR | 6/1/2014 | (956,075) | AAA/Aa3 |
| 2006 Series 7 | 6/26/2006 | 10,000,000 | 4.115% | 70% of LIBOR | 6/1/2014 | (1,011,910) | AAA/Aa3 |
| 2006 Series 9 | 9/27/2006 | 10,000,000 | 3.621% | 70% of LIBOR | 12/1/2014 | (950,219) | AAA/Aa3 |
| 2007 Series 2 | 1/11/2007 | 6,000,000 | 3.678% | 70% of LIBOR | 12/1/2014 | (581,897) | AAA/Aa3 |
| 2007 Series 4 | 3/13/2007 | 14,000,000 | 3.577% | 70% of LIBOR | 6/1/2015 | (1,400,574) | AAA/Aa3 |
| 2007 Series 6 | 5/10/2007 | 14,000,000 | 3.661% | 70% of LIBOR | 6/1/2015 | (1,446,564) | AAA/Aa3 |
| 2007 Series 8 | 7/31/2007 | 12,000,000 | 3.924% | USD-SIFMA | 6/1/2015 | (1,280,902) | AAA/Aa3 |
| 2007 Series 11 | 11/7/2007 | 12,000,000 | 3.530% | 70% of LIBOR | 12/1/2015 | (1,235,924) | AAA/Aa3 |
| 2008 Series 2 | 5/13/2008 | 13,000,000 | 3.075% | 70% of LIBOR | 6/1/2016 | (1,100,481) | AAA/Aa3 |
| | | <u>\$ 121,260,000</u> | | | | <u>\$ (11,134,454)</u> | |

As of June 30, 2012 and 2011, the Authority's swap agreements had a net fair value of (\$10,184,772) and (\$11,134,454), 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. The net fair value reported above as of June 30, 2012 and 2011 is inclusive of accrued interest of \$319,646 and \$340,106, respectively. Accrued interest is separately reported on the Authority's balance sheet. The resultant change in gross fair value was \$929,221. 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, 2012, the Authority was exposed to credit risk on swaps which could have a positive fair value. The positive fair value of any one swap would represent the Authority's exposure 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, 2012, the swap counterparties were rated AAA by Standard & Poor's and Aa3 by Moody's Investors Service. 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.

Interest Rate Risk – The Authority is exposed to interest rate risk on its interest rate swap. On its pay-fixed, receive-variable interest rate swap, as LIBOR or the SIFMA swap index decreases, the Authority's net payment on the swap increases.

WYOMING COMMUNITY DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012 and 2011

Note 9. Interest Rate Swaps (Continued)

Swap Risks (Continued)

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, 2012 and 2011, the SIFMA Index rate was 0.18 and 0.09 percent, respectively, while 70 percent of LIBOR (the swap rate) was 0.17 and 0.13 percent, respectively.

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

Rollover Risk –The Authority is exposed to rollover risk on swaps that mature or may be terminated prior to the maturity of the associated bonds. When these hedging derivative instruments 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, 2012

| 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 | December 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, 2012 and 2011

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, 2012 and 2011:

| | <u>2012</u> | <u>2011</u> |
|---|---------------------------|---------------------------|
| Investment in capital assets | \$ 2,502,678 | \$ 2,135,153 |
| Restricted | | |
| Restricted by bond indentures | 182,643,105 | 151,038,012 |
| Restricted by grants | <u>58,335,175</u> | <u>39,195,528</u> |
| | <u>240,978,280</u> | <u>190,233,540</u> |
| Unrestricted | | |
| Designated for the Single Family Mortgage Warehousing Bonds 2010 Indenture | (46,525) | - |
| Designated for the Multi-Family Mortgage Bonds 1982 Indenture Fund | 2,049,553 | - |
| Designated for the Housing Trust Fund | 49,701,952 | 62,126,033 |
| Designated for the Mortgage Guaranty Fund | 20,411,213 | 18,698,413 |
| Designated for non-current assets | 17,903,441 | 15,886,854 |
| Designated for operating reserve funds | <u>3,870,653</u> | <u>5,214,524</u> |
| | <u>93,890,287</u> | <u>101,925,824</u> |
| Total fund equity | <u>\$ 337,371,245</u> | <u>\$ 294,294,517</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 13,279 single-family loans with unpaid principal balances of \$1,436,777,329 as of June 30, 2012. Included in these amounts were 2,099 second mortgages with outstanding principal balances of \$5,445,285. Escrow balances for these loans were \$5,789,386 at June 30, 2012. These escrow balances are not included in the accompanying combined financial statements. During the years ended June 30, 2012 and 2011, the Authority purchased and capitalized loan servicing rights of \$875,937 and \$943,773, respectively, for loans of approximately \$88,000,000 and \$94,000,000, respectively.

WYOMING COMMUNITY DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012 and 2011

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, 2012, 2011 and 2010 were \$322,842, \$296,455, and \$222,555, 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, 2012, the Authority was committed to purchase single-family mortgages aggregating approximately \$1,212,982 under the 1978 Indenture, \$198,054 under the 1994 Indenture, \$24,526,569 under the Warehouse Indenture, \$8,498,928 under various Federal Programs, \$340,479 under the Housing Trust Fund, and \$1,103,860 under the new FNMA Program.

The Authority has variable rate bonds outstanding in the 1978 Indenture of \$52,545,000 and in the 1994 Indenture of \$121,260,000. 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, 2012, the entire \$173,805,000 of the variable rate debt was subject to a repurchase commitment assumed by the Government Sponsored Entities (GSEs) of Fannie Mae and Freddie Mac, through a standby bond purchase agreement.

Under these agreements, the GSEs will purchase any bonds tendered by bondholders and not successfully remarketed by the settlement date, and will adjust the interest rate associated with any unremarketed bonds to a bank rate. As of June 30, 2012, no variable rate bonds were held as unremarketed bank bonds under the terms of a standby bond purchase agreement.

WYOMING COMMUNITY DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012 and 2011

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 30% to 50% of the outstanding balances. As of June 30, 2012, approximately 13% and 16% 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, 2012, approximately 6% of the Authority's outstanding mortgage receivable balances were covered by pool insurance from Genworth.

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 or 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, 2011 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, 2012 and 2011 were \$575,119 and \$490,349, respectively.

Note 15. Accounting Standards Issued, But Not Implemented

As of June 30, 2012, the Governmental Accounting Standards Board had issued the following standards which the Authority will implement in its next fiscal year.

Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was issued to financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Management has not concluded its assessment of the effect of implementing this guidance.

WYOMING COMMUNITY DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012 and 2011

Note 15. Accounting Standards Issued, But Not Implemented (Continued)

Governmental Accounting Standards Board Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions -- an amendment of GASB Statement No. 53* was issued to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. Management has not concluded its assessment of the effect of implementing this guidance.

Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities* was issued to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Management has not concluded its assessment of the effect of implementing this guidance.

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* was issued to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Management has not concluded its assessment of the effect of implementing this guidance.

Note 16. Subsequent Events

On June 22, 2012, the Authority instructed its trustee to call on July 12, 2012, bonds in the amount of \$10,780,000 from the 1994 Indenture. In addition, on July 12, 2012, another \$40,845,000 of bonds in the 1994 Indenture were refunded with a portion of the proceeds from the 2012 Series 1 and 2 bonds which were issued on June 12, 2012.

On September 13, 2012, pursuant to the 1994 Indenture, the Authority replaced the Standby Irrevocable Temporary Credit and Liquidity Facility issued by Fannie Mae and Federal Home Loan Mortgage Corporation for Substitute Liquidity Facilities which are Standby Bond Purchase Agreements for \$65,000,000 with The Bank of New York Mellon and \$56,260,000 with State Street Bank.

On October 2, 2012, the Authority instructed its trustee to call on October 25, 2012, bonds in the amount of \$4,345,000 from the 1994 Indenture.

On October 2, 2012, the Authority instructed its trustee to call on December 1, 2012, bonds in the amount of \$5,840,000 from the 2009 Indenture.

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WYOMING COMMUNITY DEVELOPMENT AUTHORITY

DETAILED BALANCE SHEET
 June 30, 2012
 (See Independent Auditor's Report)

| | Single Family Mortgage Bonds 1978 Indenture Fund | Housing Revenue Bonds 1994 Indenture Fund | Single Family Mortgage Warehousing Bonds 2010 Indenture Fund | Wyoming Homeownership Bonds 1992 Indenture Fund | Multi-Family Mortgage Bonds 1982 Indenture Fund |
|--|---|--|--|--|--|
| ASSETS | | | | | |
| Current Assets | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ 808,751 | \$ - | \$ 145,187 |
| Investments | - | - | - | - | 1,870,638 |
| Interest receivable: Mortgage loans | - | - | 6,367 | - | - |
| Investments | - | - | - | - | 33,728 |
| Due from other funds | - | 3,375,390 | - | - | - |
| Accounts receivable and other assets | - | - | - | - | - |
| Total current assets | - | 3,375,390 | 815,118 | - | 2,049,553 |
| Noncurrent Assets | | | | | |
| Restricted cash and cash equivalents | 42,817,867 | 248,981,627 | - | 509,843 | - |
| Restricted investments | 18,667,469 | 71,652,672 | - | - | - |
| Restricted mortgage loans receivable, net | 87,946,815 | 621,953,511 | - | 380,028 | - |
| Restricted interest receivable | | | | | |
| Mortgage loans | 401,986 | 4,221,243 | - | 1,593 | - |
| Investments | 178,579 | 806,315 | - | 4 | - |
| Restricted accounts receivable and other assets | 2,288,296 | 1,121,386 | - | - | - |
| Mortgage loans receivable, net | - | - | 3,505,657 | - | - |
| Deferred hedging costs of fixed-rate swaps | - | 9,865,127 | - | - | - |
| Deferred issuance, servicing and other costs, net | 634,584 | 6,610,423 | - | - | - |
| Property and equipment, net | - | - | - | - | - |
| Total noncurrent assets | 152,935,596 | 965,212,304 | 3,505,657 | 891,468 | - |
| Total assets | \$ 152,935,596 | \$ 968,587,694 | \$ 4,320,775 | \$ 891,468 | \$ 2,049,553 |
| LIABILITIES AND FUND EQUITY | | | | | |
| Current Liabilities | | | | | |
| Bonds payable | \$ - | \$ 24,690,000 | \$ - | \$ - | \$ - |
| Accrued interest payable | 211,026 | 3,038,496 | - | - | - |
| Arbitrage rebate payable | 513,158 | 312,448 | - | - | - |
| Due to other funds | - | - | 4,061,503 | - | - |
| Accounts payable and other liabilities | 33,610 | 511,324 | 296,912 | 52 | - |
| Total current liabilities | 757,794 | 28,552,268 | 4,358,415 | 52 | - |
| Noncurrent Liabilities | | | | | |
| Bonds payable | 104,386,093 | 799,030,684 | - | - | - |
| Deferred arbitrage rebate | 1,842 | 47,552 | - | - | - |
| Derivative instrument liability | - | 9,865,127 | - | - | - |
| Other deferred credits | 998,264 | 3,536,977 | 8,885 | - | - |
| Total noncurrent liabilities | 105,386,199 | 812,480,340 | 8,885 | - | - |
| Total liabilities | 106,143,993 | 841,032,608 | 4,367,300 | 52 | - |
| Fund Equity | | | | | |
| Invested in capital assets | - | - | - | - | - |
| Restricted | 46,791,603 | 127,555,086 | - | 891,416 | - |
| Unrestricted | - | - | (46,525) | - | 2,049,553 |
| Total fund equity | 46,791,603 | 127,555,086 | (46,525) | 891,416 | 2,049,553 |
| Total liabilities and fund equity | \$ 152,935,596 | \$ 968,587,694 | \$ 4,320,775 | \$ 891,468 | \$ 2,049,553 |

| Homeownership Mortgage Revenue Bonds 2009 Indenture Fund | Federal Program Fund | Housing Trust Fund | Mortgage Guaranty Fund | General Fund | Eliminations | Total |
|---|----------------------------|--------------------------|------------------------------|-----------------|----------------|------------------|
| \$ - | \$ - | \$ 19,368,441 | \$ 1,052,693 | \$ 5,350,581 | \$ - | \$ 26,725,653 |
| - | - | 22,688,923 | 19,227,927 | 240,009 | - | 44,027,497 |
| - | - | 49,894 | - | - | - | 56,261 |
| - | - | 151,793 | 132,087 | - | - | 317,608 |
| 183,613 | - | 502,500 | - | - | (4,061,503) | - |
| - | - | 877,284 | - | 1,857,814 | (7,372) | 2,727,726 |
| 183,613 | - | 43,638,835 | 20,412,707 | 7,448,404 | (4,068,875) | 73,854,745 |
| 28,315,347 | 4,082,547 | - | - | - | - | 324,707,231 |
| 62,384,413 | - | - | - | - | - | 152,704,554 |
| 194,513,423 | 36,810,835 | - | - | - | - | 941,604,612 |
| 831,392 | - | - | - | - | - | 5,456,214 |
| 79,381 | 26 | - | - | - | - | 1,064,305 |
| 54,660 | 18,573,820 | - | - | - | - | 22,038,162 |
| - | - | 6,070,586 | - | - | - | 9,576,243 |
| - | - | - | - | - | - | 9,865,127 |
| 1,707,467 | - | - | - | 15,400,763 | - | 24,353,237 |
| - | - | - | - | 2,502,678 | - | 2,502,678 |
| 287,886,083 | 59,467,228 | 6,070,586 | - | 17,903,441 | - | 1,493,872,363 |
| \$288,069,696 | \$ 59,467,228 | \$ 49,709,421 | \$ 20,412,707 | \$ 25,351,845 | \$ (4,068,875) | \$ 1,567,727,108 |
| \$ 55,155,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 79,845,000 |
| 574,499 | - | - | - | - | - | 3,824,021 |
| - | - | - | - | - | - | 825,606 |
| - | - | - | - | - | (4,061,503) | - |
| 108,973 | 1,132,053 | 7,469 | 1,494 | 1,075,073 | (7,372) | 3,159,588 |
| 55,838,472 | 1,132,053 | 7,469 | 1,494 | 1,075,073 | (4,068,875) | 87,654,215 |
| 224,203,785 | - | - | - | - | - | 1,127,620,562 |
| - | - | - | - | - | - | 49,394 |
| - | - | - | - | - | - | 9,865,127 |
| 622,439 | - | - | - | - | - | 5,166,565 |
| 224,826,224 | - | - | - | - | - | 1,142,701,648 |
| 280,664,696 | 1,132,053 | 7,469 | 1,494 | 1,075,073 | (4,068,875) | 1,230,355,863 |
| - | - | - | - | 2,502,678 | - | 2,502,678 |
| 7,405,000 | 58,335,175 | - | - | - | - | 240,978,280 |
| - | - | 49,701,952 | 20,411,213 | 21,774,094 | - | 93,890,287 |
| 7,405,000 | 58,335,175 | 49,701,952 | 20,411,213 | 24,276,772 | - | 337,371,245 |
| \$288,069,696 | \$ 59,467,228 | \$ 49,709,421 | \$ 20,412,707 | \$ 25,351,845 | \$ (4,068,875) | \$ 1,567,727,108 |

WYOMING COMMUNITY DEVELOPMENT AUTHORITY

DETAILED SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY

Year Ended June 30, 2012

(See Independent Auditor's Report)

| | Single Family Mortgage Bonds 1978 Indenture Fund | Housing Revenue Bonds 1994 Indenture Fund | Single Family Mortgage Warehousing Bonds 2010 Indenture Fund | Wyoming Homeownership Bonds 1992 Indenture Fund | Multi-Family Mortgage Bonds 1982 Indenture Fund |
|--|---|--|--|--|--|
| Operating Revenues | | | | | |
| Mortgage interest | \$ 4,453,787 | \$ 38,879,194 | \$ 282,055 | \$ 30,269 | \$ - |
| Investment interest income | 883,638 | 4,292,336 | 860 | 73 | 82,692 |
| Net change in fair value of investments | 940,876 | 5,609,063 | - | - | 61,389 |
| Fees and other income | 1,727 | - | 8,614 | 591 | - |
| Total operating revenue | 6,280,028 | 48,780,593 | 291,529 | 30,933 | 144,081 |
| Operating Expenses | | | | | |
| Interest expense | 3,400,041 | 39,337,113 | 316,175 | 13,738 | - |
| Servicer fees | 339,750 | 2,540,378 | 24,180 | 984 | - |
| Amortization of deferred issuance and other costs | 38,847 | 1,532,590 | - | - | - |
| Provision for (recapture of) loan losses | (400,000) | (7,278,693) | (600,000) | - | - |
| General and administrative | 206,803 | 455,216 | 100,112 | 5,594 | 999 |
| Total operating expenses | 3,585,441 | 36,586,604 | (159,533) | 20,316 | 999 |
| Operating income (loss) | 2,694,587 | 12,193,989 | 451,062 | 10,617 | 143,082 |
| Nonoperating Revenue (Expenses) | | | | | |
| Federal program income | - | - | - | - | - |
| Federal program expense | - | - | - | - | - |
| Nonoperating income | - | - | - | - | - |
| Net income (loss) before transfers | 2,694,587 | 12,193,989 | 451,062 | 10,617 | 143,082 |
| Transfers in (out) | (564,406) | 3,518,471 | (291,231) | - | - |
| Net income (loss) | 2,130,181 | 15,712,460 | 159,831 | 10,617 | 143,082 |
| Fund equity, beginning of year | 44,661,422 | 111,842,626 | (206,356) | 880,799 | 1,906,471 |
| Fund equity, end of year | \$46,791,603 | \$127,555,086 | \$ (46,525) | \$ 891,416 | \$ 2,049,553 |

| Homeownership Mortgage Revenue Bonds 2009 Indenture Fund | Federal Program Fund | Housing Trust Fund | Mortgage Guaranty Fund | General Fund | Eliminations | Total |
|---|----------------------------|--------------------------|------------------------------|----------------------|--------------------|-----------------------|
| \$ 7,650,590 | \$ - | \$ 627,718 | \$ - | \$ - | \$ - | \$ 51,923,613 |
| 413,693 | - | 759,612 | 769,498 | 17,576 | (40,564) | 7,179,414 |
| 414,271 | - | 652,857 | 955,566 | - | - | 8,634,022 |
| 3,455 | - | 50,177 | - | 5,927,835 | (3,395,943) | 2,596,456 |
| <u>8,482,009</u> | <u>-</u> | <u>2,090,364</u> | <u>1,725,064</u> | <u>5,945,411</u> | <u>(3,436,507)</u> | <u>70,333,505</u> |
| 5,775,161 | - | - | - | - | (40,564) | 48,801,664 |
| 597,001 | - | 41,031 | - | - | (3,395,943) | 147,381 |
| 183,481 | - | - | - | 1,740,000 | - | 3,494,918 |
| 4,933,355 | - | (783,984) | - | - | - | (4,129,322) |
| 80,591 | - | 38,890 | 999 | 5,017,133 | - | 5,906,337 |
| <u>11,569,589</u> | <u>-</u> | <u>(704,063)</u> | <u>999</u> | <u>6,757,133</u> | <u>(3,436,507)</u> | <u>54,220,978</u> |
| <u>(3,087,580)</u> | <u>-</u> | <u>2,794,427</u> | <u>1,724,065</u> | <u>(811,722)</u> | <u>-</u> | <u>16,112,527</u> |
| - | 15,092,757 | - | - | - | - | 15,092,757 |
| - | (4,970,872) | - | - | - | - | (4,970,872) |
| <u>-</u> | <u>10,121,885</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>10,121,885</u> |
| (3,087,580) | 10,121,885 | 2,794,427 | 1,724,065 | (811,722) | - | 26,234,412 |
| 7,086,515 | - | (11,749,349) | - | 2,000,000 | - | - |
| 3,998,935 | 10,121,885 | (8,954,922) | 1,724,065 | 1,188,278 | - | 26,234,412 |
| 3,406,065 | 48,213,290 | 58,656,874 | 18,687,148 | 23,088,494 | - | 311,136,833 |
| <u>\$ 7,405,000</u> | <u>\$ 58,335,175</u> | <u>\$ 49,701,952</u> | <u>\$ 20,411,213</u> | <u>\$ 24,276,772</u> | <u>\$ -</u> | <u>\$ 337,371,245</u> |