

**Allegheny County  
Residential Finance Authority**

Financial Statements  
and Required Supplementary Information  
and Supplementary Information

Year Ended December 31, 2021  
with Independent Auditor's Report

**MaherDuessel**

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**ALLEGHENY COUNTY**  
**RESIDENTIAL FINANCE AUTHORITY**

YEAR ENDED DECEMBER 31, 2021

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## Independent Auditor's Report

**Board of Directors  
Allegheny County Residential Finance Authority**

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Allegheny County Residential Finance Authority (Authority), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Authority, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part

of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required 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.

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the Authority's basic financial statements. The combining and individual nonmajor fund financial statements and individual Single Family Mortgage Program Funds schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and individual Single Family Mortgage Program Funds schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and individual Single Family Mortgage Program Funds schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Maher Duessel*

Pittsburgh, Pennsylvania  
March 18, 2022

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Residential Finance Authority of Allegheny County (Authority) Management's Discussion and Analysis (MD&A) is designated to provide an overview of the Authority's financial activities for the year ended December 31, 2021 and should be read in conjunction with the Authority's financial statements, which begin on page 1.

### Financial Highlights

- The Authority's net position decreased by \$359,760 during the current year.
- The Authority has approximately \$20.6 million in net position restricted for loan programs available to fulfill its mission to provide safe, decent, and affordable housing to low- and moderate-income residents of Allegheny County.

### Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements consist of two parts: 1) fund financial statements and 2) notes to financial statements.

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Authority's funds are proprietary funds.

The Statement of Net Position, found on page 1, provides information about the Authority's financial position of the various enterprise funds using the accrual basis of accounting. It includes all of the Authority's assets and liabilities and indicates which assets, if any, are restricted as to use. Under the accrual basis of accounting, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

The Statement of Revenues, Expenses, and Changes in Net Position, on page 2, reports all the Authority's earnings and expenses by business-type activity using the accrual basis of accounting.

The Statement of Cash Flows, on page 3, indicates how much cash was provided and used by operating activities as well as other cash sources and uses such as investing and financing activities.

## Proprietary Funds

The Authority maintains one type of proprietary fund. Enterprise funds are used to report activities that are intended to recover all or a significant portion of their costs through user fees and charges.

The Authority maintains four individual enterprise funds. Information is presented separately in the proprietary funds' statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows for the Administrative Fund and Single Family Mortgage Program Funds, which are considered to be major funds. Data from the other two enterprise funds are combined into a single aggregated presentation and is presented individually in the form of combining statements elsewhere in this report.

## Notes to Financial Statements

The notes, which begin on page 4, provide additional information that is essential to a full understanding of data provided in the fund financial statements.

## Other Information

The combining statements referred to earlier in connection with non-major enterprise funds are immediately following the notes to the financial statements, starting on page 18.

## Analysis of Net Position

Net position is a useful indicator of a government's financial position. For the Authority, total assets were greater than liabilities by \$20,659,585 for the year ended December 31, 2021 and \$21,019,345 for the year ended December 31, 2020.

## Condensed Statements of Net Position

The following is a summary of the Authority's Statements of Net Position as of December 31, 2021 and 2020:

	2021	2020	Change
<b>Assets</b>			
Cash	\$ 17,671,336	\$ 18,749,778	\$ (1,078,442)
Loans receivable	1,325,433	1,676,013	(350,580)
Investments	4,689,777	19,408,511	(14,718,734)
Due from other funds	50,000	50,000	-
Accrued interest	14,275	62,921	(48,646)
Other	1,865	1,865	-
<b>Total Assets</b>	<b>23,752,686</b>	<b>39,949,088</b>	<b>(16,196,402)</b>
<b>Liabilities</b>			
Accrued interest	13,574	99,587	(86,013)
Accounts payable	-	10,937	(10,937)
Due to other funds	50,000	50,000	-
Unearned revenue	184,527	374,219	(189,692)
Bonds payable	2,845,000	18,395,000	(15,550,000)
<b>Total Liabilities</b>	<b>3,093,101</b>	<b>18,929,743</b>	<b>(15,836,642)</b>
<b>Net Position</b>			
Restricted	20,598,754	20,918,952	(320,198)
Unrestricted	60,831	100,393	(39,562)
<b>Total Net Position</b>	<b>\$ 20,659,585</b>	<b>\$ 21,019,345</b>	<b>\$ (359,760)</b>

### Changes in Net Position

The Authority's net position decreased by \$359,760 for the year ended December 31, 2021 and increased by \$181,257 for the year ended December 31, 2020. During the current year, 75.5% of the Authority's operating revenue came from loan and investment interest and 24.5% from other sources. During the prior year, 95.3% of the Authority's operating revenue came from loan and investment interest and 4.7% from other sources.



The following summarizes the Authority's Statements of Revenues, Expenses, and Changes in Net Position for the year ended December 31, 2021 and 2020.

**Condensed Statements of Revenues, Expenses, and Changes in Net Position**

	2021	2020	Change
<b>Operating Revenues:</b>			
Loan and investment interest	\$ 639,142	\$ 881,980	\$ (242,838)
Fees and charges	206,446	43,398	163,048
Other	1,467	-	1,467
Total operating revenues	<u>847,055</u>	<u>925,378</u>	<u>(78,323)</u>
<b>Operating Expenses:</b>			
Legal expenses	26,250	26,250	-
Professional services	184,720	46,888	137,832
Other	10,883	10,413	470
Administration	339,200	319,851	19,349
Total operating expenses	<u>561,053</u>	<u>403,402</u>	<u>157,651</u>
<b>Operating Income (Loss)</b>	<u>286,002</u>	<u>521,976</u>	<u>(235,974)</u>
<b>Non-operating Revenues:</b>			
Investment earnings	10,174	29,960	(19,786)
Bond interest	(480,397)	(673,247)	192,850
Realized gains (losses) on securities	783,007	(36,607)	819,614
Net change in fair value of investments	(958,546)	339,175	(1,297,721)
Total non-operating revenues	<u>(645,762)</u>	<u>(340,719)</u>	<u>(305,043)</u>
<b>Net Income (Loss)</b>	<u>(359,760)</u>	<u>181,257</u>	<u>(541,017)</u>
<b>Net Position:</b>			
Beginning of year	<u>21,019,345</u>	<u>20,838,088</u>	<u>181,257</u>
End of year	<u>\$ 20,659,585</u>	<u>\$ 21,019,345</u>	<u>\$ (359,760)</u>

## Financial Analysis of Individual Funds

The following discussion focuses on the Authority's major funds.

The Administrative Fund reported a net position of \$60,831, a decrease of \$39,562 from the prior year, primarily due to the amount paid to Allegheny County for administrative services.

The Single Family Mortgage Program Funds reports a net position of \$19,594,174, a decrease of \$320,887 from the prior year.

### Long-Term Debt

The Authority continued to make principal and interest payments on its existing long-term debt as scheduled and made accelerated payments with only Series BBB of 2017 outstanding at year end. No new bonds were issued during the year. The Authority's long-term debt payments are accelerated when payments on the underlying mortgages for the mortgage-backed securities (i.e. GNMA and FNMA) exceed scheduled payments. The following is a summary of the Authority's long-term debt at December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>Single Family Mortgage Revenue Bonds</u>		
Series TT of 2006	\$ -	\$ 100,000
Series VV of 2007	-	2,550,000
Series XX of 2010	-	2,060,000
Series YY of 2011	-	2,630,000
Series ZZ of 2011	-	4,000,000
Series AAA of 2017	-	3,410,000
Series BBB of 2017	2,845,000	3,645,000
	<u>\$ 2,845,000</u>	<u>\$ 18,395,000</u>

### Requests for Information

The financial report is designed to provide an overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Fiscal Manager of Operations; One Chatham Center, Suite 900; 112 Washington Place; Pittsburgh, PA 15219.

**ALLEGHENY COUNTY  
RESIDENTIAL FINANCE AUTHORITY**

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

DECEMBER 31, 2021

<b>Assets</b>	Administrative Fund	Single Family Mortgage Program Funds	Other Proprietary Funds	Total
Cash and cash equivalents	\$ 211,019	\$ 16,492,015	\$ 968,302	\$ 17,671,336
Due from other funds	-	-	50,000	50,000
Investments for:				
Debt service	-	786,545	-	786,545
GNMA and FNMA securities	-	3,903,232	-	3,903,232
Residential loans	-	1,244,677	68,752	1,313,429
Mortgage loans	-	12,004	-	12,004
Accrued interest:				
GNMA and FNMA	-	14,275	-	14,275
Other	1,865	-	-	1,865
<b>Total Assets</b>	<b>\$ 212,884</b>	<b>\$ 22,452,748</b>	<b>\$ 1,087,054</b>	<b>\$ 23,752,686</b>
<b>Liabilities and Net Position</b>				
<b>Liabilities:</b>				
Accrued interest	\$ -	\$ 13,574	\$ -	\$ 13,574
Due to other funds	50,000	-	-	50,000
Unearned revenue, net	102,053	-	82,474	184,527
Current portion of bonds payable	-	115,000	-	115,000
Long-term portion of bonds payable	-	2,730,000	-	2,730,000
Total Liabilities	152,053	2,858,574	82,474	3,093,101
<b>Net Position:</b>				
Restricted for loan programs	-	19,594,174	1,004,580	20,598,754
Unrestricted	60,831	-	-	60,831
Total Net Position	60,831	19,594,174	1,004,580	20,659,585
<b>Total Liabilities and Net Position</b>	<b>\$ 212,884</b>	<b>\$ 22,452,748</b>	<b>\$ 1,087,054</b>	<b>\$ 23,752,686</b>

See accompanying notes to financial statements.

**ALLEGHENY COUNTY  
RESIDENTIAL FINANCE AUTHORITY**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2021

	Administrative Fund	Single Family Mortgage Program Funds	Other Proprietary Funds	Total
<b>Operating Revenues:</b>				
Interest:				
Loan	\$ -	\$ 8,558	\$ 1,040	\$ 9,598
GNMA and FNMA	-	629,544	-	629,544
Total interest	-	638,102	1,040	639,142
Fees and charges	16,745	189,701	-	206,446
Other income	1,467	-	-	1,467
Total operating revenues	18,212	827,803	1,040	847,055
<b>Operating Expenses:</b>				
Legal expenses	26,250	-	-	26,250
Professional services	21,090	163,630	-	184,720
Other expenses	10,451	-	432	10,883
Administration	300,000	39,200	-	339,200
Total operating expenses	357,791	202,830	432	561,053
<b>Operating Income (Loss)</b>	<b>(339,579)</b>	<b>624,973</b>	<b>608</b>	<b>286,002</b>
<b>Non-Operating Revenues (Expenses):</b>				
Investment earnings	17	10,076	81	10,174
Bond interest	-	(480,397)	-	(480,397)
Realized gain on securities	-	783,007	-	783,007
Net change in fair value of investments	-	(958,546)	-	(958,546)
Transfers in	300,000	-	-	300,000
Transfers out	-	(300,000)	-	(300,000)
Total non-operating revenues (expenses)	300,017	(945,860)	81	(645,762)
<b>Change in Net Position</b>	<b>(39,562)</b>	<b>(320,887)</b>	<b>689</b>	<b>(359,760)</b>
<b>Net Position:</b>				
Beginning of year	100,393	19,915,061	1,003,891	21,019,345
End of year	\$ 60,831	\$ 19,594,174	\$ 1,004,580	\$ 20,659,585

See accompanying notes to financial statements.

**ALLEGHENY COUNTY  
RESIDENTIAL FINANCE AUTHORITY**

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2021

	Administrative Fund	Single Family Mortgage Program Funds	Other Proprietary Funds	Total
<b>Cash Flows From Operating Activities:</b>				
Cash received for fees and charges	\$ 18,212	\$ -	\$ -	\$ 18,212
Cash received on asset-backed securities - principal	-	3,165,940	-	3,165,940
Cash received on asset-backed securities - interest	-	678,190	-	678,190
Cash received on loans - principal	-	128,118	222,462	350,580
Cash received on loans - interest	-	8,558	1,044	9,602
Cash paid to Allegheny County	(300,000)	-	-	(300,000)
Cash paid to vendors	(68,728)	(202,830)	(432)	(271,990)
Net cash provided by (used in) operating activities	(350,516)	3,777,976	223,074	3,650,534
<b>Cash Flows From Financing Activities:</b>				
Bond/note principal repayments	-	(15,550,000)	-	(15,550,000)
Interest paid	-	(566,410)	-	(566,410)
Transfers in	300,000	-	-	300,000
Transfers out	-	(300,000)	-	(300,000)
Net cash provided by (used in) financing activities	300,000	(16,416,410)	-	(16,116,410)
<b>Cash Flows From Investing Activities:</b>				
Interest income received	26	10,076	77	10,179
Sale of investments	-	11,720,220	-	11,720,220
Cash disbursed - investments for debt service	-	(342,965)	-	(342,965)
Net cash provided by (used in) investing activities	26	11,387,331	77	11,387,434
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(50,490)	(1,251,103)	223,151	(1,078,442)
<b>Cash and Cash Equivalents:</b>				
Beginning of year	261,509	17,743,118	745,151	18,749,778
End of year	\$ 211,019	\$ 16,492,015	\$ 968,302	\$ 17,671,336
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:</b>				
Operating income (loss)	\$ (339,579)	\$ 624,973	\$ 608	\$ 286,002
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Loan principal repayments made	-	128,118	222,466	350,584
Unearned revenue, net	-	(189,701)	-	(189,701)
Change in:				
Accounts payable	(10,937)	-	-	(10,937)
GNMA and FNMA securities	-	3,165,940	-	3,165,940
Accrued interest receivable	-	48,646	-	48,646
Net cash provided by (used in) operating activities	\$ (350,516)	\$ 3,777,976	\$ 223,074	\$ 3,650,534

See accompanying notes to financial statements.

# ALLEGHENY COUNTY RESIDENTIAL FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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### 1. Organization and Purpose

The purpose of the Allegheny County Residential Finance Authority (Authority) is to broaden and stimulate the market for housing and otherwise improve the quality of life for residents of Pennsylvania. The Authority's principal means of promoting this purpose is through programs that offer below-market interest rate financing for the acquisition of newly constructed or existing housing in the area encompassing the County of Allegheny (County), with the exception of the City of Pittsburgh. The Authority has offered such financing both directly, by issuing mortgage loans, and indirectly, by acquiring Government National Mortgage Association (GNMA) and Federal National Mortgage Association (FNMA) mortgage-backed securities originated specifically through Authority programs.

The Authority issues revenue bonds to enable funding of these programs. Each bond series is payable from receipts derived by the Authority from the corresponding program. In addition, substantially all other Authority assets are secured and are restricted to use for specified programs or debt service until the related debt is retired.

The Authority is a public instrumentality and body corporate and politic of the Commonwealth of Pennsylvania (Commonwealth) established in 1981 pursuant to the Second Class County Code of the Commonwealth.

The County Executive appoints a Board of Directors (Board), comprised of up to twelve County residents, which governs the Authority. The County has not included the Authority in its reporting entity because the County's accountability for the Authority does not extend beyond making these appointments.

### 2. Summary of Significant Accounting Policies

#### Basis of Accounting

The Authority has various programs that are reported as separate Enterprise funds. The Authority accounts for its programs on the accrual basis of accounting in accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statements. Accordingly, revenues are recorded when earned, and expenses are recorded when incurred.

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# ALLEGHENY COUNTY RESIDENTIAL FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of interest on investments and loans and fees. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions, such as capital contributions, grants, or ancillary activities.

When an expense is incurred, for purposes in which there are both restricted and unrestricted net position available, it is the Authority's policy to apply those expenses first to restricted net position, to the extent that such is available, and then to the unrestricted net position.

### Description of Funds

These financial statements include all activities of the Authority using a fund accounting basis. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual net position, and changes therein, which are segregated for the purpose of carrying on activities in accordance with regulations, contractual restrictions, or other limitations.

The Authority reports the following major proprietary funds:

Administrative Fund - The Administrative Fund accounts for centralized administrative support provided by the Authority to its enterprise funds. Administrative expenses include support services provided by the County's Department of Economic Development.

Single Family Mortgage Program Funds - Each Single Family Mortgage Fund was established by the issuance of mortgage revenue bonds for the purpose of enabling the Authority to offer financing for the acquisition of newly constructed or existing single family housing. The Authority offered financing directly for Single Family Services B, C, and D in the form of mortgage loans. These mortgage loans are recorded in the Bond Defeasance Fund. The Bond Defeasance Fund includes assets and related liabilities for the single-family program where the related indebtedness has been retired. The remaining Series entail indirect financing through the acquisition of GNMA and FNMA mortgage-backed securities, which originated specifically for Authority programs. In

# ALLEGHENY COUNTY RESIDENTIAL FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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both cases, the financings are characterized by interest rates below the rate prevailing in the market at the time of the program.

In addition, the Authority reports the following non-major proprietary funds:

Community Development Fund - The Community Development Fund accounts for the revenues and expenses of community development block grant programs undertaken for the purpose of providing down-payment assistance to eligible residents of the County.

Housing Development Fund - The Housing Development Fund accounts for collections of loans and grant funds on behalf of the County, which were previously collected by the Housing Development Corporation (HDC). HDC was dissolved in 1994, and the assets of HDC were transferred to the County. In 1994, the Authority began collecting the loan and grant funds. The funds are held by the Authority in the Housing Development Fund, pending a disbursement request by the County for use as permitted under the terms of the original grant agreements.

### Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid instruments with original maturities of three months or less.

### GNMA and FNMA Securities

The GNMA and FNMA Securities are mortgage-backed securities guaranteed by the GNMA or FNMA, respectively. GNMA is a wholly-owned corporate instrumentality of the United States within the Department of Housing and Urban Development. FNMA is a federally chartered, stockholder-owned corporation.

These securities are categorized by their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.



# ALLEGHENY COUNTY RESIDENTIAL FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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### Unearned Revenue and Expenses

The inception of Single Family Mortgage Programs can entail several types of transactions for which related revenue or expense recognition is deferred. Mortgage and GNMA inception can entail origination and commitment fees received by the Authority that recorded as unearned revenues.

Program revenue, restricted as to its use by grant agreements, is recognized in the proprietary funds to the extent allowable expenses are incurred. Any excess of program income over expenses is recorded as unearned revenues.

### Net Position Components

Net position is classified into three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets - This component of net position consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets. There was no net investment in capital assets at year-end.

Restricted - This component of net position consists of constraints placed on net position use through external restrictions imposed by creditors (such as restrictions on usage by bond issuance). The Authority reports net position restricted for its lending and lending support programs at year-end.

Unrestricted - This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets." The net position of the Administrative Fund was unrestricted at year-end.

### Pending Pronouncements

GASB has issued statements that will become effective in future years, including Statement Nos. 87 (Leases), 89 (Accounting for Interest Cost), 91 (Conduit Debt Obligations), 92 (Omnibus 2020), 94 (Public-Private and Public-Public Partnerships), 96 (Information

# ALLEGHENY COUNTY RESIDENTIAL FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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Technology Arrangements), and 97 (Deferred Compensation Plans). Management has not yet determined the impact of these statements on the financial statements.

### 3. Deposits and Investments

Pennsylvania statutes provide for Authority investment of governmental funds into certain authorized investment types, including insured or collateralized time deposits and certificates of deposit. The statutes allow the pooling of governmental funds for investment purposes. The Trustee for each bond series is responsible for investing funds pursuant to restrictions designed to mitigate the risk of investing funds, including monitoring entities that have provided guaranteed investment contracts.

The deposit and investment policy of the Authority adheres to state statutes. Deposits of the governmental funds are either maintained in demand deposits or money market accounts. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Authority.

GASB Statement No. 40, *“Deposit and Investment Risk Disclosures,”* requires disclosures related to the following deposit and investment risks: credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. The following is a description of the Authority’s deposit and investment risks:

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Authority’s deposits may not be returned to it. The Authority does not have a formal policy for custodial credit risk. As of December 31, 2021, \$894,501 of the Authority’s bank balance of \$1,144,501 was exposed to custodial risk. However, this balance is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have collateral held by an approved custodian in the institution’s name.

The Authority also has deposits in various short-term investment vehicles, primarily money market accounts in the amount of \$17.3 million. These funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

# ALLEGHENY COUNTY RESIDENTIAL FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

Interest Rate Risk - Investments - The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the investments held by the Authority are primarily comprised of assets securitized in the secondary market from loans issued from the various single family loan programs. The maturities noted in the table below reflect the final maturity of the respective security and do not take into consideration routine repayments on principal as the underlying assets pay down, as it is not possible to forecast these repayments. It is management's intention to hold these securities until maturity. Interest rates on these investments are fixed, and principal and interest repayments from these investments will be used to repay the related debt service.

	Carrying Value	Less Than 1 Year	1-5 Years	6-10 Years	11-15 Years	16-20 Years	21-25 Years
AEGON GIC	\$ 786,545	\$ -	\$ 786,545	\$ -	\$ -	\$ -	\$ -
FNMA	481,553	-	-	434,949	46,604	-	-
GNMA	3,421,679	-	305,081	1,520,588	807,440	788,570	-
	<u>\$ 4,689,777</u>	<u>\$ -</u>	<u>\$ 1,091,626</u>	<u>\$ 1,955,537</u>	<u>\$ 854,044</u>	<u>\$ 788,570</u>	<u>\$ -</u>

Credit Risk - The Authority does not have a formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2021, the Authority's investments are unrated.

Fair Value - Investments - The Authority's investments in FNMA and GNMA securities are priced by third-party pricing services using observable market data and are included in the Level 2 fair value hierarchy.

#### 4. Single Family Program Mortgage Loans

The Authority issued Single Family Mortgage Loans for homes in the County, excluding the City of Pittsburgh, pursuant to programs each year from 1982 through 1985. The originating mortgage lender was required to ensure that each loan initiated under these programs, among other conditions, was:

# ALLEGHENY COUNTY RESIDENTIAL FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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- 1) Secured by a first lien mortgage on an insured title;
- 2) Made substantially in accordance with the current standard overwriting policies of the originating mortgage lender and the program;
- 3) Compliant with IRS Code § 103(b) designating borrower eligibility requirements necessary for tax-exemption of the program's bond interest; and
- 4) For an amount not exceeding 80% of the lesser of fair market value or purchase price, or was insured by a primary mortgage insurance policy that would pay the Authority's principal and accrued interest outstanding as well as certain administrative costs in the event of foreclosure.

These requirements at origination, combined with the efforts to entities contracted to service all outstanding mortgage loans, have allowed the Authority to incur no significant loan losses. The risk of loss is further mitigated by a mortgage pool insurance policy for each program against delinquencies. Based upon payment experience, insurance against losses and the status of loans at year-end, the Authority believes no provision for loan losses is necessary at December 31, 2021.

The total original principal amount was \$139,140,000. The interest rate for Series D is 9.70%. During 1996, the interest rates for Series C (1984) mortgage loans initially bearing interest at 11% and 8% were reduced to 7.75% and 4.75%, respectively. During 1999, the interest rate for Series B (1984) mortgage loans initially bearing interest at 10.25% was reduced to 3.43%.

At December 31, 2021, the Single Family Mortgage Program Funds had \$1,244,677 of residential loans outstanding. These loans were utilized to create more affordable housing available in Allegheny County as directed by the Authority.

### **5. GNMA and FNMA Securities**

The Single Family Mortgage Program Fund, Series T&U, AA&BB, CC&DD, EE&FF, HH&II, JJ&KK, LL&MM, NNOO&PP, QQRR&SS, TT, and UU&VV purchased GNMA and FNMA mortgage-backed securities during 2009. These securities provide payment of principal and interest and are backed by pools of mortgage loans that have been originated by a number of lending institutions to qualified persons to finance the purchase of single family residential housing within the County, excluding the City of Pittsburgh. These securities are

# ALLEGHENY COUNTY RESIDENTIAL FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

not pledged to any one indenture but are available for repayment of bonds within the single family mortgage program.

### 6. Bonds Payable

The following table shows the changes in long-term debt for the year ended December 31, 2021:

	Balance January 1, 2021	Additions	Deletions	Balance December 31, 2021	Due Within One Year
Proprietary Funds:					
Mortgage Revenue Bonds	\$ 18,395,000	\$ -	\$ (15,550,000)	\$ 2,845,000	\$ 115,000

The Authority issues mortgage revenue bonds to finance its programs. These bonds are limited obligations of the Authority, secured solely by the assignment and pledge of substantially all of the corresponding mortgage program fund's assets. Because of this secured interest, the Authority is restricted in the use of virtually all assets of the mortgage program funds and has vested the rights and responsibilities of receiving, managing, and disbursing funds with trustees engaged for each bond issue. This restriction causes the net position to be effectively restricted until the corresponding bond issue is retired. The bonds are not obligations of the County, the Commonwealth, or any political subdivision of the Commonwealth.

Most of the bond issues provide for retirements to be accelerated from the original schedule in the event of prepayments of the underlying mortgages, GNMA or FNMA securities, or if funds are otherwise available as provided in the respective trust indentures. The maturity schedules presented on the following pages do not contemplate such accelerated retirements or mandatory sinking fund repayments, as these are difficult to predict due to the Authority's practice of calling bonds early.

**ALLEGHENY COUNTY  
RESIDENTIAL FINANCE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

Annual debt service requirements on outstanding bonds are as follows:

	Principal	Interest	Total
2022	\$ 115,000	\$ 80,995	\$ 195,995
2023	450,000	76,905	526,905
2024	405,000	65,963	470,963
2025	-	57,188	57,188
2026	-	57,188	57,188
2027 - 2031	1,875,000	47,654	1,922,654
	\$ 2,845,000	\$ 385,893	\$ 3,230,893

Single Family – Series TT

During 2006, the Authority issued \$12,830,000 of Single Family Mortgage Revenue Bonds. The bonds were used for the origination of single family mortgage loans.

Interest is payable semi-annually in May and November. Interest on the fixed-rate bonds range from 3.90% to 5.75%.

As of December 31, 2021, the Series TT Bonds had principal outstanding of \$0.

Single Family - Series UU and VV

During 2007, the Authority issued \$16,045,000 of Single Family Mortgage Revenue Bonds. The bonds were used for the origination of single mortgage loans and to defease the Authority's outstanding Single Family Series W&X bonds. The Series UU Bonds were retired during 2016.

Interest is payable semi-annually in May and November, commencing on November 1, 2006. Interest on the fixed-rate bonds range from 4.00% to 4.95%. As of December 31, 2021, the Series VV Bonds had principal outstanding of \$0.

# ALLEGHENY COUNTY RESIDENTIAL FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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### Single Family - Series XX

During November of 2010, the Authority released \$5,750,000 of proceeds from the 2009 Escrowed Proceeds Account and redesignated such proceeds as the Series XX Bonds. The bonds were used for the origination of single family mortgage loans.

Interest is payable on February 23, 2011 and thereafter semi-annually in May and November, commencing on May 1, 2012. Interest on the bonds is 0.73% from November 23, 2010 to February 23, 2011 and 3.01% thereafter. As of December 31, 2021, the Series XX Bonds had principal outstanding of \$0.

### Single Family- Series YY

During August of 2011, the Authority released \$7,000,000 of proceeds from the 2009 Escrowed Proceeds Account and redesignated such proceeds as the Series YY Bonds. The bonds were used for the origination of single family mortgage loans.

Interest is payable on November 1, 2011 and thereafter semi-annually in May and November, commencing on November 1, 2011. Interest on the bonds is 3.48%. As of December 31, 2021, the Series YY Bonds had principal outstanding of \$0.

### Single Family - Series ZZ

During November of 2011, the Authority released \$11,580,000 of proceeds from the 2009 Escrowed Proceeds Account and redesignated such proceeds as the Series ZZ Bonds. The bonds were used for the origination of single family mortgage loans.

Interest is payable on May 1, 2012 and thereafter semi-annually in May and November, commencing on May 1, 2012. Interest on the bonds is 2.32%. As of December 31, 2021, the Series ZZ Bonds had principal outstanding of \$0.

### Single Family - Series AAA and BBB

During December 2017, the Authority issued \$8,510,000 Single Family Mortgage Revenue Bonds as Series AAA, \$4,000,000, and Series BBB, \$4,510,000. The Series AAA bonds will be used for the origination of single family mortgage loans. The Series BBB bonds were used for a current refunding of the Series OO and Series PP bonds.

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# ALLEGHENY COUNTY RESIDENTIAL FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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Interest is payable on May 1, 2018 and thereafter semi-annually in May and November, commencing on May 1, 2018. Interest on the Series AAA bonds range from 3.35% to 3.80%. Interest on the Series BBB bonds range from 1.60% to 3.40%. As of December 31, 2021, the Series AAA Bonds had principal outstanding of \$0. As of December 31, 2021, the Series BBB had principal outstanding of \$2,845,000 with a final maturity in the year 2029.

### *Optional Redemption*

The Series AAA and Series BBB Bonds maturing on or after November 1, 2026 are redeemable at the option of the Authority on the first business day of each month, in whole or in part, on any date, from any maturities selected by the Authority, at the redemption price of 100% of principal plus accrued interest.

### *Mandatory Redemption*

The Series AAA Bonds maturing on November 1, 2032, November 1, 2037, and November 1, 2047, are subject to mandatory redemption prior to their stated maturity dates, in part, at principal amounts plus accrued interest to the date fixed for redemption in the manner provided in the Indenture.

The Series BBB bonds maturing on November 1, 2027 and November 1, 2029 are subject to mandatory redemption prior to their stated maturity date, in part, at 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption in the manner provided in the Indenture.

## **7. Conduit Debt**

During 2008, the Authority served as an issuer of \$4,940,800 of Multi-Family Housing Revenue Bonds, Series A, B, and C for the Broadview Manor Apartments, Allegheny Independence House Apartments, and Versailles-Archer apartments projects, respectively. The bond proceeds were provided for the acquisition and rehabilitation of the projects. At December 31, 2021, the outstanding balance was \$4,185,000.

During 2009, the Authority served as an issuer of \$3,485,000 of Multi-Family Housing Revenue Bonds, Series 2009 for the Metowers Apartments project. The bond proceeds



# ALLEGHENY COUNTY RESIDENTIAL FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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were provided for the acquisition and rehabilitation of the apartment. At December 31, 2021, the outstanding balance was \$2,885,000.

During 2013, the Authority served as an issuer of \$4,500,000 of Multi-Family Housing Revenue Bonds, Series 2013 for Rolling Woods Apartments LP. The bond proceeds were provided for the acquisition and rehabilitation of the apartment building. At December 31, 2021, the outstanding balance was \$4,105,000.

For each of these projects, the principal and interest on the bonds are to be repaid solely and exclusively by the borrower. The Authority has no-commitment for the debt and does not anticipate acting in any related ongoing administrative capacity. Accordingly, this no-commitment debt is not presented on the face of the Authority's financial statements.

### **8. Related Parties**

The County provides administrative services to the Authority. Administrative costs for 2021 were \$300,000, which are included in the Administrative Fund in the statement of revenues, expenses, and changes in net position.

## **SUPPLEMENTARY INFORMATION**

**ALLEGHENY COUNTY  
RESIDENTIAL FINANCE AUTHORITY**

COMBINING STATEMENT OF NET POSITION - OTHER PROPRIETARY FUNDS

DECEMBER 31, 2021

<b>Assets</b>	Community Development Fund	Housing Development Fund	Total
Cash and cash equivalents	\$ 32,527	\$ 935,775	\$ 968,302
Residential loan	-	68,752	68,752
Due from other fund	50,000	-	50,000
<b>Total Assets</b>	<b>\$ 82,527</b>	<b>\$ 1,004,527</b>	<b>\$ 1,087,054</b>
<b>Liabilities and Net Position</b>			
<b>Liabilities:</b>			
Unearned revenue, net	\$ 82,474	\$ -	\$ 82,474
<b>Total Liabilities</b>	<b>82,474</b>	<b>-</b>	<b>82,474</b>
<b>Net Position:</b>			
Restricted for loan programs	53	1,004,527	1,004,580
<b>Total Net Position</b>	<b>53</b>	<b>1,004,527</b>	<b>1,004,580</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 82,527</b>	<b>\$ 1,004,527</b>	<b>\$ 1,087,054</b>

**ALLEGHENY COUNTY  
RESIDENTIAL FINANCE AUTHORITY**

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -  
OTHER PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2021

	Community Development Fund	Housing Development Fund	Total
<b>Operating Revenues:</b>			
Loan interest	\$ -	\$ 1,040	\$ 1,040
<b>Operating Expenses:</b>			
Other expense	-	432	432
<b>Operating Income (Loss)</b>	-	608	608
<b>Non-Operating Revenues (Expenses):</b>			
Investment earnings	4	77	81
<b>Change in Net Position</b>	4	685	689
<b>Net Position:</b>			
Beginning of year	49	1,003,842	1,003,891
End of year	\$ 53	\$ 1,004,527	\$ 1,004,580

**ALLEGHENY COUNTY  
RESIDENTIAL FINANCE AUTHORITY**

COMBINING STATEMENT OF CASH FLOWS - OTHER PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2021

	Community Development Fund	Housing Development Fund	Total
<b>Cash Flows From Operating Activities:</b>			
Cash received on loans - principal	\$ -	\$ 222,462	\$ 222,462
Cash received on loans - interest	4	1,040	1,044
Cash paid to vendors	-	(432)	(432)
Net cash provided by (used in) operating activities	<u>4</u>	<u>223,070</u>	<u>223,074</u>
<b>Cash Flows From Investing Activities:</b>			
Interest income received	-	77	77
Net cash provided by (used in) investing activities	<u>-</u>	<u>77</u>	<u>77</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	4	223,147	223,151
<b>Cash and Cash Equivalents:</b>			
Beginning of year	32,523	712,628	745,151
End of year	<u>\$ 32,527</u>	<u>\$ 935,775</u>	<u>\$ 968,302</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:</b>			
Operating income (loss)	\$ -	\$ 608	\$ 608
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Loan principal repayments made	4	222,462	222,466
Net cash provided by (used in) operating activities	<u>\$ 4</u>	<u>\$ 223,070</u>	<u>\$ 223,074</u>

**ALLEGHENY COUNTY  
RESIDENTIAL FINANCE AUTHORITY**

COMBINING STATEMENT OF NET POSITION -  
SINGLE FAMILY MORTGAGE PROGRAM FUNDS

DECEMBER 31, 2021

<b>Assets</b>	Series T&U	Bond Defeasance Fund	Indenture Related Single Family Funds	Total
Cash and cash equivalents	\$ 1,464,171	\$ 3,335,792	\$ 11,692,052	\$ 16,492,015
Investments for:				
Debt service	-	-	786,545	786,545
GNMA and FNMA securities	3,877	-	3,899,355	3,903,232
Residential loan	-	1,244,677	-	1,244,677
Mortgage loans	-	12,004	-	12,004
Accrued interest:				
GNMA and FNMA	22	-	14,253	14,275
<b>Total Assets</b>	<b>\$ 1,468,070</b>	<b>\$ 4,592,473</b>	<b>\$ 16,392,205</b>	<b>\$ 22,452,748</b>
<b>Liabilities and Net Position</b>				
<b>Liabilities:</b>				
Accrued interest	\$ -	\$ -	\$ 13,574	\$ 13,574
Unearned revenue, net	-	-	-	-
Current portion of bonds payable	-	-	115,000	115,000
Long-term portion of bonds payable	-	-	2,730,000	2,730,000
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>2,858,574</b>	<b>2,858,574</b>
<b>Net Position:</b>				
Restricted for loan programs	1,468,070	4,592,473	13,533,631	19,594,174
<b>Total Net Position</b>	<b>1,468,070</b>	<b>4,592,473</b>	<b>13,533,631</b>	<b>19,594,174</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 1,468,070</b>	<b>\$ 4,592,473</b>	<b>\$ 16,392,205</b>	<b>\$ 22,452,748</b>

**ALLEGHENY COUNTY  
RESIDENTIAL FINANCE AUTHORITY**

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -  
SINGLE FAMILY MORTGAGE PROGRAM FUNDS

YEAR ENDED DECEMBER 31, 2021

	Series T&U	Bond Defeasance Fund	Indenture Related Single Family Funds	Total
<b>Operating Revenues:</b>				
Interest:				
Loan	\$ -	\$ 8,558	\$ -	\$ 8,558
GNMA and FNMA	484	-	629,060	629,544
Total interest	484	8,558	629,060	638,102
Fees and charges	-	-	189,701	189,701
Total operating revenues	484	8,558	818,761	827,803
<b>Operating Expenses:</b>				
Professional services	-	107,630	56,000	163,630
Administration	-	-	39,200	39,200
Total operating expenses	-	107,630	95,200	202,830
<b>Operating Income (Loss)</b>	484	(99,072)	723,561	624,973
<b>Non-Operating Revenues (Expenses):</b>				
Investment earnings	57	231	9,788	10,076
Bond interest	-	-	(480,397)	(480,397)
Realized loss on securities	-	-	783,007	783,007
Net change in fair value of investments	-	-	(958,546)	(958,546)
Transfers out	-	(300,000)	-	(300,000)
Total non-operating revenues (expenses)	57	(299,769)	(646,148)	(945,860)
<b>Change in Net Position</b>	541	(398,841)	77,413	(320,887)
<b>Net Position:</b>				
Beginning of year	1,467,529	4,991,314	13,456,218	19,915,061
End of year	\$ 1,468,070	\$ 4,592,473	\$ 13,533,631	\$ 19,594,174

**ALLEGHENY COUNTY  
RESIDENTIAL FINANCE AUTHORITY**

COMBINING STATEMENT OF CASH FLOWS -  
SINGLE FAMILY MORTGAGE PROGRAM FUNDS

YEAR ENDED DECEMBER 31, 2021

	Series T&U	Bond Defeasance Fund	Indenture Related Single Family Funds	Total
<b>Cash Flows From Operating Activities:</b>				
Cash received on asset-backed securities - principal	\$ 6,259	\$ -	\$ 3,159,681	\$ 3,165,940
Cash received on asset-backed securities - interest	520	-	677,670	678,190
Cash received on loans - principal	-	128,118	-	128,118
Cash received on loans - interest	-	8,558	-	8,558
Cash paid to vendors	-	(107,630)	(95,200)	(202,830)
Net cash provided by (used in) operating activities	<u>6,779</u>	<u>29,046</u>	<u>3,742,151</u>	<u>3,777,976</u>
<b>Cash Flows From Financing Activities:</b>				
Bond/note principal repayments	-	-	(15,550,000)	(15,550,000)
Interest paid	-	-	(566,410)	(566,410)
Transfers out	-	(300,000)	-	(300,000)
Net cash provided by (used in) financing activities	<u>-</u>	<u>(300,000)</u>	<u>(16,116,410)</u>	<u>(16,416,410)</u>
<b>Cash Flows From Investing Activities:</b>				
Interest income received	57	231	9,788	10,076
Sale of investments	-	-	11,720,220	11,720,220
Cash disbursed - investments for debt service	-	-	(342,965)	(342,965)
Net cash provided by (used in) investing activities	<u>57</u>	<u>231</u>	<u>11,387,043</u>	<u>11,387,331</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>6,836</b>	<b>(270,723)</b>	<b>(987,216)</b>	<b>(1,251,103)</b>
<b>Cash and Cash Equivalents:</b>				
Beginning of year	1,457,335	3,606,515	12,679,268	17,743,118
End of year	<u>\$ 1,464,171</u>	<u>\$ 3,335,792</u>	<u>\$ 11,692,052</u>	<u>\$ 16,492,015</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:</b>				
Operating income (loss)	\$ 484	\$ (99,072)	\$ 723,561	\$ 624,973
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Loan principal repayments made	-	128,118	-	128,118
Unearned revenue, net	-	-	(189,701)	(189,701)
Change in:				
GNMA and FNMA securities	6,259	-	3,159,681	3,165,940
Accrued interest receivable	36	-	48,610	48,646
Net cash provided by (used in) operating activities	<u>\$ 6,779</u>	<u>\$ 29,046</u>	<u>\$ 3,742,151</u>	<u>\$ 3,777,976</u>