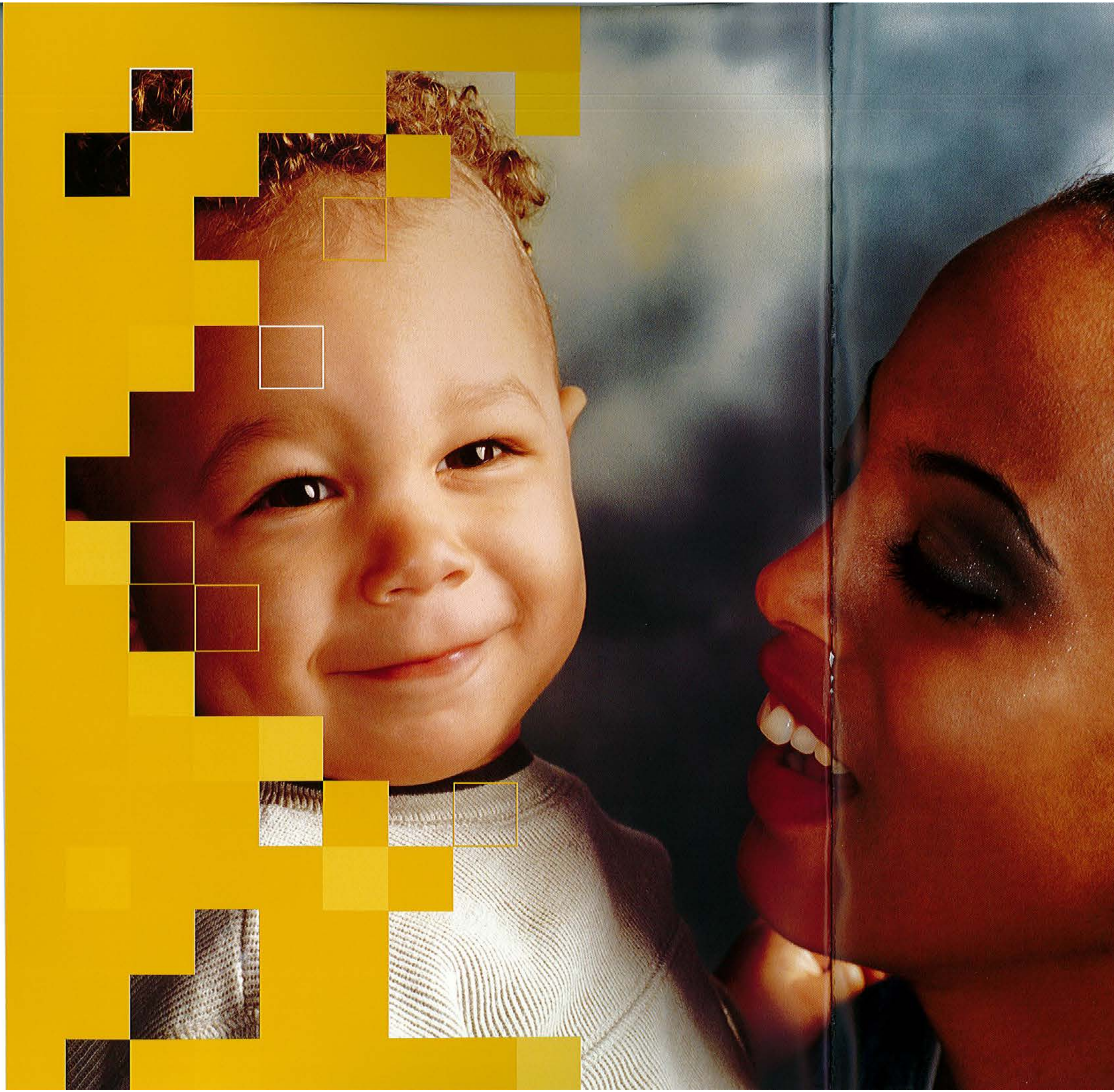
I AM...

PENNSYLVANIA HOUSING FINANCE AGENCY

Annual Report 2000



2000 Highlights

In 2000, the Pennsylvania Housing Finance Agency:

❐ Awarded $4,700,000 to Philadelphia, Washington, Meadville and Pittsburgh under the Homeownership Choice Demonstration Program to fund the efficient development of affordable houses in older urban areas.

❐ Allocated $16,528,568 of housing tax credits to 65 rental developments that will result in the creation of 2,711 affordable apartments.

❐ Under the PennHOMES program, committed $15,778,937 for 865 rental units in 21 apartment complexes, and approved another $16,502,000 for the initial feasibility of 1,173 units in 25 developments.

❐ Hosted its second statewide housing conference, an event attended by more than 600 persons, and the annual supportive services conference, which had an attendance exceeding 350.

❐ Provided nearly $12,000,000 of Homeowners' Emergency Mortgage Assistance loans to 1,766 families to help keep them from losing their homes to foreclosure. By year's end, the program had made $284,000,000 of loans to 27,000 families and had been repaid in excess $127,000,000.

❐ Received the National Council of State Housing Agencies' Award for Program Excellence in Housing Management for PHFA's Family Resource Center Initiative.

❐ Saw its efforts to increase housing bond and tax credit volume caps succeed with the passage of federal legislation in December. Every member of Pennsylvania's Congressional Delegation co-sponsored the enabling legislation.

❐ Promoted understanding of affordable housing among homebuyers, builders, developers, elected officials, real estate professionals and the general public at more than 65 workshops, seminars and public meetings.

❐ Financed the purchase of houses for 4,950 Pennsylvania families with $362,000,000 of funding from the Hafer HomeBuyer Program and PHFA-issued mortgage revenue bonds. At the end of 2000, the Agency's home mortgage loan financing totaled $4,400,000,000 for almost 85,000 homebuyers.

❐ Assumed responsibility for the administration of almost $92,000,000 of HUD Section 8 contracts to assist lower income families, senior citizens and persons with disabilities living in 37,876 subsidized apartment units in Pennsylvania.

❐ As an organization, was responsible for a contribution of $34,677.84 to the 2000 United Way Campaign, an average of $145.71 for each donor. Because several retirees also made donations in the annual effort, PHFA's participation rate was 103 percent of its workforce.

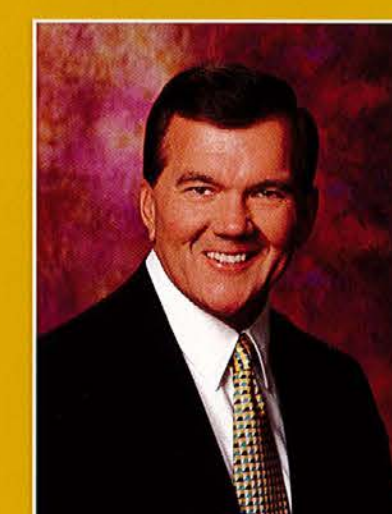
Governor
Tom Ridge

Together Creating Possibilities

My Administration has worked hard to improve the quality of life for Pennsylvanians by making our streets safer and our job climate even stronger. We are committed to making Pennsylvania a better place to live, work and raise a family. Good housing is a critical part of that effort.

The Pennsylvania Housing Finance Agency is a national leader in the innovative use of financial resources. PHFA provides the capital to restore older structures, build new ones and make affordable loans available to help families meet their shelter needs.

PHFA partners successfully every day with organizations, families, churches and synagogues and volunteers. There is literally no limit to what can be done when we work together to harness the power of every Pennsylvanian to make a difference in our communities.



Tom Ridge

Executive Director
William C. Bostic

America's Dream is Pennsylvania's Reality

This annual report describes PHFA's accomplishments in two ways: it catalogues the number of loans approved and the money invested in housing, and it shows how lives are affected because of that activity. The money and loans are important because they define what the Agency does, but the lives are our reason for being. What PHFA does is to help fulfill the dreams, wishes and aspirations of tens of thousands of real people, Pennsylvanians who want to enjoy the benefits of good housing for themselves and their families.

PHFA programs have an impact on our past, present and future. They help form the basis of efforts that are so necessary for communities to thrive and remain economically, socially and culturally vibrant. We are constantly made aware by our interactions with homebuyers, lenders, nonprofit organizations, advocacy groups, rental housing developers and thousands of individuals who use and benefit from the Agency's programs.

This fact was recognized by leaders at the state and federal levels who worked with us during the past year to secure a major legislative success during the waning days of the 106th Congress. Every member of the Pennsylvania Congressional Delegation co-sponsored bills that allow the Agency to better fulfill its mandate of creating affordable housing opportunities in the Commonwealth. PHFA played a decisive role in the national movement.

PHFA seeks opportunities to serve. This is vividly demonstrated in two programs initiated in 2000 that have major policy implications for the state.

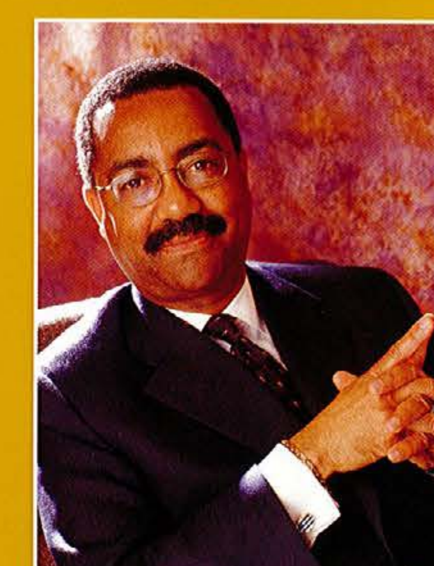
One is the Homeownership Choice Program. It funds the development of affordable houses in older urban areas by using efficient building and rehabilitation techniques. Begun as a demonstration program that has provided $4.7 million to projects in four cities, PHFA intends to continue the initiative in other areas. The program contributes directly to the Governor's sound land use and economic development initiatives, and PHFA's role on behalf of affordable housing is vital.

A second major undertaking of the year 2000 was PHFA's assumption of administrative authority for Section 8 rental assistance contracts in more than 400 HUD-subsidized apartment buildings across the Commonwealth. This measure ensures that the affected apartments remain affordable for the families who live there, and that the dwellings will be responsibly and effectively managed.

These new measures complement and strengthen other programs that have proven themselves: the PennHOMES and tax credit programs for multifamily rental housing development; various single-family home-ownership programs, including the popular Hafer HomeBuyer program; and, the Homeowners' Emergency Mortgage Assistance Program to prevent foreclosure.

Before closing, we would like to recognize the efforts of Herman Silverman, who retired from the PHFA Board after twenty-three years of loyal and dedicated service. Herman's intelligence, common sense and good humor were tremendous assets to the Agency and the Commonwealth.

On behalf of the Board and staff of the Pennsylvania Housing Finance Agency, we want to express our appreciation for the support we have received from Governor Ridge's Administration, the General Assembly, the Pennsylvania Congressional Delegation and all those who have worked so hard to help make good housing, America's dream, a reality in Pennsylvania.



William C. Bostic

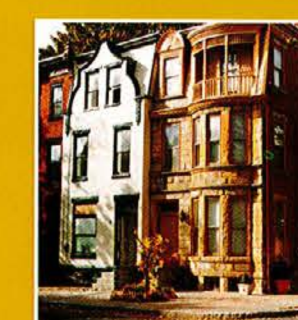
I am the Past

I am the children of Pennsylvania.
I am everyone who has lived before me because I have inherited freedom, pride and worth from that world.

My family has given me dignity and the opportunity to live in a place that is better than the one they were bequeathed.

As I grow, I will embody the potential of all their hopes and dreams, and I will fulfill that destiny.

It won't happen without mistakes and failures, but it won't happen without wisdom and victories, either.



By investing in housing throughout Pennsylvania's communities, PHFA helps keep the Commonwealth's heritage alive for persons of all ages.

I am the Present

I am here today because I had the good fortune to be born to parents who cared about their family and the community where they lived.

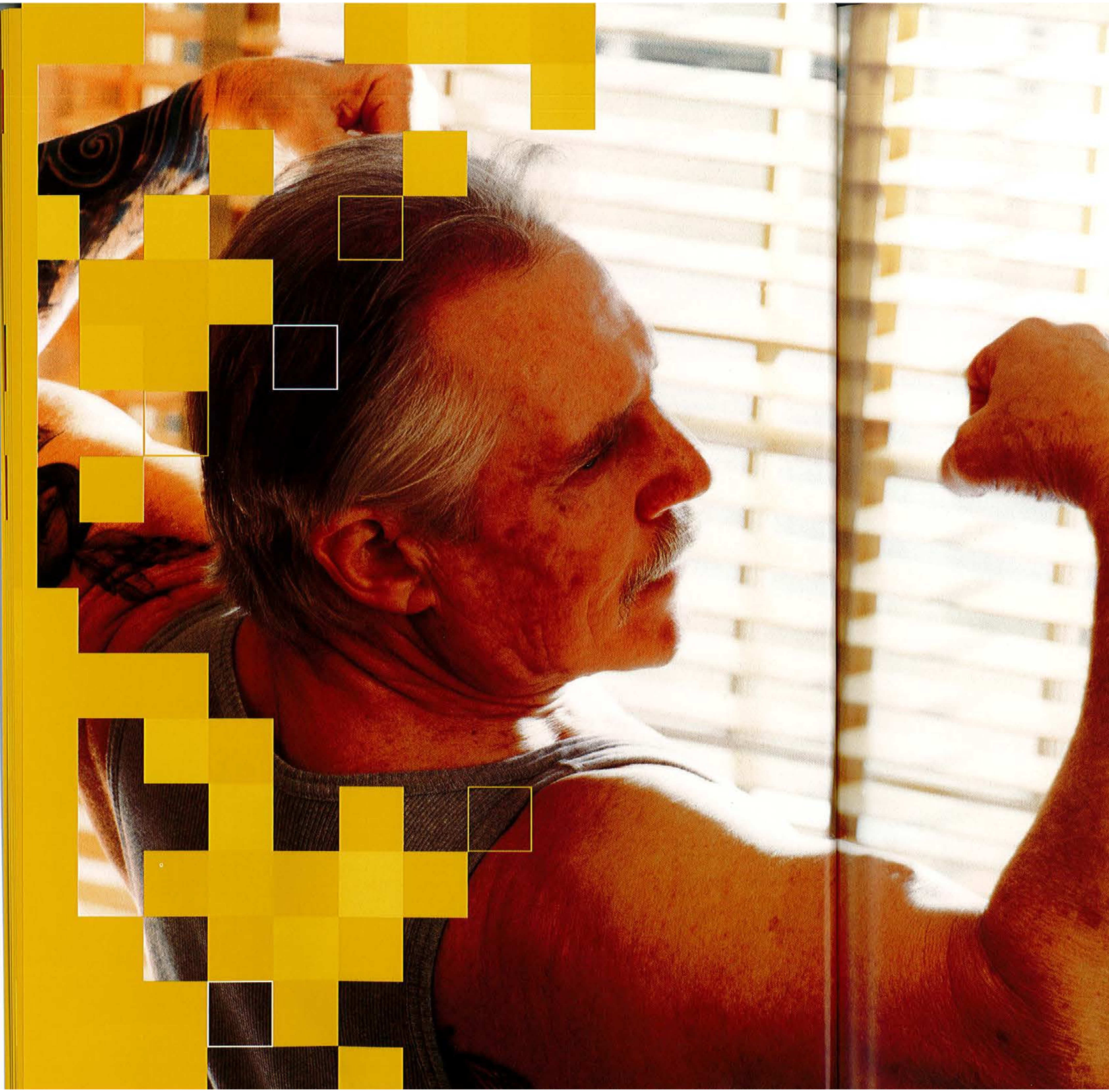
My children – and my parents – depend on me for so much, and I will not let them down.

I will give them a good home, security and the best my abilities can offer.

I will continue to contribute to society through my faith in the benefits of hard work and learning.

I will take advantage of every chance to improve upon the things I have been given.

Through its home mortgage loans and funding for affordable rental apartments, PHFA has brought the benefits of good housing to tens of thousands of Commonwealth families.



I am the Future

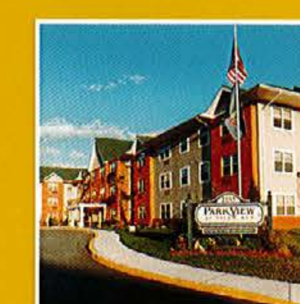
"That which is behind me, and that which is before me are nothing compared to that which is within me."

Emerson wrote those words, or something like them, and they are as true now as they were more than a century-and-a-half ago.

I am strong and smart and in my time have lived through terrible and grand things.

I have given my children a world that is full of possibilities that were unimaginable in my parents' time.

I enjoy this more than anything else I ever did, because it builds on tomorrow. I am the future. I am the spirit of America.



The strength of Pennsylvania's communities rests in its citizens. Safe, decent and accessible places to live are as important to those who are growing old as they are to those who are growing up.

I am the Pennsylvania Housing Finance Agency

I am Laura Feehrer. I came to PHFA twelve years ago as a temporary telephone operator giving information to people who wanted to buy their own homes. In my more than eight decades on this earth, I have learned that it doesn't mean very much *when* you start doing something that makes a difference, it's only important *that* you start. I am the Pennsylvania Housing Finance Agency.

I am Mary Garcia. At first, I didn't even know anything about escrows for taxes and insurance, but five years after being hired as a secretary, my duties require me to discuss the details of principal and interest, collections, appraisal fees and a thousand other things that are important to persons who are trying hard to pay their mortgage loans. I really love the job because every case is different, and when you've helped someone solve their problem, it helps solve my problems, too. I am the Pennsylvania Housing Finance Agency.

I am Mike Kosick. What we do here really makes a big, positive impact on the residents of the four hundred-plus rental facilities financed by PHFA. My job lets me see that "decent, safe and sanitary housing" isn't just some nice-sounding slogan, it helps real people live better, and gives them some of the best housing many have ever had. You could work a whole life time and not do anything nearly as rewarding. I'm proud to have had the opportunity to be part of this. I am the Pennsylvania Housing Finance Agency.

I am Cliff Morton. When I started here in 1985, I was able to take advantage of my counseling experience to assist persons struggling to meet their housing needs. It has been my good fortune to see the things I helped create grow into mature computer-based programs that have helped more than 300,000 Commonwealth families achieve their potential. I am the Pennsylvania Housing Finance Agency.

These persons, and all the other ones who aren't pictured, are the Pennsylvania Housing Finance Agency. The Pennsylvania Housing Finance Agency's 235 employees offer a wealth of experience, talent and dedication to the citizens of the Commonwealth. Their commitment to providing good, affordable housing is reflected in the work they have done to provide 87,000 households with PHFA mortgage loans, financing nearly 58,000 apartments for older adults, families of modest means and persons with disabilities, and saving more than 27,000 homes from foreclosure.

Vice Chairman
Gary E. Lenker
Vice President and
Director of Operations
Donco Construction, Inc.

Chairman
The Honorable James B. Kauffman, Jr.
Secretary of Banking

The Honorable Samuel A. McCullough
Secretary of Community
and Economic Development

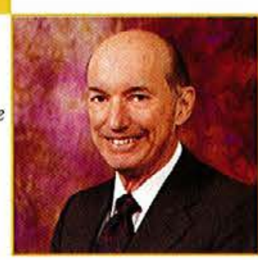
The Honorable Feather O. Houstoun
Secretary of Public Welfare

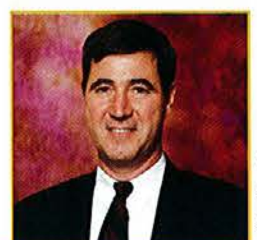
John Paone
President
Thomas Mill Associates, Inc.

The Honorable Barbara Hafer
State Treasurer

BOARD *of* DIRECTORS

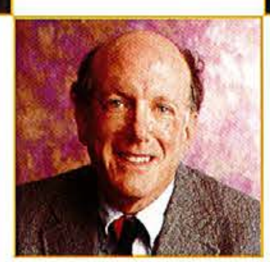
Kenneth L. Rall
Retired
Former President and Chief Executive
Officer
D.S.C., Inc.





Raymond S. Angeli
President
Lackawanna Junior College

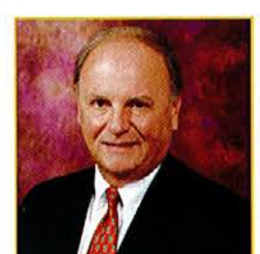
Charles W. Prine, Jr.
Former President, Action Housing, Inc.
Former Senior Vice President,
Ryan Homes, Inc.



Mark Schwartz
Executive Director
Regional Housing Legal Services

Ronald S. Mintz
Developer and Investor

Brenda Maisha Jefferson Jackson
Housing Consultant



Thomas B. Hagen
Chairman
Team Pennsylvania Foundatio

Richard G. Mingey
Chief Operating Officer
Richard G. Kelly and Son, Inc.

PENNSYLVANIA HOUSING FINANCE AGENCY

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENTS
for the years ended June 30, 2000 and 1999

AND REQUIRED SUPPLEMENTAL INFORMATION

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Report of Independent Accountants

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
One South Market Square
Harrisburg PA 17101-9916
Telephone (717) 231-5900
Facsimile (717) 232-5672

To the Members of the Pennsylvania Housing Finance Agency
Harrisburg, Pennsylvania:

In our opinion, the accompanying balance sheets and the related statements of revenues, expenses and changes in fund balances and cash flows present fairly, in all material respects, the financial position of The Pennsylvania Housing Finance Agency (Agency) at June 30, 2000 and 1999, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Agency's management; our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Homeowners Emergency Mortgage Assistance Program (HEMAP) whose statements reflect total assets and revenues constituting 2.0% and .5%, respectively of the related totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for HEMAP, is based solely on the report of the other auditors. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Funding Progress, Schedule of Contributions from the Employer and Other Contributing Entities, and the Notes to Supplemental Schedules on pages 47 and 48 are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated September 29, 2000 on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

PricewaterhouseCoopers LLP

September 29, 2000

PENNSYLVANIA HOUSING FINANCE AGENCY

Balance Sheets
as of June 30, 2000 and 1999

2000

(DOLLAR AMOUNTS IN THOUSANDS)	GENERAL FUND	MULTI-FAMILY PROGRAM	SINGLE FAMILY PROGRAM	INSURANCE FUND	HEMAP	TOTALS (MEMORANDUM ONLY)
ASSETS						
Deposits and investments (Note E)	$ 115,892	$ 361,052	$ 338,998	$ 28,740	$ 5,593	$ 850,275
Mortgage loans receivable (Note F)	—	546,354	2,228,238	—	69,327	2,843,919
Construction advances (Note F)	—	9,113	—	—	—	9,113
Deferred and other assets	5,653	4,671	10,522	8	112	20,966
Due from other funds	12,636	—	—	—	—	12,636
	$ 134,181	$ 921,190	$ 2,577,758	$ 28,748	$ 75,032	$ 3,736,909
LIABILITIES AND FUND BALANCES						
Bonds payable (Note I)	—	529,380	2,342,736	—	—	2,872,116
Notes payable (Note H)	—	5,026	1,103	—	—	6,129
Escrow and other liabilities	323	221,334	38,113	481	3,230	263,481
Accrued interest payable	—	15,394	34,403	—	—	49,797
Accounts payable and accrued expenses	1,533	—	74	—	228	1,835
Accrued mortgage claims	—	—	—	1,211	—	1,211
Due to other funds	—	4,889	7,285	—	462	12,636
Total liabilities	1,856	776,023	2,423,714	1,692	3,920	3,207,205
Fund balances (Note K):						
Reserved	—	1,960	42,081	10,000	71,112	125,153
Unreserved:						
Internally designated	48,750	137,490	15,705	17,056	—	219,001
Undesignated	83,575	5,717	96,258	—	—	185,550
Total fund balances	132,325	145,167	154,044	27,056	71,112	529,704
	$ 134,181	$ 921,190	$ 2,577,758	$ 28,748	$ 75,032	$ 3,736,909

1999

(DOLLAR AMOUNTS IN THOUSANDS)	GENERAL FUND	MULTI-FAMILY PROGRAM	SINGLE FAMILY PROGRAM	INSURANCE FUND	HEMAP	TOTALS (MEMORANDUM ONLY)
ASSETS						
Deposits and investments (Note E)	$ 100,805	$ 346,135	$ 332,935	$ 25,674	$ 6,360	$ 811,909
Mortgage loans receivable (Note F)	—	554,337	2,055,585	—	75,791	2,685,713
Construction advances (Note F)	—	17,770	—	—	—	17,770
Deferred and other assets	5,268	4,751	8,685	8	110	18,822
Due from other funds	17,763	—	—	—	—	17,763
	$ 123,836	$ 922,993	$ 2,397,205	$ 25,682	$ 82,261	$ 3,551,977
LIABILITIES AND FUND BALANCES						
Bonds payable (Note I)	—	547,183	2,173,668	—	—	2,720,851
Notes payable (Note H)	—	6,049	—	—	—	6,049
Escrow and other liabilities	166	207,369	41,060	904	3,356	252,855
Accrued interest payable	—	15,880	33,139	—	—	49,019
Accounts payable and accrued expenses	1,628	—	120	—	239	1,987
Accrued mortgage claims	—	—	—	130	—	130
Due to other funds	—	3,715	13,547	—	501	17,763
Total liabilities	1,794	780,196	2,261,534	1,034	4,096	3,048,654
Fund balances (Note K):						
Reserved	—	1,960	36,305	10,000	78,165	126,430
Unreserved:						
Internally designated	43,250	128,915	14,205	14,648	—	201,018
Undesignated	78,792	11,922	85,161	—	—	175,875
Total fund balances	122,042	142,797	135,671	24,648	78,165	503,323
	$ 123,836	$ 922,993	$ 2,397,205	$ 25,682	$ 82,261	$ 3,551,977

The accompanying notes are an integral part of these financial statements.

PENNSYLVANIA HOUSING FINANCE AGENCY

Statements of Revenues, Expenses and Changes in Fund Balances
for the years ended June 30, 2000 and 1999

(DOLLAR AMOUNTS IN THOUSANDS)	2000						1999					
	GENERAL FUND	MULTI-FAMILY PROGRAM	SINGLE FAMILY PROGRAM	INSURANCE FUND	HEMAP	TOTALS (MEMORANDUM ONLY)	GENERAL FUND	MULTI-FAMILY PROGRAM	SINGLE FAMILY PROGRAM	INSURANCE FUND	HEMAP	TOTALS (MEMORANDUM ONLY)
REVENUES												
Interest income:												
Investments	$ 4,161	$ 10,086	$ 24,895	$ 1,988	$ 385	$ 41,515	$ 5,482	$ 8,011	$ 20,648	$ 1,671	$ 379	$ 36,191
Mortgage loans receivable (Note F)	77	50,358	138,088	—	979	189,502	116	51,492	134,012	—	1,024	186,644
Construction advances (Note F)	—	91	—	—	—	91	—	113	—	—	—	113
Total interest income	4,238	60,535	162,983	1,988	1,364	231,108	5,598	59,616	154,660	1,671	1,403	222,948
Fees and charges	15,980	—	2,138	2,579	296	20,993	14,592	—	1,469	1,763	305	18,129
Amortization of deferred gain	—	731	—	—	—	731	—	661	—	—	—	661
Unrealized gain (loss) on investments	(708)	(2,195)	(2,061)	(175)	—	(5,139)	(781)	(2,683)	(2,581)	(200)	—	(6,245)
Grant revenue	—	—	—	—	—	—	—	243	—	—	—	243
Pass-through grants (Note C)	—	111,769	—	—	—	111,769	—	118,835	—	—	—	118,835
Residual receipts	—	1,641	—	—	—	1,641	—	1,841	—	—	—	1,841
Nonrecurring income	2	—	—	—	—	2	12	—	—	—	—	12
Total operating revenue	19,512	172,481	163,060	4,392	1,660	361,105	19,421	178,513	153,548	3,234	1,708	356,424
EXPENSES												
Interest on notes (Note H)	—	168	3,159	—	—	3,327	—	214	—	—	—	214
Interest on bonds (Note I)	—	34,850	141,549	—	—	176,399	—	35,435	139,902	—	—	175,337
Salaries and related benefits	10,252	—	—	—	1,518	11,770	9,445	—	—	—	1,444	10,889
General and administrative	4,607	2,299	—	234	1,789	8,929	4,345	2,654	—	276	1,705	8,980
Pass-through grants (Note C)	—	111,769	—	—	—	111,769	—	118,835	—	—	—	118,835
Loan loss provision	—	15,000	3,000	—	5,406	23,406	—	12,000	1,600	—	2,868	16,468
Mortgage claims	—	—	—	1,750	—	1,750	—	—	—	600	—	600
Write-off of real estate deposit	500	—	—	—	—	500	—	—	—	—	—	—
Total operating expenses	15,359	164,086	147,708	1,984	8,713	337,850	13,790	169,138	141,502	876	6,017	331,323
Income before extraordinary item	4,153	8,395	15,352	2,408	(7,053)	23,255	5,631	9,375	12,046	2,358	(4,309)	25,101
Extraordinary loss												
Early extinguishment of debt (Note I)	—	(1)	(697)	—	—	(698)	—	—	(620)	—	—	(620)
Net income	4,153	8,394	14,655	2,408	(7,053)	22,557	5,631	9,375	11,426	2,358	(4,309)	24,481
Fund balances at beginning of year	122,042	142,797	135,671	24,648	78,165	503,323	110,444	134,045	129,589	22,290	82,474	478,842
Fund balance transfers and other changes (Note D)	6,130	(6,024)	3,718	—	—	3,824	5,967	(623)	(5,344)	—	—	—
Fund balances at end of year	$ 132,325	$ 145,167	$ 154,044	$ 27,056	$ 71,112	$ 529,704	$ 122,042	$ 142,797	$ 135,671	$ 24,648	$ 78,165	$ 503,323

The accompanying notes are an integral part of the financial statements.

PENNSYLVANIA HOUSING FINANCE AGENCY

Statements of Cash Flows
for the year ended June 30, 2000 and 1999

(DOLLAR AMOUNTS IN THOUSANDS)	2000 GENERAL FUND	2000 MULTI-FAMILY PROGRAM	2000 SINGLE FAMILY PROGRAM	2000 INSURANCE FUND	2000 HEMAP	2000 TOTALS (MEMORANDUM ONLY)	1999 GENERAL FUND	1999 MULTI-FAMILY PROGRAM	1999 SINGLE FAMILY PROGRAM	1999 INSURANCE FUND	1999 HEMAP	1999 TOTALS (MEMORANDUM ONLY)
Cash flows from operating activities:												
Net income (loss)	$ 4,153	$ 8,394	$ 14,655	$ 2,408	$ (7,053)	$ 22,557	$ 5,631	$ 9,375	$ 11,426	$ 2,358	$ (4,309)	$ 24,481
Adjustments to reconcile net income to net cash provided by (used in) operating activities												
Depreciation and amortization	286	233	929	—	42	1,490	373	240	1,924	—	69	2,606
Loss on early extinguishment of debt	—	1	697	—	—	698	—	—	620	—	—	620
Loan loss provision	—	15,000	3,000	—	5,406	23,406	—	12,000	1,600	—	2,868	16,468
Interest expense on notes and bonds, excluding amortization and accretion	—	35,018	141,549	—	—	176,567	—	34,988	139,902	—	—	174,890
Interest income on investments	(4,161)	(10,086)	(24,895)	(1,988)	(385)	(41,515)	(5,482)	(8,011)	(20,648)	(1,671)	(379)	(36,191)
Unrealized gain on investments	708	2,195	2,061	175	—	5,139	781	2,683	2,581	200	—	6,245
Amortization of deferred gain	—	731	—	—	—	731	—	661	—	—	—	661
Loss on sale of real estate owned	—	—	—	—	18	18	—	—	—	—	3	3
Increase (decrease) due to changes in operating assets and liabilities												
Mortgage loans receivable	—	(7,017)	(175,653)	—	1,058	(181,612)	—	3,456	(97,675)	—	(644)	(94,863)
Construction advances	—	8,657	—	—	—	8,657	—	6,140	—	—	—	6,140
Deferred and other assets	(170)	80	(2,534)	—	(62)	(2,686)	(1,489)	430	(2,335)	(1)	(33)	(3,428)
Escrow and other liabilities	157	13,234	(2,947)	(423)	(126)	9,895	(228)	29,507	10,970	200	(8)	40,441
Accounts payable and accrued expenses	(95)	—	(46)	—	(11)	(152)	229	—	64	—	36	329
Accrued mortgage claims	—	—	—	1,081	—	1,081	—	—	—	(212)	—	(212)
Net cash provided by (used in) operating activities	878	66,440	(43,184)	1,253	(1,113)	24,274	(185)	91,469	48,429	874	(2,397)	138,190
Cash flows from noncapital financing activities:												
Due (from) to other funds	4,626	1,174	(6,262)	—	(39)	(501)	(5,703)	139	5,526	—	38	—
Fund balance transfers from (to) other funds and other changes	6,130	(6,024)	3,718	—	—	3,824	5,967	(623)	(5,344)	—	—	—
Proceeds from sale of bonds and notes	—	—	539,704	—	—	539,704	—	18,250	235,582	—	—	253,832
Redemptions and maturities of bonds and notes	—	(19,060)	(370,462)	—	—	(389,522)	—	(16,234)	(206,475)	—	—	(222,709)
Interest paid on bonds and notes	—	(35,504)	(140,285)	—	—	(175,789)	—	(35,784)	(140,030)	—	—	(175,814)
Net cash provided by (used in) noncapital financing activities	10,756	(59,414)	26,413	—	(39)	(22,284)	264	(34,252)	(110,741)	—	38	(144,691)
Cash flows from investing activities:												
Purchase of investments	(53,899)	(129,354)	(41,523)	—	(6,187)	(230,963)	(206,505)	(214,669)	(33,207)	—	(5,699)	(460,080)
Interest received on investments	4,161	10,086	24,895	1,988	385	41,515	5,482	8,011	20,648	1,671	379	36,191
Proceeds from sales and maturities of investments	67,842	117,008	31,544	—	6,954	223,348	200,944	173,316	71,876	—	8,233	454,369
Net cash provided by (used in) investing activities	18,104	(2,260)	14,916	1,988	1,152	33,900	(79)	(33,342)	59,317	1,671	2,913	30,480
Net increase (decrease) in cash and cash equivalents	29,738	4,766	(1,855)	3,241	—	35,890	—	23,875	(2,995)	2,545	554	23,979
Cash and cash equivalents at beginning of year	—	209,349	169,201	15,198	(413)	393,335	—	185,474	172,196	12,653	(967)	369,356
Cash and cash equivalents at end of year	$ 29,738	$ 214,115	$ 167,346	$ 18,439	$ (413)	$ 429,225	$ —	$ 209,349	$ 169,201	$ 15,198	$ (413)	$ 393,335
Reconciliation of cash and cash equivalents to the balance sheets:												
Total deposits and investments per the balance sheets	115,892	361,052	338,998	28,740	5,593	850,275	100,805	346,135	332,935	25,674	6,360	811,909
Less:												
Investments not meeting the definition of cash equivalents at fair value at end of year	86,154	146,937	171,652	10,301	6,006	421,050	100,805	136,786	163,734	10,476	6,773	418,574
Cash and cash equivalents at end of year	$ 29,738	$ 214,115	$ 167,346	$ 18,439	$ (413)	$ 429,225	$ —	$ 209,349	$ 169,201	$ 15,198	$ (413)	$ 393,335
Supplemental schedule of noncash operating activities:												
Mortgage loan receivable (charge-offs), net of recoveries	$ —	$ 37	$ (1,210)	$ —	$ (9,981)	$ (11,154)	$ —	$ —	$ (1,618)	$ —	$ (7,719)	$ (9,337)

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements
(dollar amounts in thousands)

June 30, 2000

A. Authorizing Legislation

The Pennsylvania Housing Finance Agency (Agency) is a corporate and political body created by the Housing Finance Agency Law, Act of December 3, 1959, P.L. 1688 (Act), as amended. Pursuant to the Act, the Agency is authorized and empowered, among other things, to finance the construction and rehabilitation of housing units for persons and families of low and moderate income or the elderly. Bonds and notes issued under the provisions of the Act are not a debt or liability of the Commonwealth of Pennsylvania or any of its political subdivisions or a pledge of the faith and credit of the Commonwealth of Pennsylvania or of any of its political subdivisions.

The Act was amended to authorize the Agency to make or purchase loans to finance the purchase, construction, improvement or rehabilitation of owner-occupied single family residences, and to finance the construction and rehabilitation of housing units without requiring the housing units to be subsidized or assisted by a federal government program.

The Act was further amended to authorize the Agency to furnish emergency mortgage assistance to mortgagors facing foreclosure because of circumstances beyond their control, through the form of loans.

The Agency has been determined to be a component unit of the Commonwealth of Pennsylvania for financial reporting purposes and thus, the financial results of the Agency will be included in the Commonwealth's June 30, 2000 financial statements.

B. Fund Accounting

The accounts of the Agency are organized on the basis of separate enterprise funds, each of which is considered to be a separate accounting entity with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, and revenues and expenses. The funds used by the Agency are described below.

General Fund

The General Fund is utilized to record certain loan origination fees, service fees and revenue from investments not specifically pledged for the repayment of notes or bonds in the other funds. All Agency expenses are recorded in this fund except interest and provisions for potential loan losses which are charged to the loan-related funds.

Multi-Family Program

The Multi-Family Program transactions relate to the construction, rehabilitation and permanent financing of multi-family rental housing developments generally designed for persons and families of low and moderate income or the elderly. The Multi-Family Program also provides funds for the bridge loan program. This program provides funds to multi-family construction projects, to be used as owner's equity. These funds assist the construction project to finance pre-construction costs.

Single Family Program

The Single Family Program transactions relate to the purchase of mortgage loans for owner-occupied single family residences for persons and families of low and moderate income. Borrowers participating in the Single Family Program have the option of obtaining primary mortgage insurance through the Pennsylvania Housing Insurance Fund.

Insurance Fund

Through the Insurance Fund, the Agency provides primary mortgage insurance coverage for single family mortgage loans, and charges the participants a premium for this coverage.

HEMAP

The Homeowners Emergency Mortgage Assistance Program (HEMAP) was created by Act 91 of the General Assembly as a separate fund within the Agency. Transactions relate to the furnishing of emergency mortgage assistance to mortgagors facing foreclosure because of circumstances beyond their control, through the form of loans, in an amount sufficient to bring the mortgage current, and, if necessary, to provide continuing assistance for a period of up to 36 months. The mortgagor's obligation to repay the loan does not commence until there is the financial ability to do so. As stated in Act 91, no Agency funds are being expended on HEMAP; however, it does rely on the Agency for various administrative services, for which it pays a support services fee.

The Agency follows Governmental Accounting Standards Board (GASB) Statement No. 14, "The Reporting Entity." As a result, HEMAP has been determined to be part of the reporting entity. Accordingly, HEMAP has been included as a separate fund in the financial statements. A separately published audit report of HEMAP is available for public inspection in the Agency's Finance Department.

Funding from repayments are estimated to continue to be sufficient to meet continuing loan program obligations and administrative costs. HEMAP is currently reviewing restructuring options, including legislative changes, that would make it self-sustaining or allow for a reduction of the appropriation.

C. Summary of Significant Accounting Policies

The financial statements have been prepared on the accrual basis. On this basis, revenues are recognized in the year in which they are earned and become measurable, and expenses are recognized in the year they are incurred.

The Agency follows GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting" (Statement No. 20) for reporting and disclosure purposes. As permitted by Statement No. 20, the Agency has elected to not apply Financial Accounting Standards Board pronouncements issued after November 30, 1989 unless the GASB specifically adopts the FASB Statement or Interpretation.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Agency considers all highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents.

Investment Securities

The Agency values its investments in accordance with Governmental Accounting Standards Board Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires the investments to be carried at fair value.

The fair value of the Agency's investment securities are based upon values provided by external investment managers and quoted market prices.

Mortgage Loans Receivable and Construction Advances

Mortgage loans receivable and construction advances are carried at amounts disbursed plus accrued interest and fees, less collections, mortgage loan discounts and allowance for potential loan losses, if any.

Allowance for Potential Loan Losses

The allowance for potential loan losses is determined based upon management's evaluation of mortgage loans receivable and construction advances. Factors considered by management include the estimated fair market values of the properties that represent collateral, the amount of mortgage insurance to be received, if any, and the past experience and financial condition of the borrowers. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions. Additions to the allowance are provided by charges to expense.

Mortgage Real Estate Owned

During the normal course of business, the Agency purchases single family properties at foreclosure proceedings to avoid or minimize losses on mortgage loans. These properties are recorded at cost and are held and managed by the Agency until purchasers are located. Subsequent costs directly related to the sale or improvement of the real estate are capitalized, as they are recoverable as part of the insurance claim. Losses arising from the properties are charged to the allowance for potential loan losses when incurred.

Mortgage Loan Interest

Interest income is recognized over the life of construction advances and mortgage loans receivable based upon the constant yield method.

Mortgage Loan Origination Fees and Costs

Loan origination fees range from 1% to 2.5% of the loan commitment for the Multi-Family Program and from 0% to 1% of the mortgage amount for the Single Family Program. The Single Family loan origination fees are retained by the financial institutions which originate Agency loans.

Loan origination costs relate to investigations, surveys, appraisals and other matters pertaining to the evaluation of mortgage loan proposals and construction advances.

The net difference between the loan origination fee and the related direct loan origination cost is deferred and amortized using the interest method over the life of the loan.

Amortization of Notes and Bonds Payable Discounts

Underwriter discounts relating to notes and bonds payable, including original issue discounts, are amortized over the lives of the related debt using the interest method.

Deferred Gain

In prior years, in an effort to maintain the low-income status of various multi-family projects, the Agency acquired these projects, at below market value, from the original owners. The Agency in turn sold these properties, at market price, to the current owners with the condition that they would retain their low-income status.

The deferred gain (the excess of the selling price over the Agency's acquisition price) is included in escrow and other liabilities and is being amortized over the lives of the current owners' mortgage loans using the installment method.

Deferred Costs of Refunding

The Agency follows GASB Statement No. 23, "Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities," which requires that the difference between the reacquisition price and the net carrying amount of defeased debt be deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. On the balance sheet, the amount of the unamortized deferred costs of refunding is reported as a deduction from or addition to the new debt. During the years ended June 30, 2000 and 1999, the Agency deferred losses of $3,658 and $1,625, respectively, on refunding Single Family Mortgage Revenue Bonds. As of June 30, 2000 and 1999, the unamortized deferred costs of refunding are $12,266 and $8,640, respectively.

Pass-through Grants

The Agency has implemented GASB Statement No. 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance." GASB Statement No. 24 requires that all cash pass-through grants received by a governmental entity be reported in its financial statements. The effect of applying these provisions is to increase both operating revenues and operating expenses by $111,769 and $118,835 for the years ended June 30, 2000 and 1999, respectively. This change has no effect on net income.

Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Such data is not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentation. The reclassifications had no impact on total assets, liabilities, fund balances, net income, or cash flows.

D. Fund Balance Transfers and Other Changes

The Agency is permitted to make fund balance transfers to the extent that such fund balances and the related assets are not required to meet the Agency's debt obligations and provided that such transfers are not in violation of the terms of bond resolutions or indentures. Also included in fund balance transfers and other changes at June 30, 2000 is $3,824 related to the reclassification of earnings from certain escrow deposits in previous years.

E. Deposits, Investments and Securities Lending

Authority for Agency Deposits and Investments

The deposit and investment policies of the Agency are governed by statutes and contractual provisions contained in the bond trust indentures. Agency deposits must be held in insured depositories satisfactory to the Agency and must be fully collateralized. Permissible investments include direct obligations of, or guaranteed by, the U.S. Treasury and U.S. Government agencies; any other obligation of the U.S. Treasury or any other U.S. Government agencies which are legal investments for savings banks, savings associations, or savings and loan associations in the Commonwealth of Pennsylvania; fully collateralized public housing bonds, temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities; direct and general obligations of, or obligations guaranteed by, the Commonwealth of Pennsylvania; direct and general obligations of any state of the United States, guaranteed by such state, provided that at the time of purchase the obligations maintain a satisfactory investment rating; fully collateralized repurchase agreements; reverse repurchase agreements; mutual or money market funds; commercial paper or finance company paper; noncollateralized certificates of deposit and various investment agreements that maintain a satisfactory investment rating; and interest-bearing time or demand deposits and certificates of deposit.

Deposits and investments consist of the following at June 30, 2000 and 1999:

	2000		1999	
Deposits	$	10,689	$	2,876
Investments		839,586		809,033
Total deposits and investments	$	850,275	$	811,909

Management is not aware of any violations of statutory authority or contractual provisions for deposits and investments during the years ended June 30, 2000 and 1999.

Deposits

The following summary presents the Agency's deposits which are fully insured or collateralized with securities held by the Agency's agent in the Agency's name (Category 1), those deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Agency's name (Category 2), and those deposits which are not collateralized or those collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Agency's name (Category 3):

	Bank Balance				
June 30, 2000	Category 1	Category 2	Category 3	Total	Carrying Amount
Demand deposits	$ 200	$ —	$ 22,927	$ 23,127	$ 10,689
June 30, 1999					
Demand deposits	$ 100	$ —	$ 15,265	$ 15,365	$ 2,876

Deposits classified as Category 3 are collateralized by pooled collateral in accordance with Act 72 of the Commonwealth of Pennsylvania. The bank balances in excess of the carrying amount represent checks which have not cleared the bank, net of deposits in transit or other transactions not recorded by the bank until after year-end.

Investments

The Agency categorizes investments according to the level of credit risk assumed by the Agency. Category 1 includes investments that are insured, registered or held by the Agency's agent in the Agency's name. Category 2 includes uninsured and unregistered investments held by the counterparty's trust department or agent in the Agency's name. Category 3 includes uninsured and unregistered investments held by the counterparty, its trust department or its agent, but not in the Agency's name. Certain investments have not been categorized because securities are not used as evidence of the investment. These uncategorized investments represent the Agency's ownership interests in investment agreements, mutual funds and investment in the State Treasurer's investment pool.

	Amortized Cost			
June 30, 2000	Category 1	Category 2	Total Amortized Cost	Total Carrying Amount/ Fair Value
Corporate bonds	$ 2,276	$ —	$ 2,276	$ 2,264
Repurchase agreements	32,241	—	32,241	32,241
U.S. Government and agency securities	398,494	—	398,494	407,559
Short-term investments	216,928	6,006	222,934	222,934
Totals	$ 649,939	$ 6,006	$ 655,945	$ 664,998
Add amounts not categorized because securities are not used as evidence of the investments				
Investment agreements			52,275	52,275
Mutual funds			122,313	122,313
Total investments			$ 830,533	$ 839,586

	Amortized Cost			
June 30, 1999	Category 1	Category 2	Total Amortized Cost	Total Carrying Amount/ Fair Value
Corporate bonds	$ 25	$ —	$ 25	$ 30
Repurchase agreements	71,794	—	71,794	71,794
U.S. Government and agency securities	386,511	—	386,511	401,454
Short-term investments	191,865	6,773	198,638	198,638
Totals	$ 650,195	$ 6,773	$ 656,968	$ 671,916
Add amounts not categorized because securities are not used as evidence of the investments				
Investment agreements			49,387	49,387
Mutual funds			87,730	87,730
Total investments			$ 794,085	$ 809,033

The Agency has implemented GASB Statement No. 28, "Accounting and Financial Reporting for Securities Lending Transactions." Under the authority of the Agency's Board, the Agency may lend securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The Agency's primary custodial bank manages the securities lending program and receives cash, securities or irrevocable bank letters of credit as collateral. The collateral securities cannot be pledged or sold by the Agency unless the borrower defaults. Cash, collateral securities, and letters of credit are initially pledged at 102% of the market value of the securities lent, and additional collateral has to be provided by the next business day if its value falls to less than 100% of the market of the securities lent. As of June 30, 2000 and 1999, the Agency had no securities on loan.

The amortized cost and estimated market values of investments in debt securities as of June 30, 2000 and 1999 are as follows:

	2000			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate bonds	$ 2,276	$ 17	$ (29)	$ 2,264
Repurchase agreements	32,241	—	—	32,241
U.S. Government obligations	52,190	10,879	—	63,069
U.S. Government agency obligations	346,304	1,663	(3,477)	344,490
Short-term investments	222,934	—	—	222,934
Investment agreements	52,275	—	—	52,275
Mutual funds	122,313	—	—	122,313
	$ 830,533	$ 12,559	$ (3,506)	$ 839,586

		1999		
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate bonds	$ 25	$ 5	$ —	$ 30
Repurchase agreements	71,794	—	—	71,794
U.S. Government obligations	63,757	15,834	—	79,591
U.S. Government agency obligations	322,754	1,422	(2,313)	321,863
Short-term investments	198,638	—	—	198,638
Investment agreements	49,387	—	—	49,387
Mutual funds	87,730	—	—	87,730
	$ 794,085	$ 17,261	$ (2,313)	$ 809,033

The amortized cost and estimated market value of investments at June 30, 2000, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Market Value
Due in one year or less	$ 598,030	$ 597,445
Due after one year through five years	188,587	187,878
Due after five years through ten years	8,761	9,767
Due after ten years	35,155	44,496
	$ 830,533	$ 839,586

Proceeds from sales of investments in debt securities, prior to maturity, during 2000 and 1999 are $0 and $1,508, respectively. Net gains of $0 and $2, respectively, are realized on those sales.

F. Mortgage Loans Receivable and Construction Advances

The mortgage loans receivable and construction advances are collateralized by first mortgages on the related properties. The federal government provides insurance for certain projects included in the Multi-Family Program, as well as subsidizes certain projects through its Section 8 Program. Insurance for the Single Family Program is provided by commercial companies and self-insurance through the Agency's Insurance Fund. In addition, the Agency has internally designated a portion of fund balances for self-insurance for certain multi-family and single family loans (see Note K). A summary of multi-family mortgage loans receivable and construction advances at June 30, 2000 and 1999 is as follows:

June 30, 2000	Mortgage Loans Receivable	Construction Advances
Insured and subsidized	$ 44,791	$ —
Insured and nonsubsidized	50,474	9,113
Uninsured and subsidized	378,440	—
Uninsured and nonsubsidized	199,607	—
	673,312	9,113
Allowance for potential loan losses	126,958	—
	$ 546,354	$ 9,113

June 30, 1999	Mortgage Loans Receivable	Construction Advances
Insured and subsidized	$ 44,904	—
Insured and nonsubsidized	50,990	$ 17,770
Uninsured and subsidized	384,453	—
Uninsured and nonsubsidized	185,911	—
	666,258	17,770
Allowance for potential loan losses	111,921	—
	$ 554,337	$ 17,770

Substantially all single family mortgage loans are subject to two levels of insurance, primary insurance and pool insurance. Primary insurance is required on all single family mortgage loans where the loan principal amount exceeds 80% of the lesser of the purchase price or the initial appraised value of the property. The amount of primary insurance coverage required, as defined in the bond resolutions, is the amount by which the loan exceeds 66.5% - 72.0% (depending on single family bond issue) of the lesser of the appraised value or sales price of the residence. It is the eligible borrowers' responsibility to bear the cost of primary insurance.

The Agency has reimbursement agreements covering up to $108,183 in mortgage loans with various commercial mortgage insurers in order to provide mortgagors with lower premiums for primary mortgage insurance. Under these agreements, the mortgage insurers are primarily responsible to the holders of the mortgage insurance policies, and the Agency will assume a portion of the mortgage default risk. Although the Agency has internally restricted a portion of its fund balance in connection with this potential exposure, no losses have ever resulted under these agreements. The Agency discontinued originating mortgage loans under these agreements in September 1993.

The Agency provides primary mortgage insurance coverage for single family mortgage loans through the Insurance Fund, which ranges from 20% to 30% (depending on the loan-to-value ratio at origination) of the unpaid principal balance. At June 30, 2000 and 1999, the total loans covered under this program are $392,247 and $393,071, respectively, and the coverage provided is estimated to be approximately $112,184 and $112,314, respectively. The participants in this program are charged an annual premium for this coverage.

In order to increase the Insurance Fund's capacity to provide primary mortgage insurance for single family mortgage loans, the Agency purchased shared risk coverage through a commercial mortgage insurer during fiscal year 1996. This coverage extends to all loans that were outstanding as of August 31, 1995 and provides that the Agency shall remain solely liable for 10% of the product of multiplying the Insurance Fund coverage percentage (20% to 30%) times the aggregate outstanding principal balance for each loan.

After exhaustion of the Agency's retention, the commercial insurer is liable on a per loan basis for losses up to the limit of the Insurance Fund's coverage in each loan-to-value ratio category. Of the total loans covered under the Insurance Fund, $145,806 are covered under this shared risk contract at June 30, 2000, and the Agency's maximum potential exposure is $4,203.

The claims liability of $1,211 and $130 reported in the Insurance Fund as of June 30, 2000 and 1999, respectively, is based on the requirements of Governmental Accounting Standards Board Statement No. 30, which amends GASB 10. GASB 30 requires that the basis for estimating the liability for unpaid claims, including the effects of specific incremental claim adjustment expenditures/expenses, salvage, and subrogation, and whether other allocated or unallocated claim adjustment expenditures/expenses are included. Changes in the Insurance Fund's claim liability amounts are as follows:

	2000	1999
Balance, July 1	$ 130	$ 342
Current year claims and changes in estimates	1,750	600
Claim payments	(669)	(812)
Balance, June 30	$ 1,211	$ 130

The Agency has elected to self-insure certain losses sustained by reason of default in payments by eligible borrowers in excess of primary insurance for single family mortgage loans originating from proceeds obtained from single family bond issues Series C through 2000-69. The total principal outstanding of mortgage loans self-insured by the Agency is $2,185,853 and $2,017,901 at June 30, 2000 and 1999, respectively. As of June 30, 2000, cumulative pool losses since inception of the self-insurance program are $5,130.

The HEMAP mortgage loans receivable are collateralized by liens on the respective properties. The assistance HEMAP provides is considered a second mortgage on the property. In cases of default, there is no assurance that any equity will remain after the primary lender is satisfied. Of the total mortgage loans receivable outstanding, $95,865 and $99,218 as of June 30, 2000 and 1999, respectively, are currently required to make repayments.

Changes in the allowance for potential loan losses for the Multi-Family and Single Family Programs are as follows at June 30, 2000 and 1999:

	Multi-Family		Single Family		HEMAP	
	2000	1999	2000	1999	2000	1999
Balance, July 1	$ 111,921	$ 99,921	$ 1,386	$ 1,404	$ 54,564	$ 59,415
Provision charged to income	15,000	12,000	3,000	1,600	5,406	2,868
Charge-offs, net of recoveries	37	—	(1,210)	(1,618)	(9,981)	(7,719)
Balance, June 30	$ 126,958	$ 111,921	$ 3,176	$ 1,386	$ 49,989	$ 54,564

The Agency has internally designated a portion of fund balances in both the General Fund and Single Family Program for self-insurance (see Note K).

G. Servicing Portfolio

Included in the Single Family Program are mortgage loans serviced for investors which are not included in the financial statements. The total amount of loans serviced for others is $171,729 and $84,799 at June 30, 2000 and 1999, respectively.

H. Notes Payable

The Agency's lines of credit, with the Department of Treasury of the Commonwealth of Pennsylvania, for the funding of Multi-Family and Single Family Programs and the outstanding borrowings are as follows:

	2000	1999
$15,000 line of credit, bearing interest from the date of issuance at a rate equal to the current yield on two-year Treasury Notes plus 20 basis points, which is determined on the date of issuance, 6.98% at June 30 1999.	$ —	$ 1,000
$100,000 Note for funding of the Hafer Homebuyer Program, bearing interest from the date of issuance at a rate equal to the daily short-term investment pool rate, which was 6.72% at June 30, 2000.	1,103	—
Additionally, the Agency has the following notes payable outstanding for the funding of the Bridge Loan Program		
Regional Housing Development Corporation Bridge Loan Note bearing a fixed interest rate of 3%.	4,796	4,819
Redevelopment Authority of the City of Philadelphia Bridge Loan Note bearing a fixed interest rate of 0%.	230	230
Total notes payable	$ 6,129	$ 6,049

I. Bonds Payable

Bonds have been issued to provide financing of mortgage loans under the Multi-Family and Single Family Programs. The full faith and credit of the Agency are pledged for repayment of most of the bonds issued. The bonds are collateralized by:

(1) The mortgage loans made on the related properties;

(2) Most revenues, mortgage advance amortization payments and recovery payments received by the Agency from mortgage loans; and

(3) Certain funds and accounts established pursuant to the bond indentures including investment of the bond proceeds.

The security covenants, together with covenants in the notes payable agreements in effect, make available all assets of all funds for debt-related purposes.

The most restrictive covenants require minimum capital reserve requirements for the Multi-Family and Single Family Programs. The capital reserve fund has been established by the Agency to meet these requirements.

The capital reserve requirement for certain Multi-Family bonds requires that a one-year debt service minimum balance be maintained at all times. The capital reserve fund at June 30, 2000 and 1999, amounts to $18,680 and $18,292, respectively, including amounts funded by bond proceeds. Such amounts are $7,602 and $7,390, respectively, in excess of the requirement.

The capital reserve requirement for Single Family bonds must be equal to at least 3% of the aggregate principal amount of all Single Family bonds outstanding plus one million dollars. The capital reserve fund at June 30, 2000 and 1999 amounts to $80,424 and $76,094, respectively, including amounts funded by bond proceeds. Such amounts are $8,233 and $9,111, respectively, in excess of the requirement.

Bonds issued and outstanding for the Multi-Family Program are as follows:

Issue	Interest Rate Range at Issuance	Final Maturity Date	Amounts Outstanding June 30, 2000	Amounts Outstanding June 30, 1999
Residential Development Bonds				
Issue 1991A (refunding)	6.65-7.60 %	2013	$ 34,510	$ 35,900
Issue 1992A (refunding)	7.950 %	2025	21,300	21,880
Issue 1992 (refunding)	3.65-6.5 %	2023	142,350	147,780
Issue 1993 (refunding)	3.5-5.8 %	2022	180,050	185,685
State Workers' Insurance Fund				
Issue 1994	6.990 %	2019	31,095	32,175
Multi-Family Housing Bonds				
Issue 1982B	9.50-10.875 %	2024	4,875	4,875
Issue 1985A	6.75-9.375 %	2028	2,156	2,194
Issue 1987A	7.00-8.500 %	2002	195	250
Issue 1988A	11.000 %	2008	—	1,041
Issue FHA-1992	7.75-8.200 %	2024	35,140	35,615
Moderate Rehabilitation Bonds				
Issue 1984A	6.50-10.375 %	2001	215	350
Issue 1985B	5.25-9.000 %	2017	1,555	2,150
Multi-Family Development Bonds				
Issue 1989B	8.250 %	2015	495	505
Issue 1993A (refunding)	5.380 %	2022	30,790	31,585
Issue 1993F	6.530 %	2019	11,010	11,300
Issue 1997G	7.630 %	2027	10,670	10,790
Issue 1998H	6.300 %	2028	17,675	17,895
Federal National Mortgage Association				
Issue 1990A	7.500 %	2023	3,490	3,541
Subordinate Limited Obligation Bonds				
Issue 1995	5.50-6.15 %	2021	4,296	4,393
			531,867	549,904
Unamortized bond discount			(2,487)	(2,721)
			$ 529,380	$ 547,183

During the year ended June 30, 2000, the Agency redeemed prior to maturity $1,207 of Multi-Family Housing Bonds, Series 1985B and 1988A. An extraordinary loss of $1 resulted from the redemptions.

The Agency defeased Multi-Family Residential Development Bonds, Issues H and M in prior years, by depositing sufficient funds in an irrevocable trust with an escrow agency to provide for all future debt service payments. The funds were invested in U.S. Treasury strips. The defeased principal outstanding on these bonds is $7,120 at June 30, 2000 and 1999.

Bonds issued and outstanding for the Single Family Program are as follows:

Issue	Interest Rate Range at Issuance	Final Maturity Date	Amounts Outstanding June 30, 2000	Amounts Outstanding June 30, 1999
Single Family Mortgage Revenue Bonds:				
Series P	4.75-8.000 %	2016	$ —	$ 270
Series Q	6.00-8.375 %	2018	1,445	2,305
Series R	6.20-8.125 %	2019	700	2,015
Series S	6.70-7.600 %	2016	—	21,505
Series T	7.00-7.875 %	2020	—	6,525
Series U	6.15-7.800 %	2020	3,800	5,135
Series W	6.30-7.800 %	2020	—	44,935
Series X	6.80-8.150 %	2024	440	1,275
Series Y	6.20-7.450 %	2016	—	22,700
Series Z	6.00-7.550 %	2016	1,185	12,225
Series 1990 - 27	6.50-8.150 %	2021	380	1,900
Series 1990 - 28	6.30-7.650 %	2023	—	15,155
Series 1990 - 29	6.10-7.375 %	2016	6,185	18,160
Series 1991 - 30	5.30-7.300 %	2017	11,465	15,000
Series 1991 - 31	5.40-8.950 %	2023	63,675	69,785
Series 1991 - 32	7.150 %	2015	30,420	30,420
Series 1992 - 33	4.50-6.900 %	2017	27,940	33,885
Series 1992 - 34	4.50-7.000 %	2024	69,195	70,310
Series 1992 - 35	2.88-9.480 %	2016	87,975	89,505
Series 1993 - 36	3.40-5.450 %	2014	48,035	49,255
Series 1993 - 37	5.45-5.600 %	2025	75,000	75,000
Series 1994 - 38	3.50-6.125 %	2024	22,470	24,790
Series 1994 - 39	3.90-6.875 %	2024	37,070	37,670
Series 1994 - 40	4.00-6.900 %	2025	37,100	37,690
Series 1994 - 41	4.00-6.650 %	2025	46,230	47,250
Series 1994 - 42	5.50-6.850 %	2025	59,335	60,000
Series 1994 - 43	4.75-7.500 %	2025	6,370	47,765
Series 1995 - 44	6.30-8.400 %	2027	47,385	48,485
Series 1995 - 45	5.00-7.550 %	2026	42,810	45,795
Series 1995 - 46	3.95-6.300 %	2027	47,370	48,075
Series 1996 - 47	4.20-6.750 %	2027	49,160	49,700
Series 1996 - 48	4.00-6.150 %	2028	43,855	47,475
Series 1996 - 49	4.60-6.450 %	2027	48,685	49,355
Series 1996 - 50	3.64-6.350 %	2027	39,035	42,275
Series 1996 - 51	4.55-6.375 %	2028	68,385	72,525
Series 1996 - 52	4.40-7.000 %	2027	62,445	68,665
Series 1996 - 53	4.20-6.150 %	2027	64,570	70,020
Series 1997 - 54	5.375-7.22 %	2028	41,515	46,135
Series 1997 - 55	3.70-5.750 %	2013	30,165	31,640
Series 1997 - 56	4.00-6.150 %	2028	67,785	79,665
Series 1997 - 57	4.30-6.150 %	2029	47,420	49,395
Series 1997 - 58	4.30-5.450 %	2009	68,990	73,315
Series 1997 - 59	4.00-5.150 %	2029	70,260	73,300
Series 1997 - 60	4.00-5.100 %	2009	71,200	73,820
Series 1997 - 61	4.00-4.900 %	2008	72,665	74,955
Series 1997 - 62	4.25-5.200 %	2011	73,485	75,000
Series 1999 - 63	3.95-5.150 %	2030	62,101	62,335
Series 1999 - 64	3.65-5.250 %	2030	$ 75,375	$ 75,190

continued

Issue	Interest Rate Range at Issuance	Final Maturity Date	Amounts Outstanding June 30, 2000	1999
Series 1999 - 65	3.25-5.250 %	2030	$ 98,380	$ 99,875
Series 1999 - 66	4.05-6.95 %	2030	143,735	—
Series 1999 - 67	4.05-7.51 %	2030	149,840	—
Series 1999 - 68	4.30-7.02 %	2030	75,000	—
Series 2000 - 69	4.35-6.25 %	2031	75,000	—
			2,373,031	2,199,445
Unamortized bond discount			(18,029)	(17,137)
Unamortized deferred costs of refundings			(12,266)	(8,640)
			$ 2,342,736	$ 2,173,668

During the year ended June 30, 2000, the Agency redeemed prior to maturity $72,395 of Single Family Mortgage Revenue Bonds Series Z, 1990-28, 1990-29, 1991-30, 1991-31, 1992-33, 1994-38, 1994-41, 1994-42, 1995-44, 1995-45, 1996-47, 1996-48, 1996-50, 1996-51, 1996-52, 1996-53, 1997-54, 1997-56, 1997-57, 1997-58, 1997-59, 1997-60, 1997-61, 1997-62, 1998-64, 1999-65, and 1999-66, using mortgage prepayments. Extraordinary losses of $697 resulted from the redemptions as unamortized bond discount and related costs of issuance for the bonds redeemed were expensed. Additionally, during the year ended June 30, 2000, the Agency redeemed prior to maturity $159,365 of Single Family Mortgage Revenue Bonds, Series S, T, W, Y, Z, 1990-27, 1990-28, and 1990-29, using bond proceeds. Although a deferred loss of $3,658 resulted from the refundings, the Agency in effect obtained an economic gain (difference between the present value of the old and new debt service payments) of $44,859 and was able to reduce its aggregate debt service payments as a result of these transactions by a total of $81,217 over the succeeding 25 years from the current refundings.

During the year ended June 30, 1999, the Agency redeemed prior to maturity $45,845 of Single Family Mortgage Revenue Bonds Series Y and Z, 1990-28, 1990-29, 1991-30, 1991-31, 1992-33, 1994-38, 1995-45, 1996-47, 1996-48, 1996-50, 1996-51, 1996-52, 1996-53, 1997-54, 1997-56, 1997-57, 1997-58, 1997-59, 1997-60, and 1997-61, using mortgage prepayments. Extraordinary losses of $620 resulted from the redemptions as unamortized bond discount and related costs of issuance for the bonds redeemed were expensed. Additionally, during the year ended June 30, 1999, the Agency redeemed prior to maturity $118,235 of Single Family Mortgage Revenue Bonds, Series U, Y, Z, and 1990-28, using bond proceeds. Although a deferred loss of $1,625 resulted from the refundings, the Agency in effect obtained an economic gain (difference between the present value of the old and new debt service payments) of $234 and was able to reduce its aggregate debt service payments as a result of these transactions by a total of $89,255 over the succeeding 22 years from the current refundings.

Bonds maturing ten years and thereafter from the date of issuance are redeemable at the option of the Agency at prescribed redemption prices ranging from 104% to 100% of the principal amount. Bonds may also be redeemed at par prior to the ten-year period if mortgage loan prepayments exceed prescribed levels and if they are from undisbursed bond proceeds. A provision of the bonds includes mandatory annual sinking fund payments to provide for redemption of the term bonds.

Required principal and interest payments related to bonds payable are as follows at June 30, 2000:

Year ending June 30,	Multi-Family Program Principal	Multi-Family Program Interest	Single Family Program Principal	Single Family Program Interest	Total Principal and Interest Maturities
2001	$ 17,567	$ 33,579	$ 45,015	$ 140,770	$ 236,931
2002	18,449	32,520	49,655	137,154	237,778
2003	19,832	31,398	49,800	135,179	236,209
2004	20,495	30,204	49,830	129,421	229,950
2005	21,595	28,946	51,940	129,930	232,411
Thereafter	433,929	241,772	2,126,791	1,750,033	4,552,525
	$ 531,867	$ 398,419	$ 2,373,031	$ 2,422,487	$ 5,725,804

J. Operating Leases

The Agency is obligated under noncancelable operating leases for its buildings. Future minimum payments under these leases at June 30, 2000 are:

2001	$ 639
2002	643
2003	613
2004	620
2005	67
Thereafter	592
	$ 3,174

Total rental expense is $769 and $736 for the years ended June 30, 2000 and 1999, respectively.

K. Reserved and Internally Designated Fund Balances

General Fund

The fund balance of the General Fund is not restricted under the terms of the various bond resolutions and can be used by the Agency for any purpose authorized by the Act. The Agency has internally designated a portion of the General Fund balance as follows:

	June 30, 2000	1999
Single Family Self-Insurance Fund	$ 16,500	$ 16,500
Multi-Family Self-Insurance Fund	10,000	10,000
PennHOMES Program	15,000	15,000
Housing initiatives	6,000	1,000
Home buyer counseling	1,250	750
	$ 48,750	$ 43,250

The designation for the Single Family Self-Insurance Fund has been established for any special hazard losses on single family mortgages not covered by other insurance, and losses arising out of default on mortgage loans funded with the proceeds of the Series C and subsequent issues. The Single Family Self-Insurance Fund has been established at not less than 1% of anticipated mortgages to be originated on Issues I and subsequent issues. The Single Family Series I resolution requires that a Self-Insurance Fund be held by the trustee. This is funded by the General Fund and is included in the Single Family Program's restricted fund balance.

The designation for the Multi-Family Self-Insurance Fund has been established in the event a loss occurs on any of the multi-family projects for which the Agency acts as an insurer or coinsurer.

The designation for the PennHOMES Program has been established to provide below market and deferred interest financing to lower development costs for apartment projects financed by the Agency.

The designation for housing initiatives has been established to provide below market financing for multi-family and single family special projects financed by the Agency.

The designation for home buyer counseling has been established to provide funding for home buying education to first time home buyers.

Multi-Family Program

Restrictions on the Multi-Family Program fund balance are as follows:

	June 30, 2000	June 30, 1999
Capital Reserve not funded by bond proceeds	$ 1,960	$ 1,960

The Capital Reserve is required under certain trust indentures to establish and maintain the Agency's Multi-Family Program.

The Agency has internally designated a portion of the Multi-Family Program fund balance as follows:

	June 30, 2000	June 30, 1999
PennHOMES Program	$ 132,365	$ 123,990
Senior housing with supportive services	4,000	4,000
Supportive services	1,125	925
	$ 137,490	$ 128,915

The designation for the PennHOMES Program, which is funded from unrestricted multi-family proceeds, has been established to lower development costs for apartment projects financed by the Agency.

The designation for senior housing with supportive services has been established to provide funding for rental housing and specialized resident services for elderly residents.

The designation for supportive services has been established to provide multi-family projects with funds for resident services.

Single Family Program

Restrictions on the Single Family Program fund balance are as follows:

	June 30, 2000	June 30, 1999
Capital Reserve not funded by bond proceeds	$ 18,283	$ 13,075
Self-Insurance Fund held by trustee	23,798	23,230
	$ 42,081	$ 36,305

The Capital Reserve not funded by bond proceeds represents funding provided by the Agency to meet the capital reserve required under bond indentures in excess of amounts funded by bond proceeds.

The Self-Insurance Fund held by trustee represents amounts to self-insure the pool insurance for single family mortgage loans to meet self-insurance requirements under the bond indentures.

The Agency has internally designated a portion of the Single Family Program fund balance as follows:

	June 30, 2000	June 30, 1999
Closing Cost Subsidy Program	$ 13,250	$ 11,750
Additional Single Family Insurance Program	2,455	2,455
	$ 15,705	$ 14,205

The Closing Cost Subsidy is a program established to assist qualified single family home buyers with the initial costs incurred at the inception of a mortgage.

The designation for the Additional Single Family Insurance Program has been established to cover risk sharing agreement primary mortgage insurance losses in the event of default on single family mortgage loans.

Insurance Fund

Restrictions on the Insurance Fund fund balance are as follows:

	June 30, 2000	June 30, 1999
Risk retention	$ 10,000	$ 10,000

The risk retention reserve was established as an alternative to private single family mortgage insurance. Through the risk retention program, the Agency retains the risk of mortgage default for mortgage loans.

The Agency has internally designated a portion of the Insurance Fund fund balance as follows:

	June 30, 2000	June 30, 1999
Additional risk retention	$ 17,056	$ 14,648

The designation for the additional risk retention reserve has been established to provide additional private single family mortgage insurance.

HEMAP

Restrictions on the HEMAP fund balance are as follows:

	June 30, 2000	June 30, 1999
Emergency Mortgage Assistance Program	$ 71,112	$ 78,165

The designation for the emergency mortgage assistance program has been established to provide assistance to mortgagees facing foreclosure because of circumstances beyond their control, through the form of loans.

L Pension Plan

The Agency follows GASB Statement Nos. 25 and 27, "Financial Reporting for Defined Benefit Pension Plans," and "Accounting for Pensions by State and Local Governmental Employers." GASB Statement No. 25 requires that the statements of plan assets be presented and certain note disclosures be reported in the notes to the financial statements. GASB Statement No. 27 requires that pension plan costs and net pension plan obligations be reported in the financial statement notes.

The statements of plan net assets as of December 31, 1999 and 1998 are as follows:

PENNSYLVANIA HOUSING FINANCE AGENCY
EMPLOYEES' RETIREMENT PLAN

Statement of Plan Net Assets
(in thousands)
as of December 31, 1999 and 1998

ASSETS	1999	1998
Short-term investments:		
Money markets	$ 1,343	$ 764
Mutual funds	16,460	13,041
Total short-term investments	17,803	13,805
Receivables:		
Employer		58
Interest and dividends	59	58
Total receivables	59	116
Investments, at fair value:		
U.S. Government obligations	3,567	3,714
Domestic stocks	1,848	2,507
Total investments	5,415	6,221
Total assets	$ 23,277	$ 20,142
NET ASSETS		
Net assets held in trust for pension benefits (a schedule of funding progress for each plan is presented on page 42)	$ 23,277	$ 20,142

Statement of Changes in Plan Net Assets
(in thousands)
for the years ended December 31, 1999 and 1998

	1999	1998
Additions:		
Contributions:		
Employer	$ 167	$ 334
Plan members	—	24
Total contributions	167	358
Investment income:		
Interest and dividends	1,987	1,065
Net appreciation in fair value of investments	1,384	1,953
Total additions	3,538	3,376
Deductions:		
Benefits	403	199
Net increase	3,135	3,177
Net assets held in trust for pension benefits		
Beginning of year	20,142	16,965
End of year	$ 23,277	$ 20,142

Summary of Significant Accounting Policies

Basis of Accounting

Pennsylvania Housing Finance Agency Employees' Retirement Plan financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and are payable in accordance with the terms of each plan.

Method Used to Value Investments

Investments are reported at market value which approximates fair value as determined by the investment trustee. Short-term money market investments are reported at cost, which approximates fair value. Short-term mutual funds are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated market value, which approximates fair value.

Plan Descriptions and Funding Policy

Membership of the plan consists of the following at December 31, 1999 and 1998:

	1999	1998
Retirees and beneficiaries receiving benefits	44	35
Terminated plan members entitled to but not yet receiving benefits	69	68
Active plan members	193	188
Total	306	291
Number of participating employers	1	1

Plan Description

Eligible full-time employees participate in either the Pennsylvania Housing Finance Agency Employees' Retirement Plan (Plan), a noncontributory defined benefit, single employer plan, or the Pennsylvania State Employees' Retirement System (PSERS). Participation in PSERS is limited to those employees who were active members of PSERS at the time of their employment by the Agency. As of June 30, 2000 and 1999, substantially all eligible full-time employees are participants in the Plan

Full-time employees become eligible for participation in the Plan after completion of one year of service. A participant's benefits vest upon the completion of 5 years of service. Under the provisions of the Plan, participants with prior military experience may receive credit for their time of service in the military providing they contribute funds equivalent to the cost of their pension benefits accumulated during their military service.

The Plan was previously amended to convert it from a contributory to a noncontributory pension plan. At the time of the amendment, participants had the option to receive a refund in the amount of their contributions, with interest, or increase their pension benefits. Substantially all employees elected to withdraw their contributions from the Plan at that time.

A participant is eligible for normal retirement after attainment of age 65, or age 55 and completion of 30 years of service, or at any age after completion of 35 years of service. The Plan also provides early and late retirement provisions and death and disability benefits. The normal retirement pension is payable monthly during the participant's lifetime with payments ceasing upon the participant's death.

Funding Policy

The contribution requirements of Plan members are established and may be amended by the Board of the Agency. The Plan's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due.

Annual Pension Cost and Net Pension Obligation

The Agency's annual pension cost and net pension obligation to the Plan are as follows:

	1999	1998
Annual required contribution	$ 135	$ 208
Employer contributions made	(167)	(334)
Change in net pension obligation	(32)	(126)
Net pension obligation, beginning of year	(127)	(1)
Net pension obligation, end of year	$ (159)	$ (127)

The annual required contribution for the current year was determined as part of the January 1, 2000 actuarial valuation using the aggregate actuarial cost method. The actuarial assumptions include (a) a 7.5% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.5% per year. Both (a) and (b) include an inflation component based on long-term historical average rates. The assumptions do not include postretirement benefit increases, which are funded by State appropriation when granted. The actuarial value of assets is determined using market values determined by the trustee.

Three-Year Trend Information

Calendar Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 1997	$ 367	100.0 %	$ (1)
December 31, 1998	$ 208	160.3 %	$ (127)
December 31, 1999	$ 135	166.2 %	$ (159)

M. Commitments and Contingencies

Litigation

In the normal course of business there are various claims and suits pending against the Agency. In the opinion of the Agency's management and counsel, the amount of such losses that might result from these claims and suits, if any, would not materially affect the Agency's financial position.

Grants

The Agency administers significant financial assistance payments from the federal government in the form of low income mortgage subsidies, interest reduction payments, and rental housing rehabilitation assistance. Such federal financial assistance received during the years ended June 30, 2000 and 1999 amounts to $111,769 and $118,835, respectively. All federal financial assistance administered by the Agency is subject to audit and as such, any disallowances resulting from noncompliance or questioned costs may become liabilities of the Agency. The Agency's management believes disallowances, if any, would not materially affect the Agency's financial position.

Commitments

Outstanding commitments by the Agency to make or acquire single family, multi-family and HEMAP mortgages aggregate approximately $102,903, $25,622 and $840, respectively, at June 30, 2000 and 1999.

N. Subsequent Events

On September 28, 2000, the Agency issued $75,000 Single Family Mortgage Revenue Bonds, Series 2000-70. The proceeds of these bonds will be used to refund certain of the Agency's outstanding Single Family Mortgage Revenue Bonds, and to fund the purchase of new Single Family Mortgage Loans.

On August 1, 2000, the Agency signed two $100,000 note purchase agreements with the Department of the Treasury of the Commonwealth of Pennsylvania under the Hafer Homebuyer Program. The proceeds of these notes will be used to purchase Single Family Mortgage Loans, which will then be pooled and sold to the Federal National Mortgage Association (FNMA). FNMA will then issue mortgage-backed securities to the Commonwealth of Pennsylvania, who will in turn reduce the principal owed by the Agency on these notes by the purchase price of the mortgage-backed security issued to the Commonwealth.

PENNSYLVANIA HOUSING FINANCE AGENCY
REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Funding Progress

Actuarial Valuation Date		Actuarial Value of Assets (a)		Entry Age Actuarial Accrued Liability (AAL) (b)		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)		Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/1990	$	5,523,141	$	4,572,770	$	(950,371)	120.8 %	$	3,678,877	(25.8) %
1/1/1991	$	6,001,640	$	5,173,084	$	(828,556)	116.0 %	$	3,959,624	(20.9) %
1/1/1992	$	7,112,838	$	6,186,234	$	(926,604)	115.0 %	$	4,411,010	(21.0) %
1/1/1993	$	7,864,913	$	7,108,441	$	(756,472)	110.6 %	$	4,616,834	(16.4) %
1/1/1994	$	8,805,927	$	8,311,636	$	(494,291)	105.9 %	$	5,369,330	(9.2) %
1/1/1995	$	9,090,611	$	9,206,150	$	115,539	98.7 %	$	5,542,521	2.1 %
1/1/1996	$	11,670,289	$	10,483,711	$	(1,186,578)	111.3 %	$	5,940,643	(20.0) %
1/1/1997	$	13,747,019	$	12,172,812	$	(1,574,207)	112.9 %	$	6,207,591	(25.4) %
1/1/1998	$	16,964,790	$	13,519,709	$	(3,445,081)	125.5 %	$	6,260,962	(55.0) %
1/1/1999	$	20,141,983	$	15,248,566	$	(4,893,417)	132.1 %	$	6,620,237	(73.9) %
1/1/2000	$	23,276,799	$	17,220,429	$	(6,056,370)	135.2 %	$	7,264,117	(83.4) %

Schedule of Contributions from the Employer and Other Contributing Entities

Calendar Year Ended		Annual Required Contribution		Contributions From Employer	Percentage Contributed
1990	$	222,719	$	222,719	100.0 %
1991	$	257,851	$	257,851	100.0 %
1992	$	296,773	$	296,773	100.0 %
1993	$	331,673	$	331,673	100.0 %
1994	$	410,807	$	410,807	100.0 %
1995	$	402,720	$	402,720	100.0 %
1996	$	319,844	$	319,844	100.0 %
1997	$	367,179	$	368,000	100.2 %
1998	$	208,114	$	333,590	160.3 %
1999	$	135,384	$	167,000	123.4 %

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated.

Notes to Supplemental Schedules

Additional information as of the latest actuarial valuation follows:

	2000	1999
Valuation date	January 1, 2000	January 1, 1999
Actuarial cost method	Aggregate actuarial cost method	Aggregate actuarial cost method
Amortization method	Level dollar	Level dollar
Asset valuation method	Market value as determined by the trustee	Market value as determined by the trustee
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	4.5%	4.5%
Includes inflation at cost-of-living adjustments	Moderate, based on long-term historical average rates	Moderate, based on long-term historical average rates

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