West Virginia Housing Development Fund

(A discretely presented Component Unit of the State of West Virginia)

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Years Ended June 30, 2020 and June 30, 2019

Prepared By:
Crystal L. Toney
Deputy Director – Administration
West Virginia Housing Development Fund
And
Chad M. Leport
Division Manager – Accounting and Finance
West Virginia Housing Development Fund

WEST VIRGINIA HOUSING DEVELOPMENT FUND
(A Component Unit of the State of West Virginia)

Comprehensive Annual Financial Report

For the years ended June 30, 2020 and June 30, 2019

Introductory Section

Financial Section

Statistical Section

Statistical Section (continued)

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INTRODUCTORY SECTION

WEST VIRGINIA HOUSING DEVELOPMENT FUND

Board of Directors

Elected Members

Jim Justice, Governor, State of West Virginia
John Perdue, Treasurer, State of West Virginia
Patrick Morrisey, Attorney General, State of West Virginia
Kent Leonhardt, Commissioner of Agriculture, State of West Virginia

Appointed Members

Sam Kapourales, Owner/President, Kapourales Properties, LLC, Pharmacist and past Mayor of Williamson
Patrick Martin, Commercial Real Estate Agent with KLM Properties, Inc., Retired Market President with BB & T Bank (currently Truist Bank)
Wendy McCuskey, Owner, Geraniums Boutique
Robert Nistendirk, Member/Partner at Woomer, Nistendirk & Associates, PLLC, Certified Public Accountants
David Gardner, Managing Director, Stonerise Healthcare, LLC
John B. Gianola, Retired Partner, Ernst & Young
There is one vacancy on the Board of Directors pending appointment

Internal Audit

Kelley Ridling, Senior Manager of Internal Audit

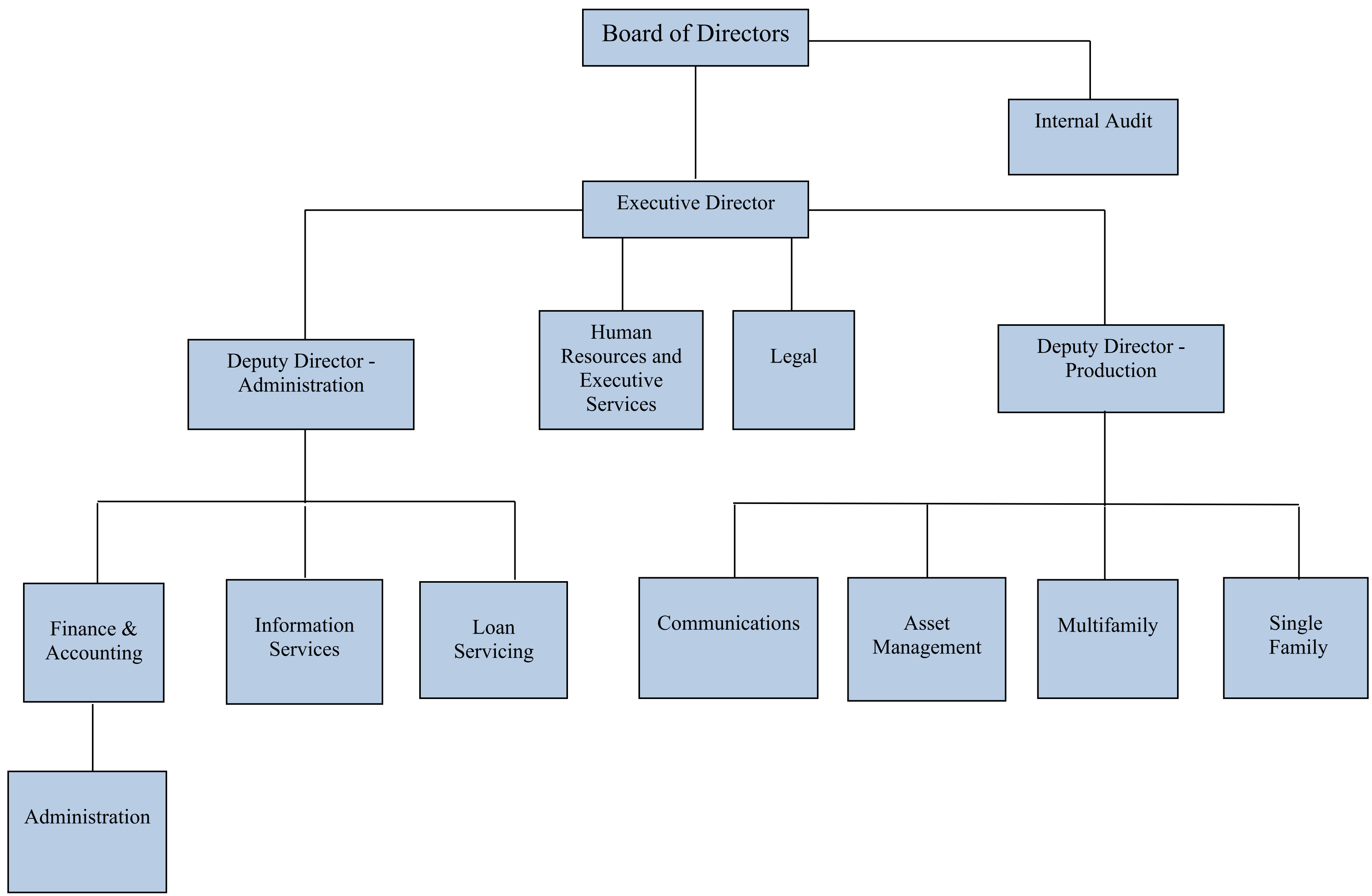
Principal Officers and Staff

Erica L. Boggess, Executive Director
Crystal L. Toney, Deputy Director - Administration
Julie Davis, Deputy Director - Production
Jon Rogers, Senior Division Manager, Loan Origination
Nathan Testman, Senior Division Manager, Multifamily and Commercial Lending
Tammy Bonham, Division Manager, Loan Servicing
Patti Shamblin, Division Manager, Single Family Lending
Chad Leport, Division Manager, Accounting and Finance
Kristin Shaffer, Senior Legal Counsel

Professional Consultants

United Bank, Inc., Trustee
Jackson Kelly PLLC, General Counsel
Hawkins, Delafield & Wood LLP, Bond Counsel
Brown, Edwards & Company, L.L.P., CPAs, Independent Auditor

West Virginia Housing Development Fund
Organizational Chart



September 23, 2020

To the Board of Directors
West Virginia Housing Development Fund

The Comprehensive Annual Financial Report of the West Virginia Housing Development Fund (the Fund) for the fiscal year ended June 30, 2020, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Fund. We believe the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the Statements of Net Position, Statements of Revenues, Expenses and Changes in Fund Net Position, and Statements of Cash Flows of the Fund, which is a proprietary type enterprise fund. All material disclosures necessary to enable the reader to gain an understanding of the Fund's financial activities have been included.

The Fund's management is responsible for establishing and maintaining internal controls. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements and assets are safeguarded against loss from unauthorized use or disposition, transactions are executed in accordance with management's authorization and transactions are recorded properly to permit the preparation of financial statements in conformity with United States generally accepted accounting principles (US GAAP). Internal control is also designed to reduce, to an acceptable level, the risk that errors or irregularities in amounts that would be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Management believes the Fund's internal accounting and operational controls adequately meet the above criteria.

The Fund is not subject to an appropriated budget by the State nor is it required to adopt a legally authorized, non-appropriated budget. However, for sound financial management and oversight purposes, an annual administrative budget is presented to and approved by the Board of Directors. Monthly, the Board reviews a comparison of actual and budgeted expenses to monitor the Fund's compliance with its administrative budget.

The Fund's financial statements have been audited by Brown, Edwards & Company, L.L.P., CPAs. The independent auditor concluded, based upon the audit, the Fund's financial statements as of and for the fiscal year ended June 30, 2020, are fairly presented in conformity with US GAAP. The independent auditor's report expresses an unmodified opinion and is presented as the first component of the financial section of this report.

For financial reporting purposes, the Fund is included as a discretely presented component unit of the primary government in the State of West Virginia's Comprehensive Annual Financial Report. Based on accounting principles generally accepted in the United States, the Fund has one component unit, the Welfare Benefit Plan, an irrevocable trust for postemployment benefits provided to the Fund's employees. The Fund's financial statement presentation includes the Welfare Benefit Plan as a fiduciary fund.

This letter of transmittal is designed to complement management's discussion and analysis and should be read in conjunction with it. The Fund's management's discussion and analysis can be found immediately following the independent auditor's report.

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www.wvhdf.com

PROFILE OF THE WEST VIRGINIA HOUSING DEVELOPMENT FUND

The Fund is a governmental instrumentality of the State of West Virginia (the State) and a public body corporate, created under the provisions of Article 18, Chapter 31 of the Code of West Virginia, 1931, as amended, and known as the West Virginia Housing Development Fund Act (the Act). Under the Act, the Fund's primary corporate purpose is to increase the supply of residential housing in the State for persons and families of low and moderate income. Additionally, the Fund is empowered by the Act to provide construction and permanent mortgage financing to public and private sponsors of such housing. The Fund is self-supporting and receives no appropriations from the State.

Since the creation of the Fund, the State Legislature has made several significant changes to the Act to enable the Fund to meet the State's changing housing needs and to participate in economic development. In 1985, it authorized the Fund to provide housing for persons of higher income, and provide temporary housing for homeless people, disaster victims, battered persons, families with hospitalized persons, students and handicapped persons. The Act was again amended in 1989 to grant the Fund significant new powers, including the making of loans for "nonresidential projects," which are broadly defined to include any project determined by the Fund as likely to foster and enhance economic growth and development in the State.

The Fund is governed by an 11-member Board of Directors consisting of the Governor, Attorney General, Commissioner of Agriculture and Treasurer, all of whom serve ex-officio as public directors, and seven members chosen as private directors from the general public residing in the State. All public directors may designate representatives to serve in their stead. The offices of Governor, Attorney General, Commissioner of Agriculture and Treasurer are elective, and the current terms of such offices expire in January 2021. The Governor, with the advice and consent of the State Senate, appoints private directors for staggered terms of four years. No more than four of the private directors may be from the same political party. The Act, as amended in January 2005, designates the Governor or his or her designee as the Chair of the Board of Directors. Furthermore, this amendment provides that the Governor shall appoint the executive director, with the advice and consent of the State Senate, and that the executive director will serve at the Governor's will and pleasure.

FINANCIAL CONDITION

Economic Impact

The Fund's core housing program and its primary source of revenue is its single family bond program. Mortgage loan balances and continued loan originations are key elements to future earnings. The U.S. economy, particularly the housing market and low interest rates, have had a significant impact on the Fund's operations during the past several years and staff expects this to continue into the coming year as well.

The Fund issues tax-exempt revenue bonds and lends the proceeds of these bonds to homebuyers throughout the State. The tax-exempt bond market typically provides for lower debt rates to the Fund. These lower rates are passed on to homebuyers in the form of lower rate mortgage loans. Thus, the Fund can offer a low rate mortgage product that facilitates affordable housing by producing interest rates below typical bank rates.

The effect of the 2007 housing crisis continues to affect the Fund's single family lending activity. While improved, the housing market created an environment of historically low mortgage rates to such a degree that the traditional tax exempt bond market did not produce appreciably lower mortgage rates. In addition, the mortgage industry and regulators have increased lending standards, such as higher credit scores. These factors, in addition to unemployment, created a scenario where the Fund was unable to sustain a favorable level of single family loan production due to loan repayments and prepayments exceeding loan originations through fiscal year 2018. Mortgage loan balances in the Bond Programs increased $20,292,000 in fiscal year 2019, and for the first time since 2008, loan originations exceeded repayments and prepayments. This trend continued in fiscal year 2020, as mortgage loan balances in the Bond Programs increased $4,414,000. Interest on loans in the Bond Programs increased $422,000 in fiscal year 2020 as compared to fiscal year 2019. In this type of environment, the Fund redeems or refunds bonds to lower its debt expense to help offset the loss in mortgage loan revenues. In fiscal year 2019, the Fund redeemed $10,915,000 in bonds and reduced its debt expense by in $146,000. In fiscal year 2020, the Fund redeemed $8,815,000 in bonds and experienced an increase of $410,000 in debt expense, which was primarily a result of the timing of the issuance of $60,000,000 in new bonds.

In addition to the effect of the mortgage industry, the Fund has experienced a significant decrease in investment revenue over the last several years due to extremely low investment rates. This trend had started to reverse as a result of Federal Reserve increases to the Federal Funds rate through December 2018 and the subsequent stabilization of the rate through July 2019. However, decreases in the Federal Funds rate since July 2019 have led to decreases in investment revenue in fiscal year 2020. Investment earnings, excluding unrealized gains and losses, increased $1,353,000 in fiscal year 2019 as compared to fiscal year 2018. However, investment earnings decreased $583,000 in fiscal year 2020 as compared to fiscal year 2019.

As more fully discussed in the management's discussion and analysis, the global coronavirus pandemic (the Pandemic) has negatively impacted the Fund's delinquency rates. In response to the Pandemic, several COVID-19-related bills were enacted by the United States Congress as well as new regulations from HUD/FHA and the Federal Housing Finance Agency (FHFA) that suspended foreclosures and evictions on all mortgage loans which are FHA insured, VA, HUD or Rural Housing guaranteed, or purchased or securitized by Fannie Mae or Freddie Mac (collectively, Federal Single Family Loans) until at least December 31, 2020. In addition to foreclosure and eviction relief, Federal Single Family Loan borrowers facing economic difficulties as a result of the Pandemic are eligible for up to 360 days of payment forbearance.

The Fund's ability to pay debt service on bonds outstanding is heavily dependent on the receipt of mortgage payments from borrowers. However, the Fund maintains a Capital Reserve Fund in an amount no less than the highest aggregate debt service of any year on all outstanding Mortgage Finance Bonds. In addition, the Fund maintains the Bond Insurance Account, as required by the Act, to provide for the payment of debt service on Mortgage Finance Bonds, if necessary.

The Fund is proactively monitoring cash positions to ensure sufficient liquidity is maintained to meet loan servicing responsibilities impacted by the Pandemic and to meet the increased demand for single family mortgage loan originations during the current low-interest rate environment.

The Fund has long been very conservative in its business operations and as a result has achieved significant net positions across all of its various programs. This strong financial position will help the Fund through the current economic cycle.

Financial Planning and Initiatives

In the second half of fiscal year 2013, the Fund launched its newly created Movin' Up program as part of a long-term financial plan to increase mortgage loan balances. The program is intended to be a self-funding lending program as an alternative to dependency on the bond market. The program is designed to attract a new market to our single family loan program and provide a long-term increase in our mortgage loan balances. Unlike other single family bond programs, the Fund offers, the Movin' Up Program does not have a first-time homebuyer restriction and has significantly higher income limits than other single family programs offered. Its target market is for moderate income buyers who may have outgrown their current homes and want to move up to a larger home or borrowers who want to downsize and provides the borrower with down payment and closing cost assistance. The Fund has experienced success in increasing loan volume in this new program. As anticipated, the Movin' Up program widened our market base, increased new loan volume and added an additional $22,753,000, $28,795,000 and $24,585,000 in mortgage loans to the Fund's assets in fiscal years 2018, 2019 and 2020, respectively.

The Fund is exploring options to continue its single family lending in what continues to be a very challenging mortgage market and hopes to reduce the need for tax exempt bond funding even further in the future.

The Fund is working to expand its multifamily lending portfolio to meet the growing demand for rental units in the State as well as add additional mortgage loans to the Fund's assets. The Fund added an additional $7,707,000 and $11,278,000 in new multifamily loans to the Fund's assets in fiscal years 2019 and 2020, respectively.

Investment interest rates are expected to decrease during fiscal year 2021. Due to the nature of the Fund's operations and investment practices, it is greatly affected by prevailing interest rates. The Fund plans to continue to actively manage its cash to maximize investment earnings with minimal or no risk to principal until cash is expended for program purposes.

In addition to modifying our programs to increase loan balances and actively managing cash and investments, the Fund plans to continue to combat the challenges of the economy by actively reducing its debt costs through both refunding opportunities and early redemption of debt.

With the flexibility provided by the Fund's variety of programs and its substantial net position, the Fund is not dependent upon federal programs to carry out its purpose of providing housing. This flexibility allows the Fund to readily adapt itself to the ever-changing environment of federal programs and the needs of the people it serves.

As the Fund moves into fiscal 2021 and on into the future, the Fund will continue to search for new methods to expand its programs to provide adequate housing to the State's residents.

AWARDS AND DESIGNATIONS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Fund for its comprehensive annual financial report for the fiscal year ended June 30, 2019. This was the twenty-sixth consecutive year that the Fund has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Standard & Poor's Rating Services and Moody's Investors Service, Inc. rate the Fund's unsecured, long-term general obligation debt pledge "AAA" and Aaa" respectively. These ratings are not assigned to any particular issue of debt; but rather, represent an overall credit assessment by the respective rating agencies of the Fund's general obligation debt pledge.

ACKNOWLEDGMENTS

The preparation of the Fund's Comprehensive Annual Financial Report is dependent on the support of the Accounting staff, the Internal Audit Department and the Fund's Board of Directors. We would like to express our appreciation to the Board and the staff on their contributions to this report and for their hard work and dedication throughout the year.

Respectfully, we hereby submit the West Virginia Housing Development Fund Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020.

Very truly yours,

WEST VIRGINIA HOUSING DEVELOPMENT FUND

Erica Boggess Digitally signed by Erica Boggess Date: 2020.09.18 11:05:19 -04'00'

Erica L. Boggess, CPA
Executive Director

Crystal Toney Digitally signed by Crystal Toney Date: 2020.09.18 11:01:49 -04'00'

Crystal L. Toney
Deputy Director – Administration

Chad Leport Digitally signed by Chad Leport Date: 2020.09.18 11:08:39 -04'00'

Chad M. Leport, CPA, MBA
Division Manager – Accounting and Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

West Virginia Housing Development Fund

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
West Virginia Housing Development Fund
Charleston, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities (enterprise fund) and fiduciary fund type activities of the West Virginia Housing Development Fund (the Fund), a component unit of the State of West Virginia, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities (enterprise fund) and the fiduciary fund type activities of the West Virginia Housing Development Fund as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 20, and the schedules of the proportionate share of the net pension liability PERS, the schedules of contributions to the PERS, the schedules of changes in net OPEB liability and related ratios - Welfare Benefit Plan, the schedules of contributions to the Welfare Benefit Plan, the schedules of annual rate of return on investments - Welfare Benefit Plan, and the accompanying notes to required supplementary information on pages 51 through 55 be presented to supplement the basic financial statements. Such information, 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 that collectively comprise the West Virginia Housing Development Fund's basic financial statements. The introductory section and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
August 28, 2020

WEST VIRGINIA HOUSING DEVELOPMENT FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

INTRODUCTION

The West Virginia Housing Development Fund (the Fund) is a public body corporate with statewide responsibility for housing and operates a wide variety of programs to provide safe and affordable housing for residents and families in the State of West Virginia (the State). The Fund is a self-supporting agency and does not receive State appropriations for its operations. Through June 30, 2020, the Fund has provided assistance for more than 124,000 housing or housing-related units.

The permanent staff of the Fund consists of 104 persons as of June 30, 2020, including professional staff members qualified in the fields of accounting, finance, law, mortgage underwriting, mortgage loan servicing, secondary mortgage markets, planning, cost estimation, construction, inspection, and housing management. The Fund provides services in these fields for its programs as required and utilizes professional consulting services from time to time to supplement its own staff.

The Fund has 13 bond issues totaling $333,040,000 par amount outstanding under its bond resolutions. The bonds are rated "AAA" by Standard & Poor's Public Ratings Services (S&P) and "Aaa" by Moody's Investors Service, Inc. (Moody's).

The Fund's unsecured long-term general obligation debt pledge is rated "Aaa" by Moody's and "AAA" by S&P. The Fund is the first and only housing finance agency ever to receive such ratings on its long-term general obligation debt pledge. These ratings are not assigned to any particular issue of debt, but rather represent an overall credit assessment of the Fund's long-term general obligation pledge.[1]

The financial transactions of the Fund related to its various programs are reported in the enterprise fund financial statements, which are more fully explained in the Notes to the Financial Statements. These programs consist of the General Account, Bond Programs, Other Loan Programs, Affordable Housing Fund, Land Development Program, Bond Insurance Account, and Federal Programs. These were established in accordance with the West Virginia Housing Development Fund Act (the Act), the bond resolutions or at management's discretion. The restricted net position of the Fund includes the net position of the Bond Programs, Affordable Housing Fund, Land Development Program, Bond Insurance Account, and Federal Programs, which are restricted by the bond resolutions, the Act, or federal regulations. The Fund reports one fiduciary type fund, the Welfare Benefit Plan, an irrevocable trust for postemployment healthcare insurance benefits (OPEB) for the Fund's employees. The fiduciary fund's activities benefit the employees of the Fund and the fiduciary fund's resources are not available to support the various programs of the enterprise fund.

As management of the Fund, we offer readers of the Fund's enterprise fund financial statements the following narrative overview and analysis of the Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Fund Net Position as of and for the years ended June 30, 2020, 2019 and 2018.

[1] An explanation of the Moody's ratings may be obtained by writing to Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; an explanation of the S&P ratings may be obtained by writing to Standard & Poor's Public Ratings Services, 55 Water Street, New York, New York 10041. There is no assurance that such ratings will be maintained for any period of time or that such ratings will not be withdrawn or revised downward by Moody's or S&P if, in their judgment, circumstances so warrant. Such actions, if taken, could have an adverse effect on the market price of bonds issued by the Fund.

USING THIS REPORT

This report consists of a series of enterprise fund financial statements: the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Fund Net Position, and the Statements of Cash Flows. These statements provide information about the activities for each period presented.

The Fund prepares financial statements in conformity with accounting principles generally accepted in the United States of America for state housing finance enterprise funds. The enterprise fund Statements of Net Position represent the difference between the assets and liabilities and include all assets and liabilities using the basis of accounting described above. Over time, increases or decreases in the net position are one indicator of whether financial status is improving, stable, or deteriorating. There are also other factors that should be considered when reviewing the operational results, such as changes in the interest rate environment, bond market, changes to state and federal laws governing the Fund's programs, changes to the tax code, and the real estate market in the State. The Statements of Revenues, Expenses, and Changes in Fund Net Position reflect revenues, such as interest on loans, loan-servicing fees, interest on investments, fees for the administration of federal financial awards programs, expenses, such as loan fees, program expenses, administrative expenses, and interest on outstanding debt. The Notes to the Financial Statements provide information that is essential to fully understand the data provided in the financial statements.

FINANCIAL HIGHLIGHTS

Following is a comparison of the enterprise fund condensed Statements of Net Position at June 30:

(Dollars in thousands)	**2020**	**2019**	2018
ASSETS			
Current assets	**$ 75,723**	**$ 62,705**	$ 68,416
Noncurrent assets:			
Mortgage loans & Restricted mortgage loans, net of allowance for losses	**684,921**	**670,827**	640,514
Restricted Federal Program mortgage loans, net of allowance for losses	**64,338**	**63,279**	64,901
Restricted cash and cash equivalents	**85,655**	**51,157**	22,430
Investments & Restricted investments	**51,603**	**69,477**	75,667
Capital assets, net of depreciation	**8,173**	**8,409**	8,538
Other assets & Restricted other assets, net of allowance for losses	**5,760**	**5,453**	5,207
Total assets	**976,173**	**931,307**	885,673
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension and OPEB	**1,395**	**979**	1,101
LIABILITIES			
Current liabilities:			
Accounts payable and other liabilities	**19,820**	**17,968**	16,244
Accrued interest payable	**1,615**	**1,790**	1,464
Bonds payable	**26,745**	**26,940**	27,280
Noncurrent liabilities:			
Bonds & notes payable, net	**306,802**	**280,178**	254,324
Other liabilities	**68,208**	**68,733**	69,975
Total liabilities	**423,190**	**395,609**	369,287
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pension and OPEB	**1,405**	**1,489**	1,486
NET POSITION			
Net investment in capital assets	**8,173**	**8,409**	8,538
Net position - Restricted	**457,899**	**443,516**	429,722
Net position - Unrestricted	**86,901**	**83,263**	77,741
TOTAL NET POSITION	**$ 552,973**	**$ 535,188**	$ 516,001

Below is additional discussion of the significant financial statement items and the changes in those items over the prior two years due to recent events and activities of the Fund, current economic factors, and other factors affecting financial and programmatic operations.

Current assets

The increase of $13,018,000 (20.8%) in *Current assets* from 2019 to 2020 was primarily due to an increase in multifamily construction funds of $4,950,000, a $4,436,000 increase in cash for debt service, an increase in cash of $1,962,000 for program disbursements, an increase of $1,583,000 in the balance of Mortgage Loans Held for Sale, an increase of $1,587,000 in funds held for others, which includes insurance and tax accounts held on behalf of the Fund's various mortgagors, an increase of $478,000 in cash held for the Federal Home Loan Bank of Pittsburgh's Home4Good program and a decrease in funds available for HOME program disbursements of $1,775,000.

The decrease of $5,711,000 (8.3%) in *Current assets* from 2018 to 2019 was primarily due to a decrease in cash of $9,705,000 for program disbursements, an increase of $1,466,000 in funds available for HOME program disbursements, an increase of $920,000 in cash held for the Federal Home Loan Bank of Pittsburgh's Home4Good program, an increase of $817,000 in the balance of Mortgage Loans Held for Sale, and an increase in Accounts Receivable of $472,000 due from Federal program reimbursements.

Mortgage loans & Restricted mortgage loans, net of allowance for losses

The increase of $14,094,000 (2.1%) in *Mortgage loans & Restricted mortgage loans, net of allowance for losses* from 2019 to 2020 was primarily due to originations of $105,856,000 exceeding repayments and loan prepayments of $89,516,000 and foreclosures of $2,236,000.

The increase of $30,313,000 (4.7%) in *Mortgage loans & Restricted mortgage loans, net of allowance for losses* from 2018 to 2019 was primarily due to originations of $102,218,000 exceeding repayments and loan prepayments of $67,914,000 and foreclosures of $3,853,000.

Restricted Federal Program mortgage loans, net of allowance for losses

This line item consists of the United States Department of Housing and Urban Development's (HUD) HOME Investment Program (HOME) and National Housing Trust Fund (NHTF) mortgage loans. The fluctuations from year to year represent the net of HOME and NHTF program loan originations and repayments during the years presented.

Restricted cash and cash equivalents

The increase of $34,498,000 (67.4%) in *Restricted cash and cash equivalents* from 2019 to 2020 was primarily due to an $15,216,000 increase in the balance of funds available to purchase single family mortgage loans related to the timing of bond issuances and a $19,282,000 increase due to the proceeds of long-term maturities reinvested short term.

The increase of $28,727,000 (128.1%) in *Restricted cash and cash equivalents* from 2018 to 2019 was primarily due to an $18,577,000 increase in the balance of funds available to purchase single family mortgage loans related to the timing of bond issuances and a $9,856,000 increase due to the proceeds of long-term maturities reinvested short term.

Investments & Restricted investments

The fluctuations in *Investments and Restricted investments* from year to year is the net effect of investment purchases, redemptions, maturities and amortization and the change in fair value of investments as required by governmental accounting standards. Certain investments are required to be recorded at fair value and the unrealized gains or losses to be reported in the enterprise fund Statements of Revenues, Expenses and Changes in Fund Net Position.

The following summary illustrates the changes in *Investments & Restricted investments* as of June 30:

(Dollars in thousands)	**2020**	**2019**	2018
Balance at beginning of fiscal year	**$ 69,477**	**$ 75,667**	$ 81,632
Sales and maturities	**(27,685)**	**(7,881)**	(33,730)
Purchases	**7,700**	**-**	30,438
Increase (Decrease) in fair value of investments and amortizations	**2,111**	**1,691**	(2,673)
Balance at end of fiscal year	**$ 51,603**	**$ 69,477**	$ 75,667

Capital assets, net of depreciation See *Note A* – Capital assets, net of depreciation

The decrease of $236,000 (2.8%) from 2019 to 2020 was due to depreciation of the Fund's office building, equipment, and software in the amount of $339,000, net of purchases of $103,000.

The decrease of $129,000 (1.5%) from 2018 to 2019 was due to depreciation of the Fund's office building, equipment, and software in the amount of $483,000, net of purchases of $354,000.

Other assets and Restricted other assets, net of allowance for losses

The increase of $307,000 (5.6%) in *Other assets and Restricted other assets, net of allowance for losses* from 2019 to 2020 was primarily due to a $448,000 increase in foreclosed properties, a $94,000 increase in prepaid expenses and a decrease of $236,000 due from Federal program reimbursements.

The increase of $246,000 (4.7%) in *Other assets and Restricted other assets, net of allowance for losses* from 2018 to 2019 was primarily due to a $510,000 increase in foreclosed properties, an increase of $443,000 due from Federal program reimbursements and a $687,000 decrease in land owned.

Deferred outflows of resources related to pension and OPEB and Deferred inflows of resources related to pension and OPEB
See *Note A – Accounting methods*

Deferred outflows and inflows of resources are directly related to the activity described in *Note F* – Retirement Plan to the financial statements in accounting for the changes in the Fund's proportionate share of the West Virginia Public Employees Retirement System's net pension liability and in *Note H* – Other Postemployment Benefits to the financial statements in accounting for the changes in the Fund's net OPEB liability.

Accounts payable and other liabilities

The increase of $1,852,000 (10.3%) in *Accounts payable and other liabilities* from 2019 to 2020 was primarily due to an increase of $1,170,000 in funds held for others, which includes tax and insurance accounts held on behalf of the Fund's various mortgagors, an increase of $479,000 in cash held on behalf of the Federal Home Loan Bank of Pittsburgh to be used for its Home4Good program, an increase in the rebate liability of $128,000 and an increase of $75,000 in accrued expenses at year-end.

The increase of $1,724,000 (10.6%) in *Accounts payable and other liabilities* from 2018 to 2019 was primarily due to an increase of $920,000 in cash held on behalf of the Federal Home Loan Bank of Pittsburgh to be used for its Home4Good program, an increase of $510,000 in tax and insurance accounts held on behalf of the Fund's various mortgagors, and an increase of $138,000 in accrued expenses at year-end.

Bonds and notes payable, current and noncurrent

As illustrated in the following schedule, the changes in *Bonds and notes payable* were due to the early redemption or refunding of bonds, scheduled debt service payments, and new bonds and notes issued. The changes in the balance of bonds and notes payable and interest rates generally account for the fluctuations in *Accrued interest payable* in 2020 and 2019. See *Note D – Bonds & Notes payable, current and noncurrent.*

(Dollars in thousands)	**2020**	**2019**	2018
Balance at beginning of the fiscal year			
Bonds payable - current	**$ 26,940**	**$ 27,280**	$ 35,715
Bonds payable - noncurrent	**280,178**	**254,324**	302,056
Debt issued: Housing Finance Bonds	**60,000**	**60,000**	-
Other Loan Programs note payable	**-**	**-**	250
Debt paid: Scheduled debt service	**(24,793)**	**(23,553)**	(28,241)
Early redemptions and refundings	**(8,815)**	**(10,915)**	(28,195)
Other Loan Programs note payable allowance for losses [1]	**37**	**(18)**	19
Balance at end of the fiscal year	**$ 333,547**	**$ 307,118**	$ 281,604
Bonds payable - current	**$ 26,745**	**$ 26,940**	$ 27,280
Bonds & notes payable - noncurrent	**306,802**	**280,178**	254,324
Total bonds & notes payable	**$ 333,547**	**$ 307,118**	$ 281,604

[1] See *Note D* - Bonds Payable

Other liabilities

The decrease of $525,000 (0.8%) in *Other liabilities* from 2019 to 2020 was due to a decrease of $740,000 due to Federal Program mortgage repayments and prepayments exceeding mortgage loan originations, a decrease in the net pension liability of $171,000, and an increase in the net OPEB liability of $386,000.

The decrease of $1,242,000 (1.8%) in *Other liabilities* from 2018 to 2019 was due to a decrease in the net pension liability of $649,000, a decrease in the net OPEB liability of $251,000, and a decrease of $342,000 due to Federal Program mortgage repayments and prepayments exceeding mortgage loan originations.

Total Net Position improved by $19,187,000 (3.7%) from June 30, 2018 to June 30, 2019. From June 30, 2019 to June 30, 2020, *Total Net Position* improved by $17,785,000 (3.3%) as the enterprise fund net position improved to $552,973,000 at June 30, 2020.

Following is a comparison of condensed enterprise fund Statements of Revenues, Expenses, and Changes in Fund Net Position for the fiscal years ended June 30:

(Dollars in thousands)	2020	2019	2018
REVENUES			
Interest on loans	**$ 30,965**	**$ 30,212**	$ 29,676
Pass-through grant revenue	**74,479**	**70,445**	69,164
Fee revenue	**7,968**	**8,143**	6,774
Net investment earnings (non-operating)	**6,071**	**6,241**	877
Other	**1,959**	**1,319**	1,439
Total Revenues	**121,442**	**116,360**	107,930
EXPENSES			
Pass-through grant expense	**74,479**	**70,445**	69,164
Interest and debt expense (non-operating)	**9,837**	**9,427**	9,573
Loan fees expense	**3,907**	**4,014**	3,676
Program expenses, net	**4,699**	**3,618**	2,357
Administrative expenses, net	**10,735**	**9,669**	9,946
Total Expenses	**103,657**	**97,173**	94,716
INCOME BEFORE SPECIAL ITEM	**17,785**	**19,187**	13,214
SPECIAL ITEM - Transfer of operations [1]	**-**	**-**	4,469
CHANGE IN NET POSITION	**17,785**	**19,187**	17,683
NET POSITION AT BEGINNING OF YEAR	**535,188**	**516,001**	499,426
CUMULATIVE EFFECT OF ADOPTION OF ACCOUNTING PRINCIPLE [2]	**-**	**-**	(1,108)
NET POSITION AT BEGINNING OF YEAR, AS RESTATED	**535,188**	**516,001**	498,318
NET POSITION AT END OF YEAR	**$ 552,973**	**$ 535,188**	$ 516,001

(1) See *Note A* - *Agency Description and Significant Accounting Policies*

(2) Restated for implementation of GASB 75

Interest on loans

The increase in *Interest on loans* of $753,000 (2.5%) from 2019 to 2020 was primarily due to an increase in mortgage loan balances from the prior year.

The increase in *Interest on loans* of $536,000 (1.8%) from 2018 to 2019 was primarily due to an increase in mortgage loan balances from the prior year.

Pass through grant revenue and Pass through grant expense

This line item represents federal funds received and disbursed to sub-recipients under Federal Programs.

The increase of $4,034,000 (5.7%) from 2019 to 2020 was primarily due to an increase of $2,659,000 in HOME disbursements, an increase of $778,000 in Section 8 Housing Assistance Payments Program disbursements, and an increase of $597,000 in National Housing Trust Fund disbursements.

The increase of $1,281,000 (1.9%) from 2018 to 2019 was primarily due to an increase of $2,004,000 in Section 8 Housing Assistance Payments Program disbursements, an increase of $782,000 in National Housing Trust Fund disbursements and a decrease of $1,506,000 in HOME disbursements.

Fee revenue

The decrease of $175,000 (2.1%) in *Fee revenue* from 2019 to 2020 was primarily due to a decrease of $61,000 in Affordable Housing Fund fees, a decrease of $51,000 in mortgage loan processing fees, a decrease of $35,000 in Low-Income Housing Tax credit fees and a decrease of $30,000 in Section 8 fees.

The increase of $1,369,000 (20.2%) in *Fee revenue* from 2018 to 2019 was primarily due to an increase of $974,000 in Affordable Housing Fund fees earned related to the transfer of the WVAHTF to the Fund at the end of fiscal year 2018, a net increase of $303,000 in mortgage loan processing fees, and an increase of $68,000 in Low-Income Housing Tax credit fees earned.

Net investment earnings

Net investment earnings increased $5,364,000 (611.6%) from 2018 to 2019 and decreased $170,000 (2.7%) from 2019 to 2020 in the comparison of revenues and expenses above. However, *Net investment earnings* include unrealized gains and losses in the fair market value of investments for each of the fiscal years presented as required by United States Generally Accepted Accounting Principles (US GAAP). As shown in the schedule below, investment earnings, adjusted for the unrealized gains or losses, increased 39.9% from 2018 to 2019 due to higher cash and investment balances and decreased 12.3% from 2019 to 2020 due to a decrease in interest rates throughout the year.

(Dollars in thousands)	June 30, 2020	2019	2018
Net investment income per operating statement	**$ 6,071**	**$ 6,241**	$ 877
Adjustments for unrealized (gain) loss on fair value of securities	**(1,906)**	**(1,493)**	2,518
Interest earned on investments	**$ 4,165**	**$ 4,748**	$ 3,395
% (Decrease) Increase from prior year	**(12.3%)**	**39.9%**	

Other revenues

The increase of $640,000 (48.5%) in *Other revenues* from 2019 to 2020 was primarily due to flood program reimbursements of $354,000, an increase in gains on sale of mortgage loans of $281,000 and an increase in gains on sale of foreclosed properties of $17,000.

The decrease of $120,000 (8.3%) in *Other revenues* from 2018 to 2019 was primarily due to a decrease in gains on sale of mortgage loans of $125,000.

Interest and debt expense

The $410,000 (4.3%) increase in *Interest and debt expense* from 2019 to 2020 was primarily due to $60,000,000 in bond issuances exceeding bond redemptions and debt service of $33,608,000 during 2020.

The $146,000 (1.5%) decrease in *Interest and debt expense* from 2018 to 2019 was primarily due to the timing of $60,000,000 in bond issuances during 2019, $34,468,000 in bond redemptions and debt service and a decrease in the average interest rate of bonds outstanding.

Loan fees expense

The $107,000 (2.7%) decrease in *Loan fees expense* from 2019 to 2020 was primarily due to a decrease in loan origination fees of $257,000, an increase in service fees on loans of $89,000 and an increase in service release fees of $60,000.

The $338,000 (9.2%) increase in *Loan fees expense* from 2018 to 2019 was primarily due to an increase in loan originations, which resulted in an increase in loan origination fees of $297,000 and an increase in service fees on loans of $35,000.

Program expenses, net

The $1,081,000 (29.9%) increase in *Program expenses, net* from 2019 to 2020 was primarily due to an increase of $1,190,000 in expenses related to repairs and holding costs for foreclosed properties, an increase of $489,000 in Affordable Housing Fund disbursements, an increase of $47,000 in bad debt expense, net of a decrease in losses on sale of foreclosed properties of $523,000 and a decrease of $115,000 in Special Needs disbursements.

The $1,261,000 (53.5%) increase in *Program expenses, net* from 2018 to 2019 was primarily due to an increase of $704,000 in cost of issuance expenses, a $360,000 increase in bad debt expense, an increase of $279,000 in Affordable Housing Fund disbursements, a $273,000 increase in Special Needs disbursements, a $216,000 decrease in losses on sale of foreclosed properties, and a decrease of $194,000 in servicing expenses.

Administrative expenses, net

The $1,066,000 (11.0%) increase in *Administrative expenses, net* from 2019 to 2020 was primarily due to an increase in OPEB related expenses of $371,000, an increase of $234,000 in salary expenses due to vacant positions from fiscal year 2019 hired in fiscal year 2020, an increase in expenses related to the Fund's proportionate share of the net pension liability of $220,000, an increase of $155,000 in benefits primarily due to an increase in healthcare costs, an increase in legal expenses of $138,000, net of an increase in various administrative reimbursements of $45,000.

The $277,000 (2.8%) decrease in *Administrative expenses, net* from 2018 to 2019 was primarily due to an increase of $401,000 in various administrative reimbursements, an increase of $371,000 in salary expenses, an increase in computer-related expenses of $60,000, a decrease in OPEB related expenses of $58,000 and a net decrease in the expense related to the Fund's proportionate share of the net pension liability of $246,000.

OVERVIEW OF THE ENTERPRISE FUND FINANCIAL STATEMENTS

Mortgage Lending

The Fund's Bond Programs are the core-housing programs and the primary source of income for the Fund. Various economic and regulatory factors such as prevailing economic conditions, mortgage interest rates, investment rates, the demand for housing, the cost of housing and of operating housing programs, the volume of mortgage lending activity in the State and other factors affecting the supply of housing in the State can create significant challenges for the Fund in both the Bond Programs and its overall operations.

As interest rates increased during fiscal year 2019, the Fund's tax-exempt bond mortgage rate became more competitive as compared to the conventional loan market and the number of borrowers refinancing their mortgages decreased. As mortgage refinancing began to decrease and loan originations increased from fiscal year 2018 to fiscal year 2019, the Fund's Bond Program mortgage loan balances increased $20,292,000 (3.6%) in fiscal year 2019 as compared to fiscal year 2018. In fiscal year 2020, a decrease in interest rates contributed to an increase in the number of borrowers refinancing their mortgages. To a lesser extent, the decrease also reduced the Fund's competitive edge of mortgage rates and loan originations decreased, however the Fund's Bond Program mortgage loan balances increased $4,414,000 (0.8%) in fiscal year 2020 as compared to fiscal year 2019. Mortgage loan balances and continued loan originations are key elements to future earnings potential.

The Bond Programs mortgage loan balances increased from fiscal year 2018 through fiscal year 2020 as follows:

(Dollars in thousands)		June 30,	
	2020	**2019**	2018
Beginning Balance	**$ 586,323**	**$ 566,031**	$ 575,325
Repayments/Prepayments	**(64,293)**	**(53,884)**	(59,425)
Foreclosures	**(2,803)**	**(3,746)**	(3,735)
Originations	**71,510**	**77,922**	53,866
Ending Balance	**$ 590,737**	**$ 586,323**	$ 566,031
% Increase from prior year	**0.8%**	**3.6%**	

The Fund's single family Bond Program loans consist of 30-year fixed rate loans and no sub-prime loans. The median income of Fund single family borrowers is $35,992 as of June 30, 2020. This income level tends to be impacted quicker than an average borrower during economic declines. Despite the economic downturn in the State, the Fund's single family foreclosure and delinquency rates remained stable through 2019 as the Fund had not seen a significant increase in foreclosures and delinquencies.

The recent global outbreak of COVID-19, a respiratory disease declared to be a pandemic (the "Pandemic") by the World Health Organization, which is affecting the national capital markets and which may negatively impact the State's housing market and its overall economy, has negatively impacted the Fund's delinquency rates.

On March 13, 2020, the President of the United States declared a national emergency with respect to the Pandemic. In addition, the United States Congress enacted several COVID-19-related bills, including the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), signed into law on March 27, 2020, which provides, among other things, that (a) lenders are prohibited from foreclosing all mortgage loans which are FHA insured, VA, HUD or Rural Housing guaranteed, or purchased or securitized by Fannie Mae or Freddie Mac (collectively, "Federal Single Family Loans") for a period of 60 days commencing March 18, 2020, and (b) during the COVID-19 emergency, Federal Single Family Loan borrowers directly or indirectly facing economic difficulties as a result of the coronavirus can seek up to 360 days of payment forbearance. In addition to the foreclosure and eviction relief provided by the CARES Act, HUD/FHA and the Federal Housing Finance Agency ("FHFA") also ordered the servicers of Federal Single Family Loans to suspend foreclosures and evictions related to Federal Single Family Loans; HUD/FHA and FHFA have extended their foreclosure and eviction moratoriums for Federal Single Family Loans until at least December 31, 2020.

As of June 30, 2020, mortgagors of approximately 3.53% of the principal amount of the Fund's loan portfolio have requested forbearance and foreclosure actions have been paused for approximately 0.07% of the principal amount of the Fund's loan portfolio. The Fund expects to receive and approve additional forbearance requests during the Pandemic.

The Pandemic is an ongoing situation. At this time, the Fund cannot determine the overall impact that the Pandemic, including the federal and State responses thereto, will have on its programs and operations, including its ability to finance the purchase of Mortgage Loans and to collect payments on such Mortgage Loans. The continuation of the Pandemic and the resulting containment and mitigation efforts could have a material adverse effect on the Fund, its programs, its operations and its finances.

The Fund is proactively monitoring cash positions to ensure sufficient liquidity is maintained to meet loan servicing responsibilities impacted by the COVID-19 Pandemic and to meet the increased demand for single family mortgage loan originations during the current low-interest rate environment.

The ability of the Fund to pay debt service on bonds outstanding is heavily dependent on the receipt of mortgage payments from borrowers. However, the Fund maintains a Capital Reserve Fund in an amount no less than the highest aggregate debt service of any year on all outstanding Mortgage Finance Bonds. In addition, the Fund maintains the Bond Insurance Account, as required by the Act, to provide for the payment of debt service on Mortgage Finance Bonds, if necessary.

Primarily due to forbearances and the foreclosure moratorium, the Fund's Bond Program loan delinquency rates increased in the Two, Three and Three+ month categories as shown in the chart below. The Fund will continue to monitor delinquencies and increase communication with borrowers to control delinquencies where possible and/or modify loans as borrowers deal with unemployment.

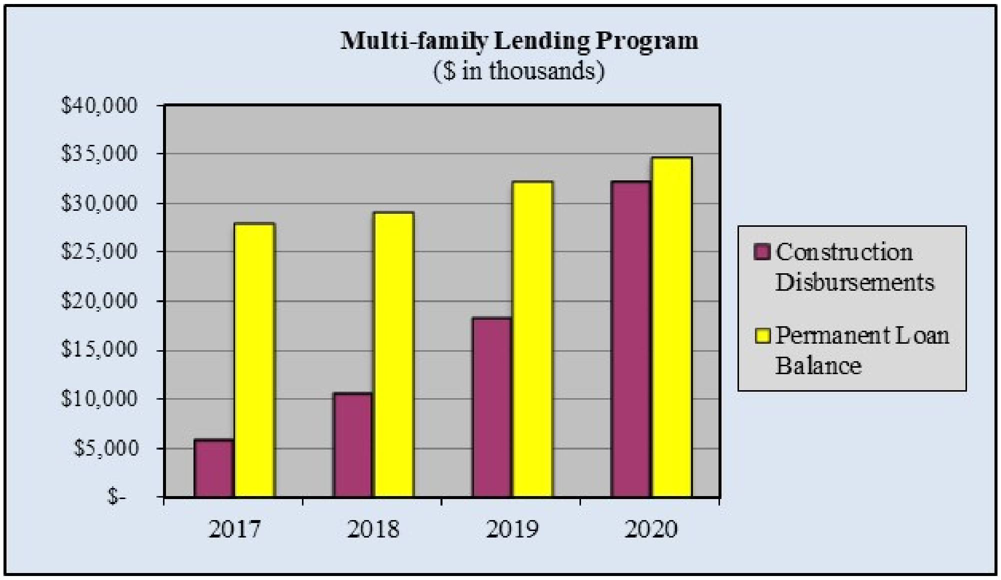
Delinquency Rates

	WV Housing Development Fund Bond Programs As of June 30,			WV* As of March 31, 2020	USA* As of March 31, 2020
	2020	2019	2018		
Months Past Due					
One	2.77%	3.57%	3.58%	3.17%	2.37%
Two	1.50%	1.05%	1.16%	0.92%	0.70%
Three	0.85%	0.35%	0.44%	1.17%	0.94%
Three +	5.08%	1.40%	1.44%	1.92%	1.67%
In foreclosure	0.29%	0.32%	0.29%	0.75%	0.73%

*Most current data available.

In response to the increased demand for affordable rental housing, the Fund is increasing its financing of both construction and permanent financing of multifamily rental housing. Resources for this initiative are provided from Other Loan Programs, HOME, the

National Housing Trust Fund and the Low-Income Housing Tax Credit Program. Permanent loans financed from Other Loan Programs often carry United States Department of Agriculture (USDA) 538 loan guarantees. The Fund expects to continue its focus on financing rental housing into fiscal 2021 and future years.



Interest rates on new single family bond loans originated in fiscal year 2020 have averaged approximately 4.03%. Interest rates on new multifamily permanent loans originated in fiscal year 2020 have averaged approximately 5.07%. Due to lower interest rates on new single family loan originations and the prepayment of higher interest single family and multifamily loans, the average interest rate on loans outstanding has declined. The average loan interest rate listed below shows the Bond Programs average for fiscal years 2018 through 2020.

Average Loan Interest Rate	
June 30, 2018	4.64%
June 30, 2019	4.54%
June 30, 2020	4.46%

Investments

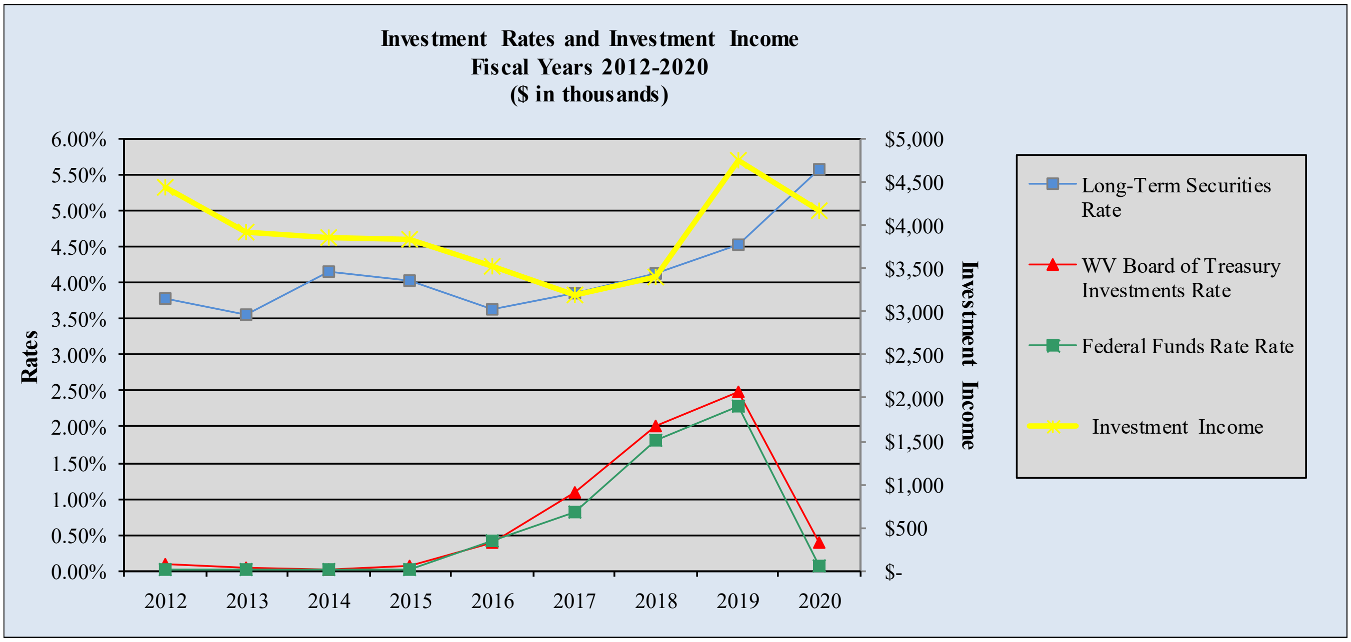
The Fund invests cash, as permitted by the Act, the bond resolutions, and the Board approved Investment Policy. Funds related to the Bond Programs capital reserves and the Bond Insurance Account are primarily invested in long-term United States agency securities and FDIC insured certificates of deposit or collateralized certificates of deposit, which are expected to be held to maturity. Certain funds in the Bond Insurance Account and general operating funds are invested in mortgage loans held solely for investment. The interest earnings on these investment types are less affected by the fluctuation in short-term interest rates.

Loan proceeds and revenues of the Bond Programs, Other Loan Program, and operating funds are primarily on deposit with a bank, invested in FDIC insured certificates of deposit or collateralized certificates of deposit. All bank deposits are either FDIC insured or collateralized by permitted investments. The remaining funds are on deposit with the West Virginia Board of Treasury Investments (WVBOTI). Such funds are extremely sensitive to short-term interest rate fluctuations.

As shown in the following chart, the average investment rates for short-term investments and the WVBOTI have been consistent with the Federal Funds rate and remained at a historical low of 0.00% to 0.25% from 2012 through 2015. During fiscal year 2016, the Federal Reserve increased the federal funds rate ranging from 0.25% to 0.50% and continued to increase the rate eight additional times during fiscal years 2017 through 2019 ranging from 1.00% to 2.50%. During fiscal year 2020, the Federal Reserve decreased the rate five times to the current rate ranging from 0.00% to 0.25%. Due to market conditions, the Fund invests in demand deposit accounts, FDIC insured certificates of deposit and in collateralized certificates of deposit to maximize investment yields and preserve principal.

Investment earnings increased 39.9% from 2018 to 2019, net of unrealized gains or losses. The decreases in interest rates throughout 2020 directly impacted the Fund's investment earnings as they decreased 12.3% from 2019 to 2020, net of unrealized gains or losses.

Below is a summary of the average investment rates from June 2012 to June 2020:



Debt Management

The Fund issues qualified mortgage revenue bonds to fund its single family Bond Programs. When bonds are issued, the initial proceeds are invested in short-term investments until the funds are used for the purchase of mortgage loans. Because short-term investment rates are typically lower than the long-term bond rates, this creates negative arbitrage. To reduce this negative arbitrage, the Fund delays the issuance of new bonds until absolutely necessary. The Fund sometimes uses general operating funds or other available funds as a warehouse line to purchase new loans in anticipation of bond sales.

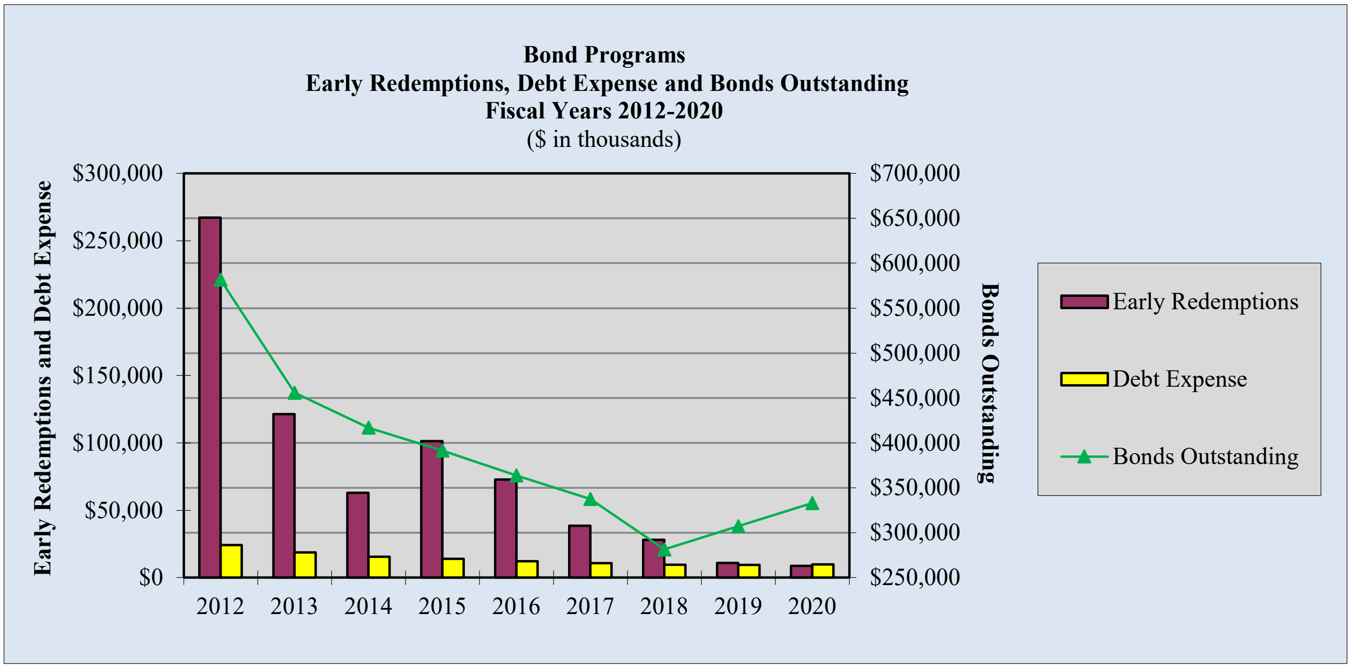
When bonds are issued from the bond volume allocation, known as "new money" bonds, certain repayments and prepayments of mortgage loans made from these proceeds may be "recycled" into additional mortgage loans for ten years. The Fund uses recycling to supplement its bond issues by using prepayments for additional mortgage loans instead of issuing debt. If the market interest rates on mortgages are lower than the corresponding bond rates, the Fund may redeem bonds in lieu of recycling. However, if mortgage rates are higher than the corresponding bond rates the Fund may redirect prepayments into additional mortgage loans in lieu of redeeming bonds. Moving forward into fiscal year 2021 the Fund expects to continue to recycle mortgage loan repayments from its bond issues when it is economically prudent to do so.

The Fund's Movin' Up program is a long-term strategy intended to be a self-funding lending program as an alternative to dependency on the bond market and a method of assisting moderate income borrowers. The program is designed to attract a market to our single family loan program and provide a long-term increase in our mortgage loan balances. Unlike other single family bond programs the Fund offers, the Movin' Up Program does not have a first time homebuyer restriction and has significantly higher income limits than other single family programs offered. Its target market is for moderate income buyers who may have outgrown their current homes and want to move up to a larger home and provides the borrower with down payment and closing cost assistance.

During fiscal years 2018, 2019 and 2020, the Fund redeemed $28,195,000, $10,915,000 and $8,815,000 in bonds, respectively. By actively redeeming bonds, the Fund has offset the impact of reduced mortgage loan balances and rates.

Debt expense was $9,573,000, $9,427,000 and $9,837,000 in fiscal years 2018, 2019 and 2020, respectively. Debt expense decreased in 2019 as compared to 2018 due to $34,468,000 in bond redemptions and debt service, a decrease in the average interest rate of bonds outstanding and the timing of $60,000,000 in bond issuances during 2019. Debt expense increased in 2020 as compared to 2019 due to $60,000,000 in bond issuances during 2020 exceeding redemptions and debt service of $33,608,000.

By actively redeeming bonds, the Fund continues to offset the impact of reduced mortgage loan balances and rates. The following chart illustrates early bond redemptions, debt expense and bonds outstanding in the Bond Programs.



Other

The Fund services all of its outstanding mortgage loans and services loans on behalf of Fannie Mae, Freddie Mac, the West Virginia Jobs Investment Trust and various non-profit organizations. The Fund is the largest loan servicer in the State with serviced loans of $1.2 billion. Servicing fee income in the amount of $2,955,000 represents 6.29% of the Fund's total revenues, net of pass through grant revenue, for the fiscal year ended June 30, 2020.

OVERVIEW OF THE FIDUCIARY FUND FINANCIAL STATEMENTS

The Fund has one fiduciary fund, the Welfare Benefit Plan, which is an irrevocable trust for postemployment healthcare benefits for employees. These funds are not available to support the Fund's enterprise activities. The accounting used for fiduciary funds is much like that used for enterprise funds.

Net position restricted for other postemployment benefits improved by $141,000 (2.6%) from June 30, 2018 to June 30, 2019. From June 30, 2019 to June 30, 2020, *Net position restricted for other postemployment benefits* improved by $160,000 (2.9%) to $5,745,000 at June 30, 2020.

The fiduciary fund financial statements can be found on pages 18 and 19 of this report and the Welfare Benefit Plan is discussed in greater detail in *Note H – Postemployment Healthcare Plan.*

CONTACTING THE FUND'S FINANCIAL MANAGEMENT

The above financial highlights are designed to provide a general overview of the Fund's operations and insight into the following financial statements. Additional information may be requested by contacting the Executive Director, West Virginia Housing Development Fund, at 5710 MacCorkle Ave. SE, Charleston, WV 25304, or may be found on our website at www.wvhdf.com.

WEST VIRGINIA HOUSING DEVELOPMENT FUND
PROPRIETARY FUND TYPE - ENTERPRISE FUND
STATEMENTS OF NET POSITION
(Dollars in Thousands)

	June 30, 2020	June 30, 2019
ASSETS		
Current assets:		
Cash and cash equivalents-- *(Notes A and C)*	$ 6,822	$ 13,239
Accrued interest on loans	377	413
Accounts receivable and other assets, net of allowance for losses-- *(Note A)*	1,886	1,761
Mortgage loans held for sale-- *(Note A)*	2,399	817
Restricted cash and cash equivalents-- *(Notes A and C)*	61,468	43,413
Restricted accrued interest on loans	2,361	2,342
Restricted accrued interest on investments	410	720
Total current assets	75,723	62,705
Noncurrent assets:		
Mortgage loans, net of allowance for losses-- *(Note A)*	80,796	68,601
Capital assets, net of depreciation-- *(Note A)*	8,173	8,409
Restricted cash and cash equivalents-- *(Notes A and C)*	85,655	51,157
Restricted investments-- *(Notes A and C)*	51,603	69,477
Restricted mortgage loans, net of allowance for losses-- *(Note A)*	668,463	665,505
Restricted other assets, net of allowance for losses-- *(Note A)*	5,760	5,453
Total noncurrent assets	900,450	868,602
Total assets	976,173	931,307
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pension and OPEB-- *(Notes A, F and H)*	1,395	979
LIABILITIES		
Current liabilities:		
Accounts payable and other liabilities-- *(Note A)*	19,820	17,968
Accrued interest payable	1,615	1,790
Bonds payable-- *(Note D)*	26,745	26,940
Total current liabilities	48,180	46,698
Noncurrent liabilities:		
Other liabilities-- *(Notes A, F and H)*	68,208	68,733
Bonds & notes payable-- *(Note D)*	306,802	280,178
Total noncurrent liabilities	375,010	348,911
Total liabilities	423,190	395,609
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pension and OPEB-- (Notes A, F and H)	1,405	1,489
NET POSITION		
Restricted for debt service	381,723	369,969
Restricted by state statute	76,176	73,547
Net investment in capital assets	8,173	8,409
Unrestricted	86,901	83,263
Total net position	$ 552,973	$ 535,188

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

WEST VIRGINIA HOUSING DEVELOPMENT FUND
PROPRIETARY FUND TYPE - ENTERPRISE FUND
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
(Dollars in Thousands)

	Year Ended June 30, 2020	Year Ended June 30, 2019
OPERATING REVENUES		
Interest on loans	$ 30,965	$ 30,212
Pass-through grant revenue-- *(Note A)*	74,479	70,445
Fee revenue-- *(Note A)*	7,968	8,143
Other-- *(Note A)*	1,959	1,319
	115,371	110,119
OPERATING EXPENSES		
Pass-through grant expense-- *(Note A)*	74,479	70,445
Loan fees expense-- *(Note A)*	3,907	4,014
Program expenses, net-- *(Note A)*	4,699	3,618
Administrative expenses, net-- *(Note A)*	10,735	9,669
	93,820	87,746
OPERATING INCOME	21,551	22,373
NON-OPERATING - FINANCING AND INVESTING (EXPENSES) REVENUES		
Investment earnings:		
Interest	4,165	4,748
Net increase in the fair value of investments	1,906	1,493
Net investment earnings	6,071	6,241
Interest and debt expense	(9,837)	(9,427)
	(3,766)	(3,186)
CHANGE IN NET POSITION	17,785	19,187
NET POSITION AT BEGINNING OF YEAR	535,188	516,001
NET POSITION AT END OF YEAR	$ 552,973	$ 535,188

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

WEST VIRGINIA HOUSING DEVELOPMENT FUND
PROPRIETARY FUND TYPE - ENTERPRISE FUND
STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

	Year Ended June 30, 2020	Year Ended June 30, 2019
CASH FLOWS USED IN OPERATING ACTIVITIES		
Receipts from lending activities	$ 124,186	$ 103,495
Receipts from other operating activities	9,927	9,405
Receipts from escrows and advance activities [(1)]	87,433	72,596
Disbursements from escrows and advance activities [(1)]	(86,335)	(71,209)
Receipts for federal lending activities	2,699	2,664
Receipts for federal activities	66,216	65,438
Disbursements for federal activities	(66,216)	(65,438)
Purchase of mortgage loans	(111,584)	(105,815)
Purchase of mortgage loans held for sale	(38,440)	(29,716)
Sales of mortgage loans	36,629	28,899
Payments to employees for salaries and benefits	(7,053)	(6,681)
Payments to vendors	(11,986)	(11,047)
Net cash provided by (used in) operating activities	5,476	(7,409)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Net proceeds from bonds and notes	60,000	60,000
Retirement of bonds and notes	(33,608)	(34,468)
Interest paid	(10,013)	(9,101)
Net cash provided by noncapital financing activities	16,379	16,431
CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of equipment and furnishings	(103)	(323)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities of investments	27,685	7,881
Purchase of investments	(7,700)	-
Net investment earnings	4,399	4,607
Net cash provided by investing activities	24,384	12,488
Net increase in cash and cash equivalents	46,136	21,187
Cash and cash equivalents at beginning of year	107,809	86,622
Cash and cash equivalents at end of year	$ 153,945	$ 107,809
Cash and cash equivalents consist of:		
Cash and cash equivalents	$ 6,822	$ 13,239
Restricted cash and cash equivalents - current	61,468	43,413
Restricted cash and cash equivalents - noncurrent	85,655	51,157
	$ 153,945	$ 107,809

(1) See Note A, *Restricted cash and cash equivalents*

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

WEST VIRGINIA HOUSING DEVELOPMENT FUND
PROPRIETARY FUND TYPE - ENTERPRISE FUND
STATEMENTS OF CASH FLOWS (CONTINUED)
(Dollars in Thousands)

	Year Ended June 30, 2020	Year Ended June 30, 2019
Reconciliation of operating income to net cash (used in) provided by operating activities:		
Operating income	$ 21,551	$ 22,373
Adjustments to reconcile operating income to net cash provided by operating activities:		
Change in assets and liabilities:		
Accrued interest on loans	37	(101)
Mortgage loans held for sale	(1,582)	(817)
Other assets	213	(57)
Allowance for (recovery of) losses on other assets	1	(312)
Restricted accrued interest on loans	(19)	(53)
Restricted other assets	(332)	1,829
Allowance for (recovery of) losses on restricted other assets	25	(2,075)
Mortgage loans	(11,242)	(10,395)
Allowance for losses on mortgage loans	(954)	(100)
Restricted mortgage loans	(5,771)	(20,762)
Allowance for losses on restricted mortgage loans	2,813	2,566
Accounts payable	1,761	1,613
Other liabilities, Federal Programs	(740)	(342)
Deferred outflows of resources - pension and OPEB	(416)	122
Deferred inflows of resources - pension and OPEB	(84)	3
Other liabilities, pension and OPEB	215	(901)
Net cash provided by (used in) operating activities	$ 5,476	$ (7,409)
Noncash investing and financing activities:		
Increase in fair value of investments	$ 2,044	$ 1,608
Net amortization of premiums/discounts on investments	54	85

WEST VIRGINIA HOUSING DEVELOPMENT FUND
FIDUCIARY FUND TYPE - WELFARE BENEFIT PLAN
STATEMENTS OF FIDUCIARY NET POSITION
(Dollars in Thousands)

	June 30, 2020	June 30, 2019
ASSETS		
Restricted cash and cash equivalents	$ 155	$ 316
Restricted accrued interest on investments	29	28
Restricted investments:		
U.S. Treasury securities	3,049	3,014
Federal agency securities	499	-
Certificates of deposit	2,028	2,242
Total restricted investments	5,576	5,256
Total restricted assets	5,760	5,600
LIABILITIES		
Current liabilities:		
Accounts payable and other liabilities	15	15
Total liabilities	15	15
NET POSITION RESTRICTED FOR OTHER POSTEMPLOYMENT BENEFITS	$ 5,745	$ 5,585

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

WEST VIRGINIA HOUSING DEVELOPMENT FUND
FIDUCIARY FUND TYPE - WELFARE BENEFIT PLAN
STATEMENTS OF CHANGES IN FUDICIARY NET POSITION
(Dollars in Thousands)

	Year Ended June 30, 2020	Year Ended June 30, 2019
ADDITIONS		
Contributions - employer	$ 95	$ 311
Investment income:		
Interest	117	118
Net increase in fair value of investments	63	54
Net investment income	180	172
Total additions	275	483
DEDUCTIONS		
Benefits	95	311
Administrative expenses	20	31
Total deductions	115	342
NET INCREASE IN FIDUCIARY NET POSITION	160	141
NET POSITION RESTRICTED FOR OTHER POSTEMPLOYMENT BENEFITS		
BEGINNING OF YEAR	5,585	5,444
END OF YEAR	$ 5,745	$ 5,585

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

NOTE A – AGENCY DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES

The West Virginia Housing Development Fund (the Fund) is a governmental instrumentality of the State of West Virginia (the State) and a public body corporate, created under the provisions of Article 18, Chapter 31 of the Code of West Virginia, 1931, as amended, and known as the West Virginia Housing Development Fund Act (the Act). Under the Act, the Fund's corporate purposes primarily relate to providing various housing programs. The Fund can also finance non-residential projects as defined in the Act.

The Fund is governed by a Board of Directors consisting of the Governor, Attorney General, Commissioner of Agriculture, and Treasurer of the State, all of whom serve ex-officio as public directors, and seven members, chosen by the Governor with the advice and consent of the State Senate, as private directors from the general public residing in the State. The Act, as amended in January 2005, designates the Governor or his or her designee as the Chair of the Board of Directors. Furthermore, this amendment provides that the Governor shall appoint the Executive Director, with the advice and consent of the State Senate, and that the Executive Director will serve at the Governor's will and pleasure.

The Fund receives no appropriations from the State; however it is included as a discretely presented component unit of the primary government in the State's Comprehensive Annual Financial Report. The reporting entity for the Fund includes its Enterprise Fund and Welfare Benefit Plan. In defining the Fund for financial reporting purposes, management considered all potential component units. Based on the criteria of accounting principles generally accepted in the United States, the Fund has one component unit, the Welfare Benefit Plan, an irrevocable trust for postemployment healthcare insurance benefits provided to the Fund's employees. The Fund's financial statement presentation includes the Welfare Benefit Plan as a fiduciary fund.

The various programs of the Fund consist of the General Account, the Bond Programs, Other Loan Programs, Affordable Housing Fund, Land Development Program, Bond Insurance Account, and Federal Programs.

The General Account includes the results of the Fund's loan servicing operations, administrative expenses of the Fund's operations, operations of the Fund's building and fee income related to the administration of the Section 8 Housing Assistance Payments Programs (HAPs Program) and the Low-Income Housing Tax Credit Program.

The Bond Programs include the activities of the single-family bond programs under the Housing Finance Bond Program and the General New Issue Bond Program resolutions, the purpose of which is to provide affordable housing throughout the State. Assets and revenues of the Bond Programs are restricted, subject to the provisions of the bond resolutions, and are available for other purposes only to the extent they are not required to meet specified reserve and funding provisions of the resolutions.

Other Loan Programs include the Down Payment and Closing Cost Assistance Program, Secondary Market Program, Multifamily Lending Program, Flood Program, Low-Income Assisted Mortgage Program, On-Site Septic Systems Loan Program and the Special Assistance Lending Program, all of which have been financed from the general reserves of the Fund.

The Affordable Housing Fund was created by the State Legislature in 2018 through the transfer of operations of the West Virginia Affordable Housing Trust Fund (WVAHTF) to the Fund effective June 8, 2018. The Legislation maintains those funds for its original purpose in support of much-needed affordable housing. The Affordable Housing Fund's purpose is to provide funding for both technical assistance and housing assistance to non-profits and government entities to encourage stronger partnerships, collaboration and greater involvement of local communities in meeting housing needs in the State. The Affordable Housing Fund receives a fee of twenty dollars on the transfer of real property and on the sale of factory-built homes by licensed dealers and is restricted by State statute. The transfer fees are required to be set aside in a special purpose account for the sole purpose of continuing the activities of the WVAHTF for the sole benefit of governments, 501(c)(3) non-profits and public housing authorities.

The Land Development Program was established by the Act in 1973 with a $2,000,000 appropriation from the State Legislature from which the Fund can make below-market interest rate loans to developers to acquire and improve land for residential housing and non-residential construction. The Land Development Program includes the West Virginia Property Rescue Initiative Program and is restricted by State statute.

The Bond Insurance Account was created by the Act as a special trust fund within the State Treasury designated as the "Mortgage Finance Bond Insurance Fund", and was established to provide for the payment of principal and interest in the event of default by the Fund on "Mortgage Finance Bonds," as defined in the Act. The Bond Insurance Account is restricted by State statute and is under the supervision of the West Virginia Municipal Bond Commission (the "Bond Commission"). The Bond Insurance Account is included in the Fund's financial statements but is kept separate and apart from all other accounts of the Fund, the Bond Commission, and the State. Both the Housing Finance Bond Program and the General New Issue Bond Program are considered Mortgage Finance Bonds.

Federal Programs include the United States Department of Housing and Urban Development's (HUD) HOME Investment Program (HOME), National Housing Trust Fund (NHTF), Tax Credit Assistance Program (TCAP), HAPs Program, and the U.S. Treasury's Tax Credit Exchange Program (TCEP) for which the Fund acts as program administrator. These programs are funded solely through federal monies and are restricted by Federal regulations.

COVID-19 Pandemic: The recent global outbreak of COVID-19, a respiratory disease declared to be a pandemic (the "Pandemic") by the World Health Organization, is affecting the national capital markets and which may negatively impact the State's housing market and its overall economy.

On March 13, 2020, the President of the United States declared a national emergency with respect to the Pandemic. In addition, the United States Congress enacted several COVID-19-related bills, including the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), signed into law on March 27, 2020, which provides over $2 trillion of direct financial aid to American families, payroll and operating expense support for small businesses, and loan assistance for distressed industries, as well as providing funds to and directing the Federal Reserve System to support the capital markets.

Among other things, the CARES Act provides that (a) lenders are prohibited from foreclosing all mortgage loans which are FHA insured, VA, HUD or Rural Housing guaranteed, or purchased or securitized by Fannie Mae or Freddie Mac (collectively, "Federal Single Family Loans") for a period of 60 days commencing March 18, 2020, and (b) during the COVID-19 emergency, Federal Single Family Loan borrowers directly or indirectly facing economic difficulties as a result of the coronavirus can seek up to 360 days of payment forbearance. In addition to the foreclosure and eviction relief provided by the CARES Act, HUD/FHA and the Federal Housing Finance Agency ("FHFA") also ordered the servicers of Federal Single Family Loans to suspend foreclosures and evictions related to Federal Single Family Loans; HUD/FHA and FHFA have extended their foreclosure and eviction moratoriums for Federal Single Family Loans until at least December 31, 2020. As of June 30, 2020, mortgagors of approximately 3.53% of the principal amount of the Fund's loan portfolio have requested forbearance, and foreclosure actions have been paused for approximately 0.07% of the principal amount of the Fund's loan portfolio. The Fund expects to receive and approve additional forbearance requests during the Pandemic.

The Pandemic is an ongoing situation. At this time, the Fund cannot determine the overall impact that the Pandemic, including the federal and State responses thereto, will have on its programs and operations, including its ability to finance the purchase of Mortgage Loans or to collect payments on such Mortgage Loans. The continuation of the Pandemic and the resulting containment and mitigation efforts could have a material adverse effect on the Fund, its programs, its operations and its finances.

Accounting methods: The accounting policies of the Fund conform to accounting principles generally accepted in the United States and to accounting principles for state housing finance agency enterprise funds. The various programs were established in accordance with the Act, the bond resolutions, or at management's discretion. The financial statements of the enterprise fund and the fiduciary fund are prepared using the flow of economic resources measurement focus and the accrual basis of accounting, which requires recognition of revenue when earned and expenses when incurred.

Estimates: Certain estimates and assumptions are required by management in the preparation of the financial statements in accordance with accounting principles generally accepted in the United States (US GAAP). The significant estimates and assumptions are those required in the determination of the allowance for losses for the following items: accounts receivable and other assets, mortgage loans, restricted mortgage loans, and restricted other assets. Actual results in the near-term could differ significantly from those estimates.

Cash and cash equivalents: The Fund considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. This includes cash, certificates of deposit, short-term agency notes, and deposits with the West Virginia Board of Treasury Investments (WVBOTI).

Accounts receivable and other assets, net of allowance for losses include accounts receivables, land for housing purposes and foreclosed properties, net of an allowance for estimated probable declines in net realizable value.

(Dollars in thousands)	June 30, 2020			June 30, 2019		
	Balance	Allowance	Net	Balance	Allowance	Net
Accounts receivable and other Assets:						
Accounts receivable	$ 1,668	$ (7)	$ 1,661	$ 1,370	$ (6)	$ 1,364
Land	117	(58)	59	117	(58)	59
Foreclosed property	166	-	166	338	-	338
Total	$ 1,951	$ (65)	$ 1,886	$ 1,825	$ (64)	$ 1,761

Mortgage loans held for sale: In its Secondary Market Program, the Fund purchases and sells fixed-rate mortgage loans, primarily to Fannie Mae, on a servicing retained basis. The sale price is determined at the date of commitment and the commitment period generally ranges from 30 to 90 days. *Mortgage loans held for sale* are carried at the lower of aggregate cost or estimated fair value.

Enterprise fund *Restricted cash and cash equivalents* represents monies the Fund holds on behalf of others, restricted by the Act or by the bond resolutions. Included in this line item are tax and insurance escrows held on behalf of the Fund's various mortgagors and payments collected on mortgages for which the Fund acts as servicer only. The Fund is obligated to expend these monies on escrowed items or remit them to the appropriate investors in the case of mortgage loans serviced for the benefit of others. Also included in *Restricted cash and cash equivalents* are federal and other housing program funds for which the Fund acts as grantee or agent. The total funds held on behalf of others were $18,571,000 at June 30, 2020 and $18,279,000 at June 30, 2019. *Restricted cash and cash equivalents* to be used for the acquisition of noncurrent assets, such as mortgage loans or investments, are classified as *Noncurrent assets*.

Fiduciary fund *Restricted cash and cash equivalents* represents monies held in an irrevocable trust for postemployment healthcare insurance benefits for Fund employees. These funds are not available to support the various programs of the enterprise fund.

Mortgage loans, net of allowances for losses: These loans consist primarily of unrestricted mortgage loans made under the General Account and Other Loan Programs. The Fund provides for possible losses on loans based on management's review of potential problem loans. The allowance for loan losses is shown below.

(Dollars in thousands)	June 30, 2020			June 30, 2019		
	Balance	Allowance	Net	Balance	Allowance	Net
Unrestricted Mortgage Loans:						
General Account	$ 4,981	$ (3,206)	$ 1,775	$ 3,362	$ (1,945)	$ 1,417
Other Loan Programs	90,437	(11,416)	79,021	80,815	(13,631)	67,184
Total	$ 95,418	$ (14,622)	$ 80,796	$ 84,177	$ (15,576)	$ 68,601

Capital assets, net of depreciation include land, buildings, equipment, furnishings and computer software that are stated at their original cost less accumulated depreciation. Capital asset expenditures of $20,000 or more with a useful life greater than 1 year are capitalized at cost and reported net of accumulated depreciation. Depreciation is computed using the straight-line method over the useful lives of the assets, which is 40 years for the building and from 3 to 10 years for furniture, equipment and software.

(Dollars in thousands)	June 30, 2019	Additions	Deletions	June 30, 2020
Capital assets, not being depreciated:				
Land	$ 1,810	$ -	$ -	$ 1,810
Total capital assets, not being depreciated	1,810	-	-	1,810
Capital assets, being depreciated:				
Buildings	7,810	-	-	7,810
Equipment and furnishings	1,487	103	(27)	1,563
Computer software	814	-	-	814
Total capital assets, being depreciated	10,111	103	(27)	10,187
Less accumulated depreciation for:				
Buildings	(1,535)	(203)	-	(1,738)
Equipment and furnishings	(1,324)	(65)	27	(1,362)
Computer software	(653)	(71)	-	(724)
Total accumulated depreciation	(3,512)	(339)	27	(3,824)
Total capital assets being depreciated, net	6,599	(236)	-	6,363
Total capital assets, net	$ 8,409	$ (236)	$ -	$ 8,173

(Dollars in thousands)	June 30, 2018	Additions	Deletions	June 30, 2019
Capital assets, not being depreciated:				
Land	$ 1,810	$ -	$ -	$ 1,810
Total capital assets, not being depreciated	1,810	-	-	1,810
Capital assets, being depreciated:				
Buildings	7,729	81	-	7,810
Equipment and furnishings	1,308	197	(18)	1,487
Computer software	738	76	-	814
Total capital assets, being depreciated	9,775	354	(18)	10,111
Less accumulated depreciation for:				
Buildings	(1,340)	(195)	-	(1,535)
Equipment and furnishings	(1,230)	(112)	18	(1,324)
Computer software	(477)	(176)	-	(653)
Total accumulated depreciation	(3,047)	(483)	18	(3,512)
Total capital assets being depreciated, net	6,728	(129)	-	6,599
Total capital assets, net	$ 8,538	$ (129)	$ -	$ 8,409

Restricted investments: The Fund established guidelines for the investment of its funds to meet the requirements of the bond resolutions and the Act. Currently, investments consist primarily of United States government and agency obligations and certificates of deposit with maturities greater than 90 days.

Investment securities are recorded at fair value, or at amortized cost as permissible, and a portion of the unrealized gains or losses is reported in the Statements of Revenues, Expenses, and Changes in Fund Net Position as part of *Net investment earnings* as more fully explained in *Note C – Cash and Investments*.

Restricted mortgage loans, net of allowance for losses includes loans originated that are restricted by the bond resolutions, the Act, State statute or other restricted purposes.

The allowance for loan losses in these programs is shown below.

(Dollars in thousands)	June 30, 2020			June 30, 2019		
	Balance	Allowance	Net	Balance	Allowance	Net
Restricted Mortgage Loans:						
General Account	$ 455	$ (455)	$ -	$ 472	$ (471)	$ 1
Other Loan Programs	597	(227)	370	695	(264)	431
Land Development	2,915	(1,554)	1,361	3,418	(1,654)	1,764
Affordable Housing Fund	2,119	(1,748)	371	1,869	(1,518)	351
Bond Insurance Account	11,788	(502)	11,286	13,950	(594)	13,356
Bond Programs	600,967	(10,230)	590,737	596,117	(9,794)	586,323
Federal Programs	153,910	(89,572)	64,338	150,459	(87,180)	63,279
Total	$ 772,751	$ (104,288)	$ 668,463	$ 766,980	$ (101,475)	$ 665,505

Federal Programs include HOME and NHTF, which are designed to assist very low-income borrowers and to provide capacity building funds for nonprofit housing organizations. The funds provided to the nonprofits will only be repaid if the nonprofit fails to provide the services required as a condition of receiving HOME and NHTF funds. Federal Programs also include TCAP and TCEP, which were designed to assist in the development of Low-Income Housing Tax Credit Program properties. These funds will only be repaid if the recipient fails to comply with certain covenants of their agreement. Therefore, HOME, NHTF, TCAP and TCEP projects are recorded as restricted mortgage loans and the TCAP, TCEP and nonprofit HOME and NHTF projects have a corresponding 100% loss allowance in the Statements of Net Position.

Most loans in the Bond Programs are protected against loss by various federal and private insurance programs. Repayment of certain multifamily rental project loans is dependent, in part, upon rental and interest subsidy programs of HUD.

Enterprise fund *Restricted other assets* include certain foreclosed properties, properties developed for flood activities, other land for restricted housing purposes, and miscellaneous receivables, net of an allowance for estimated probable declines in the net realizable value. These assets are restricted subject to the provisions of the bond resolutions, the Act, or federal regulations.

(Dollars in thousands)	June 30, 2020			June 30, 2019		
	Balance	Allowance	Net	Balance	Allowance	Net
Restricted other assets:						
Accounts receivable	$ 411	$ -	$ 411	$ 553	$ -	$ 553
Land	2,248	(2,048)	200	2,249	(2,049)	200
Foreclosed property	5,480	(331)	5,149	5,005	(305)	4,700
Total	$ 8,139	$ (2,379)	$ 5,760	$ 7,807	$ (2,354)	$ 5,453

Deferred outflows of resources related to pension and OPEB represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that time as explained in *Note F – Retirement Plan* and *Note H – Other Postemployment Healthcare Benefits*.

Accounts payable and other liabilities includes amounts held on behalf of others as explained in *Note A - Restricted cash and cash equivalents,* amounts due to vendors, and rebateable investment earnings.

Other liabilities include federal housing program funds for which the Fund acts as grantee or agent to originate mortgages under the HOME and NHTF programs, the Fund's net pension liability as explained in *Note F – Retirement Plan* and the Fund's net OPEB liability (asset) as explained in *Note H – Other Postemployment Healthcare Benefits.*

Deferred inflows of resources related to pension and OPEB represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time as explained in *Note F – Retirement Plan and Note H – Other Postemployment Healthcare Benefits.*

Enterprise fund *Restricted net position:* Net position of the Bond Programs is restricted to meet specified reserve and funding provisions in accordance with the bond resolutions. Net positions of the Affordable Housing Fund, Land Development Program and Bond Insurance Account are restricted in accordance with the Act. Federal Programs are restricted due to requirements of HUD or other grantor agencies. When both restricted and unrestricted resources are available for use, it is generally the Fund's policy to use restricted resources first, and then unrestricted resources as they are needed.

Fiduciary fund *Restricted net position:* Net position of the fiduciary fund is restricted to postemployment healthcare insurance benefits for the Fund's employees.

Operating revenues and expenses: The Fund classifies operating revenues and expenses in the enterprise fund based on the services provided by the Fund and its ongoing operations. This includes such activities as mortgage lending, administration of federal financial awards programs, property management and development, and other related program activities. *Net investment earnings* and interest on debt are reported as *non-operating revenues and expenses*.

Pass-through grant revenue and pass-through grant expense: The Fund receives grants and other financial assistance from HOME, NHTF and the HAPs Programs to transfer or spend on behalf of various secondary recipients. These amounts are considered pass-through grants and are reported in the financial statements as revenue and expense when funds are disbursed to the sub recipient.

Fee revenue consists primarily of loan servicing fees on mortgage loans serviced by the Fund, administration fees earned from the HAPs Program, financing fees, tax credit fees, secondary market fees, Affordable Housing Fund transfer fees and deferred document penalty fees.

The Fund services all loans in its portfolio as well as loans on behalf of others totaling approximately $1,191,086,000 and $1,188,500,000 at June 30, 2020 and 2019, respectively. Of this total, the portfolio serviced by the Fund on behalf of others approximated $320,100,000 and $335,763,000 at June 30, 2020 and 2019, respectively.

Other revenues consist primarily of gains on sale of mortgages in the Secondary Market Program, rental income, gains on sales of foreclosed properties acquired through the Fund's mortgage lending activities, and other miscellaneous revenue items.

Loan fees expense includes fees paid to lenders and vendors related to the origination of mortgage loans. In addition, loan fees expense includes the cost of acquiring the servicing rights to mortgage loans owned by the Fund and loans owned by others, primarily Fannie Mae.

Program expenses primarily consist of disbursements made under the Fund's various programs, provisions for mortgage loan losses, losses on sales of foreclosed properties acquired through the Fund's mortgage lending activities, repair and maintenance costs for foreclosed properties and costs of bond issuance. *Program expenses* also include daily operating expenses of the office building owned by the Fund.

Administrative expenses, net include salary, benefits, and other operating expenses related to the daily operations of the Fund. When an expense is incurred, the expense is charged to the program or account for which it is directly applicable, whether restricted or unrestricted. Indirect expenses are allocated to programs and accounts based on a percentage of the program's or account's direct salary cost.

Contributions – Employer includes contributions from the enterprise fund to the fiduciary fund for healthcare insurance benefits for retired employees and their eligible dependents.

Net investment income represents interest earnings on postemployment healthcare cash and investments and the increase or decrease in the fair value of investments for the fiduciary fund.

Benefits include benefit payments from the fiduciary fund for postemployment healthcare costs for retired employees and their eligible dependents.

Administrative Expenses in the fiduciary fund include trustee fees associated with investment management of the Welfare Benefit Plan and fees for actuarial valuations.

NOTE B – ASSETS FOR RESERVED AND OTHER PURPOSES

Assets and revenues of the Bond Programs are subject to the provisions of the bond resolutions and are available for other purposes only to the extent they are not required to meet specified reserve and funding provisions of the resolutions. The Fund, to the extent such monies become available under the terms of the resolutions, has pledged to maintain the net position of its Bond Programs at a level to preserve the Fund's bond ratings. In the event that the Fund fails to comply with the terms of the bond resolutions the holders of such obligations would have recourse to the unrestricted assets of the Fund. The Affordable Housing Fund, Land Development Program and the Bond Insurance Account are restricted by State statute.

Assets of the General Account and Other Loan Programs are principally unrestricted and may be transferred to other programs subject to the approval of the Fund's management or Board of Directors. As of June 30, 2020, the Fund has committed $60,596,000 from Other Loan Programs and the General Account for various loans or projects and $8,877,000 from Other Loan Programs for the purchase of secondary market loans. In addition, the Fund has committed to sell loans to Fannie Mae of $7,136,000 from Other Loan Programs. These amounts are included in *Unrestricted net position*. The Fund is actively accepting applications from prospective recipients to originate loans from amounts allocated by the Board of Directors from Other Loan Programs.

The Board of Directors has also allocated $1,000,000 of the *Unrestricted net position* for the "Directors' and Officers' Insurance Account" for the purpose of providing indemnification for the directors and officers of the Fund. The fiscal year 2021 administrative budget of $12,866,000 will be provided from the *Unrestricted net position* and from future revenues of the Fund.

NOTE C – CASH AND INVESTMENTS

The Fund's enterprise fund actively invests cash in conformity with the Act, the Bond Programs and the Board-approved Investment Policy. Permitted investments include a wide variety of securities and obligations such as certain corporate deposits, money market accounts, investment agreements or repurchase agreements with primary government dealers, direct obligations or obligations guaranteed by the State, United States government securities, or federal agency securities. Currently, the enterprise fund's investments consist primarily of United States government or agency securities, FDIC insured money markets, cash or FDIC insured certificates of deposits. The Investment Policy also permits the Fund to invest a maximum of $40,000,000 with the WVBOTI of which a maximum of $20,000,000 can be invested in the WVBOTI West Virginia Money Market Pool. The WVBOTI operates in accordance with applicable State laws and regulations.

The following is a detail of the Fund's enterprise fund investments, including cash equivalents, by type:

(Dollars in thousands)		June 30, 2020		June 30, 2019	
	Weighted Avg Maturity	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Reported at cost					
Demand Deposits, Money Market Funds	1 day	$ 72,993	$ 72,993	$ 84,636	$ 84,636
Mortgages held for investment purposes	20.35 years	13,183	13,183	15,418	15,418
FDIC Insured CDs	15 days	38,575	38,575	7,300	7,300
WVBOTI deposits	1 day	42,377	42,377	23,173	23,173
Total		167,128	167,128	130,527	130,527
Reported at estimated fair value					
Fannie Mae MBS pools	10.94 years	558	635	792	856
Federal agency securities	8.52 years	34,152	44,098	42,537	50,370
U.S. Treasury securities	2.19 years	6,038	6,870	10,037	10,951
Total		40,748	51,603	53,366	62,177
Total investments, including cash equivalents		$ 207,876	$ 218,731	$ 183,893	$ 192,704

The Fund's fiduciary fund actively invests cash in conformity with the Act and the Board-approved Investment Policy. Permitted investments include a variety of securities and obligations such as money market accounts, certificates of deposit, direct obligations or obligations guaranteed by the State, United States government securities, or federal agency securities. Currently, the fiduciary fund's investments consist primarily of United States government or agency securities, FDIC insured money markets and negotiable certificates of deposit.

The following is a detail of the Fund's fiduciary fund investments, including cash equivalents, by type:

(Dollars in thousands)		June 30, 2020		June 30, 2019	
	Weighted Avg Maturity	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Reported at cost					
Demand Deposits	1 day	$ 155	$ 155	$ 316	$ 316
Total		155	155	316	316
Reported at estimated fair value					
U.S. Treasury securities	1.16 years	2,999	3,049	2,993	3,014
Federal agency securities	3.50 years	500	499	-	-
Certificates of deposit	1.19 years	2,000	2,028	2,248	2,242
Total		5,499	5,576	5,241	5,256
Total investments, including cash equivalents		$ 5,654	$ 5,731	$ 5,557	$ 5,572

Interest Rate Risk - Enterprise fund. The Investment Policy limits the weighted average maturity of various fund types as shown in the following table. The Act does not provide for investment maturity limits. Reserve funds are the capital reserve investments required for the Bond Programs which are currently invested in long-term U.S. Government and government agency obligations and long-term certificates of deposit. The Bond Insurance Account, which provides additional reserves for the payment of the Housing Finance Bonds and the General New Issue Program Bonds, is currently invested in U.S. Government and government agency obligations as well as mortgage loans for investment purposes and certificates of deposit. Other funds consist of bond revenues to be used for debt service on the outstanding bonds, bond proceeds for the purchase of mortgage revenue bond loans, Other Loan Program funds and general operating funds. Other funds are primarily invested short-term to meet program funding needs and to provide for daily operational costs of the Fund. Funds held for others consist of single family and multifamily escrow funds as well as amounts to be remitted to others. The Fund has both the intent and the ability to hold long-term securities until final maturity and is therefore limited in its exposure to interest rate risk on these long-term obligations.

	Permitted Maturity Limit	Average Maturity as of June 30, 2020
Reserve Funds	30 years	6 years
Bond Insurance Funds	15 years	5 years
Other Funds	4 years	3 months
Funds held for others*		1 day

*Funds held for others not applicable to limit calculations

Interest Rate Risk – Fiduciary fund. The Investment Policy limits the weighted average maturity of all funds as shown in the following table. The Act does not provide for investment maturity limits. Fiduciary fund investments are managed at an appropriate average duration based on current interest rate environments.

	Permitted Maturity Limit	Average Maturity as of June 30, 2020
Fiduciary Funds	4 years	1 year

Credit Risk – Enterprise fund. Although permitted by the Act, the Fund's Investment Policy prohibits investment in State and Local obligations other than West Virginia and prohibits investment in corporate debt instruments. The Fund's Investment Policy additionally requires repurchase agreements to be invested with banks or primary dealers which are rated or provide the necessary collateral to maintain the Fund's bond, note and issuer ratings. Furthermore, the Investment Policy limits collateral for repurchase agreements to direct federal and federally guaranteed obligations, and federal agency obligations.

As of June 30, 2020, the Fund's investments in the WVBOTI are rated AAAm. Federal agency securities consist of Fannie Mae, Federal Farm Credit Bank, Federal Home Loan Bank and Freddie Mac all of which are rated AA+. Fannie Mae MBS pools are also rated AA+. Insured Cash Sweep (ICS) Funds and the Demand Deposit Marketplace Funds are FDIC insured. Certificates of deposit are either FDIC insured through the Certificate of Deposit Account Registry Service (CDARS) or collateralized with an irrevocable standby letter of credit issued by the Federal Home Loan Bank of Atlanta, which is rated AA+. Money Market Funds are invested in the Federated Government Obligations Fund and are rated AAAm. Mortgages held for investment purposes are not rated.

Credit Risk – Fiduciary fund. The fiduciary fund's Investment Policy limits investments to U.S. Treasury Securities that are backed by the full faith and credit of the United States, Federal agency securities, which are rated AA+ and FDIC insured certificates of deposit.

Concentration of Credit Risk – Enterprise fund. The Investment Policy limits the percentage or amount of the investment portfolio that may be invested in various types of issuers as indicated in the table below. The Act does not limit the percentage of investments in any permitted investment type.

As of June 30, 2020 (Dollars in thousands)	**Maximum of Portfolio**	**Invested Funds**	**% of Total Investment**
Direct Federal Obligations	100%	$ 6,038	3%
Federal Agency Obligations	90%	34,710	18%
Federally Guaranteed Obligations	100%	-	0%
Demand Deposits	30%	14,749	8%
Collateralized CDs	$75,000	-	0%
CDARS FDIC Insured CDs	$65,000	38,575	20%
West Virginia Obligations	15%	-	0%
ICS FDIC Insured Demand Deposit	$40,000	-	0%
ICS FDIC Insured Savings Deposits	$100,000	42,047	22%
Mortgages Held for Investment Purposes	30%	13,183	7%
Money Market Funds	25%	1,262	1%
WVBOTI deposits	$40,000	38,741	21%
TOTAL		$ 189,305	100%
Funds Held for Others *	N/A	18,571	
TOTAL INVESTED FUNDS		$ 207,876	

* Funds held for others not applicable to limit calculations.

Concentration of Credit Risk – Fiduciary fund. The Investment Policy limits the percentage or amount of the investment portfolio that may be invested in various types of issuers as indicated in the table below. The Act does not limit the percentage of investments in any permitted investment type.

As of June 30, 2020 (Dollars in thousands)	Maximum of Portfolio	Invested Funds	% of Total Investment
Demand Deposits	30%	$ 155	3%
Direct Federal Obligations	90%	2,999	53%
Federal Agency Obligations	90%	500	9%
Federally Guaranteed Obligations	90%	-	0%
FDIC Insured CDs	50%	2,000	35%
TOTAL INVESTED FUNDS		$ 5,654	100%

Custodial Credit Risk – Deposits - The Act requires all deposits to be FDIC insured or fully collateralized by permitted investments for both enterprise funds and fiduciary funds. The enterprise fund Investment Policy further limits the securities permitted as collateral for amounts in excess of FDIC insurance to direct federal or federally guaranteed obligations, federal agency, or State of West Virginia obligations. The fiduciary fund Investment Policy further limits the securities permitted as collateral for amounts in excess of FDIC insurance to direct federal or federally guaranteed obligations or federal agency obligations.

The enterprise fund cash, including escrow funds, had a carrying value of $72,993,000 and $84,636,000 as of June 30, 2020 and 2019, respectively. Bank balances approximated $77,922,000 and $86,219,000 as of June 30, 2020 and 2019, respectively, of which approximately $63,726,000 and $73,581,000 was covered by federal depository insurance as of June 30, 2020 and 2019, respectively, and $12,934,000 and $11,687,000 was either collateralized with securities pledged to the Fund and held by the trust department of the pledging financial institution or held and pledged to the Fund by the pledging financial institution's agent as of June 30, 2020 and 2019, respectively. Also included in the bank balances above are trust account money market fund balances of $1,262,000 and $951,000 as of June 30, 2020 and 2019, respectively, which are not subject to custodial credit risk.

The fiduciary fund cash had a carrying value of $155,000 and $316,000 as of June 30, 2020 and 2019, respectively. Bank balances approximated $156,000 and $316,000 as of June 30, 2020 and 2019, respectively, which are trust account money market funds and not subject to custodial credit risk.

Custodial Credit Risk – Investments – The Investment Policy requires purchased securities to be physically delivered to the Fund's custodian or trustee or, in the case of book-entry securities; registration books shall designate the custodian or trustee. The Investment Policy also requires collateral for repurchase agreements be delivered to a third party custodian or in the case of book-entry securities, be registered to the Fund. All U.S. government and agency obligations owned by the Fund are registered in the Fund's name or the Fund's designated trustee. The Act does not address custodial credit risk for investments.

<u>Fair value hierarchy</u>: The fair value hierarchy established under GASB Statement No. 72 categorizes the inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to quoted prices in active markets inputs (Level 1) and the lowest priority to unobservable inputs (Level 3).

The levels of the hierarchy are identified as follows:

Level 1 – Valuation is based upon quoted prices (unadjusted) for identical assets or liabilities in an active market.

Level 2 – Valuation is based upon inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 – Valuation is based upon unobservable inputs for an asset or liability.

Enterprise fund investments measured at fair value using the fair value hierarchy categories are as follows:

(Dollars in thousands)	June 30, 2020	June 30, 2019
Level 1 inputs		
Federal agency securities	$ 44,098	$ 50,370
U.S. Treasury securities	6,870	10,951
Total	50,968	61,321
Level 2 inputs		
Fannie Mae MBS pools	635	856
Total	635	856
Total investments, reported at estimated fair value	$ 51,603	$ 62,177

Fiduciary fund investments measured at fair value using the fair value hierarchy categories are as follows:

(Dollars in thousands)	June 30, 2020	June 30, 2019
Level 1 inputs		
U.S. Treasury securities	$ 3,049	$ 3,014
Federal agency securities	499	-
Certificates of deposit	2,028	2,242
Total investments, reported at estimated fair value	$ 5,576	$ 5,256

Fair value measurements for investments classified as Level 2, Fannie Mae MBS pools, are valued using matrix pricing sources that provide a pricing indication from market transactions for similar or identical assets.

Mortgages held for investment are included in *Mortgage loans, net of allowances* and *Restricted mortgage loans, net of allowances* on the Statements of Net Position. Investments are included in the accompanying enterprise fund financial statements as follows:

(Dollars in thousands)	June 30, 2020	June 30, 2019
Cash and cash equivalents	$ 6,822	$ 13,239
Current restricted cash and cash equivalents	61,468	43,413
Noncurrent restricted cash and cash equivalents	85,655	51,157
Restricted investments	51,603	69,477
Plus mortgages held for investment purposes	13,183	15,418
Total Investments and cash equivalents	$ 218,731	$ 192,704
Less unrealized gains	10,855	8,811
Total Invested Funds	$ 207,876	$ 183,893

Investments are included in the accompanying fiduciary fund financial statements as follows:

(Dollars in thousands)	June 30, 2020	June 30, 2019
Restricted cash and cash equivalents	$ 155	$ 316
Restricted investments	5,576	5,256
Total Investments and cash equivalents	$ 5,731	$ 5,572
Less unrealized gains	77	15
Total Invested Funds	$ 5,654	$ 5,557

The enterprise fund has an unrealized gain on investments of $10,855,000 and $8,811,000 as of June 30, 2020 and 2019, respectively. This represents an increase in unrealized gain on investments of $2,044,000 and an increase in unrealized gain on investment of $1,608,000 from June 30, 2019 and 2018, respectively. In connection with the unrealized gain, $998,000 and $859,000 is recorded as a liability for related investment earnings as of June 30, 2020 and 2019, respectively. This portion is recorded as a liability because, if this gain were realized, it would increase excess rebateable investment earnings pursuant to Section 103A of the Internal Revenue Code, as amended (the Code). To adjust the fair value of investments to reflect this unrealized gain at June 30, 2020 and 2019 and to properly reflect the rebate liability, a $1,906,000 increase and $1,494,000 increase was recorded in *Net investment earnings* in the Statements of Revenues, Expenses, and Changes in Fund Net Position for year ended June 30, 2020 and 2019, respectively.

The fiduciary fund has an unrealized gain on investments of $77,000 and an unrealized gain on investments of $15,000 as of June 30, 2020 and June 30, 2019, respectively. This represents an increase in unrealized gain on investments of $62,000 and an increase of $54,000 from the June 30, 2019 and 2018, respectively. To adjust the fair value of investments to reflect this unrealized gain at June 30, 2020 and 2019 a $62,000 increase and a $54,000 increase was recorded in *Net investment income* in the Statements Changes in Fiduciary Net Position for year ended June 30, 2020 and 2019, respectively.

NOTE D – BONDS PAYABLE

The Act authorizes the Fund to issue bonds and notes for its various programs in an aggregate principal amount not to exceed $1,250,000,000 outstanding at any one time, exclusive of refunded obligations. Bonds and notes issued by the Fund are considered obligations of the Fund and are not deemed to constitute a debt or liability of the State.

The proceeds from the Fund's Bond Programs are used to finance mortgage loans to eligible State borrowers and to establish certain reserves as required by the resolutions. The mortgage loans are secured by deeds of trust and approximately 71.52% of all Bond Program loans are subject to coverage under federal or private mortgage insurance or guarantee programs. All bonds are secured by a pledge of all mortgage loan repayments, all proceeds of federal or private mortgage insurance, interest received on any monies or securities held pursuant to the resolutions, and the rights and interest of the Fund in and to the mortgage loans. In the event that the Fund fails to comply with the terms of the bond resolutions, the holders of such obligations would have recourse to the unrestricted assets of the Fund. Principal and interest paid on bonds and notes payable for the years ended June 30, 2020 and 2019 was $43,620,000 and $43,569,000, respectively. Total pledged revenues in 2020 and 2019 were $95,113,000 and $85,783,000, respectively.

The On-Site Systems Loan Program (the OSLP) was created in September 2007 in partnership with the West Virginia Department of Environmental Protection (the DEP). Under this program the Fund may borrow funds from the DEP Clean Water Revolving Loan Fund. These funds are then loaned to State residents to upgrade, replace or repair inadequate septic systems. Initially, the Board authorized $1,000,000 for the OSLP and in March 2013 the Board authorized an additional $1,000,000 for the program. The Fund is obligated to repay the amount borrowed from the DEP only to the extent the Fund receives payments from loan recipients. An allowance for loan losses has been established based on management's review of potential problem loans. At June 30, 2020, *Bonds & notes payable - noncurrent* includes a $694,000 note payable, net of a $187,000 loss allowance, due to DEP related to this program under Other Loan Programs.

Most bonds issued by the Fund are subject to redemption at the option of the Fund prior to maturity at dates and premiums as set forth in the bond documents. To reduce its debt expense, the Fund redeems bonds prior to their stated maturity dates primarily due to excess program revenues, the prepayments of mortgage loans pledged for the repayment of the bonds, excess amounts in the capital reserve funds, and/or from proceeds of refunding bonds. During the fiscal years ended June 30, 2020 and 2019, the Fund redeemed or refunded $8,815,000 and $10,915,000 of bonds, respectively, at redemption prices that approximated their carrying value.

The following tables summarize bond and note activity from 2019 to 2020 and 2018 to 2019, respectively.

(Dollars in thousands)	Bonds Payable Current	Bonds & Notes Payable Noncurrent	Bonds & Notes Payable Total
Outstanding Balance, June 30, 2019	$ 26,940	$ 280,178	$ 307,118
Debt Issued	-	60,000	60,000
Debt Paid	(24,575)	(218)	(24,793)
Early Redemptions/Refundings	(2,365)	(6,450)	(8,815)
Note Payable allowance for losses	-	37	37
Reclassification from noncurrent to current	26,745	(26,745)	-
Outstanding Balance, June 30, 2020	$ 26,745	$ 306,802	$ 333,547

(Dollars in thousands)	Bonds Payable Current	Bonds & Notes Payable Noncurrent	Bonds & Notes Payable Total
Outstanding Balance, June 30, 2018	$ 27,280	$ 254,324	$ 281,604
Debt Issued	-	60,000	60,000
Debt Paid	(23,385)	(168)	(23,553)
Early Redemptions/Refundings	(3,895)	(7,020)	(10,915)
Note Payable allowance for losses	-	(18)	(18)
Reclassification from noncurrent to current	26,940	(26,940)	-
Outstanding Balance, June 30, 2019	$ 26,940	$ 280,178	$ 307,118

The following is a summary of the bonds outstanding in the Housing Finance Bond Program and the General New Issue Bond Program and notes outstanding in Other Loan Programs:

	Original Amount Authorized	Outstanding at June 30, 2020	2019
		(Dollars in thousands)	
HOUSING FINANCE BOND PROGRAM			
2011 Series A (3.422% to 3.622%), due 2020-2021	$ 50,000	$ 8,400	$ 13,775
2013 Series A (2.05% to 3.20%) due 2020-2028	21,000	12,390	13,670
2013 Series B (3.15% to 4.35%) due 2020-2024	47,500	7,255	11,455
2014 Series A,B (2.45% to 3.95%), due 2020-2033	48,865	27,105	30,680
2015 Series A,B (2.10% to 3.80%), due 2020-2034	50,660	29,345	32,605
2015 Series C,D (2.20% to 4.10%), due 2020-2037	70,060	47,500	51,930
2017 Series A,B (1.90% to 4.05%), due 2020-2042	39,505	32,110	35,690
2018 Series A (1.875% to 3.90%), due 2020-2047	25,000	23,600	24,545
2019 Series A (1.70% to 3.95%), due 2020-2049	35,000	34,345	35,000
2019 Series B (1.30% to 3.10%), due 2020-2049	30,000	30,000	-
2020 Series A (0.35% to 2.80%), due 2021-2050	30,000	30,000	-
GENERAL NEW ISSUE BOND PROGRAM			
2011 A (2.32% to 3.80%), due 2020-2041	51,850	21,755	24,150
2012 A (2.75% to 3.35%), due 2020-2041	66,770	29,235	32,930
Total bonds payable		333,040	306,430
OTHER LOAN PROGRAMS			
Notes Payable (0.00%), net of allowance for losses [1]	2,000	507	688
Total bonds & notes payable		$ 333,547	$ 307,118

[1] Payments are due to the DEP as the Fund receives payments from OSLP loan recipients.

Total bonds payable does not include $9,750,000 in special obligation bonds issued by the Fund as a conduit issuer. These special obligation bonds are secured by loan payments and deeds of trust on two projects. None of the Fund's assets or revenues are pledged to the payment of these special obligations. Furthermore, these special obligations are not secured by the Fund's general obligation debt pledge or its moral obligation and are not included in the Fund's financial statements.

The following is a summary of scheduled annual principal and interest for bonds in the Bond Programs for the five years commencing July 1, 2020 and thereafter to maturity.

Bonds Maturing During Year Ending June 30:	Principal	Interest	Total
		(Dollars in thousands)	
2021	$ 26,745	$ 9,866	$ 36,611
2022	25,565	9,221	34,786
2023	22,275	8,590	30,865
2024	20,295	8,016	28,311
2025	16,830	7,488	24,318
2026-2030	81,080	30,208	111,288
2031-2035	67,805	17,862	85,667
2036-2040	39,700	8,701	48,401
2041-2045	20,905	3,654	24,559
2046-2050	11,580	928	12,508
2051	260	4	264
	$ 333,040	$ 104,538	$ 437,578

In accordance with Section 103A of the Code, the Fund has established allowances for excess rebateable investment earnings. The excess rebateable investment earnings arise due to actual investment yields earned by the Fund being greater than yields permitted to be retained by the Fund under the Code. The Code requires such excess investment earnings to be remitted to the Internal Revenue Service. The Housing Finance Bond Program established liabilities for excess rebateable investment earnings in the amount of $322,000 and $333,000 as of June 30, 2020 and June 30, 2019, respectively. These amounts are included in *Accounts payable and other liabilities* and represent actual earnings in excess of those permitted by the Code. These amounts are in addition to the $998,000 and $859,000 established as a liability at June 30, 2020 and 2019, respectively, for the excess of the fair value of investments over amortized costs as explained in *Note C* - Cash and Investments. Future excess investment earnings may require the establishment of liabilities for these and other bond issues.

On January 30, 2020, the Fund entered into a revolving Commercial Loan Agreement (the "Line of Credit") with United Bank, in an amount not to exceed $20,000,000, payable monthly, and due to expire January 30, 2022. The purpose of the Line of Credit is to provide warehouse funding for loans under the Multifamily Loan Program. To date, there have been no draws under the Line of Credit.

NOTE E - CONTINGENT LIABILITIES AND RISK MANAGEMENT

Under the terms of certain federal programs, periodic audits are required and certain costs and expenditures may be questioned under the terms of the program. Such audits could lead to reimbursements to the grantor agencies. Historically, questioned costs have been immaterial. Management of the Fund believes future disallowances relating to current federal program expenditures, if any, will continue to be immaterial.

The Fund is a defendant in various legal proceedings arising in the normal course of business. In the opinion of management, based upon the advice of legal counsel, the ultimate resolution of these proceedings will not have a material adverse effect on the Fund's financial position.

Through its business operations, the Fund is exposed to various risks of loss related to potential loan losses on program mortgages, fire, liability, and employee wrongdoing. To reduce risk of loss on program mortgages, the Fund has various types of mortgage insurance. At June 30, 2020, 41.73% of the Fund's single family Bond Program loans were VA, USDA Rural Development, or FHA guaranteed. Another 29.79% of these loans carry private mortgage insurance. Substantially all permanent multifamily mortgages are federally insured or guaranteed and/or are subject to HUD Section 8 rental assistance subsidies.

The Fund is insured against fire for owned assets, liability, and employee negligence through private insurance. Furthermore, key staff members of the Fund are bonded against theft in the aggregate amount of $4,000,000. The Board of Directors has allocated $1,000,000 of the Fund's unrestricted net position to provide indemnification for the directors and officers of the Fund. Additionally, the Fund has general liability insurance with the State Board of Risk and Insurance Management in the amount of $1,000,000 per occurrence and excess liability coverage of $10,000,000 aggregate with General Star Insurance Company for officers' and directors' indemnity. The Fund pays an annual premium in exchange for such coverage. There have been no significant settlements in excess of insurance coverage during the past three calendar years.

NOTE F - RETIREMENT PLAN

Plan Description. All full-time Fund employees participate in the State's Public Employees' Retirement System (PERS), a multiple-employer defined benefit cost-sharing public employee retirement system administered by the West Virginia Consolidated Public Retirement Board (CPRB). Benefits under PERS include deferred retirement, early retirement, death, and disability benefits and have been established and may be amended by action of the State Legislature. The CPRB issues a publicly available financial report that includes financial statements for PERS that may be obtained at www.wvretirement.com.

Benefits Provided. Employees hired before July 1, 2015 are eligible for normal retirement at age 60 with five or more years of credited service, or at least age 55 with age and service equal to 80 or greater. Employees hired on or after July 1, 2015 may retire at age 62 with ten years of service. The straight-life annuity retirement benefit, established by State statute, is equivalent to two percent of the employee's final average salary multiplied by years of service. Final average salary is the average of the three consecutive highest annual earnings out of the last fifteen years of earnings. For all employees hired on or after July 1, 2015, average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired on or after July 1, 2015, this age increases to 64 with ten years of service.

Contributions. Contributions as a percentage of payroll for members are established by statutes, subject to legislative limitations and are not actuarially determined. Contributions as a percentage of payroll for employees are established by the CPRB. Current funding policy requires employer contributions of 10.0%, 10.0% and 11.0% for the years ended June 30, 2020, 2019 and 2018, respectively. As permitted by legislation, the Fund has elected to pay 100% of all costs relating to the Plan, including the employee's 4.5% contribution of annual earnings for employees hired on or before February 6, 2012. Beginning February 7, 2012, new hires are required to pay the employee's contribution of 4.5%. For all employees hired on or after July 1, 2015 the employee contribution is 6.0%. The Fund's contribution to the Plan, excluding the employee's contribution paid by the Fund, approximated $575,000, $565,000, and $588,000 for the fiscal years ended June 30, 2020, 2019, and 2018, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2020 and June 30, 2019 respectively, the Fund reported a liability of $828,000 and $999,000 for its proportionate share of the net pension liability. The net pension liability reported at June 30, 2020 was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018, rolled forward to the measurement date of June 30, 2019. The Fund's proportion of the net pension liability was based on the Fund's share of contributions to the pension plan relative to the contributions of all employers participating in PERS for the year ended June 30, 2019. At June 30, 2019 and June 30, 2018, the Fund's proportionate share was 0.39%.

For the years ended June 30, 2020 and June 30, 2019, respectively, the Fund recognized pension expense of $301,000 and $71,000. At June 30, 2020 and June 30, 2019, the Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Dollars in thousands)	**June 30, 2020** **Deferred Outflows of Resouces**	**Deferred Inflows of Resources**
Net difference between projected and actual earnings on pension plan investments	$ -	$ 299
Difference between expected and actual experience	32	72
Changes in assumptions	-	152
Changes in proportion and differences between Fund contributions and proportionate share of contributions	24	30
Fund contributions made subsequent to the measurement date	575	-
	$ 631	**$ 553**

(Dollars in thousands)	**June 30, 2019** **Deferred Outflows of Resouces**	**Deferred Inflows of Resources**
Net difference between projected and actual earnings on pension plan investments	$ -	$ 588
Difference between expected and actual experience	50	2
Changes in proportion and differences between Fund contributions and proportionate share of contributions	37	87
Fund contributions made subsequent to the measurement date	565	-
	$ 652	**$ 677**

Deferred outflows of resources related to pensions of $575,000 resulting from Fund contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

(Dollars in thousands)

Year Ended June 30:	Pension Expense
2021	$ (101)
2022	(431)
2023	(53)
2024	88

Actuarial Assumptions and Methods. The following assumptions and methods were used in the actuarial valuation:

	2019	2018
Actuarial cost method	Individual entry age normal cost with level percentage of payroll	Individual entry age normal cost with level percentage of payroll
Asset valuation method	Fair value	Fair value
Amortization method	Level dollar, fixed period	Level dollar, fixed period
Amortization period	Through Fiscal Year 2035	Through Fiscal Year 2035
Actuarial assumptions:		
Investment rate of return	7.50%	7.50%
Projected salary increases:		
State	3.1 - 5.3%	3.0 - 4.6%
Non-state	3.35 - 6.5%	3.35 - 6.0%
Inflation rate	3.00%	3.00%
Discount rate	7.50%	7.50%
Mortality rates	Active - 100% of Pub-2010 General Employees table, below-median, headcount weighted, projected with scale MP-2018	Active - 100% of RP-2000 Non-Annuitant, Scale AA fully generational
	Retired healthy males - 108% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected with scale MP-2018	Retired healthy males - 110% of RP-2000 Healthy Annuitant, Scale AA fully generational
	Retired healthy females - 122% of Pub-2010 Annuitant, Scale AA fully generational General Retiree Female table, below-median, headcount weighted, projected with scale MP-2018	Retired healthy females - 101% of RP-2000 Healthy Annuitant, Scale AA fully generational
	Disabled males - 118% of Pub-2010 General / Teachers Disabled Male table, below-median, headcount weighted, projected with scale MP-2018	Disabled males - 96% of RP-2000 Disabled Annuitant, Scale AA fully generational
	Disabled females - 118% of Pub-2010 General / Teachers Disabled Famale table, below-median, headcount weighted, projected with scale MP-2018	Disabled females - 107% of RP-2000 Disabled Annuitant, Scale AA fully generational
Withdrawal rates		
State	2.28 - 45.63%	1.75 - 35.10%
Non-state	2.00 - 35.88%	2.00 - 35.88%
Disability rates	0.005 - 0.540%	0.007 - .675%
Retirement rates	12% - 100%	12% - 100%
Date range in most recent experience study	2013-2018	2009-2014

The long-term rates of return on pension plan investments was determined using the building-block method in which estimates of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of long-term geometric rates of return are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Weighted Average Expected Real Rate of Return
Domestic Equity	27.5%	5.8%	1.60%
International Equity	27.5%	7.7%	2.12%
Fixed Income	15.0%	3.3%	0.50%
Real estate	10.0%	6.1%	0.61%
Private equity	10.0%	8.8%	0.88%
Hedge funds	10.0%	4.4%	0.44%
Total	100%		6.15%
Inflation (CPI)			2.00%
			8.15%

Discount Rate. The discount rate used to measure the total pension liability was 7.5%. At June 30, 2019 and 2018, the projection of cash flows used to determine the discount rate assumed that employer contributions will continue to follow the current funding policies. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. Although discount rates are subject to change between measurement dates, there were no changes in the discount rate in the current period.

Sensitivity of the Fund's proportionate share of the net pension liability to changes in the discount rate. The following table presents the Fund's proportionate share of the net pension liability calculated using the discount rate of 7.5% as well as what the Fund's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

(Dollars in thousands)

Net Pension Liability (Asset)		
1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
$ 3,857	$ 828	$ (1,734)

NOTE G – COMPENSATED ABSENCES

Employees accumulate annual leave balances to a maximum of 210 hours. Most employees receive a 100% termination payment upon separation based upon their final rate of pay. The liability for annual leave is valued at 100% of the balance plus the Fund's share of Social Security and Medicare contributions. The Fund has recorded a liability for accrued leave for all employees in accordance with US GAAP. The liability for annual leave is shown below. In lieu of cash payment at retirement, an employee who became a member of PERS before July 1, 2015 may elect to use accumulated annual leave toward additional service in the computation of retirement benefits or toward their postemployment health care insurance premium as further explained in *Note H – Postemployment Healthcare Plan.* If an employee became a member on or after July 1, 2015, they may not use accumulated annual leave to acquire additional credited service but they may still elect to use accumulated annual leave toward their postemployment health care insurance premium explained in *Note H – Postemployment Healthcare Plan*.

(Dollars in thousands)

	Accumulated Annual Leave		
	2020	2019	2018
Balance at beginning of fiscal year	$ 473	$ 435	$ 414
Annual leave earned	704	549	477
Annual leave (used)	(627)	(511)	(456)
Balance at end of fiscal year	$ 550	$ 473	$ 435

NOTE H – OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description

Plan administration. The Welfare Benefit Plan (the Plan), an irrevocable trust, is a single-employer defined other postemployment benefit plan administered by the Fund and the Fund's Board of Directors that is used to provide postemployment benefits other than pensions (OPEB) for employees of the Fund. Substantially all employees may become eligible for these benefits if they reach normal retirement age while working for the Fund. The assets of the Plan are deposited with an external trustee and are presented in the fiduciary fund financial statements.

Benefits Provided

The Fund provides certain healthcare insurance benefits for retired employees and their eligible dependents. Benefits are fully self-insured by the Fund and are administered through a third-party administrator. The full cost of benefits is covered by the plan. Management of the Fund has the authority to establish and amend benefit provisions to the Plan.

Employees covered by benefit terms. At June 30, 2020 and June 30, 2019, the following employees were covered by the benefit terms:

	June 30,	
Covered Employees	**2020**	**2019**
Inactive employees or beneficiaries currently receiving benefit payments	10	12
Inactive employees entitled to but not yet receiving benefit payments	-	-
Active plan members	102	100
Total	112	112

Contributions

The contribution requirements of plan members and the Fund are established and may be amended by the Fund's management. Management establishes contribution rates based on an actuarially determined rate. Plan members are not required to contribute to the plan. In lieu of cash payment at retirement, an employee may elect to use accumulated annual and accumulated sick leave toward their postemployment health care insurance premium. A retiree may convert two unused leave days into one month's insurance premium for single coverage or three unused leave days into one month's premium for family coverage. The Fund will pay monthly health insurance premiums of these retirees based on unused sick leave and/or annual leave at the time of retirement until the unused leave is fully utilized or until the retiree reaches the eligible age for Medicare. Accordingly, the maximum period for which a retiree may be entitled to such benefits would be twelve years. The Fund's contribution to the Plan approximated $95,000, and $311,000 for the fiscal years ended June 30, 2020 and 2019, respectively.

Investments

Investment policy. The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Fund's Board of Directors. Investments are to be diversified as to minimize the risk of large losses as follows:

Permitted Investments	Maximum % of Porfolio
Cash:	
Demand Deposits	30%
Fixed Income:	
Direct Federal Obligations	90%
Federal Agency Obligations	90%
Federally Guaranteed Obligations	90%
FDIC Insured CDs	50%

Rate of Return. For the years ended June 30, 2020 and June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 3.23% and 3.37%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability

At June 30, 2020 and 2019, the components of the net OPEB liability (asset) of the Fund were as follows:

(Dollars in thousands)	June 30, 2020	June 30, 2019
Total OPEB Liability	$ 5,645	$ 4,923
Plan Fiduciary Net Position	5,745	5,585
Net OPEB Liability (Asset)	$ (100)	$ (662)
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability (Asset)	101.80%	113.45%

Actuarial Assumptions and Methods

The total OPEB liability (asset) as of June 30, 2020 was determined by an actuarial valuation as of January 2020 rolled forward to June 30, 2020 and the total OPEB liability (asset) as of June 30, 2019 was determined by an actuarial valuation as of January 2018 and rolled forward to June 30, 2019. The following actuarial assumptions and methods were used:

Valuation Date	1/1/2020 Rolled forward to 6/30/2020	1/1/2018 Rolled forward to 6/30/2019
Actuarial Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percentage of Pay Closed	Level Percentage of Pay Closed
Remaining Amortization Period	17 years as of 1/1/2020	19 years as of 1/1/2018
Asset Valuation Method	Market Value of Assets	Market Value of Assets
Actuarial Assumptions:		
Investment Rate of Return	3.00%	4.50%
Salary Increases	3.00%	3.00%
Ultimate Rate of Medical Inflation	2.72%	4.00%
General Rate of Inflation	2.00%	2.00%

Mortality rates for the January 2020 valuation rolled forward to June 30, 2020 were based on RP-2014 Mortality Table, adjusted to 2006 with Scale MP-2014, and projected fully generationally with Scale MP-2019. Mortality rates for the January 2018 valuation rolled forward to June 30, 2019 were based on RP-2014 Mortality Table, adjusted to 2006 with Scale MP-2014, and projected fully generationally with Scale MP-2017.

An actuarial experience study was not completed. Actuarial assumptions for disability, termination, retirement, and dependent age were based on the PERS actuarial valuation as of July 1, 2018 and July 1, 2016 for the January 2020 valuation rolled forward to June 30, 2020 and January 1, 2018 valuation rolled forward to June 30, 2019, respectively.

The long-term expected rate of return on the Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and cash equivalents	10.0%	1.00%
U.S. Government Obligations	90.0%	1.80%
Total	100.0%	

Discount rate. The discount rate as of June 30, 2020 is 3.00%, which is the assumed long-term expected rate of return on Plan investments. This is the same discount rate that was used in the January 1, 2020 liability calculations. Projections of the Plan's fiduciary net position have indicated that it is expected to be sufficient to make projected benefit payments for current plan members. As such, the single rate of return is equal to the long-term expected rate of return on the Plan assets, which is 3.00%.

The discount rate as of June 30, 2019 was 4.50%, which was the assumed long-term expected rate of return on Plan investments. This was the same discount rate that was used in the January 1, 2018 liability calculations. Projections of the Plan's fiduciary net position indicated that it was expected to be sufficient to make projected benefit payments for then current plan members. As such, the single rate of return was equal to the long-term expected rate of return on the Plan assets, which was 4.50%.

Development of discount rate.

As of June 30, 2020, the Plan uses the Bond Buyer GO 20-Bond Municipal Bond Index. As this index is issued weekly, the value closest to but not after the reporting date is used in determining the appropriate rate. Based on this practice, the municipal bond rate at June 27, 2019 was 3.50% and the municipal bond rate at June 26, 2020 was 2.21%. However, the depletion test as of the most recent actuarial valuation as of January 1, 2020, reflecting known contributions after that date as well as the current funding policy, showed that the projected assets are expected to cover future benefit payments for current participants and as such the single rate used as the discount rate is the long-term expected rate of return, 3.00%. The actuarial liability, normal cost, and expected benefit payments were projected for the remaining lifetimes of the closed group population as of January 1, 2020 using the assumptions detailed in the 2020 actuarial valuation report. An Actuarily Determined Contribution (ADC) was calculated each year based on the current closed amortization period. The assets were then projected forward reflecting known contributions through June 30, 2020, and then assuming that the ADC is contributed in the future. Since the assets are projected to always be greater than the expected benefit payments in any year, the long-term expected rate of return of 3.00% is used to calculate the liabilities.

As of June 30, 2019, the Plan used the Bond Buyer GO 20-Bond Municipal Bond Index. As this index is issued weekly, the value closest to but not after the reporting date is used in determining the appropriate rate. Based on this practice, the municipal bond rate at June 28, 2018 was 3.87% and the municipal bond rate at June 27, 2019 was 3.50%. However, the depletion test as of the most recent actuarial valuation as of January 1, 2018, reflecting known contributions after that date as well as the current funding policy, showed that the projected assets were expected to cover future benefit payments for then current participants and as such the single rate used as the discount rate was the long-term expected rate of return, 4.50%. The actuarial liability, normal cost, and expected benefit payments were projected for the remaining lifetimes of the closed group population as of January 1, 2018 using the assumptions detailed in the 2018 actuarial valuation report. An Actuarily Determined Contribution (ADC) was calculated each year based on the current closed amortization period. The assets were then projected forward reflecting known contributions through June 30, 2018, and then assuming that two times the ADC is contributed for the next five years. Since the assets are projected to always be greater than the expected benefit payments in any year, the long-term expected rate of return of 4.50% was used to calculate the liabilities.

Changes in the Net OPEB Liability

At June 30, 2020 and June 30, 2019, respectively, the Fund reported a Net OPEB Liability (Asset) of ($100,579) and ($662,670). The Total OPEB Liability (TOL) at the beginning of each measurement year is measured as of a valuation date of January 1, 2020 and January 1, 2018 and is rolled forward to June 30, 2020 and June 30, 2019, respectively. The TOL at the end of the measurement year, June 30, 2020 and June 30, 2019, is measured as of a valuation date of January 1, 2020 and January 1, 2018 and is projected to June 30, 2020 and June 30, 2019, respectively. Valuations will be completed every other year.

(Dollars in thousands)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances at 6/30/2019	$ 4,923	$ 5,585	$ (662)
Changes for the year:			
Service cost	172	-	172
Interest	227	-	227
Differences between expected and actual experience	(142)	-	(142)
Changes of assumptions	560	-	560
Contributions - employer	-	95	(95)
Net investment income	-	180	(180)
Benefit payments	(95)	(95)	-
Administrative expense	-	(20)	20
Net changes	722	160	562
Balances at 6/30/2020	$ 5,645	$ 5,745	$ (100)

(Dollars in thousands)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances at 6/30/2018	$ 4,872	$ 5,444	$ (572)
Changes for the year:			
Service cost	143	-	143
Interest	219	-	219
Contributions - employer	-	311	(311)
Net investment income	-	172	(172)
Benefit payments	(311)	(311)	-
Administrative expense	-	(31)	31
Net changes	51	141	(90)
Balances at 6/30/2019	$ 4,923	$ 5,585	$ (662)

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability (asset) of the Fund, as well as what the Fund's net OPEB liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (3.5 percent) or one-percentage-point higher (5.5 percent) than the current discount rate:

(Dollars in thousands)	1% Decrease 2.00%	Discount Rate 3.00%	1% Increase 4.00%
Total OPEB Liability	$ 6,109	$ 5,645	$ 5,234
Plan Fiduciary Net Position	5,745	5,745	5,745
Net OPEB Liability (Asset)	$ 364	$ (100)	$ (511)
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	94.00%	101.80%	109.80%

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability (asset) of the Fund, as well as what the Fund's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates:

(Dollars in thousands)	Trend Minus 1%	Baseline Trends	Trend Plus 1%
Total OPEB Liability	$ 5,135	$ 5,645	$ 6,233
Plan Fiduciary Net Position	5,745	5,745	5,745
Net OPEB Liability (Asset)	$ (610)	$ (100)	$ 488
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	111.90%	101.80%	92.20%

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended June 30, 2020 and June 30, 2019, respectively, the Fund recognized OPEB expense of $206,328 and $102,454. At June 30, 2020 and June 30, 2019, the Fund reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30,			
(Dollars in thousands)	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 219	$ -	$ 133
Changes in assumptions	467	330	-	440
Net difference between projected and actual earnings on OPEB plan investments	223	-	263	-
Total	$ 690	$ 549	$ 263	$ 573

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

(Dollars in thousands)

Year Ended June 30:	OPEB Expense
2021	$ 38
2022	(5)
2023	(45)
2024	84
2025	69

NOTE I - NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 84, *Fiduciary Activities*, Statement No. 87, *Leases*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* Statement No. 90*, Majority Equity Interests*, Statement No. 91*, Conduit Debt Obligations*, Statement No. 93, *Replacement of Interbank Offered Rates*, Statement No. 96, *Subscription-Based Information Technology Arrangements*, and Statement No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* The provisions of Statements No. 84 and 90 are effective for periods beginning after December 15, 2019. The provisions of Statements No. 87 and 97 are effective for periods beginning after June 15, 2021. The provisions of Statement No. 89 are effective for periods beginning after December 15, 2020. The provisions of Statement 91 are effective for periods beginning after December 15, 2021. The provisions of Statement No. 93 are effective for periods beginning after June 15, 2020. The provisions of Statement No. 96 are effective for periods beginning after June 15, 2022. The Fund has not yet determined the effect, if any, these statements will have on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILTIY PERS

(Dollars in thousands)	Years Ended June 30					
	2020	**2019**	**2018**	**2017**	**2016**	**2015**
The Fund's proportionate (percentage) of the net pension liability	0.385094%	0.386822%	0.381747%	0.383639%	0.413624%	0.413581%
The Fund's proportionate share of the net pension liability	$ 828	$ 999	$ 1,648	$ 3,526	$ 2,310	$ 1,526
The Fund's covered payroll	$ 5,650	$ 5,345	$ 5,183	$ 5,289	$ 5,607	$ 5,538
The Fund's proportionate share of the net pension liability as a percentage of its covered payroll	14.65%	18.70%	31.81%	66.70%	41.18%	27.56%
Plan fiduciary net position as a percentage of the total pension liability	96.99%	96.33%	93.67%	86.11%	91.29%	93.98%

Note: All amounts presented are as of the measurement date, which is one year prior to the fiscal year end date

SCHEDULES OF CONTRIBUTIONS TO THE PERS

(Dollars in thousands)	Years Ended, June 30,							
	2020	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Statutorily required contribution	$ 575	$ 565	$ 588	$ 622	$ 714	$ 785	$ 803	$ 743
Contributions in relation to the statutorily required contribution	575	565	588	622	714	785	803	743
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Fund's covered payroll	$ 5,750	$ 5,650	$ 5,345	$ 5,183	$ 5,289	$ 5,607	$ 5,538	$ 5,307
Contributions as a percentage of covered payroll	10.0%	10.0%	11.0%	12.0%	13.5%	14.0%	14.5%	14.0%

See Independent Auditor's Report and Notes to the Required Supplementary Information.

SCHEDULES OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS – WELFARE BENEFIT PLAN

(Dollars in thousands)	June 30, 2020	2019	2018	2017
Total OPEB Liability				
Service cost	$ 172	$ 143	$ 147	$ 150
Interest (includes interest on service cost)	227	219	234	245
Differences between expected and actual experience	(142)	-	(200)	-
Changes of assumptions	560	-	(660)	-
Benefit payments	(95)	(311)	(228)	(218)
Net change in total OPEB liability	**$ 722**	**$ 51**	**$ (707)**	**$ 177**
Total OPEB liability - beginning	**4,923**	**4,872**	**5,579**	**5,402**
Total OPEB liability - ending	**$ 5,645**	**$ 4,923**	**$ 4,872**	**$ 5,579**
Plan fiduciary net position				
Contributions - employer	$ 95	$ 311	$ 228	$ 405
Net investment income	180	172	46	22
Benefit payments, including refunds of member contributions	(95)	(311)	(228)	(218)
Administrative expense	(20)	(31)	(35)	(16)
Net change in plan fiduciary net position	**$ 160**	**$ 141**	**$ 11**	**$ 193**
Plan fiduciary net position - beginning	**5,585**	**5,444**	**5,433**	**5,240**
Plan fiduciary net position - ending	**$ 5,745**	**$ 5,585**	**$ 5,444**	**$ 5,433**
Net OPEB (asset) - ending	**$ (100)**	**$ (662)**	**$ (572)**	**$ 146**
Plan fiduciary net position as a percentage of the total OPEB liability	101.78%	113.46%	111.74%	97.40%

SCHEDULES OF CONTRIBUTIONS TO THE WELFARE BENEFIT PLAN

(Dollars in thousands)	June 30, 2020	2019	2018	2017
Actuarially determined contribution	$ 189	$ 108	$ 101	$ 162
Contributions in relation to the actuarially determined contribution	95	311	228	405
Contribution (excess)	94	(203)	(127)	(243)
Covered employee payroll	$ 5,773	$ 5,582	$ 5,396	$ 5,268
Contributions as a percentage of covered employee payroll	1.65%	5.57%	4.23%	7.69%

SCHEDULES OF ANNUAL RATE OF RETURN ON INVESTMENTS – WELFARE BENEFIT PLAN

	June 30, 2020	2019	2018	2017
Money-weighted rate of return, net of investment expense	3.23%	3.37%	0.78%	0.66%

See Independent Auditor's Report and Notes to the Required Supplementary Information.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE A – RETIREMENT PLAN TREND INFORMATION PRESENTED

The accompanying schedules of the Fund's proportionate share of the net pension liabilities and contributions to the PERS and the Welfare Benefit Plan and the schedules of annual rate of return on investments of the Welfare Benefit Plan are required supplementary information to be presented for 10 years. However, until a full 10-year trend is compiled, information is presented in the schedules for those years for which information is available.

NOTE B – RETIREMENT PLAN ACTUARIAL ASSUMPTIONS AND METHODS

The information presented in the Schedules of Contributions to PERS was based on the actuarial valuation as of July 1, 2018 using the actuarial assumptions and methods as follows:

	2019
Actuarial cost method	Individual entry age normal cost with level percentage of payroll
Asset valuation method	Fair value
Amortization method	Level dollar, fixed period
Amortization period	Through Fiscal Year 2035
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases:	
State	3.1 - 5.3%
Non-state	3.35 - 6.5%
Inflation rate	3.00%
Discount rate	7.50%
Mortality rates	Active - 100% of Pub-2010 General Employees table, below-median, headcount weighted, projected with scale MP-2018
	Retired healthy males - 108% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected with scale MP-2018
	Retired healthy females - 122% of Pub-2010 Annuitant, Scale AA fully generational General Retiree Female table, below-median, headcount weighted, projected with scale MP-2018
	Disabled males - 118% of Pub-2010 General/Teachers Disabled Male table, below-median, headcount weighted, projected with scale MP-2018
	Disabled females - 118% of Pub-2010 General/Teachers Disabled Female table, below-median, headcount weighted, projected with scale MP-2018
Withdrawal rates: State	2.28 - 45.63%
Non-state	2.00 - 35.88%
Disability rates	.005 - 0.540%
Retirement rates	12% - 100%
Date range in most recent experience study	2013-2018

	2015-2018	2014
Actuarial cost method	Individual entry age normal cost with level percentage of payroll	Individual entry age normal cost with level percentage of payroll
Asset valuation method	Fair value	Fair value
Amortization method	Level dollar, fixed period	Level dollar, fixed period
Amortization period	Through Fiscal Year 2035	Through Fiscal Year 2035
Actuarial assumptions:		
Investment rate of return	7.50%	7.50%
State	3.0 - 4.6%	4.25 - 6.0%
Non-state	3.35 - 6.0%	
Inflation rate	3.0% (2015-1.90%)	2.20%
Discount rate	7.50%	7.50%
Mortality rates	Active - 100% of RP-2000 Non-Annuitant, Scale AA fully generational	Healthy males - 1983 GAM
	Retired healthy males - 110% of RP-2000 Healthy Annuitant, Scale AA fully generational	Healthy females - 1971 GAM
	Retired healthy females - 101% of RP-2000 Healthy Annuitant, Scale AA fully generational	Disables males - 1971 GAM
	Disabled males - 96% of RP-2000 Disabled Annuitant, Scale AA fully generational	Disabled females - Revenue ruling 96-7
	Disabled females - 107% of RP-2000 Disabled Annuitant, Scale AA fully generational	
Withdrawal rates: State	1.75 - 35.10%	1 - 26%
Non-state	2.00 - 35.88%	2 - 31.2%
Disability rates	.007 - .675%	0 - 8%
Retirement rates	12% - 100%	15% - 100%
Date range in most recent experience study	2009-2014	2004-2009

The information presented in the Schedules of Contributions to the Welfare Benefit Plan was based on the actuarial assumptions and methods as follows:

Valuation date	1/1/2020 Rolled forward to 6/30/2020
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation completed during even calendar years
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Amortization Method	Level Percentage of Pay Closed
Remaining Amortization Period	17 years as of 1/1/2020
Actuarial Assumptions:	
Discount rate	3.00%
Salary Increases	3% total payroll growth
Healthcare cost trend rates	Pre-Medicare: 10.0% in calendar 2020 grading down to 2.72% over 19 years
	Medicare: 0.0% in calendar 2020 and 2021 5.0% grading down to 2.72% over 18 years
	Administrative expenses: 2.72% per year

Valuation date	1/1/2018 Rolled forward to 6/30/2019
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation completed during even calendar years
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Amortization Method	Level Percentage of Pay Closed
Remaining Amortization Period	19 years as of 1/1/2018
Actuarial Assumptions:	
Discount rate	4.50%
Salary Increases	3% total payroll growth
Healthcare cost trend rates	Pre-Medicare: 8.40% in calendar 2018 grading down to 4.0% over 15 years
	Medicare: 0.0% in calendar 2018 and 2019 5.0% grading down to 4.0% over 13 years
	Administrative expenses: 4.0% per year

Valuation date	1/1/2016 Rolled forward to 6/30/2017
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation completed during even calendar years
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Amortization Method	Level Percentage of Pay Closed
Remaining Amortization Period	21 years as of 1/1/2016
Actuarial Assumptions:	
Discount rate	4.50%
Salary Increases	3% total payroll growth
Healthcare cost trend rates	Pre-Medicare: 10.0% in calendar 2016 grading down to 4.0% over 15 years
	Medicare: 6.0% in calendar 2016 grading down to 4.0% over 15 years
	Administrative expenses: 4.0% per year

NOTE C – PERS PLAN AMENDMENTS

The PERS was amended to make changes which apply to new employees hired on or after July 1, 2015 as follows:

- For employees hired prior to July 1, 2015, qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. A member may retire with the pension reduced actuarially if the member is at least 55 and has at least 10 years of contributory service, or at any age with 30 years of contributory service. For employees hired after July 1, 2015, qualification for normal retirement is 62 with 10 years of service. A member hired after July 1, 2015 may retire with the pension reduced actuarially if the member is between the ages of 60 and 62 with at least ten years of contributory service, between ages 57 and 62 with at least twenty years of contributory service or between the ages 55 and 62 with at least thirty years of contributory service.

- The straight life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. For employees hired prior to July 1, 2015, average salary is the average of the three consecutive highest annual earnings out of the last fifteen years of earnings. For all employees hired on or after July 1, 2015 average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings.

- For employees hired prior to July 1, 2015, terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired on or after July 1, 2015, this age increases to 64 with at least ten years of contributory service, or age 63 with at least twenty years of contributory service.

- For all employees hired prior to July 1, 2015, employees are required to contribute 4.5% of annual earnings. All employees hired on or after July 1, 2015, are required to contribute 6% of annual earnings.

STATISTICAL SECTION

This part of the West Virginia Housing Development Fund's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Fund's overall financial health.

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WEST VIRGINIA HOUSING DEVELOPMENT FUND
CONDENSED SCHEDULES OF NET POSITION
AS OF JUNE 30
(Dollars in Thousands)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
ASSETS										
Cash and investments	$ 205,548	$ 177,286	$ 162,289	$ 191,200	$ 188,679	$ 187,282	$ 187,894	$ 208,456	$ 255,216	$ 301,062
Mortgage loans receivable	749,259	734,106	705,415	713,679	727,939	729,757	739,011	747,711	819,761	878,301
Other	21,366	19,915	17,969	19,389	20,803	26,220	23,828	22,015	23,280	21,438
TOTAL ASSETS	**$ 976,173**	**$ 931,307**	**$ 885,673**	**$ 924,268**	**$ 937,421**	**$ 943,259**	**$ 950,733**	**$ 978,182**	**$1,098,257**	**$1,200,801**
DEFERRED OUTFLOWS OF RESOURCES										
Deferred outflows of resources related to pension and OPEB	**$ 1,395**	**$ 979**	**$ 1,101**	**$ 2,070**	**$ 1,974**	**$ 906**	**$ -**	**$ -**	**$ -**	**$ -**
LIABILITIES										
Bonds and notes payable, net of discounts	$ 333,547	$ 307,118	$ 281,604	$ 337,771	$ 363,880	$ 391,447	$ 416,835	$ 455,698	$ 581,384	$ 701,179
Other liabilities	89,643	88,491	87,683	88,825	85,489	77,300	69,858	72,179	76,026	77,632
TOTAL LIABILITIES	**$ 423,190**	**$ 395,609**	**$ 369,287**	**$ 426,596**	**$ 449,369**	**$ 468,747**	**$ 486,693**	**$ 527,877**	**$ 657,410**	**$ 778,811**
DEFERRED INFLOWS OF RESOURCES										
Deferred inflows of resources related to pension and OPEB	**$ 1,405**	**$ 1,489**	**$ 1,486**	**$ 316**	**$ 1,489**	**$ 1,615**	**$ -**	**$ -**	**$ -**	**$ -**
NET POSITION										
Restricted for debt service	$ 381,723	$ 369,969	$ 357,312	$ 346,325	$ 341,213	$ 319,293	$ 308,424	$ 297,455	$ 278,858	$ 260,967
Restricted by state statute for bond insurance, land development and Affordable Housing Fund	76,176	73,547	72,410	67,020	71,329	75,060	72,935	69,540	72,610	73,161
Net investment in capital assets	8,173	8,409	8,538	8,663	9,032	9,378	9,985	10,070	10,016	7,885
Unrestricted	86,901	83,263	77,741	77,418	66,963	70,072	72,696	73,240	79,363	79,977
TOTAL NET POSITION	**$ 552,973**	**$ 535,188**	**$ 516,001**	**$ 499,426**	**$ 488,537**	**$ 473,803**	**$ 464,040**	**$ 450,305**	**$ 440,847**	**$ 421,990**

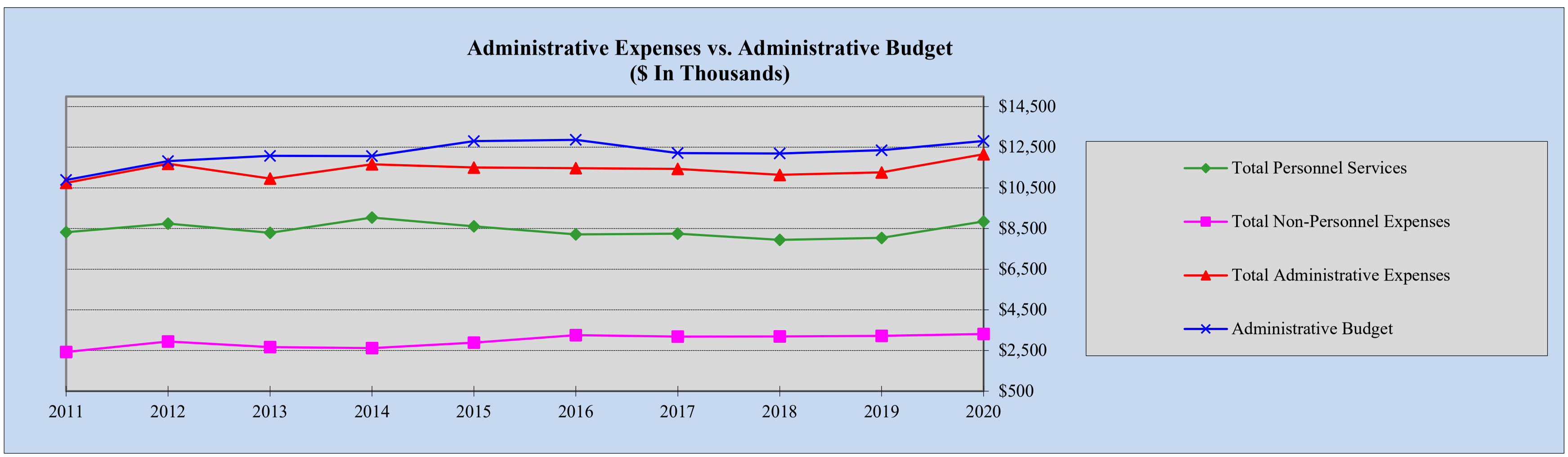
WEST VIRGINIA HOUSING DEVELOPMENT FUND
CONDENSED SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED JUNE 30
(Dollars in Thousands)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
OPERATING REVENUES										
Interest on loans	$ 30,965	$ 30,212	$ 29,676	$ 31,106	$ 32,296	$ 34,013	$ 35,907	$ 39,219	$ 44,285	$ 48,165
Pass-Through Grant revenues	74,479	70,445	69,164	72,124	75,910	75,785	67,454	65,325	87,565	77,026
Other	9,927	9,462	8,213	8,321	7,851	7,366	7,379	8,231	8,925	8,757
	115,371	110,119	107,053	111,551	116,057	117,164	110,740	112,775	140,775	133,948
OPERATING EXPENSES										
Pass-Through Grant expenses	74,479	70,445	69,164	72,124	75,910	75,785	67,454	65,325	87,565	77,026
Program and administrative expenses	19,341	17,301	15,979	17,770	18,346	17,904	17,499	18,346	19,865	21,191
	93,820	87,746	85,143	89,894	94,256	93,689	84,953	83,671	107,430	98,217
OPERATING INCOME	21,551	22,373	21,910	21,657	21,801	23,475	25,787	29,104	33,345	35,731
NON-OPERATING - FINANCING AND INVESTING REVENUES (EXPENSES)										
Gain on sale of capital assets	-	-	-	-	-	-	15	-	-	-
Net investment income	6,071	6,241	877	(82)	5,116	2,998	3,402	(937)	9,717	3,512
Interest and debt expense	(9,837)	(9,427)	(9,573)	(10,686)	(12,183)	(13,900)	(15,469)	(18,709)	(24,205)	(29,399)
	(3,766)	(3,186)	(8,696)	(10,768)	(7,067)	(10,902)	(12,052)	(19,646)	(14,488)	(25,887)
INCOME BEFORE SPECIAL ITEM	17,785	19,187	13,214	10,889	14,734	12,573	13,735	9,458	18,857	9,844
SPECIAL ITEM										
Transfer of operations***	-	-	4,469	-	-	-	-	-	-	-
CHANGE IN NET POSITION	17,785	19,187	17,683	10,889	14,734	12,573	13,735	9,458	18,857	9,844
NET POSITION AT BEGINNING OF YEAR	535,188	516,001	498,318**	488,537	473,803	461,230*	450,305	440,847	421,990	412,146
NET POSITION AT END OF YEAR	**$ 552,973**	**$ 535,188**	**$ 516,001**	**$ 499,426**	**$ 488,537**	**$ 473,803**	**$ 464,040**	**$ 450,305**	**$ 440,847**	**$ 421,990**

* Restated for implementation of GASB 68
** Restated for implementation of GASB 75
***Transfer of WVAHTF operations to WVHDF

WEST VIRGINIA HOUSING DEVELOPMENT FUND
ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30
(Dollars in Thousands)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Salaries	$ 6,000	$ 5,766	$ 5,395	$ 5,268	$ 5,346	$ 5,797	$ 5,601	$ 5,459	$ 5,943	$ 5,911
Benefits	2,847	2,274	2,553	2,979	2,869	2,808	3,408	2,788	2,790	2,348
Contract Services & Temporaries	-	-	-	-	-	7	35	46	11	61
Total Personnel Services	$ 8,847	$ 8,040	$ 7,948	$ 8,247	$ 8,215	$ 8,612	$ 9,044	$ 8,293	$ 8,744	$ 8,320
Total Non-Personnel Expenses	3,313	3,223	3,194	3,190	3,254	2,892	2,617	2,669	2,944	2,427
Total Administrative Expenses	$ 12,160	$ 11,263	$ 11,142	$ 11,437	$ 11,469	$ 11,504	$ 11,661	$ 10,962	$ 11,688	$ 10,747
Administrative Budget	$ 12,811	$ 12,352	$ 12,193	$ 12,216	$ 12,865	$ 12,802	$ 12,067	$ 12,075	$ 11,820	$ 10,891
(Under) Over Budget	(5.08%)	(8.82%)	(8.62%)	(6.38%)	(10.85%)	(10.14%)	(3.36%)	(9.22%)	(1.12%)	(1.32%)
Total Administrative Expenses	$ 12,160	$ 11,263	$ 11,142	$ 11,437	$ 11,469	$ 11,504	$ 11,661	$ 10,962	$ 11,688	$ 10,747
Less Administrative Reimbursements	(1,425)	(1,594)	(1,196)	(752)	(617)	(1,348)	(1,951)	(1,432)	(1,482)	(1,229)
Total per the Financial Statements	$ 10,735	$ 9,669	$ 9,946	$ 10,685	$ 10,852	$ 10,156	$ 9,710	$ 9,530	$ 10,206	$ 9,518
Number of employees by department / function:										
Legal and Quality Control	7	7	7	7	6	5	6	6	7	7
Asset Management and Technical Services	15	12	12	11	12	14	17	13	10	14
Executive and Human Resources	7	7	7	5	6	8	10	10	9	10
Finance, Accounting & Administrative Services	11	13	13	15	16	16	16	16	17	14
Internal Audit	1	2	1	1	1	2	2	2	1	2
Loan Servicing	26	27	27	25	26	24	25	25	23	24
Single Family Loan Originations	17	18	17	17	16	15	17	16	15	16
Multifamily Development & Technical Services	20	19	18	18	19	17	17	22	22	24
Total number of employees	104	105	102	99	102	101	110	110	104	111



West Virginia Housing Development Fund
Revenue Base, Revenue Rate and Principal Payers
(Dollars in thousands)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenue Base:										
Average Balance of										
Mortgage Loans Outstanding, Net (1)	$ 677,874	$ 655,670	$ 644,418	$ 656,732	$ 669,862	$ 682,314	$ 693,738	$ 730,386	$ 793,682	$ 839,093
Interest on loans	30,965	30,212	29,676	31,106	32,296	34,014	35,907	39,219	44,285	48,165
Revenue Rate: (2)	4.57%	4.61%	4.61%	4.74%	4.82%	4.99%	5.18%	5.37%	5.58%	5.74%

Principal Payers by Loan Type:

	2020		2011	
Single Family Loans	$ 587,607	86.68%	$ 762,365	90.86%
Multifamily Loans	62,691	9.25%	53,051	6.32%
All Other Loans	27,576	4.07%	23,677	2.82%
	$ 677,874	100.00%	$ 839,093	100.00%

(1) Federal Program Loans have been excluded from this average. They do not have financial earnings associated with them.
(2) The Revenue Rate was calculated by dividing the Interest on Loans Revenue by the Average Outstanding Mortgage Loan Balance for the year.

Note: Current economic conditions have a direct impact on the Fund's revenue rates. Interest rates on mortgages must remain competitive in the market and must also meet IRS regulations. Although the market has the largest impact on the interest rates on loans, loan volume can also impact revenue earnings significantly.

WEST VIRGINIA HOUSING DEVELOPMENT FUND
REVENUE BOND COVERAGE
FOR THE YEARS ENDED JUNE 30
(Dollars in Thousands)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Available for Debt Service										
Bond Program Gross Revenues	$ 30,914	$ 30,435	$ 26,647	$ 27,820	$ 32,783	$ 32,785	$ 33,772	$ 34,699	$ 49,068	$ 46,954
Bond Program Direct Operating Expenses	9,323	8,351	6,441	7,022	6,980	7,435	7,334	7,393	9,462	9,325
Net Bond Revenue Available for Debt Service	21,591	22,084	20,206	20,798	25,803	25,350	26,438	27,306	39,606	37,629
Mortgage Loan Principal Repayments	64,293	53,884	59,425	65,361	64,561	61,769	68,458	95,959	95,515	78,371
Total Available for Debt Service	$ 85,884	$ 75,968	$ 79,631	$ 86,159	$ 90,364	$ 87,119	$ 94,896	$ 123,265	$ 135,121	$ 116,000
Debt Service Requirement										
Scheduled Principal Payments*	$ 24,575	$ 23,385	$ 28,095	$ 27,075	$ 24,240	$ 23,345	$ 22,970	$ 25,065	$ 20,651	$ 16,594
Interest Payments	10,013	9,101	9,904	10,967	12,690	14,769	16,139	20,168	25,694	30,479
Total Debt Service Requirement	$ 34,588	$ 32,486	$ 37,999	$ 38,042	$ 36,930	$ 38,114	$ 39,109	$ 45,233	$ 46,345	$ 47,073
Coverage Percentages	248.31%	233.85%	209.56%	226.48%	244.69%	228.57%	242.64%	272.51%	291.55%	246.43%
Total Debt Outstanding on Revenue Bonds	$ 333,547	$ 307,118	$ 281,604	$ 337,771	$ 363,880	$ 391,477	$ 415,190	$ 453,715	$ 579,075	$ 698,300

Qualified mortgage revenue bonds are structured in such a way that both mortgage loan repayments and gross revenues are used for bond repayment. Accordingly, to achieve adequate debt service coverage, mortgage loan repayments must be considered. Due to the nature of qualified mortgage revenue bonds, the Fund's bond resolutions and indentures do not have required revenue bond coverage percentages. The above information is provided for general information purposes only.

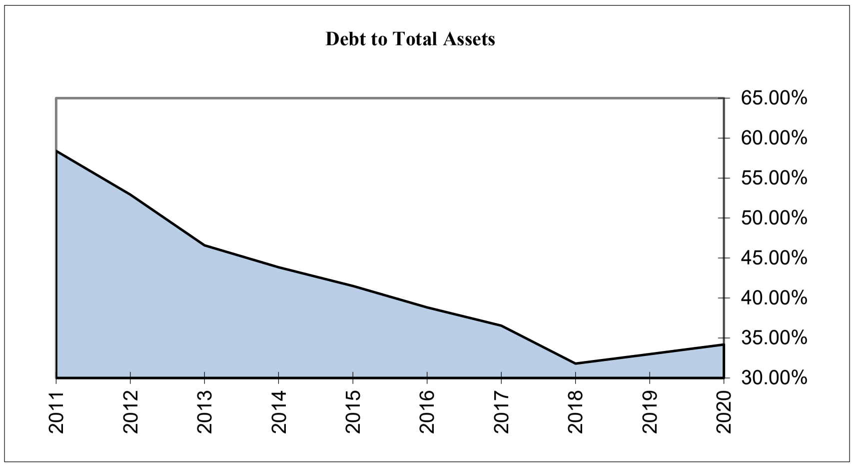
Debt Limitations:

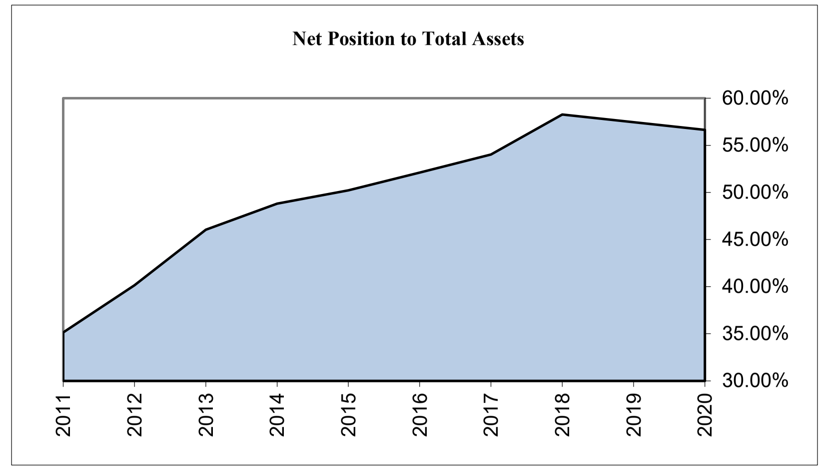
The Act authorizes the Fund to issue bonds and notes for its various programs in an aggregate principal amount not to exceed $1,250,000,000 outstanding at any one time, exclusive of refunded obligations.

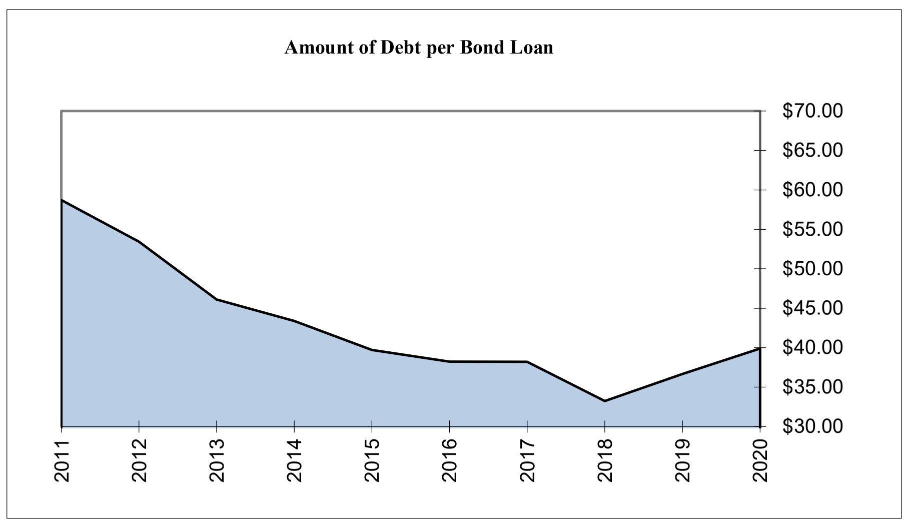
* Scheduled principal payments do not include bonds retired through bond refundings.

WEST VIRGINIA HOUSING DEVELOPMENT FUND
FINANCIAL RATIOS
AS OF JUNE 30

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Debt to Total Assets	34.17%	32.98%	31.80%	36.54%	38.82%	41.50%	43.84%	46.59%	52.94%	58.39%
Net Position to Total Assets	56.65%	57.47%	58.26%	54.03%	52.12%	50.23%	48.81%	46.03%	40.14%	35.14%
Amount of debt per bond loan (in thousands)	$ 38.99	$ 35.78	$ 32.33	$ 37.31	$ 37.33	$ 38.79	$ 42.46	$ 45.18	$ 52.50	$ 57.77







West Virginia Housing Development Fund
Housing and Population Demographics
Based on Calendar Years

	2019*	2018	2017	2016	2015	2014	2013	2012	2011	2010
Median Home Value - WV	$115,000	$111,600	$107,400	$103,800	$100,200	$98,500	$97,300	$91,400	$91,400	$91,400
Median Home Value - US	$204,900	$193,500	$184,700	$178,600	$175,700	$176,700	$181,400	$185,400	$185,400	$185,400
Housing inventory - owner occupied - WV	72.90%	72.70%	72.50%	72.50%	73.00%	73.40%	76.78%	75.78%	78.70%	73.40%
Housing inventory - owner occupied - US	63.80%	63.80%	63.60%	63.90%	64.40%	65.13%	65.13%	65.45%	66.20%	65.10%
Housing inventory - renter - WV	27.10%	27.30%	27.50%	27.50%	27.00%	26.60%	23.22%	24.22%	21.30%	26.60%
Housing inventory - renter - US	36.20%	36.20%	36.40%	36.10%	35.60%	34.87%	34.87%	34.55%	33.80%	34.90%
Homeowner vacancy rate - WV	0.80%	1.80%	1.80%	1.60%	1.80%	2.20%	1.80%	2.00%	2.40%	1.80%
Homeowner vacancy rate - US	0.90%	1.30%	1.60%	1.70%	1.80%	1.90%	2.00%	2.00%	2.50%	2.40%
Rental vacancy rate - WV	6.40%	5.00%	8.70%	8.70%	8.30%	9.10%	10.60%	8.10%	7.90%	8.70%
Rental vacancy rate - US	5.70%	6.80%	7.20%	6.90%	7.10%	7.60%	8.30%	8.70%	9.50%	9.20%
Total WV Housing Units	894,956	893,778	892,226	886,640	885,475	879,449	881,917	881,917	881,917	881,917
Total WV Households	734,676	737,671	739,397	740,890	742,359	741,390	763,131	763,831	763,831	763,831
Population - WV	1,852,994	1,852,994	1,852,994	1,852,994	1,852,994	1,852,994	1,852,994	1,852,994	1,852,994	1,852,994
Personal income - WV ($ in thousands)	$ 75,952,800	$ 73,334,400	$ 68,954,367	$ 68,548,511	$ 68,272,316	$ 67,804,094	$ 66,037,342	$ 63,968,460	$ 62,178,478	$ 60,484,487
Per capita personal income - WV	$ 42,336	$ 40,578	$ 37,924	$ 37,386	$ 37,047	$ 36,644	$ 35,613	$ 34,477	$ 33,513	$ 32,641
Unemployment Rate - WV	10.50%	4.70%	5.30%	4.60%	6.00%	7.40%	6.20%	7.30%	8.00%	9.10%

Population - WV		
White	1,732,549	93.50%
Black	66,708	3.60%
Native American	5,559	0.30%
Asian & Pacific Islanders	14,824	0.80%
Two or more Races	33,354	1.80%
Total Population	1,852,994	100.00%

Source: US Decennial Census, Bureau of Economic Analysis, WorkForce WV, US Census Bureau
*Most current data available

West Virginia Housing Development Fund
State of West Virginia - Principal Employers
June 30, 2019 and June 30, 2010

Estimated as of June 30, 2019*

Major West Virginia Employers	Number of Employees	Percentage of Total Employed
Local Government	70,000 - 74,999	9.97%
State Government	40,000 - 44,999	5.60%
Federal Government	20,000 - 24,999	3.19%
WVU Medicine (formerly West Virginia United Health Systems)	14,000 - 16,999	2.09%
Wal-Mart Associates, Inc.	10,000 - 12,999	1.55%
Charleston Area Medical Center, Inc.	6,000 - 7,999	0.94%
Mountain Health System	3,000 - 4,999	0.54%
Kroger	3,000 - 4,999	0.54%
Lowe's Home Centers, Inc.	1,000 - 2,999	0.27%
Contura Energy	1,000 - 2,999	0.27%
Wheeling Hospital, Inc.	1,000 - 2,999	0.27%
Mylan Pharmaceuticals, Inc.	1,000 - 2,999	0.27%
Murray American Energy, Inc.	1,000 - 2,999	0.27%

Estimated as of June 30, 2010

Major West Virginia Employers	Number of Employees	Percentage of Total Employed
Local Government	75,000 - 79,999	10.54%
State Government	40,000 - 44,999	5.70%
Federal Government	25,000 - 29,999	3.50%
Wal-Mart Associates, Inc.	10,000 - 12,999	1.57%
West Virginia United Health Systems	7,000 - 9,999	1.09%
Charleston Area Medical Center, Inc.	5,000 - 6,999	0.82%
Kroger	3,000 - 4,999	0.54%
American Electric Power	1,000 - 2,999	0.27%
Consolidation Coal Company	1,000 - 2,999	0.27%
Lowe's Home Centers, Inc.	1,000 - 2,999	0.27%
St. Mary's Hospital	1,000 - 2,999	0.27%
Res-Care Inc.	1,000 - 2,999	0.27%
Mylan Pharmaceuticals, Inc.	1,000 - 2,999	0.27%

*Most current data available

Source: WorkForce WV

WEST VIRGINIA HOUSING DEVELOPMENT FUND
SUMMARY OF FIRST-TIME HOMEBUYER DATA
MORTGAGE REVENUE BOND (MRB) PROGRAMS

		State Housing Agencies MRB Programs (2018 Data)*	WVHDF MRB Programs (Calendar Year 2019 Data)
Borrower's Age			
	Median	**29**	**30**
	<25		**21.01%**
	25-34		**44.57%**
	35-44		**16.24%**
	45-54		**10.28%**
	55-64		**5.81%**
	65+		**2.09%**
Average Household Size (persons)		**2.0**	**2.09**
Annual Income			
	Median	**$ 47,619**	**$ 48,357**
	Average	**$ 51,679**	**$ 56,023**
New or Existing Home			
	Existing	**96.0%**	**96.7%**
	New	**4.0%**	**3.3%**
Sales Price	Median	Not Available	**$ 117,500**
	Average	**$ 160,526**	**$ 131,615**
Average Mortgage Amount		**$ 152,576**	**$ 118,048**
Percent Receiving Agency Downpayment Assistance		**77.0%**	**93.1%**
Location	Non-Targeted County	**88.0%**	**82.0%**
	Targeted County	**12.0%**	**18.0%**
Mortgage Insurance/Guarantee			
	Federal Housing Administration	**52.0%**	**37.86%**
	Veterans Administration	**2.0%**	**0.89%**
	Rural Development	**7.0%**	**0.89%**
	Private Mortgage Insurance	**25.0%**	**54.25%**
	Uninsured & Other	**14.0%**	**6.11%**

**Source: State Housing Finance Association (HFA) Factbook: 2018 NCSHA Annual Survey Results (most current available)*

West Virginia Housing Development Fund

NMLS#198038

MOVIN' UP

Sales Price Average
$134,122

Original Loan Amount Average
$125,352

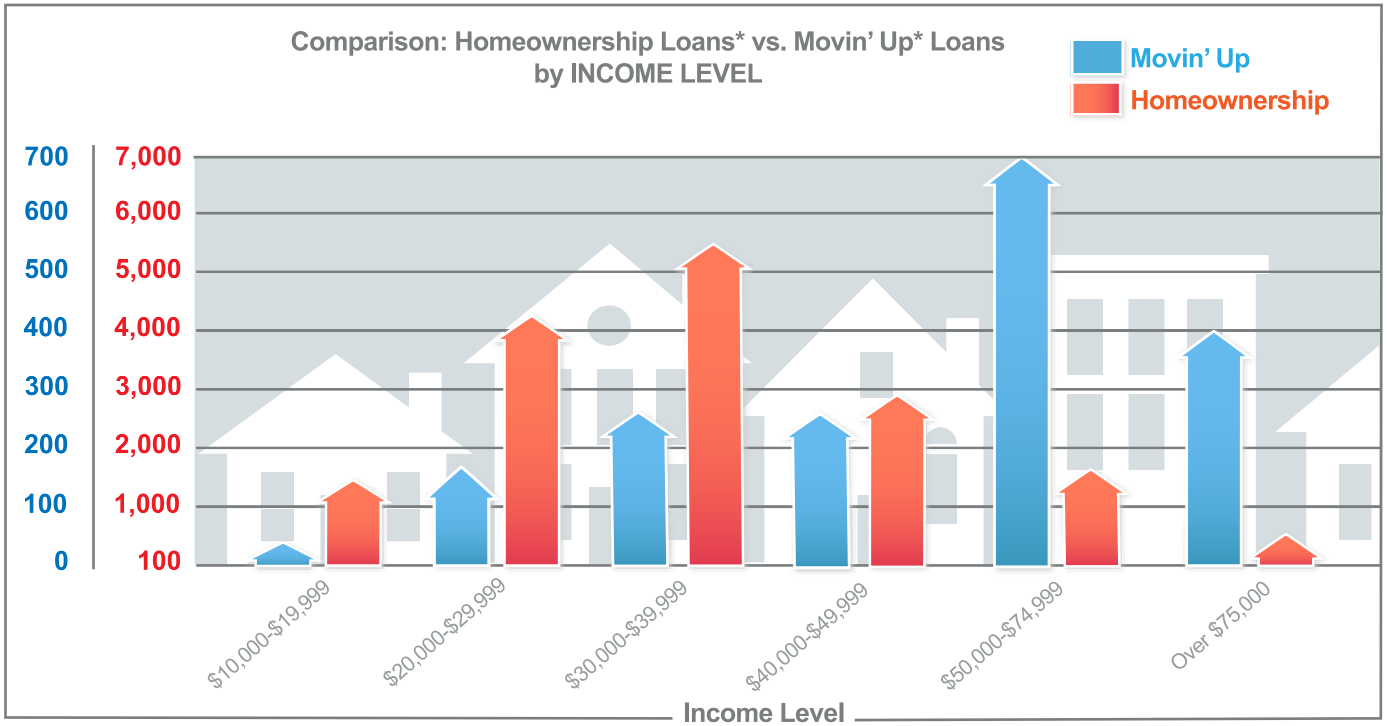
Borrower Income Average
$62,563

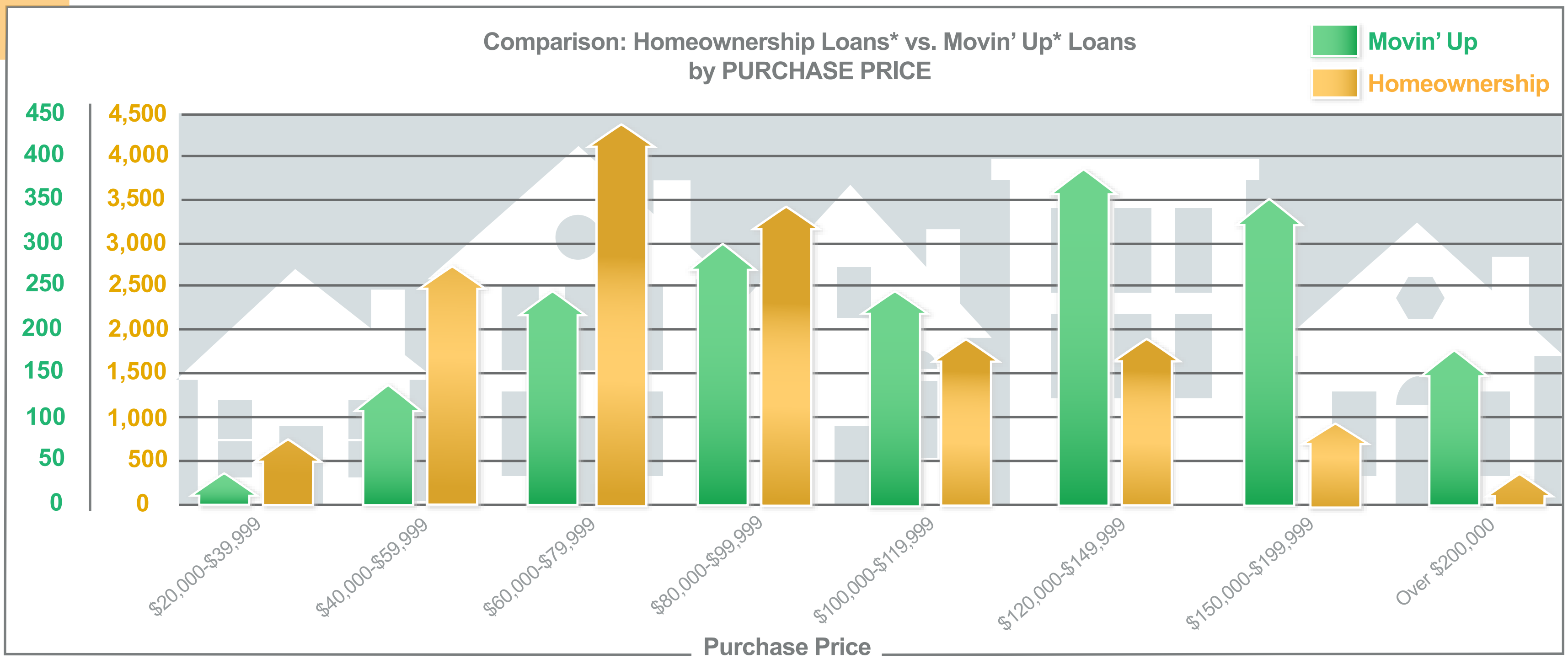
HOMEOWNERSHIP

Sales Price Average
$105,741

Original Loan Amt Average
$95,650

Borrower Income Average
$40,147

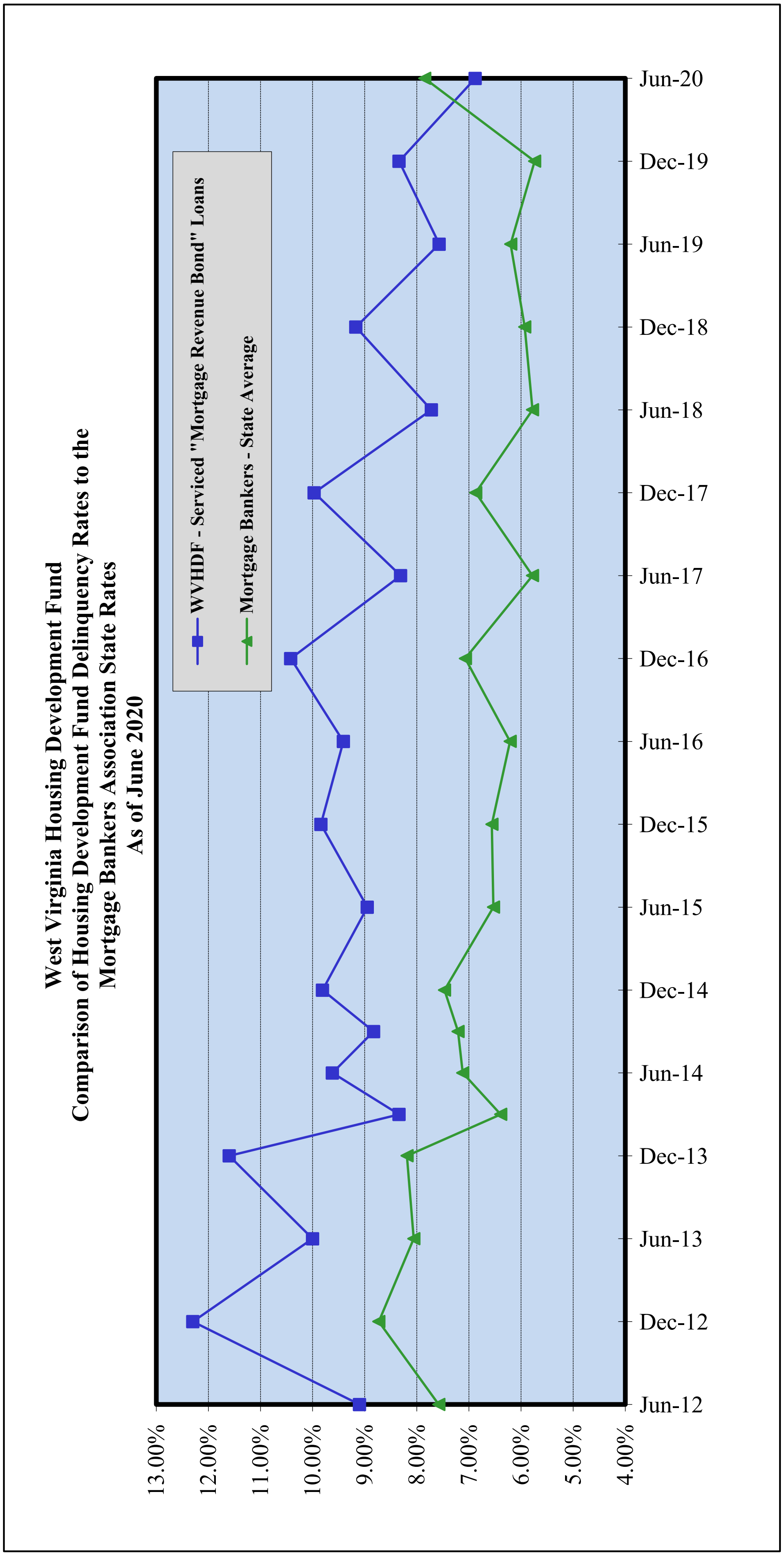




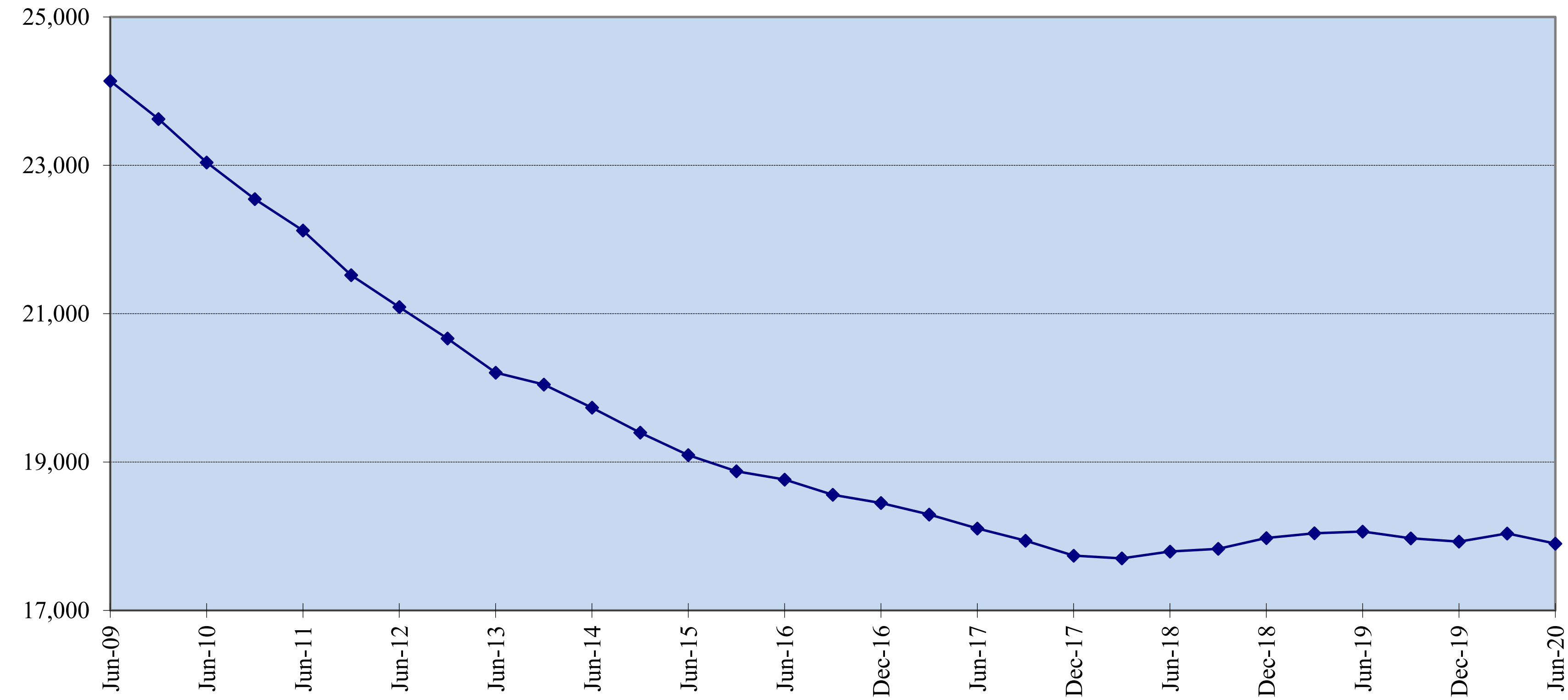
*Movin' Up 7/1/12 through 6/30/2020

*Homeownership 7/1/10 through 6/30/2020

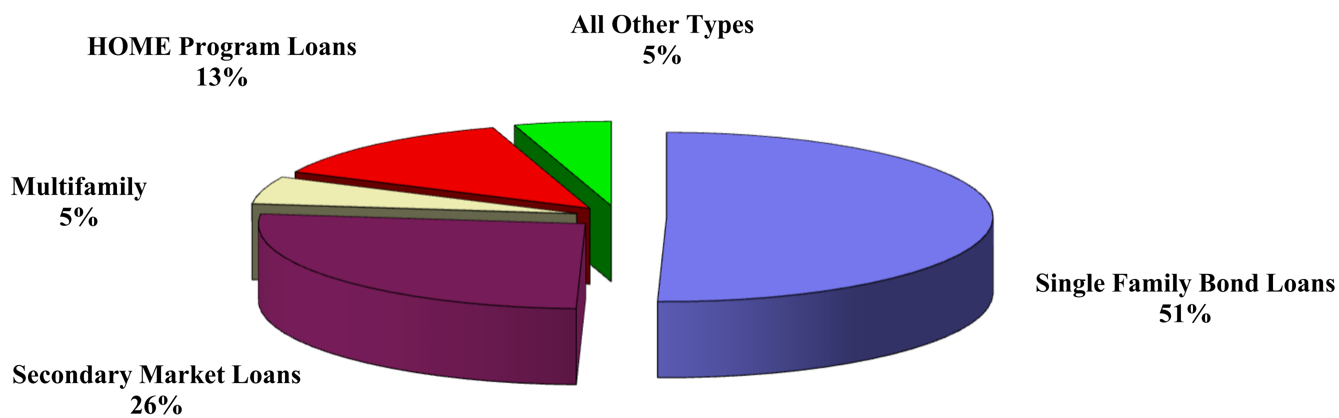
wvhdf.com


West Virginia Housing Development Fund
Comparison of Housing Development Fund Delinquency Rates to the
Mortgage Bankers Association State Rates
As of June 2020
WVHDF - Serviced "Mortgage Revenue Bond" Loans
Mortgage Bankers - State Average
13.00%
12.00%
11.00%
10.00%
9.00%
8.00%
7.00%
6.00%
5.00%
4.00%
Jun-12
Dec-12
Jun-13
Dec-13
Jun-14
Dec-14
Jun-15
Dec-15
Jun-16
Dec-16
Jun-17
Dec-17
Jun-18
Dec-18
Jun-19
Dec-19
Jun-20

West Virginia Housing Development Fund
Change In Number of Loans Serviced
As of June 30, 2020



West Virginia Housing Development Fund
Servicing Portfolio By Program Type
As of June 30, 2020



West Virginia Housing Development Fund
Housing Unit Production Report
For the Fiscal Year Ending June 30, 2020

	Net Units*	
Program	**YTD**	**Total**
Homeownership Programs		
MRB	428	45,957
Movin' Up Program	199	1,510
Secondary Market	245	14,087
Downpayment Loans	-	-
Other Current Programs	-	27
Inactive	n/a	11,218
Multifamily / Commercial		
Development Financing Programs **	144	2,528
Low-Income Housing Tax Credit **	(80)	12,514
Other Current Programs	-	2
Inactive	n/a	14,204
Special Programs		
Current Programs	19	2,813
Inactive	n/a	10,253
Federal Programs		
HOME - Homeownership	-	-
HOME - Rental	10	513
HOME - CHDO	-	850
HOME - Leveraged	-	154
HOME - Flood	-	1
National Housing Trust Fund	15	15
Inactive	n/a	1,726
Land Development		
Current Programs	-	163
Inactive	n/a	5,919
Total Units	**980**	**124,454**

* Net units are units that are counted only once, even if they have more than one source of program financing.

** Previously, units were counted at the beginning of the project. This report includes adjustments to count units upon completion of a project.

WEST VIRGINIA HOUSING DEVELOPMENT FUND
TEN-YEAR MILESTONE ACHIEVEMENTS

2011 – The Fund offered first-time homebuyers the lowest mortgage rate in the history of the Fund. First-time homebuyers were offered a 30-year fixed rate loan at 3.50%. This low interest rate was possible through a $35 million bond issue coupled with a special bond refunding.

2012 – Under the General New Issue Bond Program adopted in 2010, the Fund issued $118,620,000 in bonds for its first-time homebuyer program and to refund older bonds for economic savings. The Fund broke its 2011 record by offering first-time homebuyers a 2.99% 30-year fixed rate loan, the lowest in the history of the Fund.

2013 – The Fund launched its Movin' Up Program. Unlike other single family bond programs the Fund offers, the Movin' Up Program does not have a first-time homebuyer restriction and has significantly higher income limits than other single family programs offered. Its target market is for moderate income buyers who may have outgrown their current homes and want to move up to a larger home or move on to a home of greater value and it allows the borrower to incorporate down payment and closing cost assistance into the loan package.

2014 – The Fund implemented an enterprise wide software solution that tracks projects and advances them through the development process from coordinating the financing to tracking construction progress and monitoring compliance during the subsequent affordability period. This software provides for the electronic submission and review of documents such as tax credit applications and their associated documents, documents related to other Fund program applications and underwriting as well as documents required for compliance monitoring. The software also provides the ability to track progress and activity, to assign tasks and set deadlines and to create more efficiency throughout the entire process.

2015 – The Fund's Demolition Program has evolved into the West Virginia Property Rescue Initiative (WVPRI) through a bill passed by the State legislature during the 2015 session. The Fund will allocate $1 million per fiscal year over the next five years to the WVPRI. The Fund will provide low-interest rate loans to municipalities and counties to be used to demolish or rehabilitate dilapidated, abandoned housing throughout the state. When appropriate the Fund will provide technical assistance, training and consulting services to counties and municipalities regarding the identification, purchase, removal and rehabilitation of properties.

2016 – The Fund offered first-time lower-income homebuyers the lowest mortgage rate in the history of the Fund. First-time homebuyers were offered a 30-year fixed rate loan at 2.75%. This low interest rate was possible through a $15 million bond issue coupled with a special bond refunding.

2017 – The Fund partnered with the Federation of Appalachian Housing Enterprises (FAHE) and the United States Department of Agriculture (USDA) to offer the USDA's Section 502 Direct Loan Program. This program helps low- and very-low-income applicants obtain decent, safe and sanitary housing in eligible rural areas by providing payment assistance to increase an applicant's repayment ability.

2018 - On June 8, 2018, the State Legislature created the Affordable Housing Fund through the transfer of operations of the West Virginia Housing Trust Fund (WVAHTF) to the Fund. The Legislation maintains those funds for its original purpose in support of much-needed affordable Housing. The Affordable Housing Fund's purpose is to provide funding for both technical assistance and housing assistance for non-profits and government entities to encourage stronger partnerships, collaboration and greater involvement of local communities in meeting housing needs in the State. The Fund also worked in coordination with Federal Home Loan Bank Pittsburgh to create a newly developed program called Home4Good. Home4Good is to address unmet and critical needs in the existing Continuums of Care across the state. The initiative will provide a flexible source of funding for organizations working to address homelessness in West Virginia with the primary objective of ensuring that if an individual is faced with homelessness it is rare, brief and non-recurring.

2019 – The Fund issued $60,000,000 in single family bonds during the fiscal year. It was also the highest production year since 2014. In June 2019, Standard and Poor's Rating Service affirmed the Fund's AAA credit rating. The Fund is the only State housing finance agency to receive an "AAA" rating.

2020 – The Fund issued $60,000,000 in single family bonds during the fiscal year of which $30,000,000 produced the 2nd lowest rate in Fund history at 3.32%. During fiscal year 2020, the COVID-19 pandemic not only affected the Fund's investment rates and earnings but it also affected borrowers' ability to make payments on mortgage loans. Related to the pandemic, the Fund has provided a temporary forbearance to 261 borrowers during the fiscal year.