MINUTES OF THE REGULAR MEETING
OF THE
BOARD OF DIRECTORS
WEST VIRGINIA HOUSING DEVELOPMENT FUND
December 16, 2020

The regular meeting of the Board of Directors of the West Virginia Housing Development Fund (the "Fund") was held on Wednesday, December 16, 2020 via telephone. The telephone number was made available to the public in the Notice of Meeting of the Board of Directors posted on the Secretary of State website, the Fund's website, and at the gate of the West Virginia Housing Development Fund. The Chair called the meeting to order at 9:04 a.m. with the following members present throughout, except where noted.

Ann Urling, Chair
Norm Bailey, Representative for the Honorable Kent Leonhardt, Commissioner of Agriculture
John Gianola, Member
Sam Kapourales, Member
Patrick Martin, Member
Wendy McCuskey, Member
Bob Nistendirk, Member
Kris Raynes, Member
Josh Stowers, Representative for the Honorable John Perdue, Treasurer
Steven Travis, Representative for the Honorable Patrick Morrisey, Attorney General

Members Absent:

David Gardner, Member

Staff present:

Erica Boggess, Executive Director
Tammy Bonham, Division Manager – Loan Servicing
Josh Brown, Senior Manager – Asset Management
Cathy Colby, Senior Manager – HOME and HTF Programs
Julie Davis, Deputy Director – Production
George Gannon, Communications Administrator
Trisha Hess, Senior Manager – Accounting
Chad Leport, Division Manager – Finance and Federal Financial Compliance
Martha Lilly, Legal Assistant
Kelley Ridling, Senior Manager – Internal Audit
Lori Ryan, Executive Assistant
Kristin Shaffer, Senior Legal Counsel

Nathan Testman, Senior Division Manager – Multifamily Lending
Dorothy White, Federal Compliance Officer
Crystal Toney, Deputy Director – Administration

Others Present:

Samme Gee - Jackson Kelly PLLC
Kelley Goes – Jackson Kelly PLLC

APPROVAL OF THE MINUTES OF THE NOVEMBER 18, 2020, MEETING

Member Sam Kapourales moved the approval of the minutes of the November 18, 2020 meeting. His motion was seconded by Member John Gianola and, upon the affirmative vote of the nine (9) members present, the Chair declared the motion adopted.

ACCEPTANCE AND APPROVAL TO RELEASE THE FIDERAL AUDIT FOR FISCAL YEAR ENDING JUNE 30, 2020

Representative Norm Bailey joined the meeting.

Chad Leport presented the 2020 Federal Audit to the Board. Mr. Leport stated that the Audit Committee met prior to the Board meeting and accepted the Federal Audit and recommends that the Board accept the Audit as submitted.

Representative Norm Bailey moved to accept the Audit Committee's recommendation to accept and release the Fiscal Year 2020 Federal Audit as presented. His motion was seconded by Member Gianola, and, upon the affirmative vote of the ten (10) members present, the Chair declared the motion adopted.

A copy of the Fiscal Year 2020 Federal Audit is attached as Exhibit A.

CONSIDERATION OF MULTIFAMILY LOAN PROGRAM LOAN, AFFORDABLE HOUSING FUND LOAN, HOME LOAN AND NATIONAL HOUSING TRUST FUND LOAN FOR RIVERVIEW APARTMENTS

Nathan Testman presented loan requests from Riverview Apartments Limited Partnership to finance the acquisition and rehabilitation of a nineteen (19) unit Low-Income Housing Tax Credit Program ("LIHTCP") Project located in Elkins, West Virginia known as Riverview Apartments.

Mr. Testman stated that the Project consists of one 2.5 story building. Four (4) units are designated for tenants with income at or below 30% of Area Median Income (AMI) and eleven (11) units are designated for tenants with an income at or below 60% of AMI. Mr. Testman also stated that the Project includes three commercial units and explained that financing these commercial units is permissible under the Fund's Act.

Mr. Testman informed the Board that the borrower for the Project is Randolph County Housing Authority ("RCHA"). RCHA has completed over eleven new and/or rehabilitation projects and provided over 50 units of affordable housing in West Virginia, including four HOME-funded multifamily projects. Given RCHA's experience, staff has a high level of confidence in RCHA's ability to produce the proposed Project. Mr. Testman stated that 7 of the units will receive Project-Based Rental Assistance.

Mr. Testman stated that staff is requesting approval of a Multifamily Loan Program loan to finance the commercial space and the residential units in the amount of up to $400,000, with a fixed interest rate of 4.0% for a term of 32 years, which includes a 24 month construction and lease-up phase followed by a 30 year repayment period. The Multifamily Construction Loan will be secured by a first lien deed of trust on the land and improvements known as Riverview Apartments, the operating and replacement reserves associated with the Project, and, during construction, Payment and Performance Bonds equal to 100% of the construction contract or a Letter of Credit equal to 15% of the construction contract.

Member Bob Nistendirk moved to approve the request for the Multifamily Construction Loan for the acquisition and rehabilitation of Riverview Apartments, as presented. His motion was seconded by Member Kapourales, and, upon the affirmative vote of the ten (10) members present, the Chair declared the motion adopted.

Mr. Testman stated that staff is requesting approval of the Affordable Housing Fund Program Development loan financing for the residential units of up to $183,500 with a fixed interest rate of up to 3%, for a term of 32 years, which also includes a 24 month construction and lease-up phase followed by a 30 year repayment period. The loan will be secured by a second lien deed of trust on the land and improvements known as Riverview Apartments, the Borrower's operating and replacement reserves associated with the project, and, during construction, Payment and Performance Bonds equal to 100% of the construction contract or Letter of Credit equal to 15% of the construction contract.

Representative Bailey moved to approve the request for the Affordable Housing Trust Fund loan for the acquisition and rehabilitation of Riverview Apartments, as presented. His motion was seconded by Member Nistendirk, and, upon the affirmative vote of the ten (10) members present, the Chair declared the motion adopted.

Mr. Testman stated that staff is requesting approval of a HOME and a National Housing Trust Fund loan of up to $1,600,000 combined to finance the residential units, each with a fixed interest rate of up to 1% and for a term of 30 years. Mr. Testman explained that the amount of each loan will depend on final underwriting. The HOME loan will be secured by a third lien deed of trust on the land and improvements known as Riverview Apartments, and the HTF loan will be secured by a fourth lien deed of trust on the subject property. Both will also be secured by Borrower's operating and replacement reserves associated with the project, and, during construction, Payment and Performance Bonds equal to 100% of the construction contract or Letter of Credit equal to 15% of the construction contract.

Representative Bailey moved to approve the request for the HOME and National Housing Trust Fund for the acquisition and rehabilitation of Riverview Apartments, as presented. His motion was seconded by Member Kapourales, and, upon the affirmative vote of the ten (10) members present, the Chair declared the motion adopted.

EXECUTIVE SESSION TO DISCUSS LEGAL MATTERS
PURSUANT TO W. VA. CODE §6-9A-4(b)(7)

The Board did not go into Executive Session.

ADJOURNMENT

There being no further business, Member Kapourales moved to adjourn the meeting. His motion was seconded by Member Gianola. Meeting adjourned at 9:27 a.m.

Martha Lilly

Martha Lilly, Assistant Secretary

WEST VIRGINIA HOUSING DEVELOPMENT FUND

AUDITOR COMMUNICATIONS TO MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

June 30, 2020

CONTENTS

BROWNEDWARDS
certified public accountants

REQUIRED COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

We have audited the financial statements of the business-type activities and the fiduciary fund type activities of the West Virginia Housing Development Fund collectively hereafter referred to as the “the Fund” for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 11, 2020 and our meeting with you on July 22, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Fund are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Fund during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. The COVID-19 pandemic has created significant economic uncertainty and as a result, certain estimates and assumptions carry a higher degree of variability. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The Fund’s consideration of estimates and assumptions impacted by the COVID-19 pandemic included but were not limited to, the carrying value of its operating and investing assets and the impact of cash flow related to the satisfaction of current and long term liabilities. We considered the impact of the COVID-19 pandemic on the assumptions and estimates used by management and determined that they were sound and reasonable in determining financial statement amounts and disclosures for the year ended June 30, 2020, and through the date of our audit report.

The most sensitive estimate affecting the Fund’s financial statements is management’s estimate of the allowance for loan losses which is based on management’s evaluation of the collectability of the loan portfolio, including the nature of the loan portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, and economic conditions, which include the impact of COVID-19 on the portfolio and the economy as a whole. We evaluated the key factors and assumptions used by management to develop the allowance for loan loss in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements include those related to:

- Cash and investments in Note C which provide the financial statement reader information about the nature, amount, and risks associated with the Fund's cash deposits and investments.

- Bonds payable in Note D which discloses the balances as of June 30, 2020, and the activity for the year then ended, for the Fund's outstanding bonds.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. The courtesy and cooperation received from your personnel while performing the audit was appreciated.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements identified as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letters dated August 28, 2020 and December 3, 2020, copies of which are attached.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to "the Fund's" financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as "the Fund's" auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Independence

Our independence policies and procedures are designed to provide reasonable assurance that our firm and its personnel comply with applicable professional independence standards. Our policies address financial interests, business and family relationships, and non-audit services that may be thought to bear on independence. We confirm our independence with respect to our engagement and affirm that we have monitored and will continue to monitor our independence throughout the engagement.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, Schedules of the Proportionate Share of the Net Pension Liability PERS, Schedules of Contributions to the PERS, Schedules of Changes in Net OPEB Liability and Related Ratios – Welfare Benefit Plan, Schedules of Contributions to the Welfare Benefit Plan, and Schedules of Annual Rate of Return on Investments – Welfare Benefit Plan, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Fund's other combining information, schedule of expenditures of federal awards, and notes to schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of the West Virginia Housing Development Fund and is not intended to be, and should not be, used by anyone other than these specified parties.

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

CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
August 28, 2020 and December 3, 2020

West Virginia Housing Development Fund

August 28, 2020

Brown, Edwards & Company, L.L.P.
300 Chase Tower
707 Virginia Street, East
Charleston, WV 25301

This representation letter is provided in connection with your audits of the financial statements of the West Virginia Housing Development Fund (the Fund), which comprise the respective financial position of the business-type activities (enterprise fund) and fiduciary fund type activities as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows for the years then ended and the disclosures (collectively, the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of date of this letter, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 11, 2020, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.

2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.

3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5. Significant assumptions, including consideration of impacts of the COVID-19 outbreak, we used in making accounting estimates, including those measured at fair value, are reasonable.

6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

8. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

9. Guarantees, whether written or oral, under which the Fund is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

10. We have provided you with:

    a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.

    b. Additional information that you have requested from us for the purpose of the audit.

    c. Unrestricted access to persons within the Fund from whom you determined it necessary to obtain audit evidence.

    d. Minutes of the meetings of the Fund or summaries of actions of recent meetings for which minutes have not yet been prepared.

11. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

12. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

13. We have no knowledge of any fraud or suspected fraud that affects the Fund and involves:

    a. Management.

    b. Employees who have significant roles in internal control, or

    c. Others where the fraud could have a material effect on the financial statements.

14. We have no knowledge of any allegations of fraud or suspected fraud affecting the Fund's financial statements communicated by employees, former employees, regulators, or others.

15. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.

16. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

17. We confirm the Fund has no related party relationships, transactions, nor any side arrangements.

Government - Specific

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

19. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

20. The Fund has no plans or intentions that may materially affect the carrying value or classification of assets deferred outflows of resources, liabilities, deferred inflows of resources, or net position.

21. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

22. We confirm we are not aware of any instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

23. We confirm we are not aware of any instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

24. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

25. The Fund has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

26. The Fund has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

27. The financial statements include all component units and there are no joint ventures with an equity interest or other related organizations.

28. The financial statements properly classify all funds and activities.

29. Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.

30. Investments are properly valued.

31. Provisions for uncollectible receivables have been properly identified and recorded.

32. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

33. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

34. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

35. Deposits and investment securities are properly classified as to risk and are properly disclosed.

36. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported and if applicable, depreciated.

37. We have appropriately disclosed the Fund's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

38. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

39. With respect to the other combining information on which an in-relation to opinion is issued.

    a. We acknowledge our responsibility for presenting the other combining information in accordance with accounting principles generally accepted in the United States of America, and we believe the other combining information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the other combining information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

    b. If the other combining information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

40. We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.

41. To the extent our normal procedures and controls related to our financial close or other reporting processes were adversely impacted by the COVID-19 outbreak, we took appropriate actions and safeguards to reasonably ensure the fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.

42. Other than as disclosed in note A to the financial statements, no other impacts from the COVID-19 outbreak are necessary to be reflected in those financial statements.

43. Disclosures included in the financial statements regarding the relevant significant business, financial, and reporting impacts of the COVID-19 outbreak accurately reflect management's full consideration of such impacts.

Erica Boggess Digitally signed by Erica Boggess Date: 2020.08.28 16:02:33 -04'00'

Erica Boggess
Executive Director

Crystal Toney Digitally signed by Crystal Toney Date: 2020.08.28 16:33:07 -04'00'

Crystal Toney
Deputy Director - Administration

Chad Leport Digitally signed by Chad Leport Date: 2020.08.28 16:42:33 -04'00'

Chad Leport
Division Manager-Accounting and Finance

December 3, 2020

Brown, Edwards & Company, L.L.P.
300 Chase Tower
707 Virginia Street, East
Charleston, WV 25301

This representation letter is provided in connection with your audit of the Schedule of Expenditures of Federal Awards (the Schedule) of the West Virginia Housing Development Fund (the Fund) as of and for the year ended June 30, 2020, for the purpose of expressing an opinion as to whether the Schedule is presented fairly, in all material respects, in relation to the Fund's financial statements as a whole. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards in accordance with accounting principles generally accepted in the United States of America, and we believe the schedule, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the schedule have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit.

1. We are responsible for understanding and complying with and have complied with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards.

2. We acknowledge our responsibility for preparing and presenting the schedule of expenditures of federal awards (SEFA) and related notes in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.

3. The SEFA is presented with the audited financial statements.

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www.wvhdf.com

4. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, if applicable, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

5. We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.

6. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.

7. We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.

8. We have received no requests from a federal agency to audit one or more specific programs as a major program.

9. We have complied with the direct and material compliance requirements, including when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal awards and confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards.

10. We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.

11. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report as applicable.

12. Amounts claimed or used for matching were determined in accordance with relevant guidelines in *OMB's Uniform Guidance (2 CFR part 200, subpart E)*.

13. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

14. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.

15. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.

16. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.

17. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance subsequent to the period covered by the auditor's report.

18. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.

19. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.

20. We have charged costs to federal awards in accordance with applicable cost principles.

21. We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.

22. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.

23. We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

24. You were previously provided with a representation letter dated August 28, 2020. No information has come to our attention that would cause us to believe that any of those previous representations should be modified and there have been no changes to the financial statements.

Erica Boggess Digitally signed by Erica Boggess Date: 2020.12.03 13:08:12 -05'00'

Erica Boggess
Executive Director

Crystal Toney Digitally signed by Crystal Toney Date: 2020.12.03 09:42:16 -05'00'

Crystal Toney
Deputy Director - Administration

Chad Leport Digitally signed by Chad Leport Date: 2020.12.03 08:49:09 -05'00'

Chad Leport
Division Manager – Accounting and Finance

Dorothy White Digitally signed by Dorothy White Date: 2020.12.03 08:40:45 -05'00'

Dorothy White
Federal Compliance Officer

Joshua Brown Digitally signed by Joshua Brown Date: 2020.12.03 10:24:33 -05'00'

Joshua Brown
Senior Manager – Asset Management

Julie Davis Digitally signed by Julie Davis Date: 2020.12.03 10:03:32 -05'00'

Julie Davis
Deputy Director - Production

Cathy Colby Digitally signed by Cathy Colby Date: 2020.12.03 10:39:10 -05'00'

Cathy Colby
Senior Manager – HOME and HTF Programs

Nate Testman Digitally signed by Nate Testman Date: 2020.12.03 13:01:25 -05'00'

Nathan Testman
Senior Division Manager –
Multifamily Lending

West Virginia Housing Development Fund

AUDITED FINANCIAL STATEMENTS and Accompanying Financial Information

For the years ended June 30, 2020 and 2019

Audited Financial Statements and
Accompanying Financial Information

WEST VIRGINIA HOUSING DEVELOPMENT FUND

For the Years Ended June 30, 2020 and 2019

Audited Financial Statements

Required Supplementary Information

Accompanying Financial Information

Government Auditing Standards and Uniform Guidance Reports

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BROWNEDWARDS
certified public accountants

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14, 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 45 through 49 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 Fund's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The accompanying schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2020, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
August 28, 2020, except for the
section on *Other Information*, for
which the date is December 3, 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.

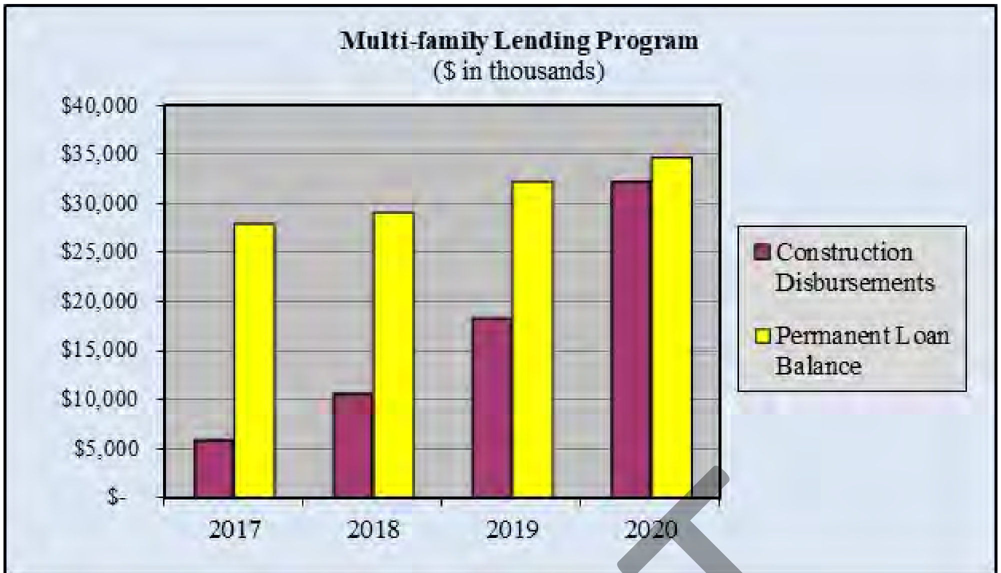
Delinquency Rates

	WV Housing Development Fund Bond Programs As of June 30,			WV*	USA*
	2020	2019	2018	As of March 31, 2020	
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

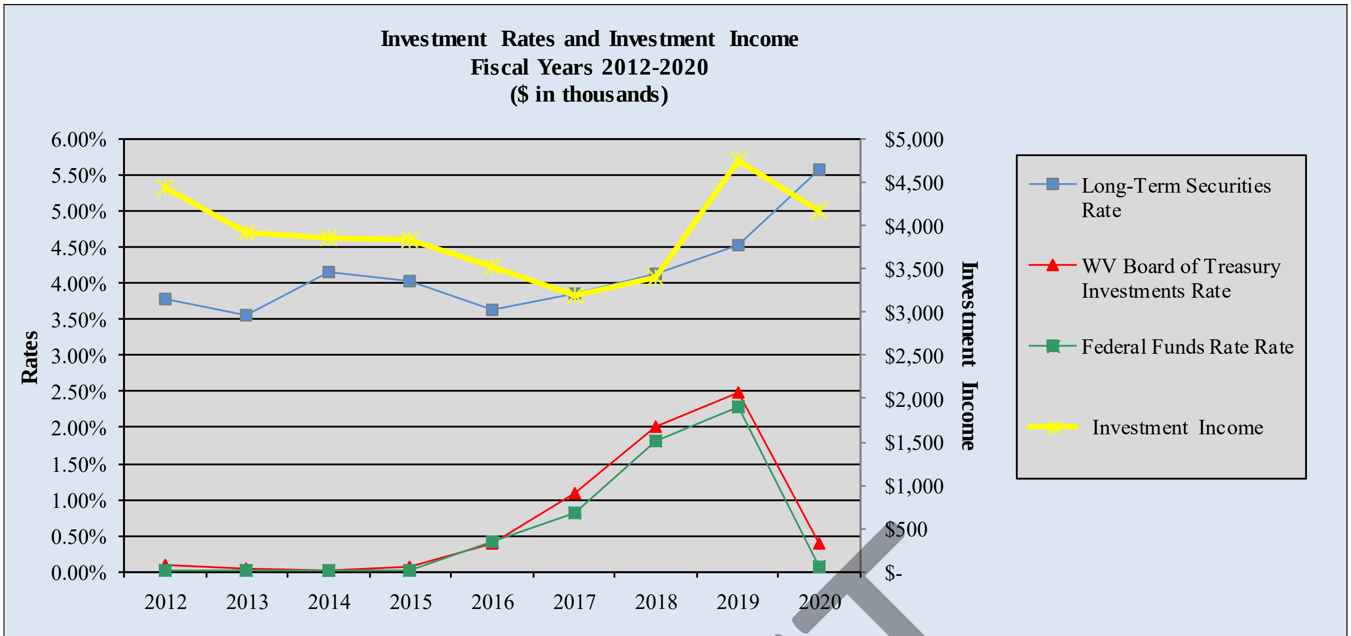
The Fund invests cash, as permitted by the Act, the bond resolutions, and the Board approved Investment Policy. Funds related to the Bond Programs capital reserves and the Bond Insurance Account are primarily invested in long-term United States agency securities and FDIC insured certificates of deposit 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.

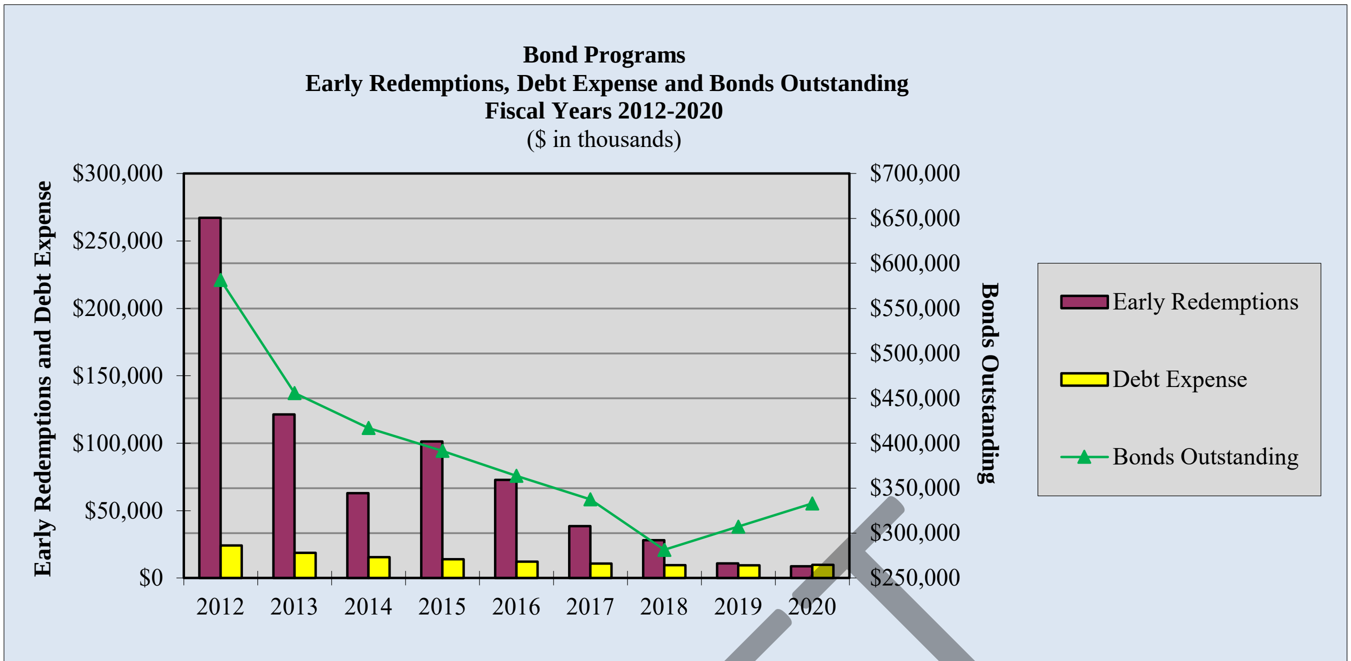
When bonds are issued from the bond volume allocation, known as "new money" bonds, certain repayments and prepayments of mortgage loans made from these proceeds may be "recycled" into additional mortgage loans for ten years. The Fund uses recycling to supplement its bond issues by using prepayments for 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.

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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	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.

Fair value hierarchy: 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	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:

Covered Employees	June 30, 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:

(Dollars in thousands)	June 30, 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.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
WEST VIRGINIA HOUSING DEVELOPMENT FUND
Year Ended June 30, 2020

Award Description	Federal CFDA Number	Receipt from HUD & IDIS Drawdown	Repayment Income	Total Federal Financial Receipts	Amount of Award Expended for Administrative Reimbursement	Amount of Award Expended to Subrecipient	Total Federal Financial Expenditures FY2020	Beginning Balance of Loans from Previous Years with Continuing Federal Compliance Requirements at 6/30/2020	Total Federal Financial Expenditures
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT									
Section 8 Performance Based Contract Administration	14.WV800	$ 68,369,129	$ -	$ 68,369,129	$ 2,153,534	$ 66,215,595	$ 68,369,129	$ -	$ 68,369,129
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (Passed Through the West Virginia Development Office - Federal Award Identification Number B-16-DL-54-0001)	14.228	56,050	-	56,050	56,050	-	56,050	-	56,050
Housing Trust Fund Non-Loan Program	14.275	584,032	-	584,032	584,032	-	584,032	-	584,032
Housing Trust Fund Loan Program	14.275	2,305,064	-	2,305,064	-	2,305,064	2,305,064	2,632,858	4,937,922
Total Housing Trust Fund (14.275)		2,889,096	-	2,889,096	584,032	2,305,064	2,889,096	2,632,858	5,521,954
HOME Investment Partnerships Non-Loan Program	14.239	718,150	204,519	922,669	738,015	184,654	922,669	-	922,669
HOME Investment Partnerships Loan Program	14.239	1,980,440	3,793,593	5,774,033	-	5,774,033	5,774,033	112,861,371	118,635,404
Total HOME Investment Partnerships Program (14.239)		2,698,590	3,998,112	6,696,702	738,015	5,958,687	6,696,702	112,861,371	119,558,073
Total Federal Awards		$ 74,012,865	$ 3,998,112	$ 78,010,977	$ 3,531,631	$ 74,479,346	$ 78,010,977	$ 115,494,229	$ 193,505,206

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards.

NOTE A – BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards (SEFA) is presented on the accrual basis.

NOTE B – ADMINISTRATIVE EXPENSES

The West Virginia Housing Development Fund (the Fund) receives a fee for the administration of the Section 8 Housing Assistance Program. The fee amount is a maximum of 2% of the fair market rent per unit per month. Also, the Fund receives reimbursement for administrative expenses relating to the HOME Investment and National Housing Trust Fund programs. The amount available for reimbursement is equal to 10% of the HOME Investment and National Housing Trust Fund program basic allocation formula for each fiscal year. The Fund receives reimbursement for actual administrative expenses related to the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii.

NOTE C – HOME INVESTMENT PARTNERSHIPS PROGRAM

The following is a summary of total federal receipts and expenditures for the HOME Investment Partnership Program by participant number for fiscal year 2020:

Participant Number	Federal Receipts	Repayment Income	Total Federal Financial Receipts	Total Expenditures
M16-SG-54-0100	$ 282,434	$ 86,000	$ 368,434	$ 368,434
M17-SG-54-0100	488,205	1,144,683	1,632,888	1,632,888
M18-SG-54-0100	1,074,047	2,562,910	3,636,957	3,636,957
M19-SG-54-0100	853,904	204,519	1,058,423	1,058,423
	$ 2,698,590	$ 3,998,112	$ 6,696,702	$ 6,696,702

NOTE D – HOUSING TRUST FUND PROGRAM

The following is a summary of total federal receipts and expenditures for the Housing Trust Fund by participant number for fiscal year 2020:

Participant Number	Federal Receipts	Repayment Income	Total Federal Financial Receipts	Total Expenditures
F16-SG-54-0100	$ 1,557,442	$ -	$ 1,557,442	$ 1,557,442
F17-SG-54-0100	1,212,787	-	1,212,787	1,212,787
F18-SG-54-0100	118,867	-	118,867	118,867
	$ 2,889,096	$ -	$ 2,889,096	$ 2,889,096

NOTE E – LOANS WITH CONTINUING FEDERAL COMPLIANCE REQUIREMENTS

The following is a summary of loan balances at June 30, 2020 for which the Federal government imposes continuing compliance requirements:

Program Title	Federal CFDA Number	Loan Balance
Housing Trust Fund	14.275	$ 4,937,922
HOME Investment	14.239	113,996,568
		$ 118,934,490

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BROWN EDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the West Virginia Housing Development Fund (the Fund), as of and for the year ended June 30, 2020, and the related notes to the financial statements which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated August 28, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Fund's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
August 28, 2020

BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the West Virginia Housing Development Fund's (the Fund) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Fund's major federal programs for the year ended June 30, 2020. The Fund's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Fund's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Fund's compliance.

Opinion on Each Major Federal Program

In our opinion, the Fund complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Fund is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Fund's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal programs and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
December 3, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes __X__ No
- Significant deficiency(ies) identified? _______Yes __X__ None reported

Noncompliance material to financial statements noted? _____ Yes __X__ No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ Yes __X__ No
- Significant deficiency(ies) identified? _____ Yes __X__ None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes __X__ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
14.239	HOME Investment Partnership Program
14.275	Housing Trust Fund

WEST VIRGINIA HOUSING DEVELOPMENT FUND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Year Ended June 30, 2020

Section I - Summary of Auditors' Results (Continued)

Dollar threshold used to distinguish between type A and type B programs:	$ 3,000,000
Auditee qualified as low-risk auditee?	__X__ Yes ___ No

Section II - Financial Statement Findings

No findings were identified that are required to be reported under this section.

Section III - Federal Award Findings and Questioned Costs

No findings were identified that are required to be reported under this section.