VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Management's Discussion and Analysis,
Basic Financial Statements, and Supplementary Information

June 30, 2019 and 2018

(With Independent Auditors' Reports Thereon)

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

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Management of the Virginia Housing Development Authority (Authority) offers readers of its financial report this overview and analysis of the Authority's financial performance for the years ended June 30, 2019 and 2018. Readers are encouraged to consider this information in conjunction with the Authority's basic financial statements, accompanying notes, and supplementary information, which follow this section.

Organization Overview

The Authority is a political subdivision of the Commonwealth of Virginia (Commonwealth), created under the Virginia Housing Development Authority Act (Act) enacted by the General Assembly in 1972, as amended. The Act empowers the Authority to finance the acquisition, construction, rehabilitation, and ownership of affordable housing for home ownership or occupancy by low-or moderate-income Virginians. To raise funds for its mortgage loan operations, the Authority sells tax-exempt and taxable notes and bonds and mortgage backed securities to investors. The notes, bonds, and other indebtedness of the Authority are not obligations of the Commonwealth and the Commonwealth is not liable for repayments of such obligations. Furthermore, as a self-sustaining organization, the Authority does not draw upon the general taxing authority of the Commonwealth. Revenues are generated primarily from interest on mortgage loans, program administration fees, and investment income.

The Authority participates in the Government National Mortgage Association (GNMA) Mortgage-backed Securities (MBS) programs. Through these MBS programs, the Authority issues GNMA securities which may be held by the Authority or sold to third parties and that are backed by pools of mortgage loans. Once sold, the mortgage loans are no longer assets of the Authority nor pledged to any bond resolution. Each GNMA security represents an undivided ownership interest in a pool of homeownership mortgage loans and carries the full faith and guaranty of the United States (U.S.) government. The GNMA guaranty ensures the owner of the security issued by the Authority receives timely payment of scheduled monthly principal and interest payments at the rate provided by the securities. All mortgage loans under the GNMA MBS programs are insured or guaranteed by the Federal Housing Administration (FHA), the U.S. Department of Agricultural Rural Development, or the Veterans Administration.

The Authority also participates in several Federal National Mortgage Association (FNMA) Mortgage-backed Securities (MBS) programs. The Authority may sell to FNMA homeownership mortgage loans under its whole loan program or it may issue FNMA securities backed by homeownership mortgage loans which securities may be held by the Authority or sold to third parties. Once sold, the mortgage loans are no longer assets of the Authority nor pledged to any bond resolution. The FNMA guaranty ensures the owner of the security issued by the Authority receives timely payment of scheduled monthly principal and interest payments at the rate provided by the securities.

In addition to its major mortgage loan programs, the Authority also administers, on a fee basis, various other programs related to its lending activities. Such programs include the Housing Choice Voucher (HCV) program, which provides rental subsidies from federal funds, and the federal Low Income Housing Tax Credit (LIHTC) program, which awards income tax credits for the purpose of developing low-income rental housing projects.

The Authority also funds Resources Enabling Affordable Community Housing (REACH) in Virginia initiatives, in which grants are made or the interest rates on homeownership or rental housing mortgage loans are subsidized by the Authority, to provide assistance to the elderly, disabled, homeless, and other low-income persons and increase affordable housing opportunities in the Commonwealth. The amount of change in net position each fiscal year used to provide such grants or reduced interest rates on mortgage loans or otherwise subsidize its programs is determined by VHDA's Board of Commissioners. In fiscal year 2019, to address the growing demand for REACH the Board of Commissioners approved a retroactive increase to REACH for fiscal years 2018 and 2019 from 40% to 50%. Additionally, the Board also approved an increased from the retroactive rate of 50% to 60% starting in fiscal year 2020. The amount of REACH the Authority commits is based on the average of the Authority's change in net position, as unadjusted for the effect of Governmental Accounting Standards Board (GASB) No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, for the preceding five fiscal years' times the Board approved rate. The amounts made available to provide reduced interest rates on mortgage loans or otherwise provide housing subsidies, including grants, under its programs are subject to review by the Authority of the impact on its financial position. The Authority finances some, but not all, of such subsidized mortgage loans, in whole or in part, with funds under its various bond resolutions or mortgage loan securitization programs.

Financial Statements

The basic financial statements consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, and the Statements of Cash Flows, and the accompanying notes to the basic financial statements.

The *Statement of Net Position* reports all of the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, presented in order of liquidity and using the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources is presented as net position, and is displayed in three components: net investment in capital assets; restricted portion of net position; and unrestricted portion of net position. Net position is restricted when external constraints are placed upon their use, such as bond indentures, legal agreements or statutes. Over time, changes in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Position* identifies all the Authority's revenues and expenses for the reporting period, distinguishing between operating and non-operating activities. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all of its costs through mortgage loan income, investment income, externally funded programs and other revenue sources.

The *Statement of Cash Flows* provides information about the Authority's cash receipts and cash payments during the reporting period. This statement reports cash transactions, including receipts, payments, and net changes resulting from operations, noncapital financing, capital financing, and investing activities. This statement provides information regarding the sources and uses of cash and the change in cash during the reporting period.

The *Notes to Basic Financial Statements* provide additional information that is essential for understanding financial data that may not be displayed on the face of the financial statements and as such, are an integral part of the Authority's financial statements.

Financial Highlights

Overview

The Authority has continued to maintain a strong financial position that grew at a rate of 5.6% over the fiscal year to a total net position of $3.47 billion. Both Standard & Poor's Ratings Services (Standard & Poor's) and Moody's Investors Services (Moody's) rating agencies continue to rate the Authority with an AA+ issuer credit rating and Aa1 general obligation credit rating, respectively.

In its homeownership loan program, the Authority has been able to offer borrowers mortgage loans at affordable interest rates, financed through the issuance of taxable bonds and MBS guaranteed by GNMA and FNMA. Participation in the FNMA Housing Finance Agency (HFA) Preferred Risk Sharing Programs has allowed the Authority to finance homeownership mortgage loans with either no mortgage insurance or private mortgage insurance and, unlike tax-exempt bonds, to permit the funding of refinancing loans and loans to borrowers who are not first time homebuyers. Since inception in the spring of 2015, the Authority has issued more than 12,500 down-payment assistance (DPA) grants valued at over $65 million to assist qualified first time homebuyers and has issued more than 17,000 Mortgage Credit Certificates (MCC) valued at over $663 million to provide even more tax advantages to low or moderate income borrowers getting homeownership mortgage loans.

In its rental housing program, the Authority has continued to fund developments through the issuance of tax-exempt and taxable bonds along with the increased use of REACH funds to make tax-exempt bond funded developments financially feasible. Rental housing financing improved significantly in fiscal year 2019 due to product re-pricing measures and REACH subsidies. In February 2016, the Authority was approved to originate loans using a federal risk-sharing program whereby rental housing mortgage loans will be insured by FHA and financed through the Federal Financing Bank (FFB). The Authority began to access this lower cost of capital by financing loans with this new risk-sharing/FFB program in fiscal year 2017.

The Authority's servicing efforts for its homeownership loan portfolio have been focused on working with homeownership mortgagors experiencing financial difficulties and mitigating potential foreclosure losses. The Authority has continued to offer various options, including loan modifications, to prevent foreclosure for otherwise responsible homeownership mortgagors encountering financial hardships. While employment levels, wages, and housing values have improved in Virginia since the housing market recession, challenges for the Authority's homeownership mortgagors are expected to continue. Additionally, the Authority has provided substantial support to the Commonwealth's housing policy priorities, and its homeownership education, underwriting and loss mitigation practices continue to help lessen delinquencies and foreclosures.

As part of servicing its rental housing loans, the Authority identifies at-risk developments in order to assess and mitigate the financial risk and to determine the amount to be included in the Authority's Allowance for Loan Loss for such developments. The Authority offers loss mitigation, including loan modifications, to mortgagors to reduce the risk of default and loss on the rental housing mortgage loans. As a result, the delinquencies and foreclosures on its rental housing mortgage loans have been maintained at relatively low levels.

While the Authority continues to face challenges from uncertainty in the financial markets affecting interest rates and the overall economic environment, the Authority's capital acquisition initiatives and loss mitigation practices have allowed the Authority to respond with new lending program opportunities and maintain a strong financial position.

Year Ended June 30, 2019

Homeownership mortgage loan originations totaled 6,697 loans for $1,313.2 million in fiscal year 2019 compared to 7,212 loans for $1,422.0 million for fiscal year 2018, a decrease of 7.1% in units and 7.7% in dollars of mortgage loans over the prior year's production levels. The decrease in year over year production was attributed to decreased housing stock available for first time homebuyers and a general industry wide decrease of over 3%.

As of June 30, 2019, the Authority serviced for itself and for third parties a total of 75,013 first and second homeownership mortgage loans with outstanding balances totaling $8.0 billion. Approximately 31,100 of the mortgage loans were serviced for GNMA and FNMA, for which the Authority receives a servicing fee. The outstanding balances of loans serviced, increased by $685.3 million or 9.4% and the number of loans serviced

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increased by 4,892 loans or 7.0%, since June 30, 2018, primarily in the form of FNMA Risk Share mortgage loans and FHA insured first lien mortgage loans that have been pooled into MBS guaranteed by GMNA and originated with corresponding uninsured second lien mortgage loans.

In fiscal year 2019, there were 297 homeownership mortgage foreclosures valued at $37.4 million or 1.5% of the self-serviced homeownership mortgage loan portfolio, compared to a year ago with 357 foreclosures valued at $43.6 million or 1.6% of loan amounts. Recovery rates averaging 76.7%, representing an improvement of .9% over the prior year, somewhat mitigated the impact of loan losses. Total delinquency rates on the servicing portfolio based on loan count averaged 8.9% for the fiscal year, compared to 8.8% a year ago. Total delinquency rates on the servicing portfolio based on outstanding mortgage loan balances averaged 7.5% and 7.4% as of June 30, 2019 and 2018, respectively. Delinquencies consist of first mortgage loans over 30 days past due and foreclosures and bankruptcies.

Financing commitments for 5,673 rental housing units were made during fiscal year 2019, totaling $727.9 million, compared to 4,648 rental housing units totaling $500.7 million for fiscal year 2018. Recapitalization and rehabilitation of developments within the Authority's existing rental housing portfolio using new taxable and tax-exempt financing and REACH funds provided the majority of the rental housing mortgage loan production. The year over year increase was primarily the result of product re-pricing measures and availability of REACH subsidies.

As of June 30, 2019, the Authority serviced 1,165 rental housing mortgage loans with outstanding balances totaling $3.3 billion. Compared to June 30, 2018, the number of loans in the portfolio decreased 14 while loan balances increased $112.2 million or 3.5%. Delinquency rates based on rental housing portfolio loan count averaged 0.67% and 0.72% for the years ended June 30, 2019 and 2018, respectively. The average delinquency rates based on outstanding mortgage loan balances were 0.43% or $13.4 million for fiscal year 2019 compared to 0.56% or $17.4 million for fiscal year 2018.

Year Ended June 30, 2018

Homeownership mortgage loan originations totaled 7,212 loans for $1,422.0 million in fiscal year 2018 compared to 8,271 loans for $1,620.4 million for fiscal year 2017, a decrease of 12.8% in units and 12.2% in dollars of mortgage loans over the prior year's production levels. The decrease in year over year production was attributed to certain adjustments made to DPA grant guidelines and decreased housing stock available for first time homebuyers.

As of June 30, 2018, the Authority serviced for itself and for third parties a total of 70,121 first and second homeownership mortgage loans with outstanding balances totaling $7.3 billion. Approximately 26,300 of the mortgage loans were serviced for GNMA and FNMA, for which the Authority receives a servicing fee. The outstanding balances of loans serviced, increased by $797.5 million or 12.3% and the number of loans serviced increased by 4,875 loans or 7.5%, since June 30, 2017, primarily in the form of FNMA Risk Share mortgage loans and FHA insured first lien mortgage loans that have been pooled into MBS guaranteed by GMNA and originated with corresponding uninsured second lien mortgage loans.

In fiscal year 2018, there were 357 homeownership mortgage foreclosures valued at $43.6 million or 1.6% of the self-serviced homeownership mortgage loan portfolio, compared to a year ago with 412 foreclosures valued at $49.1 million or 1.6% of loan amounts. Recovery rates averaging 75.8%, representing an improvement of 5.5% over the prior year, somewhat mitigated the impact of loan losses. Total delinquency rates on the servicing portfolio based on loan count averaged 8.8% for the fiscal year, compared to 9.5% a year ago. Total delinquency rates on the servicing portfolio based on outstanding mortgage loan balances averaged 7.4% and 8.3% as of June 30, 2018

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and 2017, respectively. Delinquencies consist of first mortgage loans over 30 days past due and foreclosures and bankruptcies.

Financing commitments for 4,648 rental housing units were made during fiscal year 2018, totaling $500.7 million, compared to 1,854 rental housing units totaling $152.7 million for fiscal year 2017. Recapitalization and rehabilitation of developments within the Authority's existing rental housing portfolio using new taxable and tax-exempt financing and REACH funds provided the majority of the rental housing mortgage loan production. The year over year increase was primarily the result of product re-pricing measures and availability of REACH subsidies.

As of June 30, 2018, the Authority serviced 1,179 rental housing mortgage loans with outstanding balances totaling $3.2 billion. Compared to June 30, 2017, the number of loans in the portfolio decreased 30 while loan balances decreased $28.2 million or 0.9%. Delinquency rates based on rental housing portfolio loan count averaged 0.72% and 0.35% for the years ended June 30, 2018 and 2017, respectively. The average delinquency rates based on outstanding mortgage loan balances were 0.56% or $17.4 million for fiscal year 2018 compared to 0.17% or $5.4 million for fiscal year 2017.

Financial Analysis of the Authority

Cash is held by the trustees and banks in depository accounts and investments for a variety of purposes, including: debt service funds required by bond resolutions, escrow and reserve funds held for the benefit of homeownership mortgagors and rental housing developments, funding for new mortgage loan originations, working capital for operating costs of the Authority, governmental funds held for disbursement toward Section 8 developments, and other funds held in a fiduciary capacity to support other housing initiatives. Monies on deposit in banks located in Virginia are collateralized pursuant to the Virginia Security for Public Deposits Act of the Code of Virginia.

Investment objectives are to invest all monies at favorable rates to maximize returns while maintaining short-term liquidity and to manage investments in a prudent manner to enable the Authority to fulfill its financial commitments. Precautions are taken to minimize the risk associated with investments, including monitoring creditworthiness of the investment, as determined by ratings provided by Standard & Poor's and Moody's, concentration risk, and maturity risk.

The Authority enters into forward sales transactions to hedge changes in the fair value of mortgage loan inventory and commitments to originate homeownership mortgage loans, particularly when such mortgage loans are expected to be pooled into securities guaranteed by GNMA or FNMA. The Authority does not enter into short sales, forward sales or futures transactions for which a bona fide hedging purpose has not been established.

Mortgage and other loan receivables represent the Authority's principal assets. Mortgage loans are financed through a combination of proceeds of notes and bonds, GNMA and FNMA guaranteed mortgage loan securitizations, HUD risk-share and FFB financing programs, and net position accumulated since inception. Mortgage loan payments received from mortgagors are used to pay debt service due on outstanding bonds and MBS.

The largest component of the Authority's liabilities is outstanding bonds payable, the majority of which is fixed rate to maturity dates that may extend into the future as much as forty years. The Authority continues to maintain strong long-term ratings of Aa1 from Moody's and AA+ from Standard & Poor's for its general credit rating as well as all bond resolutions other than the Commonwealth Mortgage Bonds resolution, which is rated Aaa and AAA, by Moody's and Standard & Poor's, respectively.

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Net position is comprised of net investment in capital assets, restricted and unrestricted portions of net position. *Net investment in capital assets* represents office buildings, land, furniture and equipment, and vehicles, less the outstanding applicable debt. *Restricted portion of net position* represents the portion of net position held in trust accounts for the benefit of the respective bond owners, subject to the requirements of the various bond resolutions. *Unrestricted portion of net position* represents a portion of net position that has been designated for a broad range of initiatives, such as administration of the HCV program, support for REACH initiatives, contributions to bond issues, working capital, future operating and capital expenditures, and general financial support to the Authority's loan programs.

Condensed Statements of Net Position

(In millions)

		June 30		
		2019	**2018**	**2017**
Cash and cash equivalents	$	836.5	875.3	894.3
Investments		617.5	596.1	548.6
Mortgage loans held for sale		201.1	162.6	195.2
Mortgage and other loans receivable, net		5,427.6	5,531.8	5,822.8
Other assets		128.5	124.6	131.5
Total assets		7,211.2	7,290.4	7,592.4
Deferred outflows of resources-OPEB		4.7	2.6	-
Notes and bonds payable, net		3,487.4	3,746.7	4,198.8
Other liabilities		262.4	260.8	242.4
Total liabilities		3,749.8	4,007.5	4,441.2
Deferred inflows of resources-OPEB		0.2	1.9	-
Invested in capital assets, net of related debt		14.6	12.2	13.5
Restricted by bond indentures		3,103.5	2,969.7	2,885.9
Unrestricted		347.9	301.6	251.8
Net position	$	3,466.0	3,283.5	3,151.2

June 30, 2019 Compared to June 30, 2018

Total assets decreased $79.2 million, or 1.1% from the prior year. Cash and cash equivalents and investments decreased $17.4 million, or 1.2% from the prior year. Mortgage and other loans receivables, net, decreased by $65.7 million, or 1.2%, primarily as a result of securitizations of homeownership loans through GNMA and FNMA.

Total liabilities decreased $257.7 million, or 6.4% from the prior year. Notes and bonds payable decreased $259.3 million or 6.9%, due primarily to bond redemptions and scheduled principal repayments. For the year ended

June 30, 2019, the Authority issued a total of $238.2 million of tax-exempt Rental Housing bonds. Bond principal repayments and redemptions during the year totaled $213.7 million of the Commonwealth Mortgage Bond Group, $31.8 million of the Homeownership Mortgage Bond Group, $252.1 million of the Rental Housing Bond Group, and collectively included bond redemptions of $290.5 million. Proceeds from the Bond Groups and from GNMA and FNMA mortgage loan securitizations were the principal sources of funding for mortgage loan originations.

Total assets exceeded total liabilities by $3,466.0 million, representing an increase in net position of $182.5 million, and a 5.6% return over the preceding fiscal year. As of June 30, 2019, net position invested in capital assets, net of related debt, was $14.6 million. Net position restricted by bond resolutions totaled $3,103.5 million, an increase of $133.8 million, or 4.5% from the prior year. Unrestricted net position totaled $347.9 million, an increase of $46.3 million, or 15.4%.

June 30, 2018 Compared to June 30, 2017

Total assets decreased $302.0 million, or 4.0% from the prior year. Cash and cash equivalents and investments increased $28.5 million, or 2.0% from the prior year. Mortgage and other loans receivables, net, decreased by $323.6 million, or 5.4%, primarily as a result of securitizations of homeownership loans through GNMA and FNMA.

Total liabilities decreased $433.7 million, or 9.8% from the prior year. Notes and bonds payable decreased $452.1 million or 10.8%, due primarily to bond redemptions and scheduled principal repayments. For the year ended June 30, 2018, the Authority issued a total of $141.8 million of tax-exempt Rental Housing bonds. Bond principal repayments and redemptions during the year totaled $359.9 million of the Commonwealth Mortgage Bond Group, $43.7 million of the Homeownership Mortgage Bond Group, $173.3 million of the Rental Housing Bond Group, and collectively included bond redemptions of $321.4 million. Proceeds from the Bond Groups and from GNMA and FNMA mortgage loan securitizations were the principal sources of funding for mortgage loan originations.

Total assets exceeded total liabilities by $3,283.5 million, representing an increase in net position of $132.2 million, and a 4.2% return over the preceding fiscal year. As of June 30, 2018, net position invested in capital assets, net of related debt, was $12.2 million. Net position restricted by bond resolutions totaled $2,969.7 million, an increase of $83.8 million, or 2.9% from the prior year. Unrestricted net position totaled $301.6 million, an increase of $49.8 million, or 19.8%.

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Condensed Statements of Revenues, Expenses and Changes in Net Position

(In millions)

		Year ended June 30		
		2019	**2018**	**2017**
Operating revenues:				
Interest on mortgage and other loans	$	297.9	313.5	333.8
Housing Choice Voucher program income		6.6	8.1	6.8
Other operating revenues		70.7	68.1	64.3
Total operating revenues		375.2	389.7	404.9
Operating expenses:				
Interest on notes and bonds payable		128.6	136.5	153.2
Housing Choice Voucher program expense		7.4	8.2	6.9
Other operating expenses		112.1	125.7	103.1
Total operating expenses		248.1	270.4	263.2
Net operating income		127.1	119.3	141.7
Nonoperating revenues:				
Investment income		56.3	15.5	11.0
Unrealized gain/(loss) on derivatives		(0.9)	(2.6)	6.4
Pass-through grants received		107.1	115.6	117.9
Pass-through grants disbursed		(107.1)	(115.6)	(117.9)
Other nonoperating revenues		-	-	0.2
Total nonoperating revenues		55.4	12.9	17.6
Change in net assets	$	182.5	132.2	159.3

The principal determinants of the Authority's change in net position (more commonly referred to as net revenues) are operating revenues less operating expenses plus nonoperating revenues, net.

Operating revenues consist primarily of interest earnings on mortgage loans and operating expenses consist predominantly of interest expense on notes and bonds payable and operating expenses of the Authority. Nonoperating revenues primarily consist of investment income which includes realized and unrealized gains or losses on investments and investment derivatives.

Fiscal Year 2019

Operating revenues decreased $14.5 million or 3.7% from the prior year. The primarily factor was the decrease in interest on mortgage and other loans of $15.6 million or 5.0%, due to lower mortgage loan balances and increased usage of homeownership loan securitizations. Operating expenses for the year decreased $22.3 million or 8.2% from the prior year. The decrease was primarily the result of other operating expenses which decreased $13.6 million or 10.8%, due to year over year provision for loan losses.

Nonoperating revenues, net, increased by $42.5 million or 329.5% from the prior year, primarily as a result of unrealized gains on investments in the current year.

Fiscal Year 2018

Operating revenues decreased $15.2 million or 3.8% from the prior year. The primarily factor was the decrease in interest on mortgage and other loans of $20.3 million or 6.1%, due to lower mortgage loan balances and increased usage of homeownership loan securitizations.

Operating expenses for the year increased $7.2 million or 2.7% from the prior year. The increase was primarily the result of other operating expenses which increased $22.6 million or 21.9%, due to year over year provision for loan losses.

Nonoperating revenues, net, decreased by $4.7 million or 26.7% from the prior year, primarily as a result of unrealized losses on investment derivatives in the current year, partially offset by higher investment income.

Other Economic Factors

The Authority's mortgage loan financing activities are sensitive to the general level of involvement of the federal government in the housing and capital markets, the general level of interest rates, the interest rates and other characteristics of the Authority's mortgage loans compared to mortgage loan products available in the mortgage loan market, and the availability of affordable housing in the Commonwealth. The availability of long-term tax-exempt and taxable financing on favorable terms and the ability to securitize loans through GNMA and FNMA are key elements in providing the funding necessary for the Authority to continue its mortgage loan financing activities.

The Authority's main sources of revenues include mortgage loan interest, gains on sale of mortgage loans and mortgage servicing fees. Short-term investment rates in the U.S. have begun to improve slightly to 2.18% in June 2019 from 1.77% in June 2018.

Delinquency and foreclosure rates in the homeownership loan portfolio, and to a lesser extent the rental housing loan portfolio, are influenced by unemployment and underemployment. Virginia's seasonally adjusted unemployment rate was 2.9% and 3.2% in June 2019 and 2018, respectively. Virginia underemployment rates, which include those no longer seeking employment and those employed only part-time who desire full-time work, were 6.4% and 7.2% in the fiscal year ended June 30, 2019 and 2018, respectively.

Additional Information

Questions about this report or additional information can be obtained by visiting the Authority's website, www.vhda.com, or contacting the Capital Markets Division of the Authority.

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Independent Auditors' Report

The Board of Commissioners
Virginia Housing Development Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the Virginia Housing Development Authority (the Authority), a component unit of the Commonwealth of Virginia, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements for the years then ended 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 U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 auditors' 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 Authority'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 Authority'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Virginia Housing Development Authority as of June 30, 2019 and 2018, and the respective changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that Management's Discussion and Analysis, Retiree Healthcare Plan – Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios, and Retiree Healthcare Plan – Schedule of Contributions, on pages 2 through 10 and 61 through 62 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 audits 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information included on Schedules 3 through 6 on pages 63 through 68 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Schedule of Net Position – June 30, 2019, Combining Schedule of Revenues, Expenses, and Changes in Net Position – Year Ended June 30, 2019, Combining Schedule of Net Position – June 30, 2018, and Combining Schedule of Revenues, Expenses, and Changes in Net Position – Year Ended June 30, 2018 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information included in Schedules 3 through 6 on pages 63 through 68 are 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 September 12, 2019 on our consideration of the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance.

KPMG LLP

Richmond, Virginia
September 12, 2019

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the Commonwealth of Virginia)

Statements of Net Position

June 30, 2019 and 2018

Assets		**2019**	**2018**
Current assets:			
Cash and cash equivalents (note 5)	$	836,538,905	875,347,516
Interest receivable – investments		2,977,156	3,121,431
Mortgage loans held for sale (note 1)		201,097,363	162,588,442
Mortgage and other loans receivable, net (note 4)		160,067,281	158,078,162
Interest receivable – mortgage and other loans		23,609,405	23,959,295
Other real estate owned (note 1)		12,428,490	14,267,834
Other assets		9,323,783	8,416,567
Total current assets		1,246,042,383	1,245,779,247
Noncurrent assets:			
Investments (note 5)		617,512,151	596,052,986
Mortgage and other loans receivable (note 4)		5,446,197,199	5,568,986,594
Less allowance for loan loss (note 1)		137,237,884	157,761,429
Less net loan discounts		41,403,980	37,473,390
Mortgage and other loans receivable, net		5,267,555,335	5,373,751,775
Capital Assets, net of accumulated depreciation and amortization of $41,239,479 and $37,907,294, respectively (note 6)		27,572,387	22,603,035
Mortgage servicing rights, net (note 1)		38,026,067	34,632,275
Other assets		14,531,808	17,551,381
Total noncurrent assets		5,965,197,748	6,044,591,452
Total assets		7,211,240,131	7,290,370,699
Deferred outflows of resources			
Other postemployment benefits - change in assumptions (note 1)		2,653,422	2,573,591
Other postemployment benefits - difference between expected and actual experience (note 1)		1,200,594	-
Other postemployment benefits - difference between projected and actual earning (note 1)		856,736	-
Total deferred outflows of resources		4,710,752	2,573,591

(Continued)

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the Commonwealth of Virginia)

Statements of Net Position

June 30, 2019 and 2018

Liabilities		**2019**	**2018**
Current liabilities:			
Notes and bonds payable (note 8)	$	557,775,484	576,393,288
Accrued interest payable on notes and bonds		27,741,304	30,633,334
Escrows (note 10)		31,413,723	33,652,835
Derivative instruments (note 11)		2,218,223	1,357,461
Accounts payable and other liabilities (note 12)		27,601,839	18,832,737
Total current liabilities		646,750,573	660,869,655
Noncurrent liabilities:			
Bonds payable, net (note 8)		2,929,584,329	3,170,287,045
Project reserves (notes 10 and 16)		114,173,466	128,015,652
Loan participation payable to Federal Financing Bank (note 9)		29,160,551	23,449,353
Other liabilities (notes 12, 14, and 16)		30,078,121	24,848,644
Total noncurrent liabilities		3,102,996,467	3,346,600,694
Total liabilities		3,749,747,040	4,007,470,349
Deferred inflows of resources			
Other postemployment benefits - difference between expected and actual experience (note 1)		186,913	207,681
Other postemployment benefits - difference between projected and actual earnings (note 1)		-	1,729,015
Total deferred inflows of resources		186,913	1,936,696
Net position (notes 1 and 15):			
Net investment in capital assets (notes 1 and 15)		14,637,123	12,235,695
Restricted by bond indentures (notes 1 and 15)		3,103,521,162	2,969,696,479
Unrestricted (notes 1 and 15)		347,858,645	301,605,071
Total net position	$	3,466,016,930	3,283,537,245

See accompanying notes to basic financial statements.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the Commonwealth of Virginia)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2019 and 2018

		2019	2018
Operating revenues:			
Interest on mortgage and other loans receivable	$	297,920,454	313,515,686
Housing Choice Voucher program administrative income (note 1)		6,570,517	8,089,646
Other real estate owned income		-	1,835,562
Gains and recoveries on sale of other real estate owned		1,655,153	4,485,482
Gains on sale of single family mortgage loans		22,297,234	21,147,087
Mortgage servicing fees net of guaranty fees		36,882,971	30,137,033
Tax credit program fees earned		6,200,599	5,644,577
Other		3,630,694	4,861,558
Total operating revenues		375,157,622	389,716,631
Operating expenses:			
Interest on notes and bonds payable		128,573,732	136,499,308
Salaries and related employee benefits (notes 12 and 13)		58,151,563	55,490,578
General operating expenses		39,919,176	43,852,244
Note and bond expenses		513,773	362,860
Bond issuance expenses		2,182,331	2,069,765
Housing Choice Voucher program expenses (note 1)		7,409,446	8,195,612
Mortgage servicing rights amortization and other servicing costs		18,045,135	11,827,779
Other real estate owned expenses		165	1,344,848
Losses on other real estate owned (note 1)		1,657,844	2,138,776
Provision for loan losses (note 1)		(8,377,208)	8,586,343
Total operating expenses		248,075,957	270,368,113
Operating income		127,081,665	119,348,518
Nonoperating revenues (losses):			
Investment income (note 10)		56,257,713	15,542,398
Unrealized gain (loss) on derivative instruments (note 9)		(860,762)	(2,632,383)
Pass-through grant awards (note 1)		107,087,128	115,634,605
Pass-through grants expenses (note 1)		(107,087,128)	(115,634,605)
Other, net		1,069	12,308
Total nonoperating revenues, net		55,398,020	12,922,323
Change in net position		182,479,685	132,270,841
Total net position, beginning of year		3,283,537,245	3,151,266,404
Total net position, end of year	$	3,466,016,930	3,283,537,245

See accompanying notes to basic financial statements.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Statements of Cash Flows

Years ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Cash payments for mortgage and other loans	$ (1,734,352,075)	(1,865,420,464)
Principal repayments on mortgage and other loans	537,742,616	743,349,399
Sale of mortgage loans	1,164,409,255	1,301,666,242
Interest received on mortgage and other loans	302,549,696	322,424,251
Housing Choice Voucher payments received	7,480,043	8,653,015
Housing Choice Voucher payments disbursed	(7,682,403)	(8,342,935)
Escrow and project reserve payments received	205,354,966	257,591,771
Escrow and project reserve payments disbursed	(221,436,265)	(243,483,300)
Other operating revenues	79,240,843	68,441,897
Cash received for loan origination fees and loan discounts	10,239,437	3,044,625
Cash paid for loan origination fees and loan premiums	(11,237,162)	(14,089,576)
Cash payments for salaries and related benefits	(58,394,091)	(54,151,084)
Cash payments for general operating expenses	(31,664,830)	(48,373,834)
Cash payments for servicing release premiums and guaranty fees	(33,107,353)	(29,093,091)
Proceeds from sale of other real estate owned	33,069,777	48,118,432
Disposition of other real estate owned property	(165)	490,715
Net cash provided by operating activities	242,212,289	490,826,063
Cash flows from noncapital financing activities:		
Proceeds from issuance of notes and bonds	318,155,000	202,795,003
Proceeds from loan participation - FFB	6,209,561	12,875,000
Principal payments on notes and bonds	(577,637,882)	(653,925,769)
Principal payments on loan participation - FFB	(498,363)	(229,814)
Interest payments on notes and bonds	(131,303,398)	(143,429,610)
Cash payments for bond issuance expenses	(2,182,330)	(2,069,766)
Net cash used in noncapital financing activities	(387,257,412)	(583,984,956)
Cash flows from capital and related financing activities:		
Purchases of capital assets	(5,287,487)	(1,789,280)
Proceeds from the sale of capital assets	-	750
Net cash used in capital and related financing activities	(5,287,487)	(1,788,530)
Cash flows from investing activities:		
Purchases of investments	(8,000,000)	-
Proceeds from sales or maturities of investments	79,915,212	47,217,671
Interest received on investments	39,608,787	28,804,487
Net cash provided by investing activities	111,523,999	76,022,158
Net decrease in cash and cash equivalents	(38,808,611)	(18,925,265)
Cash and cash equivalents, at beginning of year	875,347,516	894,272,781
Cash and cash equivalents, at end of year	$ 836,538,905	875,347,516

(Continued)

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Statements of Cash Flows

Years ended June 30, 2019 and 2018

		2019	2018
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	127,081,665	119,348,518
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation of capital assets		3,755,391	3,316,889
Bond issuance costs		2,182,331	2,069,765
Interest on notes and bonds payable		128,573,732	136,499,308
(Increase)/decrease in mortgage loans held for sale		(38,508,921)	32,620,293
Decrease in mortgage and other loans receivable		44,376,504	178,860,164
(Decrease)/increase in the provision for loan loss		(20,523,545)	3,425,036
Increase in net loan discounts		3,930,590	78,711
Decrease in interest receivable – mortgage and other loans		349,890	1,188,151
Decrease in other real estate owned		1,839,344	12,759,766
Increase in mortgage servicing rights		(3,393,792)	(9,206,010)
Decrease in other assets		2,112,357	293,851
Increase in OPEB deferred outflows of resources		(2,137,161)	(2,573,591)
(Decrease)/increase in OPEB deferred inflows of resources		(1,749,783)	1,936,696
Increase/(decrease) in accounts payable and other liabilities		10,561,323	(3,744,141)
(Decrease)/increase in escrows and project reserves		(16,237,636)	13,952,657
Net cash provided by operating activities	$	242,212,289	490,826,063
Supplemental disclosure of noncash activity:			
Increase in other real estate owned as a result of loan foreclosures	$	32,312,522	40,417,598
Decrease in mortgage and other loans receivable from transferring loans to MBS securities retained as investments	$	76,423,772	108,655,883

See accompanying notes to basic financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

The Virginia Housing Development Authority (Authority) was created under the Virginia Housing Development Authority Act, as amended (Act) enacted by the 1972 Session of the Virginia General Assembly. The Act empowers the Authority, among other authorized activities, to finance the acquisition, construction, rehabilitation and ownership of housing intended for occupancy or ownership, or both, by families of low or moderate income. Mortgage loans are generally financed by the proceeds of notes, bonds, or other debt obligations of the Authority or by Government National Mortgage Association (GNMA) and Federal National Mortgage Association (FNMA) guaranteed mortgage backed securities (see Note 1 (h)). The notes, bonds and other debt obligations do not constitute a debt or grant or loan of credit of the Commonwealth of Virginia (Commonwealth), and the Commonwealth is not liable for the repayment of such obligations.

For financial reporting purposes, the Authority is a component unit of the Commonwealth. The accounts of the Authority, along with other component units, are combined to form the component units of the Commonwealth. The Authority reports all of its activities as a single enterprise fund, in accordance with U.S. generally accepted accounting principles (GAAP). See Note 2 for further discussion.

(b) Measurement Focus and Basis of Accounting

The Authority utilizes the economic resources measurement focus and accrual basis of accounting in preparing its basic financial statements where revenues are recognized when earned and expenses when incurred. The accounts are organized on the basis of funds and groups of funds, which are set up in accordance with the Act and the various note and bond resolutions.

(c) Adoption of New Accounting Standards

During the fiscal year ended June 30, 2019, the Authority adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB): Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*; and the Authority early adopted Statement No. 87, *Leases*. The Authority's implementation of GASB Statements Nos. 88 and 87 did not have a material impact on the Authority's fiscal year 2019 financial statements upon adoption. Statement No. 88 did result in additional disclosures which are discussed in Note 8. Statement No. 87 resulted in change in accounting and financial reporting for the Authority's leased building which is discussed in Note 1(n) and Note 7 to the basic financial statements.

In January 2017 the GASB issued Statement No. 84, *Fiduciary Activities*, effective for reporting periods beginning after December 2018 with early adoption permitted. The Authority elected to adopt the standard for fiscal year ended June 30, 2020. The standard establishes criteria for identifying and reporting fiduciary activities. The Authority is currently evaluating the potential impact of the standard on financial reporting at the timing of adoption.

(d) Use of Estimates

The preparation of basic financial statements, in conformity with GAAP, requires management to make estimates and judgments that affect reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and the disclosures of contingencies at the date of the basic financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

(e) Fair Value Hierarchy

Fair value measurements not valued at net asset value using the practical expedient are categorized into a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset. Classification of assets within the hierarchy considers the markets in which assets are traded and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available.

The levels of the hierarchy are defined as follows:

- Level 1 - Valuation is based on quoted prices (unadjusted) for identical assets in an active market.
- Level 2 - Valuation is based upon quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active and assets valued based on observable market data and market-corroborated inputs for similar instruments.
- Level 3 - Valuation is based upon various techniques that use assumptions that are not observable in the market and are significant to the fair value measurement.

In determining which hierarchy level a financial instrument is classified, the Authority considers all available information, including observable market data and indications of market liquidity. Assets and liabilities that are valued at fair value on a recurring basis include investments and derivative instruments. Assets that are measured on a non-recurring basis include other real estate owned and mortgage loans held for sale as these are carried at the lower of cost or fair value.

(f) Investments

Investments include various debt and asset backed securities which are reported at fair value in the Statements of Net Position, with changes in fair value recognized in investment income in the Statements of Revenues, Expenses, and Changes in Net Position. The fair value of the debt securities is derived from management's review of third party pricing services that use various models that are based on quoted market prices when available or on adjusted values in relation to observable prices on similar investments. The fair value of asset backed securities which include agency-mortgage backed securities are also derived from management's review of third party pricing services that use various models that are based on quoted market prices when available or on adjusted values in relation to observable prices on similar investments.

(g) Derivative Instruments

Forward sales securities commitments are utilized to hedge changes in fair value of mortgage loan inventory and commitments to originate mortgage loans. At June 30, 2019, the Authority had outstanding 71 forward sales transactions with a $423.5 million notional amount with five counterparties with concentrations and ratings (Standard & Poor's, Moody's Investors Service) as shown in Note 11. At June 30, 2018, the Authority had outstanding 61 forward sales transactions with a $381.0 million notional amount with four counterparties with concentrations and ratings (Standard & Poor's, Moody's Investors Service). The 2019 forward sales contracts will settle by September 19, 2019. These contracts are treated as investment derivative instruments and the change in fair value is reported on the Statement of Revenues, Expenses, and Changes in Net Position as investment derivative loss.

(h) Mortgage Loans Held for Sale

The Authority is an authorized issuer of GNMA and FNMA Mortgage-Backed Securities (MBS). Through the MBS programs, GNMA and FNMA guarantee securities that are backed by pools of mortgage loans originated or purchased by the Authority. These mortgage loan securitizations are treated as sales for accounting and reporting purposes. Upon the sale, the Authority no longer recognizes the mortgage loans receivable in the Statements of Net Position.

Mortgage loans originated or acquired with the intent to sell through the MBS programs are carried at the lower of cost or fair value. The fair values of the loans are based on observable market prices for similar instruments traded on the secondary mortgage loan markets. The Authority's portfolio of mortgage loans held for sale is classified as Level 2 in the fair value hierarchy. Any gains or losses on loan sales are reported in the Statements of Revenues, Expenses, and Changes in Net Position.

(i) Mortgage and Other Loans Receivable

Mortgage and other loans receivable are stated at their unpaid principal balance, net of premiums and discounts and an allowance for loan losses. Pricing premiums and discounts are deferred and amortized, using the interest method, over the contractual life of the loans as an adjustment to yield. The interest method is computed on a loan-by-loan basis and any unamortized premiums and discounts on loans fully repaid are recognized as income in the year in which such loans are repaid.

(j) Allowance for Loan Losses

The Authority provides for expected losses when a specific need for an allowance is identified. The provision for loan losses charged or credited to operating expense is the amount necessary, in management's judgment, to maintain the allowance at a level it believes sufficient to cover losses in collection of its mortgage loans. Estimates of future losses involve the exercise of management's judgment and assumptions with respect to future conditions. The principal factors considered by management in determining the adequacy of the allowance are the composition of the loan portfolio, historical loss experience and delinquency statistics, the value and adequacy of collateral, and economic conditions.

The allowance for loan losses was decreased by $20,523,545 for the year ended June 30, 2019 and increased by $3,425,036 for the year ended June 30, 2018.

		Year ended June 30	
		2019	2018
Beginning balance, July 1	$	157,761,429	154,336,393
Provision:			
Homeownership		(1,874,076)	6,268,541
Rental Housing		(6,503,132)	2,317,802
Provision		(8,377,208)	8,586,343
Net (charge-offs)/recoveries:			
Homeownership		(4,194,274)	(5,682,822)
Rental Housing		(7,952,063)	521,515
Net charge-offs		(12,146,337)	(5,161,307)
Net change		(20,523,545)	3,425,036
Ending balance, June 30	$	137,237,884	157,761,429

(k) Mortgage servicing rights

The Authority pays mortgage servicing release premiums when purchasing homeownership mortgage loans from participating lenders. These premiums are capitalized at cost and amortized on a loan-by-loan basis over the estimated life of the related mortgage loans using the sum-of-years-digits method. Mortgage servicing release premiums are paid when those mortgage loans are securitized through either GNMA or FNMA and the Authority remains the servicer of the loans. Estimated life is determined to be 7 years.

(l) Other Real Estate Owned

Other real estate owned represents current investments in homeownership dwellings and rental housing developments, acquired primarily through foreclosure, and is stated at the lower of cost or fair value less estimated disposal costs. On a non-recurring basis, fair values of the real properties are assessed by comparing them to similar properties. The Authority's portfolio of real estate owned is classified as a Level 2 in the fair value hierarchy. Gains and losses from the disposition of other real estate owned are reported separately in the Statements of Revenues, Expenses, and Changes in Net Position.

(m) Capital Assets

Capital assets are capitalized at cost and depreciation is provided on the straight-line basis over the estimated useful lives, which are 30 years for buildings, and from 3 to 10 years for furniture and equipment, and 5 years for vehicles. The capitalization threshold for property, furniture, and equipment is $1,000.

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Certain costs associated with internally generated computer software are accounted for as capital assets. The capitalization threshold for internally generated computer software is $1,000,000. Once the software is ready for its intended use, these costs are amortized on a straight-line basis over the software's expected useful life of 3 to 5 years.

(n) Leases

On July 1, 2018 the Authority entered into an agreement to lease an office building. The lease asset is reported as a capital asset, net of accumulated amortization, and as a current and non-current lease liability. Both the lease asset and lease liability are reported in the Statement of Net Position. Leasehold improvements are capitalized and amortized over the remaining life of the lease term. Further disclosure for the building lease is discussed in Note 7.

(o) Bond Issuance Expense

Bond issuance costs are expensed in the period incurred.

(p) Notes and Bonds Payable

Notes and bonds payable are stated at their unpaid balance less any unamortized premiums or discounts. Bond premiums and discounts are amortized over the lives of the issues using the interest method. The Authority generally has the right to specially redeem bonds, without premium, upon the occurrence of certain specified events, such as the prepayment of a mortgage loan. The Authority also has the right to optionally redeem the various bonds. The optional redemptions generally cannot be exercised until the bonds have been outstanding for approximately ten years. All issues generally have term bonds, which are subject to partial redemption, without premium, from mandatory sinking fund installments.

(q) Retirement Plans and Other Postemployment Benefit Plans

The Authority has three defined contribution retirement savings plans covering substantially all employees. Retirement expense is fully funded as incurred. To the extent terminating employees are less than 100% vested in the Authority's contributions, the unvested portion is forfeited and redistributed to the remaining participating employees.

The Authority also provides postretirement healthcare benefits administered through a trust under a defined benefit plan to all employees who have met the years of service requirement and who retire from the Authority on or after attaining age 55 or become permanently disabled. Effective for the plan year ended December 31, 2017, the Plan adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* and the Authority adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the fiscal year ended June 30, 2018. For purposes of measuring the net OPEB liability (asset), deferred outflows or inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Virginia Housing Development Authority Retiree Health Care Plan (the Plan) and additions to or deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognized benefit payments when due and payable in accordance with the benefit terms of the Plan. Investments are reported at fair value, except for money market investments that have a maturity at the time of purchase of one year or less, which are reported at cost, which approximates fair value.

(r) Compensated Absences

Authority employees are granted vacation and sick pay in varying amounts as services are provided. Employees may accumulate, subject to certain limitations, unused vacation and sick pay earned and, upon retirement, termination, or death, may be compensated for certain amounts at their then current rates of pay. The amount of vacation and sick pay recognized as expense is the amount earned each year.

(s) Related Party Transactions

The Authority provides split dollar life insurance as a form of compensation to retain talented key associates.

(t) Pass-Through Revenues and Expenses

U.S. Department of Housing and Urban Development – Tenant Based Section 8

The Authority serves as an administrator for the U.S. Department of Housing and Urban Development's (HUD) Section 8 Housing Choice Voucher program, consisting of the voucher program as well as other tenant-based assistance programs. The Authority requisitions Section 8 funds, makes disbursements of funds to eligible participants, and recognizes administrative fee income. Program income and program expenses that are recognized as pass-through grants based upon the amount of allowable Housing Assistance Payments (HAP) disbursements, totaled $74,420,231 and $70,220,663 during the years ended June 30, 2019 and 2018, respectively.

Excess HAP or administrative funds disbursed to the Authority were recorded as revenue and unrestricted net position in the Statements of Revenues, Expenses and Changes in Net Position and Statements of Net Position. Cumulative excess HAP funds totaled $600,694 and $329,370 as of June 30, 2019 and 2018, respectively. Cumulative excess administrative funds totaled $390,917 and as of June 30, 2019 and 2018, respectively. HUD monitors the utilization of these excess funds and adjusts funding levels prospectively to assure all funds are being used to serve families up to the maximum number of vouchers authorized for the program.

U.S. Department of Housing and Urban Development – Project Based Section 8

As the Commonwealth's administrator for HUD's Section 8 New Construction and Substantial Rehabilitation program, the Authority makes requisitions of Section 8 funds, makes disbursements of HAP funds to landlords of eligible multi-family developments, and recognizes administrative fee income.

The Authority received and disbursed pass-through grants totaling $32,056,755 and $44,559,827 during the years ended June 30, 2019 and 2018, respectively. For the year ended June 30, 2019 the Authority did not receive nor disburse Section 236 Interest Reduction Payments from HUD. For year ended June 30, 2018 the Authority received and disbursed Section 236 Interest Reduction Payments from HUD totaling $238,998.

U.S. Department of Housing and Urban Development – Housing Counseling Assistance Program

The Authority serves as an administrator for 36 HUD-approved Housing Counseling Agencies in the Commonwealth. The Housing Counseling Assistance Program provides counseling to consumers on seeking, financing, maintaining, renting, or owning a home. The Authority did not receive nor disburse pass-through grants during the year ended June 30, 2019. The Authority received and disbursed pass-through grants totaling $615,116 during the year ended June 30, 2018.

(u) Commonwealth Priority Housing Fund, Housing Trust Fund, & National Housing Trust Fund

The Commonwealth Priority Housing Fund (Fund), established by the 1988 Session of the Virginia General Assembly, uses funds provided by the Commonwealth in that Session to make loans and grants for a wide variety of housing initiatives. The Virginia Department of Housing and Community Development (DHCD) develops the program guidelines and the Authority acts as administrator for the Fund. The balances associated with the Fund are recorded in assets and liabilities in the amounts of $9,510,952 and $7,693,336 as of June 30, 2019 and 2018, respectively.

The Housing Trust Fund (Trust Fund), established by the 2013 Session of the Virginia General Assembly, uses funds provided by the Commonwealth in that Session to make loans and grants for a wide variety of housing initiatives. DHCD develops the program guidelines and the Authority acts as administrator for the Trust Fund. The balances associated with the Trust Fund are recorded in assets and liabilities in the amounts of $12,700,644 and $8,747,807 as of June 30, 2019 and 2018, respectively.

Effective during the fiscal year ended June 30, 2019, the Authority became the custodial administrator for the National Housing Trust Fund on behalf of DHCD. The National Housing Trust Fund (National Trust) is a federal fund established through the Housing and Economic Recovery Act of 2008, it exclusively targets to help build, preserve, rehabilitate, and operate housing that is affordable to people with the lowest incomes. DHCD administers the program through the Affordable and Special Needs Housing application process. The balances associated with the National Trust are recorded in assets and liabilities in the amount of $1,631,870 as of June 30, 2019.

(v) Cash Equivalents

Cash equivalents consist of highly liquid short-term instruments with original maturities of three months or less from the date of purchase and are recorded at amortized cost. Cash equivalents include commercial paper, repurchase agreements, money-market securities, and other short-term instruments.

(w) Rebatable Arbitrage

Rebatable arbitrage involves the investment of proceeds from the sale of tax-exempt debt in a taxable investment that yields a higher rate than the rate of the debt. This results in investment income in excess of interest costs. Federal law requires such income be rebated to the U.S. government if the yield from these earnings exceeds the effective yield on the related tax-exempt debt issued. Arbitrage must be calculated, reported and paid every five years or at maturity of the debt, whichever is earlier. For financial reporting purposes the potential liability is calculated annually.

(x) Statements of Net Position

The assets presented in the Statements of Net Position represent the total of similar accounts of the Authority's various groups (see Note 2). Since the assets of certain of the groups are restricted by the related debt resolutions, the total does not indicate that the combined assets are available in any manner other than that provided for in the resolutions for the separate groups. When both restricted and unrestricted resources are available for use, the Authority's policy is to use restricted resources first and thereafter, unrestricted resources as needed.

(y) Operating and Nonoperating Revenues and Expenses

The Authority's Statements of Revenues, Expenses, and Changes in Net Position distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally arise from financing the acquisition, construction, rehabilitation, and ownership of housing intended for occupancy and ownership, by families of low or moderate income. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(z) Deferred Outflows of Resources and Deferred Inflows of Resources

The Authority reports deferred outflows of resources and deferred inflows of resources on its statement of net position. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense) until the applicable period. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until a future period. See Note 15 for further discussion regarding deferred outflows of resources and deferred inflows of resources associated with the Authority's other postemployment benefits plan

(2) Basis of Presentation

The accounts of the Authority are presented in a single enterprise fund set of basic financial statements consisting of various programs. The Authority's activities include the following programs:

(a) General Operating Accounts

The General Operating Accounts consist of a group of accounts used to record the receipt of income not directly pledged to the repayment of specific notes and bonds and the payment of expenses related to the Authority's administrative functions.

(b) Rental Housing Bond Group

The proceeds of the Rental Housing Bonds are used to finance construction and permanent mortgage loans on rental housing developments, as well as, temporary financing for other rental housing real estate owned and the financing of the Authority's office facilities.

(c) Commonwealth Mortgage Bond Group

The proceeds of Commonwealth Mortgage Bonds are used to purchase or make long-term mortgage loans to owner occupants of homeownership dwellings, as well as, temporary financing for other homeownership real estate owned.

(d) Homeownership Mortgage Bond Group

The Homeownership Mortgage Bond group was established to encompass the Authority's participation in the U.S. Department of the Treasury's New Issue Bond Program, which was created to assist state and local housing finance agencies in acquiring cost-effective mortgage loan capital. The proceeds of Homeownership Mortgage Bonds are used to purchase or make long-term mortgage loans to owner occupants of homeownership dwellings.

(3) Restricted Assets

Restricted assets are primarily assets held for the benefit of the respective bond owners and include mortgage loans and investments. Certain assets are held on behalf of federal programs or housing initiatives of the Commonwealth.

Restricted assets as of June 30, 2019 and 2018 were as follows:

		June 30	
		2019	**2018**
Restricted current assets:			
Cash and cash equivalents	$	815,784,981	867,628,544
Interest receivable – investments		1,054,113	1,241,088
Mortgage loans held for sale		201,097,363	162,588,442
Mortgage and other loans receivable		153,701,535	152,264,919
Interest receivable – mortgage and other loans		23,098,638	23,298,377
Other real estate owned		5,334,509	9,714,413
Other assets		89,729	146,839
Total restricted current assets		1,200,160,868	1,216,882,622
Restricted noncurrent assets:			
Investments		614,508,215	592,494,611
Mortgage and other loans receivable		5,260,438,637	5,401,560,848
Less allowance for loan loss		103,492,640	115,731,451
Less net loan discounts		41,288,758	37,334,619
Mortgage and other loans receivable, net		5,115,657,239	5,248,494,778
Net OPEB asset		1,479,348	4,435,763
Capital assets, net accumulated depreciation and amortization of $19,961,349 and $19,264,915 respectively		9,709,599	10,406,033
Total restricted noncurrent assets		5,741,354,401	5,855,831,185
Total restricted assets	$	6,941,515,269	7,072,713,807

(4) Mortgage and Other Loans Receivable

Substantially all mortgage and other loans receivable are secured by first liens on real property within the Commonwealth. The following are the interest rates and typical loan terms by loan program or bond group for the major loan programs:

Loan program/bond group	Interest rates	Initial loan terms
General Operating Accounts	0% to 9.00%	Thirty to forty years
Rental Housing Bond Group	0% to 13.11%	Thirty to forty years
Commonwealth Mortgage Bond Group	0% to 10.38%	Thirty years
Homeownership Mortgage Bond Group	2.00% to 5.88%	Thirty years

Commitments to fund new loans were as follows at June 30, 2019:

		Committed
General Operating Loan Programs	$	11,250,000
Rental Housing Bond Group		773,361,564
Commonwealth Mortgage Bond Group		358,022,138
Total	$	1,142,633,702

(5) Cash, Cash Equivalents, and Investments

Cash includes cash on hand and amounts in checking accounts, which are insured by the Federal Depository Insurance Corporation or are collateralized under provisions of the Virginia Security for Public Deposits Act. At June 30, 2019 and 2018, the carrying amount of the Authority's deposits was $56,262,870 and $38,524,754, respectively. The associated bank balance of the Authority's deposits was $38,259,992 and $34,032,466 at June 30, 2019 and 2018, respectively. The difference between the carrying amount and the bank balance is due to outstanding checks, deposits in transit, and other reconciling items.

Cash equivalents include investments with original maturities of three months or less from date of purchase. Investments consist of U.S. government and agency securities, repurchase agreements, asset-backed securities, agency-mortgage backed securities, money market securities and other interest-bearing securities held at the FHLB Atlanta. Investments in the bond funds consist of those permitted by the various resolutions adopted by the Authority. At June 30, 2019 and 2018, total cash equivalents were $780,276,035 and $836,822,762, respectively.

The Investment of Public Funds Act of the Code of Virginia as well as the various bond resolutions establishes permitted investments for the Authority. Within the permitted statutory framework, the Authority's investment policy is to fully invest all monies and maximize the return thereon, by investing and managing investments in a prudent manner that will enable the Authority to fulfill its financial commitments. Approved investments include but are not limited to: direct obligations of the U.S. government, direct obligations of any state or political subdivision of the U.S. government, obligations unconditionally guaranteed by the U.S. government or other political subdivisions, bonds, debentures, certificates of deposit, repurchase agreements, swap contracts, futures contracts, and forward contracts. No more than 3.0% of the Authority's total assets may be invested in any one entity, excluding obligations issued or guaranteed by the U.S. government and repurchase agreement transactions. However, repurchase agreements cannot be no more than 10% of the Authority's total assets and must mature in less than one month. Such agreements must be collateralized with U.S. Treasury or Agency securities with a fair value at least equal to 102% of the principal amount of the agreement.

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy is to generally hold all investments to maturity and to limit the length of an investment at purchase, to coincide with expected timing of its use.

(a) Interest Rate Risk

Interest rate risk is the risk that changes in market rates of interest will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates. As a means of communicating interest rate risk, the Authority has elected the segmented time distribution method of disclosure, which requires the grouping of investment cash flows into sequential time periods in tabular form.

As of June 30, 2019, the Authority had the following investments (including cash equivalents) and maturities:

Investment type		Less than 1 year	1-5 years	6-10 years	Over 10 years	Total
U.S. government and agency	$	124,280,050	-	-	-	124,280,050
Repurchase agreements		365,000,000				365,000,000
Asset-backed securities		-	-	-	3,003,936	3,003,936
Agency-mortgage backed securities		-	-	457,936	614,050,279	614,508,215
Money market securities		290,995,985	-	-	-	290,995,985
Total investments	$	780,276,035	-	457,936	617,054,215	1,397,788,186

As of June 30, 2018, the Authority had the following investments (including cash equivalents) and maturities:

Investment type		Less than 1 year	1–5 years	6–10 years	Over 10 years	Total
U.S. government and agency	$	253,899,811	-	-	-	253,899,811
Repurchase agreements		360,000,000	-	-	-	360,000,000
Asset-backed securities		-	-	-	3,558,375	3,558,375
Agency-mortgage backed securities		-	-	643,640	591,850,971	592,494,611
Money market securities		199,802,926	-	-	-	199,802,926
Other interest-bearing securities		23,120,025	-	-	-	23,120,025
Total investments	$	836,822,762	-	643,640	595,409,346	1,432,875,748

On December 21, 2018, the Authority extended a pledge and security agreement with FNMA that requires the Authority to post collateral to secure its repurchase obligations with respect to the HFA Preferred Risk Sharing mortgage loans during the recourse period. The amount of required collateral is $64.0 million through December 31, 2019, compared to $59.0 million required collateral a year ago. To comply with the collateral requirement, the Authority elected to pledge agency-mortgage backed securities valued at $66.9 million and held in trust by a custodian agent for FNMA.

(b) Credit Risk

Credit risk is the risk that an issuer or other counterparties to an investment will not fulfill its obligations. The Authority places emphasis on securities of high credit quality and marketability. The following table presents investment (including cash equivalents) exposure to credit risk by investment type as of June 30, 2019:

		Amount	S & P/ Moody's rating	Percentage of total investments	
Agency-Mortgage Backed Securities	$	614,508,215	Aaa	43.96	%
Repurchase Agreements		365,000,000	BBB-	26.11	
US Government & Agency		124,280,050	Aaa	8.89	
Money Market Securities		286,700,850	P-1	20.51	
Money Market Securities		4,000,000	NR	0.29	
Asset-Backed Securities		275,844	A1	0.02	
Asset-Backed Securities		1,802,034	Ca	0.13	
Asset-Backed Securities		148,982	A3	0.01	
Asset-Backed Securities		777,076	Caa3	0.06	
Money Market Securities		295,135	Aaa-mf	0.02	
Total investments	$	1,397,788,186		100.00	%

The following table presents investment (including cash equivalents) exposure to credit risk by investment type as of June 30, 2018:

		Amount	S & P/ Moody's rating	Percentage of total investments	
Agency-Mortgage Backed Securities	$	592,494,611	Aaa	41.35	%
Repurchase Agreements		360,000,000	BBB-	25.12	
US Government & Agency		253,899,811	Aaa	17.72	
Money Market Securities		195,568,689	P-1	13.65	
Other Interest-Bearing Instruments		23,120,025	Aaa	1.61	
Money Market Securities		4,000,000	NR	0.28	
Asset-Backed Securities		2,034,805	Ca	0.14	
Asset-Backed Securities		671,666	Caa2	0.05	
Asset-Backed Securities		360,128	A3	0.03	
Asset-Backed Securities		298,301	Caa3	0.02	
Money Market Securities		234,237	Aaa-mf	0.02	
Asset-Backed Securities		193,475	Baa3	0.01	
Total investments	$	1,432,875,748		100.00	%

(c) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to investments held by a single issuer. The Authority only makes large investments with issuers who are either insured by the government, have strong credit ratings or who post collateral. The Authority had the following issuers that represent 5% or more of the total investments as of June 30, 2019 and 2018:

Investment	S&P/Moody's rating	June 30, 2019 Amount	June 30, 2019 Percentage of total investments
Agency-Mortgage Backed Securities			
GNMA	Aaa	$ 614,508,215	44.0%
Repurchase Agreements			
Cantor Fitzgerald	BBB-	365,000,000	26.1%
Money Market Securities			
US Bank Commercial Paper	P-1	212,174,267	15.2%
Toyota Motor Credit Commercial Paper	P-1	74,526,583	5.3%
		$ 1,266,209,065	90.6%

Investment	S&P/Moody's rating	June 30, 2018 Amount	June 30, 2018 Percentage of total investments
Agency-Mortgage Backed Securities			
GNMA	Aaa	$ 592,494,611	41.4%
Repurchase Agreements			
Cantor Fitzgerald	BBB-	360,000,000	25.1%
Money Market Securities			
US Bank Commercial Paper	P-1	120,957,189	8.4%
Toyota Motor Credit Commercial Paper	P-1	74,611,500	5.2%
		$ 1,148,063,300	80.1%

(d) Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of a counterparty, the Authority will not be able to recover the value of its investment of collateral securities that are in the possession of an outside party. For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, the Authority may not recover its deposits. The Authority’s deposits are insured by the federal depository insurance or collateralized under the provisions of the Virginia Security for Public Deposits Act. For investments, custodial risk is the risk that in the event of a failure of a counterparty, the Authority will not be able to recover the value of its investments. The Authority’s market value of securities that were uninsured and held by a counterparty at June 30, 2019 and 2018:

Investment		Amount as of June 30, 2019	Amount as of June 30, 2018
Agency Backed Securities - Held by US Bank	$	3,003,936	3,558,375
Money Market Securities - Held by Broker-Dealer		290,700,849	199,568,689
	$	293,704,785	203,127,064

(e) Fair Value Hierarchy

As of June 30, 2019, the Authority had the following investments, excluding cash equivalents valued at cost, measured at fair value on a recurring basis using the following fair value hierarchy categories:

			Fair value measurement using		
Investment type		**June 30, 2019**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Agency-mortgage backed securities	$	614,508,215	-	614,508,215	-
Asset-backed securities		3,003,936	-	3,003,936	-
Total investments	$	617,512,151	-	617,512,151	-

As of June 30, 2018, the Authority had the following investments (excluding cash equivalents) measured using the following fair value hierarchy categories:

			Fair value measurement using		
Investment type		**June 30, 2018**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Agency-mortgage backed securities	$	592,494,611	-	592,494,611	-
Asset-backed securities		3,558,375	-	3,558,375	-
Total investments	$	596,052,986	-	596,052,986	-

(6) Capital Assets

Activity in the capital assets' accounts for the year ended June 30, 2019 was as follows:

		Balance June 30, 2018	Additions	Disposals	Transfers	Balance June 30, 2019
Land	$	2,935,815	-	-	-	2,935,815
Construction in process		76,214	5,287,487	-	(2,100,066)	3,263,635
Building		38,261,618	-	-	-	38,261,618
Leased Building		-	3,437,256	-	150,326	3,587,582
Furniture and equipment		18,622,606	-	(394,368)	1,924,182	20,152,420
Motor vehicles		614,076	-	(28,838)	25,558	610,796
	$	60,510,329	8,724,743	(423,206)	-	68,811,866

Activity in the related accumulated depreciation and amortization accounts during the year ended June 30, 2019 was as follows:

		Balance June 30, 2018	Additions	Disposals	Transfers	Balance June 30, 2019
Building	$	(21,505,112)	(1,325,532)	-	-	(22,830,644)
Leased Building		-	(687,824)	-	-	(687,824)
Furniture and equipment		(15,882,313)	(1,691,054)	394,368	-	(17,178,999)
Motor vehicles		(519,869)	(50,981)	28,838	-	(542,012)
	$	(37,907,294)	(3,755,391)	423,206	-	(41,239,479)

Activity in the capital assets' accounts for the year ended June 30, 2018 was as follows:

		Balance June 30, 2017	Additions	Disposals	Transfers	Balance June 30, 2018
Land	$	2,935,815	-	-	-	2,935,815
Building		38,080,738	47,620	-	133,260	38,261,618
Furniture and equipment		17,014,419	1,122,729	(435,155)	920,613	18,622,606
Motor vehicles		665,469	23,210	(74,603)	-	614,076
Construction in process		534,366	595,721	-	(1,053,873)	76,214
	$	59,230,807	1,789,280	(509,758)	-	60,510,329

Activity in the related accumulated depreciation and amortization accounts during the year ended June 30, 2018 was as follows:

		Balance June 30, 2017	Additions	Disposals	Transfers	Balance June 30, 2018
Building	$	(20,183,489)	(1,321,623)	-	-	(21,505,112)
Furniture and equipment		(14,393,292)	(1,919,833)	430,812	-	(15,882,313)
Motor vehicles		(519,039)	(75,433)	74,603	-	(519,869)
	$	(35,095,820)	(3,316,889)	505,415	-	(37,907,294)

(7) Leases

On July 1, 2018 the Authority entered into an agreement to lease an office building. The lease term is 5 years, with two options to renew at one year each. The Authority does not plan to exercise the renewal options. Annual rent expense for year ended June 30, 2019 is $596,255. As of June 30, 2019 the leased asset is valued as a depreciable capital asset at $2,771,981 including accumulated amortization of $665,275, and excluding the effects of leasehold improvements. Leasehold improvements as of June 30, 2019 are valued at $127,777.

The principal payment obligations and associated interest related to the building lease commencing July 1, 2019 and thereafter are as follows:

Year ending June 30		Principal	Interest	Total
2020	$	638,513	94,783	733,296
2021		680,152	71,323	751,475
2022		724,086	46,340	770,426
2023		770,008	19,756	789,764
2024		134,315	599	134,914
Total	$	2,947,074	232,801	3,179,875

(8) Notes and Bonds Payable

Notes and bonds payable at June 30, 2018 and June 30, 2019 and changes for the year ended June 30, 2019 were as follows:

Description		Balance at June 30, 2018	Issued	Retired	Balance at June 30, 2019
			(Dollars in thousands)		
General operating accounts:					
Revolving line of credit:					
Bank of America floating daily rate (rate of 3.098% at June 30, 2019) termination date of December 1, 2019	$	-	80,000	80,000	-
Federal Home Loan Bank varying fixed rate notes with 90-day maturities (average of 2.51% at June 30, 2019 and 1.97% at June 30, 2018), maturities range from July 9, 2019 to September 10, 2019		445,300	-	-	445,300
Total general operating accounts	$	445,300	80,000	80,000	445,300

Description	Balance at June 30, 2018	Issued	Retired	Balance at June 30, 2019
		(Dollars in thousands)		
Rental housing bond group:				
2009 Series A, dated February 26, 2009, 6.80% effective interest rate, final due date March 1, 2039	$ 63,065	-	63,065	-
2009 Series B, dated March 26, 2009, 5.54% effective interest rate, final due date June 1, 2043	25,530	-	25,530	-
2009 Series C/D, dated March 30, 2009, 4.53% effective interest rate, final due date November 1, 2018	19,110	-	19,110	-
2009 Series E, dated September 24, 2009, 4.74% effective interest rate, final due date October 1, 2044	44,610	-	44,610	-
2009 Series F, dated November 25, 2009, 4.87% effective interest rate, final due date December 1, 2044	43,430	-	43,430	-
2010 Series A, dated March 23, 2010, 4.79% effective interest rate, final due date April 1, 2045	18,930	-	260	18,670
2010 Series B, dated April 27, 2010, 4.74% effective interest rate, final due date June 1, 2045	20,225	-	415	19,810
2010 Series C, dated July 28, 2010, 4.61% effective interest rate, final due date August 1, 2045	10,640	-	210	10,430
2010 Series D, dated August 26, 2010, 4.31% effective interest rate, final due date September 1, 2040	28,540	-	795	27,745
2010 Series E, dated October 7, 2010, 4.19% effective interest rate, final due date October 1, 2045	34,030	-	775	33,255
2010 Series F, dated December 2, 2010, 4.86% effective interest rate, final due date January 1, 2041	17,425	-	450	16,975
2011 Series A, dated May 24, 2011, 4.92% effective interest rate, final due date May 1, 2041	10,250	-	260	9,990
2011 Series B, dated September 27, 2011, 4.27% effective interest rate, final due date October 1, 2041	13,425	-	360	13,065

Description		Balance at June 30, 2018	Issued	Retired	Balance at June 30, 2019
			(Dollars in thousands)		
2011 Series C, dated December 8, 2011, 4.24% effective interest rate, final due date December 1, 2038	$	17,065	-	555	16,510
2011 Series D, dated December 8, 2011, 4.93% effective interst rate, final due date January 1, 2039		135,415	-	4,045	131,370
2012 Series A, dated February 28, 2012, 3.60% effective interest rate, final due date March 1, 2042		31,135	-	895	30,240
2012 Series B/C, dated August 21, 2012, 3.64% effective interest rate, final due date August 1, 2042		103,840	-	2,760	101,080
2012 Series D dated October 30, 2012, 4.02% effective interest rate, final due date October 1, 2042		201,310	-	5,295	196,015
2012 Series E dated November 2, 2042, 3.16% effective interest rate, final due date November 1, 2042		9,700	-	270	9,430
2013 Series A/B dated April 11, 2013, 3.95% effective interest rate, final due date April 1, 2043		31,130	-	865	30,265
2013 Series C dated May 2, 2013, 3.82% effective interest rate, final due date February 1, 2043		148,205	-	4,000	144,205
2013 Series D dated May 30, 2013, 4.06% effective interest rate, final due date June 1, 2043		102,320	-	2,475	99,845
2013 Series E dated July 11, 2013, 4.15% effective interest rate, final due date July 1, 2043		19,495	-	510	18,985
2013 Series F dated October 10, 2013, 4.98% effective interest rate, final due date October 1, 2043		55,545	-	1,220	54,325
2013 Series G dated December 3, 2013, 4.39% effective interest rate, final due date December 1, 2043		9,855	-	225	9,630
2014 Series A dated August 19, 2014, 3.75% effective interest rate, final due date August 1, 2049		12,300	-	220	12,080

(Continued)

Description	Balance at June 30, 2018	Issued	Retired	Balance at June 30, 2019
		(Dollars in thousands)		
2014 Series B dated October 28, 2014, 3.30% effective interest rate, final due date October 1, 2044	$ 8,580	-	215	8,365
2014 Series C dated November 20, 2014, 4.29% effective interest rate, final due date November 1, 2044	126,815	-	3,020	123,795
2015 Series A dated March 18, 2015, 3.50% effective interest rate, final due date March 1, 2045	37,725	-	945	36,780
2015 Series B dated May 12, 2015, 3.44% effective interest rate, final due date May 1, 2045	11,230	-	285	10,945
2015 Series C dated August 5, 2015, 3.68% effective interest rate, final due date August 1, 2045	22,275	-	540	21,735
2015 Series D dated November 10, 2015, 3.55% effective interest rate, final due date November 1, 2045	34,285	-	750	33,535
2015 Series E/F dated December 8, 2015, 3.94% effective interest rate, final due date December 1, 2045	80,985	-	1,815	79,170
2016 Series A dated March 8, 2016, 2.99% effective interest rate, final due date March 1, 2046	4,740	-	120	4,620
2016 Series B dated May 17, 2016, 3.35% effective interest rate, final due date May 1, 2046	83,145	-	15,720	67,425
2016 Series C dated July 19, 2016, 2.72% effective interest rate, final due date July 1, 2046	4,625	-	60	4,565
2016 Series D dated October 18, 2016, 2.89% effective interest rate, final due date October 1, 2046	13,575	-	5,865	7,710
2017 Series A dated March 14, 2017, 3.66% effective interest rate, final due date March 1, 2049	28,160	-	200	27,960
2017 Series B dated June 13, 2017, 2.84% effective interest rate, final due date June 1, 2047	14,170	-	-	14,170

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Notes to Basic Financial Statements

June 30, 2019 and 2018

Description	Balance at June 30, 2018	Issued	Retired	Balance at June 30, 2019
		(Dollars in thousands)		
2017 Series C dated September 13, 2017, 3.24% effective interest rate, final due date September 1, 2047	$ 2,860	-	-	2,860
2017 Series D dated October 19, 2017, 3.21% effective interest rate, final due date October 1, 2047	5,600	-	-	5,600
2017 Series E dated December 5, 2017, 3.19% effective interest rate, final due date December 1, 2050	54,130	-	-	54,130
2018 Series A dated March 27, 2018, 3.43% effective interest rate, final due date March 1, 2053	48,750	-	-	48,750
2018 Series B dated June 5, 2018, 3.70% effective interest rate, final due date June 1, 2053	30,455	-	-	30,455
2018 Series C dated August 28, 2018, 3.51% effective interest rate, final due date August 1, 2053	-	23,145	-	23,145
2018 Series D dated October 2, 2018, 3.74% effective interest rate, final due date October 1, 2053	-	74,395	-	74,395
2018 Series E dated December 4, 2018, 3.85% effective interest rate, final due date December 1, 2049	-	43,090	-	43,090
2019 Series A dated March 26, 2019, 3.53% effective interest rate, final due date March 1, 2054	-	80,425	-	80,425
2019 Series B dated May 22, 2019, 3.10% effective interest rate, final due date May 1, 2054	-	17,100	-	17,100
	1,838,630	238,155	252,140	1,824,645
Unamortized premium	61			-
Total rental housing bonds	$ 1,838,691			1,824,645

Description	Balance at June 30, 2018	Issued	Retired	Balance at June 30, 2019
		(Dollars in thousands)		
Commonwealth mortgage bonds group:				
2002 Series E/F/G, dated December 17, 2002, 5.25% effective interest rate, final due date December 25, 2032	$ 7,333	-	879	6,454
2004 Series B, dated June 10, 2004, 5.76% effective interest rate, final due date June 25, 2034	1,662	-	268	1,394
2006 Series A/B, dated April 27, 2006, 5.69% effective interest rate, final due date March 25, 2036	1,374	-	1,374	-
2006 Series C, dated June 8, 2006, 6.25% effective interest rate, final due date June 25, 2034	10,581	-	1,573	9,008
2008 Series A, dated March 25, 2008, 6.10% effective interest rate, final due March 25, 2038	18,627	-	3,335	15,292
2008 Series B, dated April 10, 2008, 6.15% effective interest rate, final due date March 25, 2038	28,558	-	3,990	24,568
2008 Series C, dated November 18, 2008, 6.49% effective interest rate, final due date June 25, 2038	10,358	-	2,820	7,538
2012 Series A, dated December 20, 2012, 2.10% effective interest rate, final due date July 1, 2026	70,200	-	8,600	61,600
2012 Series B/C, dated December 20, 2012, 3.28% effective interest rate, final due date July 1, 2039.	541,755	-	114,735	427,020

Description	Balance at June 30, 2018	Issued	Retired	Balance at June 30, 2019
		(Dollars in thousands)		
2013 Series B, dated May 21, 2013, 2.75% effective interest rate, final due date April 25, 2042	$ 43,298	-	5,791	37,507
2013 Series C, dated October 24, 2013, 4.25% effective interest rate, final due date October 25, 2043	73,729	-	11,801	61,928
2013 Series D, dated December 19, 2013, 4.30% effective interest rate, final due date December 25, 2043	57,741	-	6,777	50,964
2014 Series A, dated December 11, 2014, 3.50% effective interest rate, final due date October 25, 2037	73,122	-	8,502	64,620
2015 Series A, dated November 10, 2015, 3.25% effective interest rate, final due date June 25, 2045	99,795	-	10,492	89,303
2016 Series A, dated June 9, 2016, 3.10% effective interest rate, final due date June 25, 2041	109,546	-	15,133	94,413
2017 Series A, dated June 13, 2017, 3.125% effective interest rate, final due date November 25, 2039	126,475	-	17,635	108,840
	1,274,154	-	213,705	1,060,449
Unamortized discount	(1,209)			(985)
Total commonwealth mortgage bonds group	$ 1,272,945			1,059,464

Description		Balance at June 30, 2018	Issued	Retired	Balance at June 30, 2019
			(Dollars in thousands)		
Homeownership mortgage bonds group:					
2010 Series A, dated February 10, 2010, 4.04% effective interest rate, final due date September 1, 2021	$	18,430	-	5,200	13,230
2010 Series B, dated October 29, 2010, 3.49% effective interest rate, final due date March 1, 2022		23,200	-	7,200	16,000
2011 Series A, dated June 14, 2011, 3.58% effective interest rate, final due date March 1, 2024		23,700	-	2,900	20,800
2011 Series B, dated September 27, 2011, 3.41% effective interest rate, final due date September 1, 2024		31,950	-	6,000	25,950
2013 Series A, dated March 27, 2013, 3.25% effective interest rate, final due date August 25, 2042		92,464	-	10,493	81,971
Total homeownership mortgage bonds group		189,744	-	31,793	157,951
Total	$	3,746,680			3,487,360

Notes and bonds payable at June 30, 2018 and June 30, 2019 and changes for the year ended June 30, 2018 were summarized as follows (amounts in thousands):

Description		Balance at June 30, 2018	Increases	Decreases	Balance at June 30, 2019	Due within one year
Notes from direct borrowings	$	445,300	80,000	80,000	445,300	445,300
Rental housing bonds group direct placements		250,525	-	6,475	244,050	6,700
Rental housing bonds group		1,588,166	238,155	245,726	1,580,595	32,655
Commonwealth mortgage bonds group		1,272,945	224	213,705	1,059,464	53,799
Homeownership mortgage bonds group		189,744	-	31,793	157,951	19,321
Total	$	3,746,680	318,379	577,699	3,487,360	557,775

Notes and bonds payable at June 30, 2017 and June 30, 2018 and changes for the year ended June 30, 2018 were summarized as follows (amounts in thousands):

Description	Balance at June 30, 2017	Increases	Decreases	Balance at June 30, 2018	Due within one year
Notes from direct borrowings	$ 461,300	61,000	77,000	445,300	445,300
Rental housing bonds group direct placements	256,790	-	6,265	250,525	6,375
Rental housing bonds group	1,614,651	141,795	168,280	1,588,166	52,990
Commonwealth mortgage bonds group	1,632,614	251	359,920	1,272,945	54,243
Homeownership mortgage bonds group	233,424	-	43,680	189,744	17,485
Total	$ 4,198,779	203,046	655,145	3,746,680	576,393

Current and noncurrent amounts of notes and bonds payable at June 30, 2019 and 2018 were as follows:

	June 30	
	2019	2018
Notes and bonds payable - current	$ 557,775,484	576,393,288
Bonds payable - noncurrent	2,929,584,329	3,170,287,045
Total	$ 3,487,359,813	3,746,680,333

From time to time, the Authority has participated in refundings, in which new debt is issued and the proceeds are used to redeem, generally within ninety days, previously issued debt. Related discounts or premiums previously deferred are recognized in income or expense, respectively. There were no refundings during the years ended June 30, 2019 and 2018. The Authority had redemptions of $290,540,000 and $321,410,000 during the years ended June 30, 2019 and 2018, respectively.

The principal payment obligations and associated interest related to all note and bond indebtedness (excluding the effect of unamortized discounts and premium) commencing July 1, 2019 and thereafter are as follows:

	Bonds		Direct Placements & Direct Borrowings		
Year ending June 30	**Outstanding principal**	**Current interest**	**Outstanding principal**	**Current interest**	**Total debt service**
2020	$ 105,775,484	102,063,154	452,000,000	20,677,177	680,515,815
2021	94,310,000	99,183,113	6,930,000	9,235,683	209,658,796
2022	104,720,000	96,786,595	7,170,000	8,962,088	217,638,683
2023	118,420,000	93,885,559	7,415,000	8,679,066	228,399,625
2024	84,100,000	90,841,203	7,670,000	8,386,227	190,997,430
2025-2029	354,975,000	417,850,345	42,495,000	37,173,974	852,494,319
2030-2034	402,109,906	351,172,790	50,355,000	28,178,927	831,816,623
2033-2039	471,709,894	263,136,089	59,675,000	17,514,097	812,035,080
2040-2044	886,019,820	131,120,532	55,640,000	5,009,526	1,077,789,878
2045-2049	125,405,000	20,280,623	-	-	145,685,623
2050-2054	51,450,000	4,677,290	-	-	56,127,290
Total	$ 2,798,995,104	1,670,997,293	689,350,000	143,816,765	5,303,159,162

The principal payment obligations related to all note and bond indebtedness (excluding the effect of unamortized discounts and premium) commencing July 1, 2019 and thereafter are as follows:

Year ending June 30	General fund notes	Rental housing bonds	Rental housing bonds direct placement	Commonwealth mortgage bonds	Homeownership mortgage bonds	Total principal
2020	$ 445,300,000	32,655,000	6,700,000	53,799,162	19,321,322	557,775,484
2021	-	45,310,000	6,930,000	32,900,000	16,100,000	101,240,000
2022	-	57,990,000	7,170,000	32,200,000	14,530,000	111,890,000
2023	-	73,320,000	7,415,000	32,500,000	12,600,000	125,835,000
2024	-	41,630,000	7,670,000	29,870,000	12,600,000	91,770,000
2025-2029	-	226,405,000	42,495,000	125,420,000	3,150,000	397,470,000
2030-2034	-	276,430,000	50,355,000	125,679,906	-	452,464,906
2035-2039	-	338,975,000	59,675,000	132,734,894	-	531,384,894
2040-2044	-	311,025,000	55,640,000	495,345,517	79,649,303	941,659,820
2045-2049	-	125,405,000	-	-	-	125,405,000
2050-2054	-	51,450,000	-	-	-	51,450,000
Total	$ 445,300,000	1,580,595,000	244,050,000	1,060,449,479	157,950,625	3,488,345,104

The associated interest related to all note and bond indebtedness commencing July 1, 2019 and thereafter are as follows:

Year ending June 30	General fund interest	Rental housing interest	Rental housing bonds direct placement	Commonwealth interest	Homeownership interest	Total interest
2020	$ 11,177,030	59,498,643	9,500,147	37,206,446	5,358,065	122,740,331
2021	-	58,951,982	9,235,683	35,597,749	4,633,382	108,418,796
2022	-	57,846,691	8,962,088	34,855,086	4,084,818	105,748,683
2023	-	56,291,989	8,679,066	34,042,718	3,550,852	102,564,625
2024	-	54,596,426	8,386,227	33,165,450	3,079,327	99,227,430
2025-2029	-	251,116,152	37,173,973	153,729,757	13,004,437	455,024,319
2030-2034	-	203,671,936	28,178,927	134,557,842	12,943,012	379,351,717
2035-2039	-	140,289,061	17,514,097	109,904,016	12,943,012	280,650,186
2040-2044	-	67,001,176	5,009,526	55,749,542	8,369,814	136,130,058
2045-2049	-	20,280,623	-	-	-	20,280,623
2050-2054	-	4,677,290	-	-	-	4,677,290
Total	$ 11,177,030	974,221,969	132,639,734	628,808,606	67,966,719	1,814,814,058

The Authority has bonds outstanding under three general bond resolutions. All are general obligation bonds backed by the full faith and credit of the Authority. Interest and principal payments are secured by a pledge of the assets and revenues pledged to the bond resolution under which the bonds are issued, to the extent provided for in such resolution. The direct placement bonds are general obligation bonds which are secured on parity with other outstanding bonds from the same bond resolution, and there are no terms of the indentures that are unique to those placements.

The assets and revenues pledged to each bond resolution secure only the bonds issued under that resolution. For each resolution, assets and revenues in excess of the liability to bondholders is available to support the general obligations of the Authority. The Authority has the option to redeem various bonds pursuant the terms of each bond issue. The redemptions generally cannot be exercised without condition until the bonds have been outstanding for nine years or more, as fully described in various bond documents. Further discussion of the resolutions is in Note 2.

Direct borrowings include an uncollateralized revolving credit agreement with the Bank of America and a credit agreement with the Federal Home Loan Bank (FHLB) of Atlanta.

The Authority entered into a $100 million revolving credit agreement on December 1, 2015 with the Bank of America to provide funds for general corporate purposes specifying a scheduled expiration date after one year, which may be extended from time to time but in no event later than December 1, 2025. The revolving credit agreement was amended on October 31, 2018 to specify the next scheduled expiration date as December 1, 2019. Under the terms of this agreement, interest on any advances is charged at a rate equal to the daily floating LIBOR rate for deposits with one month maturity plus a margin ranging from 70 to 105 basis points per annum based upon the Authority's long-term credit ratings. As of June 30, 2019, the borrowing rate was 3.098%; however, there was no outstanding balance as of June 30, 2019 and as of June 30, 2018. The Authority is in compliance with all debt covenant requirements.

The Authority maintains a $1.3 billion credit agreement with the FHLB of Atlanta, whereby FHLB of Atlanta may advance funds that are secured by cash, mortgage loans and government agency securities held in FHLB of Atlanta as collateral. As of June 30, 2019, there was $498 million in mortgage backed securities pledged to FHLB Atlanta. As of June 30, 2018, there was $454.0 million in mortgage backed securities pledged to FHLB Atlanta. Interest on any advance can be charged either under a floating daily rate or a fixed rate with a stated maturity not to exceed either one year for daily rate or twenty years for fixed rate loans. As of June 30, 2019 there were ten 90 day fixed rate borrowings: four for a total of $187.0 million at 2.55%, three for a total of $124.6 million at 2.57%, and three for a total of $133.7 million at 2.41%. The Authority is in compliance with all debt covenant requirements. At June 30, 2019 and 2018, there was $445.3 million outstanding.

(9) Loan Participation Payable to Federal Financing Bank

On March 23, 2015, the Authority was designated as a "qualified Housing Finance Agency" under the Risk-Sharing Act and entered into a Risk-Sharing Agreement with HUD. In conjunction with the Risk-Sharing Agreement, the Authority elected to participate in a program offered by the Federal Financing Bank (FFB) for the financing of rental housing mortgage loans. The FFB is a government corporation, under the general supervision and direction of the Secretary of the Treasury, created by Congress with statutory authority to purchase any obligation that is fully guaranteed by another federal agency. To the extent that FFB proceeds are utilized to finance certain mortgage loans, such mortgage loans would not be available to be financed under the Rental Housing Bond Group other than on a temporary basis prior to such FFB financing. In February 2016, the Authority executed the necessary agreements to allow the Authority to participate in such FFB financing.

Under the program established by the Risk-Sharing Act (the "Risk-Sharing Program"), the Authority retains underwriting, mortgage loan management and property disposition functions and responsibility for defaulted loans. Following default under a mortgage loan subject to a HUD contract of mortgage insurance under the Risk-Sharing Program, HUD agrees to make an initial claim payment of 100% of the loan's unpaid principal balance and accrued interest, subject to certain adjustments that passes through the Authority to FFB. After a period during which the Authority may work toward curing the default, foreclosing the mortgage, or reselling the related project, any losses are calculated and apportioned between the Authority and HUD according to a specified risk-sharing percentage determined at the time of its endorsement for insurance. At its issuance, the Authority may choose a risk percentage ranging from 50% to 90%, which in turn determines its reimbursement obligation to HUD. During the intervening period prior to the final loss settlement, the Authority is obligated to pay interest on the amount of the initial claim payment under a debenture required to be issued to HUD at the time of the initial claim payment.

For each rental housing mortgage loan to be financed by the FFB, the Authority will sell to the FFB a certificate representing a participation interest in the rental housing mortgage loan consisting of all principal payments due thereon and all interest payments due thereon, whereby the rate to FFB will be less than the mortgage loan interest rate. The participation proceeds from the FFB are recorded as a debt obligation payable to the FFB.

Under these agreements, the Authority will retain responsibility for originating, closing and servicing the rental housing mortgage loans underlying the certificates sold to the FFB. As servicer, the Authority will remit the balance of each mortgage payment to U.S. Bank, N.A. ("Custodian"). The Custodian will fund any required account and pay the amounts due to the FFB, deduct their fees, then remit any amount remaining to the Authority as servicing fees.

Under the terms of the agreements in the Risk-Sharing Program, the Authority has sold certificates representing the beneficial interest in the following mortgage loans to FFB:

Description	Balance at June 30, 2018	Issued	Retired	Balance at June 30, 2019
Participation certificates outstanding:				
Colonnade at Rocktown II - Note rate of 4.68% risk-share percentage (10% HUD/90% VHDA) pass-through rate of 3.45% maturity date May 1, 2047	$ 2,956,985	-	49,439	2,907,546
Wilsondale II - Note rate of 4.47% risk-share percentage (10% HUD/ 90% VHDA) pass-through rate of 3.12% maturity date July 1, 2047	7,684,257	-	131,782	7,552,475
Baker Woods - Note rate of 3.91% risk-share percentage (10% HUD/ 90% VHDA) pass-through rate of 2.89% maturity date of December 1, 2052	5,562,201	-	77,846	5,484,355
Twin Canal Village - Note rate of 3.82% risk-share percentage (10% HUD/90% VHDA) pass-through rate of 3.18% maturity date April 1, 2043	7,245,910	-	178,479	7,067,431
Treesdale - Note rate of 4.22% risk-share percentage (10% HUD/ 90% VHDA) pass-through rate of 3.30% maturity date November 1, 2048	-	3,746,000	36,689	3,709,311
Landing at Weyers Cave - Note rate of 4.22% risk-share percentage (10% HUD/90% VHDA) pass-through rate of 3.30% maturity date November 1, 2048	-	2,463,561	24,128	2,439,433
Total participation certificates payable	$ 23,449,353	6,209,561	498,363	29,160,551

(10) Escrows and Project Reserves

Escrows and project reserves represent amounts held by the Authority as escrows for insurance, real estate taxes and completion assurance, and as reserves for replacement and operations (Note 16). The Authority invests these funds and, for project reserves, allows earnings to accrue to the benefit of the mortgagor.

At June 30, 2019 and 2018, these escrows and project reserves were presented in the Authority's Statements of Net Position as follows:

		June 30	
		2019	**2018**
Escrow - current	$	31,413,723	33,652,835
Project reserves - noncurrent		114,173,466	128,015,652
Total	$	145,587,189	161,668,487

The Authority also holds escrow funds and unremitted payments for third party investors, including GNMA and FNMA which are required to be held in trust accounts for the investors. These funds are not assets of the Authority and therefore are not included in the Statements of Net Position. At June 30, 2019 and 2018, there were $62.0 million and $56.0 million in these trust accounts, respectively.

(11) Derivative Instruments

The Authority enters into forward sales contracts for the delivery of GNMA and FNMA securities in order to lock in the sales price for the securitization of certain homeownership mortgage loans. The contracts offset changes in interest rates between the time of the loan reservations and the securitization of such loans into GNMA and FNMA securities. These contracts are considered investment derivative instruments, such that their change in fair value is reported as investment derivative gains or losses on the Statement of Revenues, Expenses, and Changes in Net Position. Fair values of the forwards are based on observable market prices for similar instruments traded on the secondary mortgage loan markets. The Authority's portfolio of investment derivatives are classified as Level 2 in the fair value hierarchy.

The outstanding forward contracts, summarized by counterparty rating as of June 30, 2019 were as follows:

Counterparty rating	Count		Par	Concentration		Notional amount		Fair value		Fair value asset (liability)
A-1+/AA+	22	$	154,000,000	36.4%	$	158,107,305	$	158,738,438	$	(631,133)
A-1/A+	28		135,500,000	32.0%		139,088,301		139,985,078		(896,777)
A-1/A+	14		92,000,000	21.7%		94,262,344		94,756,406		(494,062)
A-1/A	2		16,000,000	3.8%		16,347,969		16,393,750		(45,781)
Baa2/BBB	5		26,000,000	6.1%		26,733,594		26,884,063		(150,469)
	71	$	423,500,000	100.0%	$	434,539,513	$	436,757,735	$	(2,218,222)

The outstanding forward contracts, summarized by counterparty as of June 30, 2018, were as follows:

Counterparty rating	Count	Par	Concentration	Notional amount	Fair value	Fair value asset (liability)
A-1+/AA+	31	$ 195,000,000	51.2%	$ 197,885,156	$ 198,615,000	$ (729,844)
A-1/A+	19	120,500,000	31.6%	123,101,601	123,509,453	(407,852)
A-1+/AA-	5	39,500,000	10.4%	40,593,008	40,662,422	(69,414)
Baa2/BBB	6	26,000,000	6.8%	26,137,305	26,287,656	(150,351)
	61	$ 381,000,000	100.0%	$ 387,717,070	$ 389,074,531	$ (1,357,461)

(12) Investment Income and Arbitrage Liabilities

The amount of investment income the Authority may earn with respect to certain tax-exempt bond issues in the Commonwealth Mortgage Bond Group, Homeownership Bond Group, and Rental Housing Bond Group, is limited by certain federal legislation. Earnings in excess of the allowable amount must be rebated to the U.S. Department of the Treasury. These excess earnings are recorded in accounts payable and other liabilities. No rebates were paid and no rebate liability existed as of June 30, 2019 and 2018.

(13) Net Position

Net investment in capital assets represents property, furniture, and equipment, and vehicles, less the current outstanding applicable debt. Restricted net position represents those portions of the total net position in trust accounts established by the various bond resolutions for the benefit of the respective bond owners. Restricted net position is generally mortgage loans and funds held for placement into mortgage loans, investments, and funds held for scheduled debt service. At the bond resolution level, assets can be released from restriction by bond indentures at any time, subject to the revenue test that requires the assets and future income stream generated by those restricted assets be greater than the funds needed to cover scheduled debt service.

Unrestricted net position represents those portions of the total net position set aside for current utilization and tentative plans for future utilization of such net position. As of June 30, 2019 and 2018, such plans included funds to be available for other loans and loan commitments; over commitments and over allocations in the various bond issues; support funds and contributions to bond issues; support for REACH Virginia initiatives and tenant-based housing assistance payments; and working capital and future operating and capital expenditures. Additional unrestricted net position commitments include maintenance of the Authority's obligation with regard to the general obligation pledge on its bonds; contributions to future bond issues other than those scheduled during the next year; coverage on uninsured assets; unsubsidized rental housing conventional loan program; and any unanticipated losses in connection with the uninsured portions of the balance of the homeownership and rental housing loans; coverage on the liability exposure of commissioners and officers; the cost of holding foreclosed property prior to resale; costs incurred with the redemption of bonds; homeownership loan prepayment shortfalls; and other risks and contingencies.

(14) Employee Benefits Plans

The Authority incurs employment retirement savings expenses under two defined contribution plans equal to between 8% and 11% of full-time employees' compensation. Total retirement savings expense for the year ended June 30, 2019 and 2018 was $4,206,198 and $4,140,153, respectively.

The Authority sponsors a deferred compensation plan available to all employees created in accordance with Internal Revenue Section 457(b). The Plan permits participants to defer a portion of their salary or wage until future years. The deferred compensation is not available to employees until termination, retirement, or death. The assets of the Plan are in an irrevocable trust with an external trustee and, accordingly, no assets or liabilities are reflected in the Authority's basic financial statements.

As of June 30, 2019 and 2018, included in other liabilities is an employee compensated absences accrual of $4,854,151and $4,766,585, respectively (Note 16).

(15) Other Postemployment Benefits

(a) Retiree Healthcare Plan Description (the Plan)

Beginning with the year ended June 30, 2018, the Authority adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The Plan is a single-employer defined benefit plan established January 1, 2006 to provide post-employment reimbursement of eligible medical, dental and vision expenses to current and eligible future retirees and their spouses in accordance with the terms of the Plan.

The Authority serves as Plan Administrator for the Plan. Pursuant to a resolution of the Board of Commissioners of the Authority, the Executive Director of the Authority authorized and empowered the Retiree Health Care Plan Oversight Committee (Oversight Committee), a committee made up of five members of management, to carry out the duties and responsibilities as Plan Administrator for the Plan.

Plan assets are administered through the Trust, an irrevocable trust to be used solely for providing benefits to eligible participants in the Plan. Assets of the Trust are irrevocable and legally protected from creditors and dedicated to providing post-employment reimbursement of eligible medical, dental and vision expenses to current and eligible future retirees and their spouses, in accordance with the terms of the Plan.

At its sole discretion, the Authority retains the right to amend the Plan at any time and from time to time with respect to benefits, funding, contributions and permanency. The Authority reserves the right to discontinue or terminate its funding of the Plan at any time without prejudice, provided that the decision to terminate funding of the Plan is effected by a written resolution adopted by a majority of the Board of Commissions of the Authority.

At January 1, 2019, participants in the Plan consisted of the following:

Active employees	404
Inactive plan members (retirees) receiving benefits	115
Total Participants	519

Effective January 1, 2006, eligible retirees must be at least 55 years of age with 15 years of service, (or at least 55 years of age with 10 years of service if employed by the Authority prior to such date). Plan participants receive an annual benefit based on age and years of service at retirement and based on a matrix, updated annually for cost of living plus 2% not to exceed 150% of the annual premium for preferred provider organization medical plan offered that year if the participant is under age 65 or not to exceed 75% of the annual premium if the participant is age 65 or over. The annual benefit may be used to pay for health insurance purchased through the Authority's group plan or elsewhere, and for other eligible medical, dental and vision expenses. The Authority pays benefits as incurred throughout the year, and the Plan reimburses the Authority for the benefits paid annually.

(b) Contributions

Plan documents note that all benefits under the Plan shall be funded by the Authority. The Authority establishes contribution rates based on the actuarially determined contribution rate. The Authority supplements the actuarially determined rate by ensuring the Plan is additionally funded based on a percentage of budgeted payroll plus administrative fees incurred by the Plan. The Authority pays benefits and administrative fees on behalf of the Plan on an annual basis. The contribution rates rate range between 4.5% to 5.5% of covered payroll. For the years ended December 31, 2018 and December 31, 2017, the Authority's contributions to the Plan were $1,952,210 and $1,758,037, respectively. At June 30, 2019 and June 30, 2018, the Authority reported no outstanding amount of contributions to the Plan required for the years ended December 31, 2018 and December 31, 2017.

(c) OPEB Liability, Expense, and Deferred Outflows and Deferred Inflows of Resources Related to the Retiree Healthcare Credit

For the years ended June 30, 2019 and June 30, 2018, the Authority recognized OPEB expense of $1,450,253 and $460,949, respectively. At June 30, 2019, the Authority reported deferred outflows and inflows of resources related to OPEB from the following sources:

Year ending June 30, 2019		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	1,200,594	186,913
Net difference between projected and actual earnings on OPEB Plan investments		856,736	-
Changes of assumptions		2,653,422	-
Total	$	4,710,752	186,913

At June 30, 2018, the Authority reported deferred outflows and inflows of resources related to OPEB from the following sources:

Year ending June 30, 2018		**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$	-	207,681
Net difference between projected and actual earnings on OPEB Plan investments		-	1,729,015
Changes of assumptions		2,573,591	-
Total	$	2,573,591	1,936,696

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

Year ended June 30, 2019		
2020	$	496,489
2021		496,489
2022		496,490
2023		928,744
2024		390,369
Thereafter		1,715,258
	$	4,523,839

As of June 30, 2018 the amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30, 2018		
2019	$	(195,663)
2020		(195,662)
2021		(195,663)
2022		(195,663)
2023		236,591
Thereafter		1,182,955
	$	636,895

(d) Actuarial Assumptions

The Authority's net OPEB liability (asset) was measured as of December 31, 2018 and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of January 1, 2019.

The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	January 1, 2019
Actuarial Cost Method	Entry-Age Normal percentage of Salary
Amortization Method	Level Percentage of Pay, Open
Amortization Period	20 years
Asset Valuation Method	Fair Value
Actuarial Assumptions	
Inflation Rate	2.4 percent, per annum
Investment rate of return	5.5 percent, per annum
Projected Salary Increases	3.5 percent, per annum
Healthcare cost trend rates	7.5 percent in 2019 grading uniformly to 6.75 percent over 3 years and following the Getzen model thereafter to an ultimate rate of 3.9 percent in the year 2076; the Retiree Credit Matrix will increase at 5 percent, per annum.
Participation rate	95 percent of fully eligible pre-65 active employees are assumed to elect medical coverage upon retirement; 75 percent of fully eligible post-65 active employees are assumed to elect coverage upon retirement.
Marital Status	Actual spouse participation and dates of birth were used for retirees; 60 percent of active employees are assumed to cover a spouse at retirement; active males are assumed to be 3 years older than their female spouses.
Medical Claims Cost	The claims cost is determined by disaggregating the premium based on plan, coverage tier, and age.

	Age 65 Cost Male	Age 65 Cost Female
Retiree/Spouse:	$17,041	$15,524

Age Variance	Claims were age adjusted each year based on the Dale Yamamoto study released by the Society of Actuaries in June 2013.

The assumptions were updated to reflect changes in the mortality rates, medical trends, and aging assumptions. The revised mortality rates were based on the RP-2014 Total Dataset Mortality Table with Scale MP2018. The medical trend was revised from 5.0% graded over 12 years beginning in 2017 to 7.5% in 2019 grading uniformly to 6.75% over 3 years and following the Getzen model thereafter.

The aging assumption used to determine the claims cost at each age was changed from a flat, unisex 3% increase per year of year to the sex distinct aging factors based on the Dale Yamamoto study released by the Society of Actuaries in June 2013.

The valuation also reflects the impact of the Cadillac tax, which was created as part of the Affordable Care Act, which will go into effect in 2022. This excise tax has been valued at 40% of the difference between trending claims cost and the excise tax cost threshold and assumes an annual increase of 3.0% in 2022 and thereafter.

(e) Net OPEB Liability (Asset) at June 30, 2019 and June 30, 2018

The net OPEB asset (NOA) represent the total OPEB liability determined in accordance with GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, less the associated fiduciary net position. The NOA is reported on the Authority's statement of net position as an other non-current asset. As of June 30, 2019, the NOA amounts are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balances at December 31, 2017	$ 27,204,213	32,068,548	(4,864,335)
Changes for the year:			
Service cost	984,232	-	984,232
Interest	1,608,746	-	1,608,746
Changes of benefit terms	-	-	-
Differences between expected and actual	1,320,653	-	1,320,653
Change of assumptions	370,909	-	370,909
Contributions employer	-	1,952,210	(1,952,210)
Net investment income	-	(865,732)	865,732
Benefit (payments)/refunds	(630,078)	(630,078)	-
Administrative expenses	-	(186,925)	186,925
Net Changes	3,654,462	269,475	3,384,987
Balances at December 31, 2018	$ 30,858,675	32,338,023	(1,479,348)

As of June 30, 2018, the NOA amounts are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balances at December 31, 2016	$ 23,025,788	$ 27,229,930	$ (4,204,142)
Changes for the year:			
Service cost	675,928	-	675,928
Interest	1,419,341	-	1,419,341
Changes of benefit terms		-	
Differences between expected and actual	(228,449)	-	(228,449)
Change of assumptions	2,830,950	-	2,830,950
Contributions employer	-	1,758,037	(1,758,037)
Net investment income	-	3,717,204	(3,717,204)
Benefit (payments)/refunds	(519,345)	(519,345)	-
Administrative expenses	-	(117,278)	117,278
Net Changes	4,178,425	4,838,618	(660,193)
Balances at December 31, 2017	$ 27,204,213	$ 32,068,548	$ (4,864,335)

(f) Long-Term Expected Rate of Return

The long-term expected rate of return was determined using the geometric means method, after investment expenses, and is a minimum annual compound total rate of return in excess of inflation, measured over a 5-year period. Therefore, the long-term expected rate of return on the Plan's investments was applied to all future periods of projected benefit payments to determine the total OPEB liability. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Cash or Cash Equivalent	1%	2.50%
Fixed Income	59%	3.10%
US Equity	40%	7.80%
International Equity	0%	7.50%
	100%	

(g) Discount Rate

The discount rate used to measure the total OPEB liability was 5.5% as of December 31, 2018. The projections of cash flows used to determine the discount rate assumed the Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active retirees.

(h) Sensitivity of the Authority's Net OPEB Liability (Asset) to Changes in the Discount Rate

The following represents the net OPEB liability (asset) of the Authority, calculated using the stated discount rate assumption, as well as what the Authority's net OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage-point lower (4.5%) or 1 percentage-point higher (6.5%) than the current discount rate:

		1% Decrease	Current	1% Increase
		4.50%	5.50%	6.50%
Net OPEB liability (asset)	$	3,667,169	(1,479,348)	(5,601,959)

(i) Sensitivity of the Authority's Net OPEB Liability (Asset) to Changes in the Heath Care Trend Rate

The following represents the net OPEB liability (asset) of the Authority, calculated using the stated health care cost trend assumption, as well as what the Authority's net OPEB liability (asset) would be if it were calculated using a health care cost trend that is 1 percentage-point lower or 1 percentage-point higher than the current health care cost trend rates:

		1% Decrease	Current	1% Increase
		6.5% decreasing to 5.8% over 3 years	7.5% decreasing to 6.8% over 3 years	8.5% decreasing to 7.8% over 3 years
Net OPEB liability (asset)	$	(5,836,504)	(1,479,348)	3,997,585

(16) Other Long-Term Liabilities

Activity in the Authority's noncurrent liability accounts, other than bonds payable, for the year ended June 30, 2019 was as follows:

		Balance at June 30, 2018	Additions	Decreases	Balance at June 30, 2019
Project reserves	$	128,015,652	29,714,010	43,556,196	114,173,466
Commonwealth Priority Housing Fund liability		6,828,375	214,442	436,610	6,606,207
Virginia Housing Trust Fund liability		8,239,933	3,420,358	247,632	11,412,659
Other liabilities		5,013,751	4,555,720	2,364,367	7,205,104
Compensated absences payable		4,766,585	3,122,183	3,034,617	4,854,151
	$	152,864,296	41,026,713	49,639,422	144,251,587

Activity in the Authority's noncurrent liability accounts, other than bonds payable, for the year ended June 30, 2018 was as follows:

		Balance at June 30, 2017	Additions	Decreases	Balance at June 30, 2018
Project reserves	$	113,864,723	74,196,685	60,045,756	128,015,652
Commonwealth Priority Housing Fund liability		6,521,380	1,640,955	1,333,960	6,828,375
Virginia Housing Trust Fund liability		6,005,177	2,669,948	435,192	8,239,933
Other liabilities		5,330,543	21,672,112	21,988,904	5,013,751
Compensated absences payable		4,536,596	2,257,858	2,027,869	4,766,585
	$	136,258,419	102,437,558	85,831,681	152,864,296

(17) Troubled Debt Restructuring

Restructuring a debt constitutes a troubled debt restructuring if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The Authority makes every effort to work with borrowers and grants concessions to debtors if the probability of payment from the debtor increases. As of June 30, 2019 and 2018, the Authority has granted the following concessions to debtors, which are considered troubled debt restructurings. There are no commitments to lend additional resources to debtors who had a troubled debt restructuring.

		Year ended June 30,	
Homeownership loans		**2019**	**2018**
Aggregated recorded balance	$	114,764,859	97,170,032
Number of loans		907	759
Gross interest revenue if loans had been current		4,734,640	3,997,579
Interest revenue included in changes in net position		4,084,310	3,349,723

		Year ended June 30,	
Rental housing loans		**2019**	**2018**
Aggregated recorded balance	$	2,373,145	2,400,608
Number of loans		3	3
Gross interest revenue if loans had been current		141,098	141,069
Interest revenue included in changes in net position		61,974	63,168

(18) Contingencies and Other Matters

Certain claims, suits, and complaints arising in the ordinary course of business have been filed and are pending against the Authority. In the opinion of management, all such matters are adequately covered by insurance or, if not so covered, are without merit or are of such kind or involve such amounts as would not have a material adverse effect on the basic financial statements of the Authority.

The Authority participates in several Federal financial assistance programs, principal of which are the HUD loan guarantee programs. Although the Authority’s administration of Federal grant programs has been audited in accordance with the provisions of the United States Office of Management and Budget Uniform Guidance, these programs are still subject to financial and compliance audits. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time, although the Authority does not expect such amounts, if any, to be material in relation to its basic financial statements.

The Authority is exposed to various risks of loss such as theft of, damage to, and destruction of assets, injuries to employees, and natural disasters. The Authority carries commercial insurance for these risks. There have been no significant reductions in insurance coverage from coverage in the prior year, and settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

(19) Subsequent Events

In addition to scheduled issuances and redemptions, the Authority made redemptions of notes and bonds payable subsequent to June 30, 2019 as follows:

	Issue date/ Redemption date		Amount
Issues:			
Rental Housing Bond 2019 Series C-Taxable	8/21/2019	$	50,000,000

Schedule 1

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the Commonwealth of Virginia)

Required Supplementary Information

Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios

(unaudited)

Last 2 Calendar Years

		2018	2017
Total OPEB Liability			
Service Cost	$	984,232	675,928
Interest		1,608,746	1,419,341
Changes in benefit terms		-	-
Differences between expected and actual experience		1,320,653	(228,449)
Changes of assumptions		370,909	2,830,950
Benefit payments		(630,078)	(519,345)
Net change in Total OPEB Liability		3,654,462	4,178,425
Total OPEB Liability - beginning		27,204,213	23,025,788
Total OPEB Liability - ending	$	30,858,675	27,204,213
Plan Fiduciary Net Position			
Contributions - employer	$	1,952,210	1,758,037
Net investment income		(865,732)	3,717,204
Benefit payments		(630,078)	(519,345)
Administrative expenses		(186,925)	(117,278)
Net change in Plan Fiduciary Net Position		269,475	4,838,618
Plan Fiduciary Net Position - beginning		32,068,548	27,229,930
Plan Fiduciary Net Position - ending	$	32,338,023	32,068,548
Net OPEB Liability (Asset) - ending		(1,479,348)	(4,864,335)
Plan Fiduciary Net Position as a % of the Total OPEB Liability		104.8%	117.9%
Covered-employee payroll	$	37,467,939	33,966,194
Net OPEB Liability as a % of covered-employee payroll		-3.9%	-14.3%

See accompanying independent auditors' report.

(1) This schedule should present 10 years of data; however, the information prior to 2017 is not readily available.

(2) There were no changes in benefit terms for years ended 2018 and 2017.

(3) Assumptions for year ended 2018 were updated to reflect changes in the mortality rates, medical trends, and aging assumptions.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Required Supplementary Information
Schedule of Contributions
(unaudited)
Last 2 Calendar Years

		2018	2017
Actuarially determined contribution	$	890,416	297,975
Contributions in relation to the actuarially determined contribution		1,952,210	1,758,037
Contribution deficiency (excess)	$	(1,061,794)	(1,460,062)
Covered-employee payroll	$	37,467,939	33,966,194
Contributions as a % of covered-employee payroll		5.2%	5.2%

See accompanying independent auditors' report.

(1) This schedule should present 10 years of data; however, the information prior to 2017 is not readily available.

(2) Contributions made to the Plan in 2018 and 2017 were in excess of the actuarial annual required contributions.

(3) The actuarial contribution rate is determined based on the same assumptions as the actuarial lability with a valuation date as of January 1, 2019 using the following actuarial assumptions as discussed in Note 10:

Valuation Date	January 1, 2019
Actuarial Cost Method	Entry-Age Normal percentage of Salary
Amortization Method	Level Percentage of Pay, Open
Amortization Period	20 years
Asset Valuation Method	Fair Value
Actuarial Assumptions	
Inflation Rate	2.4 percent, per annum
Investment rate of return	5.5 percent, per annum
Projected Salary Increases	3.5 percent, per annum
Healthcare cost trend rates	7.5 percent in 2019 grading uniformly to 6.75 percent over 3 years and following the Getzen model thereafter to an ultimate rate of 3.9 percent in the year 2076; the Retiree Credit Matrix will increase at 5 percent, per annum.
Participation rate	95 percent of fully eligible pre-65 active employees are assumed to elect medical coverage upon retirement; 75 percent of fully eligible post-65 active employees are assumed to elect coverage upon retirement.
Marital Status	Actual spouse participation and dates of birth were used for retirees; 60 percent of active employees are assumed to cover a spouse at retirement; active males are assumed to be 3 years older than their female spouses.
Medical Claims Cost	The claims cost is determined by disaggregating the premium based on plan, coverage tier, and age.

	Age 65 Cost Male	**Age 65 Cost Female**
Retiree/Spouse:	$17,041	$15,524

Age Variance	Claims were age adjusted each year based on the Dale Yamamoto study released by the Society of Actuaries in June 2013.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Net Position
(unaudited)
June 30, 2019

Assets	**General Operating Accounts**	**Rental Housing Bond Group**	**Commonwealth Mortgage Bond Group**	**Home-ownership Bond Group**	**Total**
Current assets:					
Cash and cash equivalents	$ 176,408,160	368,564,715	280,740,934	10,825,096	836,538,905
Interest receivable – investments	1,935,582	502,027	527,117	12,430	2,977,156
Mortgage loans held for sale	-	-	201,097,363	-	201,097,363
Mortgage and other loans receivable, net	6,365,746	75,100,309	72,093,423	6,507,803	160,067,281
Interest receivable – mortgage and other loans	629,847	14,883,095	7,410,876	685,587	23,609,405
Other real estate owned	7,093,980	427,000	3,949,826	957,684	12,428,490
Other assets	9,322,555	-	1,228	-	9,323,783
Total current assets	201,755,870	459,477,146	565,820,767	18,988,600	1,246,042,383
Noncurrent assets:					
Investments	565,711,262	-	51,800,889	-	617,512,151
Mortgage and other loans receivable	230,106,983	3,063,675,114	1,928,153,891	224,261,211	5,446,197,199
Less allowance for loan loss	33,745,244	43,902,322	57,099,021	2,491,297	137,237,884
Less net loan discounts	396,886	42,512,084	(1,816,910)	311,920	41,403,980
Mortgage and other loans receivable, net	195,964,853	2,977,260,708	1,872,871,780	221,457,994	5,267,555,335
Capital Assets, net of accumulated depreciation and amortization of $41,239,479	17,862,788	9,709,599	-	-	27,572,387
Mortgage servicing rights, net	38,026,067	-	-	-	38,026,067
Other Assets	14,531,808	-	-	-	14,531,808
Total noncurrent assets	832,096,778	2,986,970,307	1,924,672,669	221,457,994	5,965,197,748
Total assets	1,033,852,648	3,446,447,453	2,490,493,436	240,446,594	7,211,240,131
Deferred outflows of resources					
Other postemployment benefits - change in assumptions	2,653,422	-	-	-	2,653,422
Other postemployment benefits - difference between expected and actual experience	1,200,594	-	-	-	1,200,594
Other postemployment benefits - difference between projected and actual earnings	856,736	-	-	-	856,736
Total deferred outflows of resources	4,710,752	-	-	-	4,710,752

(Continued)

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Net Position
(unaudited)
June 30, 2019

Liabilities	General Operating Accounts	Rental Housing Bond Group	Commonwealth Mortgage Bond Group	Home-ownership Bond Group	Total
Current liabilities:					
Notes and bonds payable	445,300,000	39,355,000	53,799,162	19,321,322	557,775,484
Accrued interest payable on notes and bonds	510,487	18,771,997	7,309,481	1,149,339	27,741,304
Escrows	31,413,723	-	-	-	31,413,723
Derivative instruments	-	-	2,218,223	-	2,218,223
Accounts payable and other liabilities	27,547,625	-	54,214	-	27,601,839
Total current liabilities	504,771,835	58,126,997	63,381,080	20,470,661	646,750,573
Noncurrent liabilities:					
Bonds payable, net	-	1,785,290,000	1,005,665,025	138,629,304	2,929,584,329
Project reserves	114,173,466	-	-	-	114,173,466
Loan participation payable to Federal Financing Bank	29,160,551	-	-	-	29,160,551
Other (assets) liabilities	27,389,815	2,688,306	-	-	30,078,121
Total noncurrent liabilities	170,723,832	1,787,978,306	1,005,665,025	138,629,304	3,102,996,467
Total liabilities	675,495,667	1,846,105,303	1,069,046,105	159,099,965	3,749,747,040
Deferred inflows of resources					
Other postemployment benefits - difference between expected and actual experience	186,913	-	-	-	186,913
Total deferred inflows of resources	186,913	-	-	-	186,913
Net position:					
Net investment in capital assets	15,022,175	(385,052)	-	-	14,637,123
Restricted by bond indentures	-	1,600,727,202	1,421,447,331	81,346,629	3,103,521,162
Unrestricted	347,858,645	-	-	-	347,858,645
Total net position	$ 362,880,820	1,600,342,150	1,421,447,331	81,346,629	3,466,016,930

See accompanying independent auditors' report.

Schedule 4

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Revenues, Expenses, and Changes in Net Position

(unaudited)

Year ended June 30, 2019

		General Operating Accounts	Rental Housing Bond Group	Commonwealth Mortgage Bond Group	Home-ownership Bond Group	Total
Operating revenues:						
Interest on mortgage and other loans receivable	$	7,295,161	181,800,542	98,267,560	10,557,191	297,920,454
Housing Choice Voucher program administrative income		6,570,517	-	-	-	6,570,517
Gains and recoveries on sale of other real estate owned		610,626	8,234	936,866	99,427	1,655,153
Gains on sale of single family mortgage loans		-	-	22,297,234	-	22,297,234
Mortgage servicing fees net of guaranty fees		36,882,971	-	-	-	36,882,971
Tax credit program fees earned		6,200,599	-	-	-	6,200,599
Other		480,390	3,141,463	8,841	-	3,630,694
Total operating revenues		58,040,264	184,950,239	121,510,501	10,656,618	375,157,622
Operating expenses:						
Interest on notes and bonds payable		11,247,900	71,882,460	39,605,290	5,838,082	128,573,732
Salaries and related employee benefits		58,151,563	-	-	-	58,151,563
General operating expenses		39,919,176	-	-	-	39,919,176
Note and bond expense		506,347	5,452	1,974	-	513,773
Bond issuance expenses		102,532	2,079,799	-	-	2,182,331
Housing Choice Voucher program expenses		7,409,446	-	-	-	7,409,446
Mortgage servicing rights amortization and other servicing costs		16,885,432	-	1,159,703	-	18,045,135
Other real estate owned expenses		-	165	-	-	165
Losses on other real estate owned		464,988	-	1,124,190	68,666	1,657,844
Provision for loan losses		(300,521)	(1,659,997)	(6,119,668)	(297,022)	(8,377,208)
Total operating expenses		134,386,863	72,307,879	35,771,489	5,609,726	248,075,957
Operating income (expense)		(76,346,599)	112,642,360	85,739,012	5,046,892	127,081,665
Nonoperating revenues (expenses):						
Investment income		37,268,470	9,047,989	9,794,202	147,052	56,257,713
Unrealized loss on derivative instruments		-	-	(860,762)	-	(860,762)
Pass-through grant awards		107,087,128	-	-	-	107,087,128
Pass-through grants expenses		(107,087,128)	-	-	-	(107,087,128)
Other, net		1,069	-	-	-	1,069
Total nonoperating revenues, net		37,269,539	9,047,989	8,933,440	147,052	55,398,020
Income (loss) before transfers		(39,077,060)	121,690,349	94,672,452	5,193,944	182,479,685
Transfers between funds		88,155,807	(43,366,063)	(44,885,121)	95,377	-
Change in net position		49,078,747	78,324,286	49,787,331	5,289,321	182,479,685
Total net position, beginning of year		313,802,073	1,522,017,864	1,371,660,000	76,057,308	3,283,537,245
Total net position, end of year	$	362,880,820	1,600,342,150	1,421,447,331	81,346,629	3,466,016,930

Schedule 5

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Net Position
(unaudited)
June 30, 2018

Assets		**General Operating Accounts**	**Rental Housing Bond Group**	**Commonwealth Mortgage Bond Group**	**Home-ownership Bond Group**	**Total**
Current assets:						
Cash and cash equivalents	$	198,373,184	415,067,997	252,560,514	9,345,821	875,347,516
Interest receivable – investments		1,889,037	642,932	576,749	12,713	3,121,431
Mortgage loans held for sale		-	-	162,588,442	-	162,588,442
Mortgage and other loans receivable, net		5,813,243	70,026,850	75,185,321	7,052,748	158,078,162
Interest receivable – mortgage and other loans		758,073	14,609,633	7,828,377	763,212	23,959,295
Other real estate owned		4,553,420	427,000	8,053,884	1,233,530	14,267,834
Other assets		8,415,338	-	1,229	-	8,416,567
Total current assets		219,802,295	500,774,412	506,794,516	18,408,024	1,245,779,247
Noncurrent assets:						
Investments		540,537,838	-	55,515,148	-	596,052,986
Mortgage and other loans receivable		202,532,995	2,956,040,912	2,158,288,404	252,124,283	5,568,986,594
Less allowance for loan loss		42,029,978	45,912,319	66,821,915	2,997,217	157,761,429
Less net loan discounts (premiums)		370,255	38,094,256	(1,319,715)	328,594	37,473,390
Mortgage and other loans receivable, net		160,132,762	2,872,034,337	2,092,786,204	248,798,472	5,373,751,775
Capital Assets, net of accumulated depreciation and amortization of $37,907,294		12,197,002	10,406,033	-	-	22,603,035
Mortgage servicing rights, net		34,632,275	-	-	-	34,632,275
Other Assets		17,551,381	-	-	-	17,551,381
Total noncurrent assets		765,051,258	2,882,440,370	2,148,301,352	248,798,472	6,044,591,452
Total assets		984,853,553	3,383,214,782	2,655,095,868	267,206,496	7,290,370,699
Deferred outflows of resources						
Other post-employment benefits - change in assumptions		2,573,591	-	-	-	2,573,591

(Continued)

Schedule 5

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Net Position
(unaudited)
June 30, 2018

Liabilities	General Operating Accounts	Rental Housing Bond Group	Commonwealth Mortgage Bond Group	Home-ownership Bond Group	Total
Current liabilities:					
Notes and bonds payable	445,300,000	59,365,000	54,243,418	17,484,870	576,393,288
Accrued interest payable on notes and bonds	382,179	19,712,955	9,132,684	1,405,516	30,633,334
Escrows	33,652,835	-	-	-	33,652,835
Derivative instruments	-	-	1,357,461	-	1,357,461
Accounts payable and other liabilities	18,832,737	-	-	-	18,832,737
Total current liabilities	498,167,751	79,077,955	64,733,563	18,890,386	660,869,655
Noncurrent liabilities:					
Bonds payable, net	-	1,779,325,938	1,218,702,305	172,258,802	3,170,287,045
Project reserves	128,015,652	-	-	-	128,015,652
Loan participation payable to Federal Financing Bank	23,449,353	-	-	-	23,449,353
Other (assets) liabilities	22,055,619	2,793,025	-	-	24,848,644
Total noncurrent liabilities	173,520,624	1,782,118,963	1,218,702,305	172,258,802	3,346,600,694
Total liabilities	671,688,375	1,861,196,918	1,283,435,868	191,149,188	4,007,470,349
Deferred inflows of resources					
Other post-employment benefits - difference between expected and actual experience	207,681	-	-	-	207,681
Other post-employment benefits - difference between projected and actual earnings	1,729,015	-	-	-	1,729,015
Total deferred inflows of resources	1,936,696	-	-	-	1,936,696
Net position					
Net investment in capital assets	12,197,002	38,693	-	-	12,235,695
Restricted by bond indentures	-	1,521,979,171	1,371,660,000	76,057,308	2,969,696,479
Unrestricted	301,605,071	-	-	-	301,605,071
Total net position	$ 313,802,073	1,522,017,864	1,371,660,000	76,057,308	3,283,537,245

See accompanying independent auditors' report.

Schedule 6

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Revenues, Expenses, and Changes in Net Position
(unaudited)
Year ended June 30, 2018

		General Operating Accounts	Rental Housing Bond Group	Commonwealth Mortgage Bond Group	Home-ownership Bond Group	Total
Operating revenues:						
Interest on mortgage and other loans receivable	$	6,823,324	186,454,969	108,603,529	11,633,864	313,515,686
Housing Choice Voucher program administrative income		8,089,646	-	-	-	8,089,646
Other real estate owned income		-	1,835,562	-	-	1,835,562
Gains and recoveries on sale of other real estate owned		247,359	3,052,926	1,065,673	119,524	4,485,482
Gains on sale of single family mortgage loans		-	-	21,147,087	-	21,147,087
Mortgage servicing fees net of guaranty fees		30,137,033	-	-	-	30,137,033
Tax credit program fees earned		5,644,577	-	-	-	5,644,577
Other		1,253,467	3,606,442	1,649	-	4,861,558
Total operating revenues		52,195,406	194,949,899	130,817,938	11,753,388	389,716,631
Operating expenses:						
Interest on notes and bonds payable		7,000,658	74,711,059	47,783,943	7,003,648	136,499,308
Salaries and related employee benefits		55,490,578	-	-	-	55,490,578
General operating expenses		43,852,244	-	-	-	43,852,244
Note and bond expense		360,655	-	2,205	-	362,860
Bond issuance expenses		202,850	1,640,992	225,923	-	2,069,765
Housing Choice Voucher program expenses		8,195,612	-	-	-	8,195,612
Mortgage servicing rights amortization and other servicing costs		13,008,052	-	(1,180,273)	-	11,827,779
Other real estate owned expenses		-	1,344,848	-	-	1,344,848
Losses on other real estate owned		104,187	-	1,922,411	112,178	2,138,776
Provision for loan losses		2,166,233	2,884,968	3,955,365	(420,223)	8,586,343
Total operating expenses		130,381,069	80,581,867	52,709,574	6,695,603	270,368,113
Operating income (expense)		(78,185,663)	114,368,032	78,108,364	5,057,785	119,348,518
Nonoperating revenues (expenses):						
Investment income		7,113,142	4,717,853	3,601,338	110,065	15,542,398
Unrealized loss on derivative instruments		-	-	(2,632,383)	-	(2,632,383)
Pass-through grant awards		115,634,605	-	-	-	115,634,605
Pass-through grants expenses		(115,634,605)	-	-	-	(115,634,605)
Other, net		12,308	-	-	-	12,308
Total nonoperating revenues, net		7,125,450	4,717,853	968,955	110,065	12,922,323
Income (loss) before transfers		(71,060,213)	119,085,885	79,077,319	5,167,850	132,270,841
Transfers between funds		120,003,873	(12,968,078)	(110,071,839)	3,036,044	-
Change in net position		48,943,660	106,117,807	(30,994,520)	8,203,894	132,270,841
Total net position, beginning of year		264,858,413	1,415,900,057	1,402,654,520	67,853,414	3,151,266,404
Total net position, end of year	$	313,802,073	1,522,017,864	1,371,660,000	76,057,308	3,283,537,245

See accompanying independent auditors' report.

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Independent Auditors’ 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*

The Board of Commissioners
Virginia Housing Development Authority:

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 Virginia Housing Development Authority (the Authority), a component unit of the Commonwealth of Virginia which comprise the statement of net position as of June 30, 2019, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 12, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority’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 Authority’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 determination of financial statement amounts. 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Richmond, Virginia
September 12, 2019