West Virginia Housing Development Fund

AUDITED FINANCIAL STATEMENTS

For the years ended June 30, 2015 and 2014

Audited Financial Statements

WEST VIRGINIA HOUSING DEVELOPMENT FUND

For the Years Ended June 30, 2015 and 2014

Audited Financial Statements

Required Supplementary Information

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the West Virginia Housing Development Fund (the Fund), a component unit of the State of West Virginia, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund, as of June 30, 2015 and 2014, and the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, and the schedule of the proportionate share of the net pension liability and the schedule of contributions to the PERS on page 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Gibbons & Kawash, A.C.

Charleston, West Virginia
September 8, 2015

INTRODUCTION

The West Virginia Housing Development Fund (the Fund) is a public body corporate with statewide responsibility for housing and operates a wide variety of programs to provide safe and affordable housing for residents and families in the State of West Virginia (the State). The Fund is a self-supporting agency and does not receive State appropriations for its operations. Through June 30, 2015, the Fund has provided assistance for more than 118,000 housing or housing-related units.

The permanent staff of the Fund consists of 101 persons, including professional staff members qualified in the fields of accounting, appraisal, finance, law, mortgage underwriting, mortgage loan servicing, secondary mortgage markets, planning, cost estimation, construction, inspection, and housing management. The Fund provides services in these fields for its programs as required and utilizes professional consulting services from time to time to supplement its own staff.

The Fund has 14 bond issues totaling $390,145,000 par amount outstanding under its bond resolutions. The bonds are rated "AAA" by Standard & Poor's Public Ratings Services (S&P) and "Aaa" by Moody's Investors Service, Inc. (Moody's).

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

The financial transactions of the Fund are recorded in relation to its various programs, which are more fully explained in the Notes to the Financial Statements. These programs consist of the General Account, Bond Programs, Other Loan Programs, Land Development Program, Bond Insurance Account, and Federal Programs. These were established in accordance with the West Virginia Housing Development Fund Act (the Act), the bond resolutions or at management's discretion. The restricted net position of the Fund includes the net position of the Bond Programs, Land Development Program, Bond Insurance Account, and Federal Programs, which are restricted by the bond resolutions, the Act, or federal regulations.

As management of the Fund, we offer readers of the Fund's financial statements this narrative overview and analysis of the Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Fund Net Position as of and for the years ended June 30, 2015, 2014 and 2013.

USING THIS REPORT

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

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

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

FINANCIAL HIGHLIGHTS

Following is a comparison of the Fund's condensed Statements of Net Position at June 30:

(Dollars in thousands)	2015	2014	2013
ASSETS			
Current assets	**$ 70,335**	**$ 77,422**	$ 80,024
Noncurrent assets:			
Mortgage loans & Restricted mortgage loans, net of allowance for losses	**674,581**	**690,048**	697,427
Restricted Federal Program mortgage loans, net of allowance for losses	**55,176**	**48,963**	50,284
Restricted cash and cash equivalents	**42,408**	**19,073**	31,123
Investments & Restricted investments	**82,223**	**97,522**	102,842
Capital assets, net of depreciation	**9,378**	**9,985**	10,070
Other assets & Restricted other assets, net of allowance for losses	**9,158**	**7,720**	6,412
Total assets	**943,259**	**950,733**	978,182
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension	**906**	**-**	-
LIABILITIES			
Current liabilities:			
Accounts payable and other liabilities	**17,466**	**18,010**	18,219
Accrued interest payable	**2,115**	**2,515**	2,717
Bonds payable	**32,765**	**68,815**	40,425
Noncurrent liabilities:			
Bonds & notes payable, net	**358,682**	**348,020**	415,273
Other liabilities	**57,719**	**49,333**	51,243
Total liabilities	**468,747**	**486,693**	527,877
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pension	**1,615**	**-**	-
NET POSITION			
Investment in capital assets	**9,378**	**9,985**	10,070
Net position - Restricted	**394,353**	**381,359**	366,995
Net position - Unrestricted	**70,072**	**72,696**	73,240
TOTAL NET POSITION	**$ 473,803**	**$ 464,040**	$ 450,305

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

Current assets

The decrease of $7,087,000 (9.2%), in *Current assets* from 2014 to 2015 was primarily due to funds on hand at the end of fiscal year 2014 were used for bond redemptions and recycled into additional mortgage loans during fiscal year 2015.

The decrease of $2,602,000 (3.3%), in *Current assets* from 2013 to 2014 was primarily due to a $1,030,000 decrease in cash related to program disbursements and a $1,636,000 decrease in funds held on behalf of others primarily for tax and insurance escrows.

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

The decrease of $15,467,000 (2.2 %) in *Mortgage loans & Restricted mortgage loans, net of allowance for losses* from 2014 to 2015 was primarily due to mortgage loan prepayment and repayments of $67,991,000 and foreclosures of $6,738,000 exceeding loan originations of $59,578,000, loans sold in the amount of $450,000 and a decrease of $133,000 in loan loss provisions. Mortgage loan balances in the Bond Programs decreased approximately $15,316,000 from 2014 to 2015.

The decrease of $7,379,000 (1.1 %) in *Mortgage loans & Restricted mortgage loans, net of allowance for losses* from 2013 to 2014 was primarily due to mortgage loan prepayment and repayments of $73,063,000 and foreclosures of $8,001,000 exceeding loan originations of $73,492,000 and a decrease of $182,000 in loan loss provisions. Mortgage loan balances in the Bond Programs decreased approximately $9,553,000 from 2013 to 2014.

Restricted Federal Program mortgage loans, net of allowance for losses

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

Restricted cash and cash equivalents

The increase of $23,335,000 (122.3%) in *Restricted cash and cash equivalents* from 2014 to 2015 was primarily due to a $15,382,000 increase in the balance of funds available to purchase single family mortgage loans and a $7,953,000 increase due to the proceeds of long-term maturities reinvested short term. The balance of bond proceeds available for the purchase of single family mortgages is primarily related to the timing of bonds issued for this purpose or recycled funds available for loan purchases.

The decrease of $12,050,000 (38.7%) in *Restricted cash and cash equivalents* from 2013 to 2014 was primarily due to a $12,688,000 decrease in the balance of funds available to purchase single family mortgage loans. The balance of bond proceeds available for the purchase of single family mortgages is primarily related to the timing of bonds issued for this purpose or recycled funds available for loan purchases.

Investments & Restricted investments

The fluctuations in *Investments and Restricted investments* from year to year is the net effect of investment purchases, redemptions, maturities and amortization and the change in fair value of investments as required by Governmental Accounting Standards Board (GASB) Statement No. 31. This statement requires certain investments to be recorded at fair value and the unrealized gains or losses be reported in the Statements of Revenues, Expenses and Changes in Fund Net Position.

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

(Dollars in thousands)	**2015**	**2014**	2013
Balance at beginning of fiscal year	**$ 97,522**	**$ 102,842**	$ 124,142
Sales, maturities and amortization	**(42,759)**	**(46,835)**	(88,191)
Purchases	**28,499**	**42,008**	71,739
Decrease in fair value of investments	**(1,039)**	**(493)**	(4,848)
Balance at end of fiscal year	**$ 82,223**	**$ 97,522**	$ 102,842

Capital assets, net of depreciation See *Note A* – <u>*Capital assets, net of depreciation*</u>

The decrease of $607,000 (6.1 %) from 2014 to 2015 was due to depreciation of the Fund's office building, equipment, furnishings and software.

The decrease of $85,000 (0.8 %) from 2013 to 2014 was due to depreciation of $427,000, the sale of the Fund's former office building in the amount of $220,000, net of the purchase of software of $447,000 and equipment and building improvements of $115,000.

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

The increase of $1,438,000 (18.6%) in *Other assets and Restricted other assets, net of allowance for losses* from 2014 to 2015 was primarily due to an increase in foreclosed properties of $1,023,000 and a $687,000 increase in land owned.

The increase of $1,308,000 (20.4%) in *Other assets and Restricted other assets, net of allowance for losses* from 2013 to 2014 was primarily due to an increase in foreclosed properties.

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

The increase of $906,000 from 2014 to 2015 was due to the adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* in fiscal year 2015

Accounts payable and other liabilities

The decrease of $544,000 (3.0%) in *Accounts payable and other liabilities* from 2014 to 2015 was primarily due to a decrease in the GASB 31 rebate liability of $214,000, a decrease of $210,000 in accrued expenses at year-end and a decrease of $120,000 in tax and insurance escrows held on behalf of the Fund's various mortgagors.

The decrease of $209,000 (1.1%) in *Accounts payable and other liabilities* from 2013 to 2014 was primarily due to a decrease in tax and insurance escrows held on behalf of the Fund's various mortgagors.

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

The increase of $1,615,000 from 2014 to2015 was due to the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* in fiscal year 2015

Bonds and notes payable, current and noncurrent

As illustrated in the following schedule, the changes in *Bonds and notes payable* were due to the early redemption or refunding of bonds, scheduled debt service payments, and new bonds and notes issued. The changes in the balance of bonds and notes payable and interest rates generally account for the fluctuations in *Accrued interest payable* in 2015 and 2014. See *Note D – Bonds & Notes payable, current and noncurrent.*

(Dollars in thousands)		2015	2014	2013
Balance at beginning of the fiscal year				
Bonds payable - current		**$ 68,815**	**$ 40,425**	$ 66,245
Bonds payable - noncurrent		**348,020**	**415,273**	515,139
Debt issued:	Housing Finance Bonds	**99,525**	**47,500**	21,000
	Other Loan Programs note payable	**250**	**250**	250
Debt paid:	Scheduled debt service - Bonds & notes payable	**(23,490)**	**(23,052)**	(25,065)
	Early redemptions and refundings	**(101,225)**	**(63,055)**	(121,360)
Amortization of bond premiums		**(448)**	**(506)**	(511)
Balance at end of the fiscal year		**$ 391,447**	**$ 416,835**	$ 455,698
Bonds payable - current		**$ 32,765**	**$ 68,815**	$ 40,425
Bonds & notes payable - noncurrent		**358,682**	**348,020**	415,273
Total bonds & notes payable		**$ 391,447**	**$ 416,835**	$ 455,698

Other liabilities

The decrease of $1,910,000 (3.7%) and increase of $8,386,000 (17.0%) in *Other liabilities* from 2013 to 2014 and from 2014 to 2015, respectively, was due to activity fluctuations in the outstanding balance of Federal Programs mortgage loans as a result of loans originated. In addition, in 2015 a net pension liability of $1,526,000 was established due to the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.*

Total Net Position improved by $13,735,000 (3.1%) from June 30, 2013 to June 30, 2014. From June 30, 2014 to June 30, 2015, *Total Net Position* improved by $9,763,000 (2.1%) as the net position of the Fund improved to $473,803,000 at June 30, 2015.

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

(Dollars in thousands)	2015	2014	2013
REVENUES			
Interest on loans	**$ 34,014**	**$ 35,907**	$ 39,219
Pass-through grant revenue	**75,785**	**67,454**	65,325
Fee revenue	**6,386**	**6,402**	6,473
Net investment earnings (non-operating)	**2,998**	**3,402**	(937)
Gain on sale of capital assets	**-**	**15**	-
Other	**980**	**977**	1,758
Total Revenues	**120,163**	**114,157**	111,838
EXPENSES			
Pass-through grant expense	**75,785**	**67,454**	65,325
Interest and debt expense (non-operating)	**13,900**	**15,469**	18,709
Loan fees expense	**3,758**	**3,825**	4,628
Program expenses, net	**3,991**	**3,964**	4,188
Administrative expenses, net	**10,156**	**9,710**	9,530
Total Expenses	**107,590**	**100,422**	102,380
CHANGE IN NET POSITION	**12,573**	**13,735**	9,458
NET POSITION AT BEGINNING OF YEAR	**464,040**	**450,305**	440,847
CUMULATIVE EFFECT OF ADOPTION OF ACCOUNTING PRINCIPLE [1]	**(2,810)**	**-**	-
NET POSITION AT BEGINNING OF YEAR, AS RESTATED	**461,230**	**450,305**	440,847
NET POSITION AT END OF YEAR	**$ 473,803**	**$ 464,040**	$ 450,305

[1] *See Note A - Accounting methods*

Interest on loans

The decrease in *Interest on loans* of $1,893,000 (5.3%) and $3,312,000 (8.4%) from 2014 to 2015 and 2013 to 2014, respectively, was primarily due to a decrease in mortgage loan balances from the prior year as well as a decrease in the average mortgage loan rate.

Pass through grant revenue and Pass through grant expense

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

The increase of $8,331,000 (12.4%) from 2014 to 2015 was primarily due to HOME disbursements as well as an increase in the Section 8 Housing Assistance Payments Program (HAP) disbursements.

The increase of $2,129,000 (3.3%) from 2013 to 2014 was primarily due to HOME disbursements as well as an increase in the Section 8 Housing Assistance Payments Program (HAP) disbursements.

Fee revenue

The decrease of $16,000 (0.2%) in *Fee revenue* from 2014 to 2015 was primarily due to a decrease of $189,000 in mortgage loan fees and an increase in Low-Income Housing Tax Credit fees in the amount of $172,000.

The decrease of $71,000 (1.1%) in *Fee revenue* from 2013 to 2014 was primarily due to a decrease of $69,000 in mortgage loan fees.

Net investment earnings

Net investment earnings increased $4,339,000 (463.1%) from 2013 to 2014 and decreased $404,000 (11.9%) from 2014 to 2015 in the comparison of revenues and expenses above. However, *Net investment earnings* include unrealized gains and losses in the fair market value of investments for each of the fiscal years presented as required by Generally Accepted Accounting Principles (GAAP). As shown in the schedule below, the Fund's investment earnings, adjusted for the unrealized gains or losses, decreased 1.8% from 2013 to 2014 and decreased an additional .4% from 2014 to 2015.

(Dollars in thousands)	June 30, 2015	June 30, 2014	June 30, 2013
Net investment income per operating statement	**$ 2,998**	**$ 3,402**	$ (937)
Adjustments for unrealized loss on fair value of securities	**834**	**447**	4,858
Interest earned on investments	**$ 3,832**	**$ 3,849**	$ 3,921
% Decrease from prior year	**(0.4%)**	**(1.8%)**	

Other revenues

The decrease of $12,000 (1.2%) in *Other revenues* from 2014 to 2015 was primarily due to a decrease in gains on sale of capital assets related to the sale of the Fund's office building in 2014.

The decrease of $766,000 (43.6%) in *Other revenues* from 2013 to 2014 was primarily due to a decrease in gains on sale of mortgage loans in the secondary market.

Interest and debt expense

The $1,569,000 (10.1 %) decrease in *Interest and debt expense* from 2014 to 2015 was primarily due to $124,715,000 in bond redemptions, refundings and debt service exceeding bond issuances of $99,775,000 during 2015.

The $3,240,000 (17.3 %) decrease in *Interest and debt expense* from 2013 to 2014 was primarily due to $63,055,000 in bond redemptions and refundings during 2014.

Loan fees expense

The $67,000 (1.8%) decrease in *Loan fees expense* was primarily due to a decrease in service fees due to a decrease in loan balances.

The $803,000 (17.4%) decrease in *Loan fees expense* from 2013 to 2014 was primarily due to a decrease in loan origination fees paid to lenders due to a decrease in secondary market loan purchases.

Program expenses, net

The $27,000 (0.7%) increase in *Program expenses, net* from 2014 to 2015 was primarily due to an increase of $456,000 in cost of issuance expenses, an increase of $183,000 in servicing expense net of a $380,000 decrease in Special Needs disbursements, a decrease of $174,000 in losses on foreclosed properties and a $34,000 decrease in bad debt expense.

The $224,000 (5.3%) decrease in *Program expenses, net* from 2013 to 2014 was primarily due to a decrease of $604,000 in losses on foreclosed properties, a decrease of $41,000 in bad debt expense, net of increases in cost of issuance expenses and Special Needs disbursements of $257,000 and $181,000 respectively.

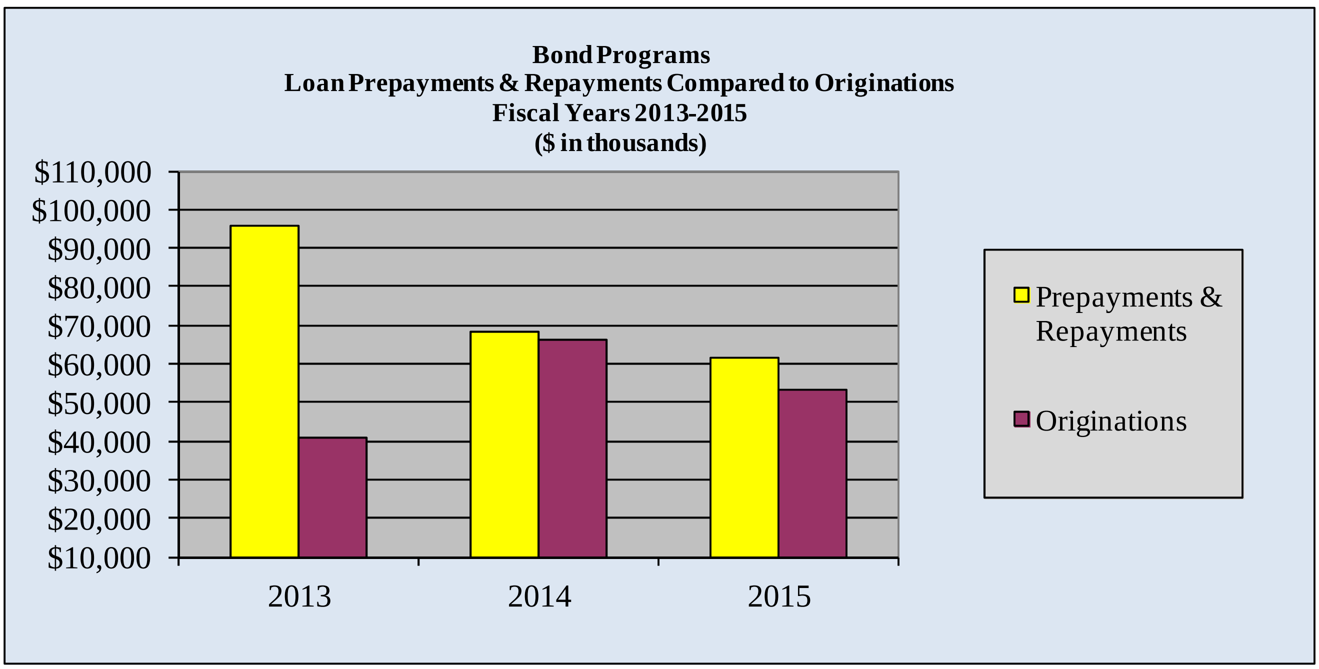
OVERVIEW OF THE FINANCIAL STATEMENTS

Mortgage Lending

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

Since the onset of the housing crisis in 2009, the fund's single family mortgage loan originations have declined due to several related factors. During this time conventional mortgage rates have been comparable to the Funds tax-exempt bond mortgage rates reducing the Fund's traditional competitive edge of mortgage rates. In addition, lending guidelines have been more restrictive, preventing many borrowers from qualifying for home mortgage loans. Record low interest rates have also contributed to a large number of borrowers refinancing their Bond Program loans. Consequently, the Bond Programs mortgage loan balances decreased $9,553,000 in fiscal 2014 as a result of mortgage loan repayments and prepayments exceeding loan originations. In 2015, bond loan repayments and prepayments slowed significantly, but still exceeded loan originations by $15,316,000 due to a decrease in loan originations. Mortgage loan balances and continued loan originations are key elements to future earnings potential.

The following chart illustrates the volume of loan prepayments and repayments compared to originations from fiscal year 2013 through fiscal year 2015 for the Bond Programs.



Interest rates on new single family bond loans originated in fiscal year 2015 have averaged approximately 3.93%. Due to lower interest rates on new single family loan originations and the prepayment of higher interest single family and multifamily loans, the average interest rate on loans outstanding has declined as follows.

June 30, 2013	5.16%
June 30, 2014	4.97%
June 30, 2015	4.91%

Despite significant increases in the amount of foreclosures and delinquency rates nationwide, the Fund's foreclosures and delinquency rates for loans over two months delinquent have remained comparable to the State and National rates. Nationwide increases began in late 2006 and continue to remain high. The increases are a result of sub-prime lending, lower home values and a weakened economy. The Fund attributes the steadiness of its delinquency rates to sound underwriting practices and with the exception of a few counties within the State, no significant decline in home values. Also, the Fund's Bond Programs consist of 30-year fixed rate loans and no sub-prime loans.

Delinquency Rates

	WV Housing Development Fund As of June 30,			WV*	USA*
	2013	**2014**	**2015**	**As of March 31, 2015**	
Months Past Due					
One	5.16%	4.95%	4.35%	3.04%	2.29%
Two	1.12%	1.38%	1.31%	1.00%	0.83%
Three	0.53%	0.56%	0.61%	1.87%	2.02%
In foreclosure	2.31%	2.01%	1.39%	1.19%	2.22%

*Most current data available.

Investments

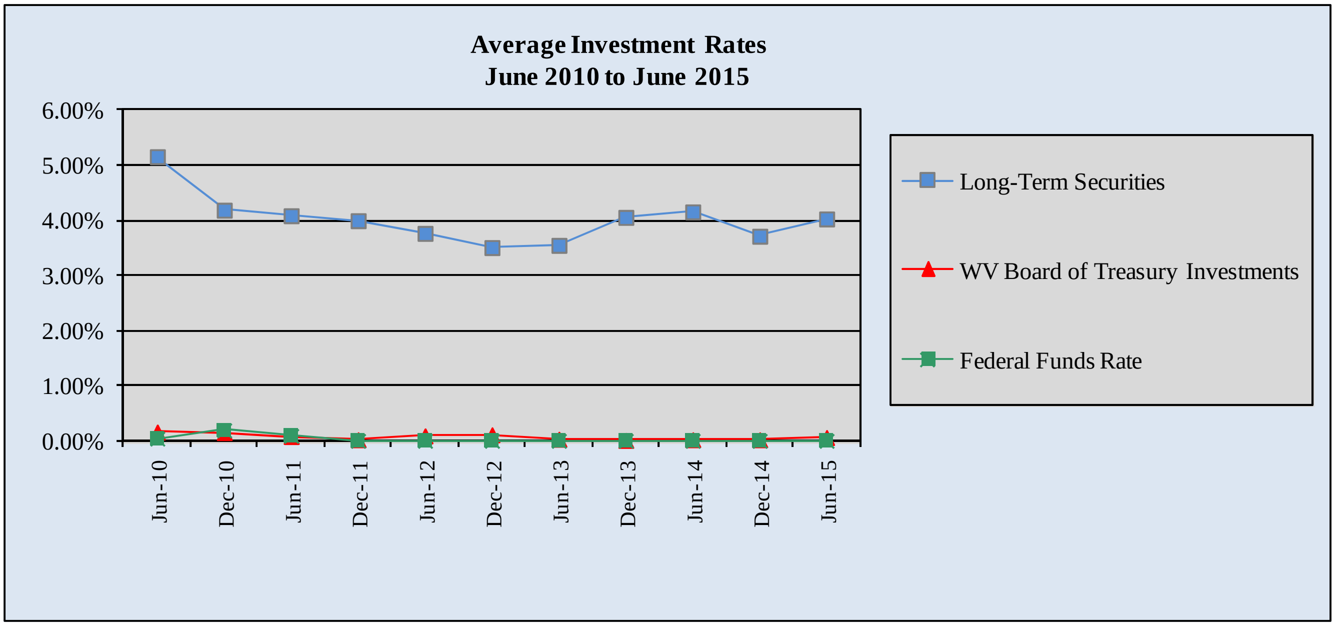
The Fund invests cash not required for immediate disbursement as permitted by the Act, the bond resolutions, and the Board approved Investment Policy. Funds related to the Bond Programs capital reserves and the Bond Insurance Account are primarily invested in long-term United States agency securities and FDIC insured certificates of deposit or collateralized certificates of deposit, which are expected to be held to maturity. Certain funds in the Bond Insurance Account and general operating funds are invested in mortgage loans held solely for investment. The interest earnings on these investment types are less affected by the fluctuation in short-term interest rates. However, as these long-term securities mature or are called, the Fund's long-term average rates are decreasing due to the current lower yield opportunities for the reinvestment of these funds.

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

As shown in the following chart, the average investment rates for short-term investments and the WVBOTI has been consistent with the Federal Funds rate and have remained at a historical low of 0.00% to 0.25% since 2009. Due to market conditions the Fund invests in Demand Deposit Accounts, FDIC insured certificates of deposit and in collateralized certificates of deposit to maximize investment yields and preserve principal.

The low interest rate environment has directly impacted the Fund's investment earnings as they decreased 1.8% from 2013 to 2014, net of unrealized gains or losses, and an additional .4% from 2014 to 2015, net of unrealized gains or losses.

Below is a summary of the average investment rates from June 2010 to June 2015:



Debt Management

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

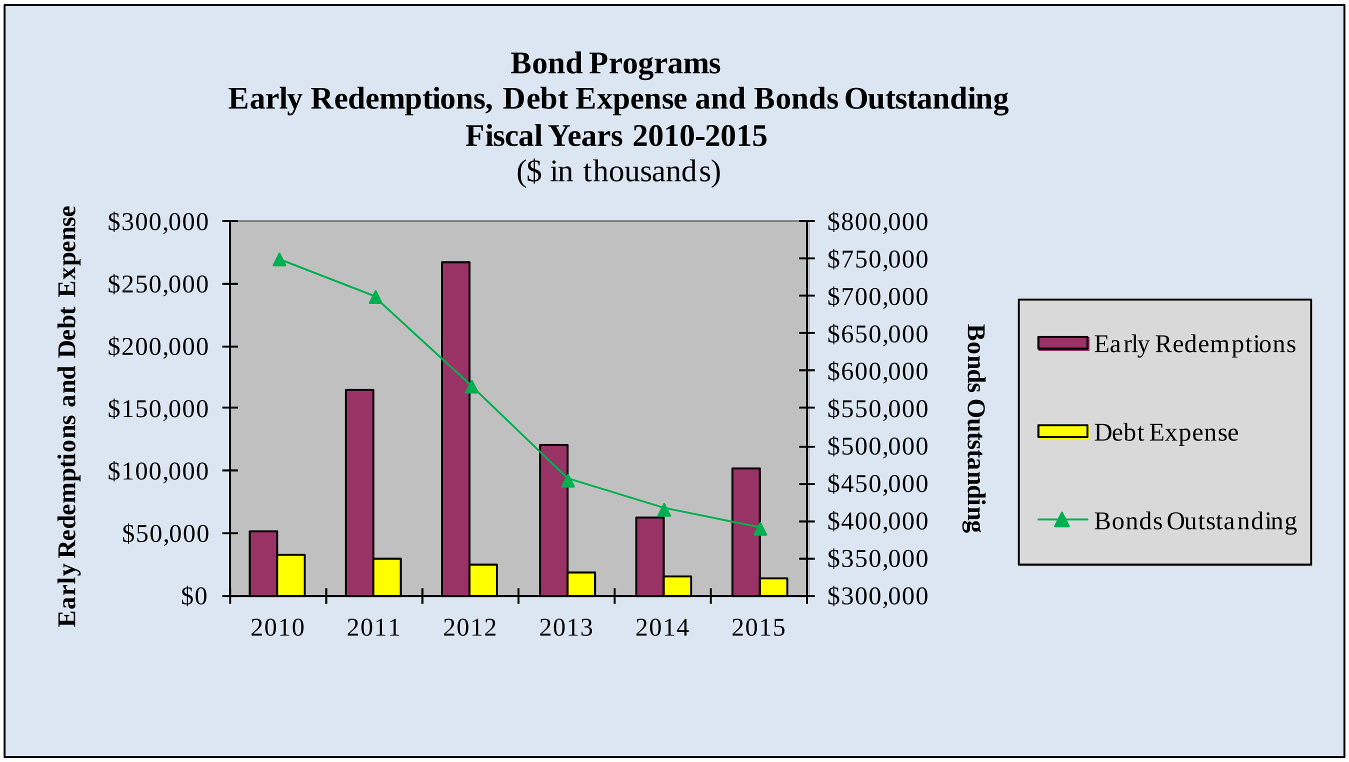
The Fund sometimes uses general operating funds as a warehouse line to purchase new loans in anticipation of bond sales. In addition to general operating funds, the Fund has a $15,000,000 line of credit with the Federal Home Loan Bank (the FHLB) that is also available to use as a warehouse line for the purchase of single family, multifamily and secondary market loans. This line of credit is to be secured by investments of the Bond Insurance Account as advances are received and is a general obligation of the Fund. At June 30, 2015, 2014 and 2013 no advances had been drawn on this line of credit, and accordingly, no balance is outstanding.

When bonds are issued from the bond volume allocation, known as “new money” bonds, certain repayments and prepayments of mortgage loans made from these proceeds may be “recycled” into additional mortgage loans for ten years. The Fund uses recycling to supplement its bond issues by using prepayments for additional mortgage loans instead of issuing debt. If the market interest rates on mortgages are lower than the corresponding bond rates, the Fund may redeem bonds in lieu of recycling. However, if mortgage rates are higher than the corresponding bond rates the Fund may redirect prepayments into additional mortgage loans in lieu of redeeming bonds. Moving forward into fiscal year 2016 the Fund expects to continue to recycle mortgage loan repayments from its bond issues when it is economically prudent to do so.

During fiscal years 2013, 2014 and 2015, the Fund redeemed or refunded $121,360,000, $63,055,000 and $101,225,000 in bonds, respectively. In addition, 2013, 2014 and 2015 redemptions included the refunding of bonds in the amount of $25,000,000, $27,500,000 and $69,320,000, respectively.

Debt expense was $18,709,000, $15,469,000 and $13,900,000 in fiscal years 2013, 2014 and 2015, respectively. Debt expense decreased in 2014 and 2015 as compared to 2013 due to lower bond balances as a result of redemptions exceeding new debt issuances and interest savings resulting from refundings of high rate bonds.

The following chart illustrates early bond redemptions, debt expense and bonds outstanding in the Bond Programs.



Other

The Fund services all of its outstanding mortgage loans and services loans on behalf of Fannie Mae, Freddie Mac, the West Virginia Affordable Housing Trust and the West Virginia Jobs Investment Trust. The Fund is the largest loan servicer in the State with serviced loans of $1.2 billion. Servicing fee income in the amount of $3,260,000 represents 7.88% of the Fund's operating revenues, net of pass through grant revenue, for the fiscal year ended June 30, 2015.

CONTACTING THE FUND'S FINANCIAL MANAGEMENT

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

WEST VIRGINIA HOUSING DEVELOPMENT FUND
STATEMENTS OF NET POSITION
(Dollars in Thousands)

	June 30, 2015	June 30, 2014
ASSETS		
Current assets:		
Cash and cash equivalents-- *(Notes A and C)*	$ 21,224	$ 25,232
Accrued interest on loans	217	247
Accounts receivable and other assets, net of allowance for losses-- *(Note A)*	1,043	858
Mortgage loans held for sale-- *(Note A)*	3,025	1,454
Restricted cash and cash equivalents-- *(Notes A and C)*	41,427	46,067
Restricted accrued interest on loans	2,548	2,732
Restricted accrued interest on investments	851	832
Total current assets	70,335	77,422
Noncurrent assets:		
Mortgage loans, net of allowance for losses-- *(Note A)*	47,296	45,556
Capital assets, net of depreciation-- *(Note A)*	9,378	9,985
Restricted cash and cash equivalents-- *(Notes A and C)*	42,408	19,073
Restricted investments-- *(Notes A and C)*	82,223	97,522
Restricted mortgage loans, net of allowance for losses-- *(Note A)*	682,461	693,455
Restricted other assets, net of allowance for losses-- *(Note A)*	9,158	7,720
Total noncurrent assets	872,924	873,311
Total assets	943,259	950,733
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pension	906	-
LIABILITIES		
Current liabilities:		
Accounts payable and other liabilities-- *(Note A)*	17,466	18,010
Accrued interest payable	2,115	2,515
Bonds payable-- *(Note D)*	32,765	68,815
Total current liabilities	52,346	89,340
Noncurrent liabilities:		
Other liabilitiess-- *(Note A)*	57,719	49,333
Bonds & notes payable-- *(Note D)*	358,682	348,020
Total noncurrent liabilities	416,401	397,353
Total liabilites	468,747	486,693
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pension	1,615	-
NET POSITION		
Restricted for debt service	319,293	308,424
Restricted by state statute for bond insurance and land development	75,060	72,935
Investment in capital assets	9,378	9,985
Unrestricted	70,072	72,696
Total net position	$ 473,803	$ 464,040

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

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

	Year Ended June 30, 2015	Year Ended June 30, 2014
OPERATING REVENUES		
Interest on loans	$ 34,013	$ 35,907
Pass-through grant revenue-- *(Note A)*	75,785	67,454
Fee revenue-- *(Note A)*	6,386	6,402
Other-- *(Note A)*	980	977
	117,164	110,740
OPERATING EXPENSES		
Pass-through grant expense-- *(Note A)*	75,785	67,454
Loan fees expense-- *(Note A)*	3,757	3,825
Program expenses, net-- *(Note A)*	3,991	3,964
Administrative expenses, net-- *(Note A)*	10,156	9,710
	93,689	84,953
OPERATING INCOME	23,475	25,787
NON-OPERATING - FINANCING AND INVESTING REVENUES (EXPENSES)		
Gain on sale of capital assets	-	15
Net investment earnings	2,998	3,402
Interest and debt expense	(13,900)	(15,469)
	(10,902)	(12,052)
CHANGE IN NET POSITION	12,573	13,735
NET POSITION AT BEGINNING OF YEAR	464,040	450,305
CUMULATIVE EFFECT OF ADOPTION OF ACCOUNTING PRINCIPLE	(2,810)	-
NET POSITION AT BEGINNING OF YEAR, AS RESTATED	461,230	-
NET POSITION AT END OF YEAR	$ 473,803	$ 464,040

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

WEST VIRGINIA HOUSING DEVELOPMENT FUND
STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

	Year Ended June 30, 2015	Year Ended June 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from lending activities	$ 109,581	$ 116,773
Receipts from other operating activities	7,293	7,270
Receipts from escrows and advance activities [1]	85,443	92,005
Disbursements from escrows and advance activities [1]	(84,981)	(92,947)
Receipts for federal lending activities	14,332	6,982
Receipts for federal activities	60,599	59,206
Disbursements for federal activities	(60,579)	(59,184)
Purchase of mortgage loans	(74,854)	(81,688)
Purchase of mortgage loans held for sale	(36,333)	(31,770)
Sales of mortgage loans	35,210	31,006
Payments to employees for salaries and benefits	(8,152)	(7,434)
Payments to vendors	(11,270)	(9,476)
Net cash provided by operating activities	36,289	30,743
CASH FLOWS USED IN NONCAPITAL FINANCING ACTIVITIES		
Net proceeds from bonds and notes	99,775	47,750
Retirement of bonds and notes	(124,673)	(86,107)
Interest paid	(14,769)	(16,139)
Net cash used in noncapital financing activities	(39,667)	(54,496)
CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of equipment and furnishings	-	(562)
Sale of capital asset	-	235
Net cash used in capital and related financing activities	-	(327)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities of investments	42,827	46,888
Purchase of investments	(28,499)	(42,009)
Net investment earnings	3,737	3,959
Net cash provided by investing activities	18,065	8,838
Net increase (decrease) in cash and cash equivalents	14,687	(15,242)
Cash and cash equivalents at beginning of year	90,372	105,614
Cash and cash equivalents at end of year	$ 105,059	$ 90,372
Cash and cash equivalents consist of:		
Cash and cash equivalents	$ 21,224	$ 25,232
Restricted cash and cash equivalents - current	41,427	46,067
Restricted cash and cash equivalents - noncurrent	42,408	19,073
	$ 105,059	$ 90,372

[1] See Note A, *Restricted cash and cash equivalents*

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

WEST VIRGINIA HOUSING DEVELOPMENT FUND
STATEMENTS OF CASH FLOWS (CONTINUED)
(Dollars in Thousands)

	Year Ended June 30, 2015	Year Ended June 30, 2014
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 23,475	$ 25,787
Adjustments to reconcile operating income to net cash provided by operating activities:		
Pension expense	211	-
Change in assets and liabilities:		
Accrued interest on loans	30	(25)
Mortgage loans held for sale	(1,571)	(764)
Other assets	408	127
Allowance for losses on other assets	14	93
Restricted accrued interest on loans	184	243
Restricted other assets	(1,703)	(1,775)
Allowance for losses on restricted other assets	265	467
Mortgage loans	(1,716)	(2,574)
Allowance for losses on mortgage loans	(24)	347
Restricted mortgage loans	9,791	7,596
Allowance for losses on restricted mortgage loans	1,203	3,331
Accounts payable	(352)	(200)
Other liabilities, Federal Programs	6,860	(1,910)
Deferred outflows of resources - pension contributions	(786)	-
Net cash provided by operating activities	$ 36,289	$ 30,743

	2015	2014
Noncash investing and financing activities:		
Decrease in fair value of investments	$ (1,047)	$ (493)
Net amortization of premiums/discounts on investments	69	52

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

NOTE A – AGENCY DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

The Fund receives no appropriations from the State; however it is included as a discretely presented component unit of the primary government in the State's Comprehensive Annual Financial Report. In defining the Fund for financial reporting purposes, management considered all potential component units. Based on the criteria of accounting principles generally accepted in the United States, the Fund has no component units.

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

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

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

Other Loan Programs include the Downpayment and Closing Cost Assistance Program, Secondary Market Program, Leveraged Loan Program, Economic Development Program, Mini-Mod Renovation Program, Flood Program, Demolition Program, Home Emergency Loan Program, Low-Income Assisted Mortgage Program, On-Site Septic Systems Loan Program, New Construction Financing Program and the Special Assistance Lending Program, all of which have been financed from the general reserves of the Fund.

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

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

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

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

Effective July 1, 2014, the Fund adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*-an amendment of GASB Statement No. 27, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*-an amendment of GASB Statement No. 68. The Fund determined that it was not practical to restate all periods presented and has recorded the July 1, 2014 cumulative decrease of $2,810,000 to the 2015 beginning net position. The $2,810,000 cumulative effect adjustment as of July 1, 2014 is comprised of the net pension liability of $3,613,000 less deferred outflows of resources related to pension plan contributions of $803,000 as of that date. The Fund further determined that it was not practical to determine the amounts of all deferred inflows of resources and deferred outflows of resources related to pensions as of July 1, 2014 and these amounts are not reported.

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

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

(Dollars in thousands)	June 30, 2015			June 30, 2014		
	Balance	**Allowance**	**Net**	**Balance**	**Allowance**	**Net**
Accounts receivable and other Assets:						
Accounts receivable	$ 969	$ (8)	$ 961	$ 570	$ (5)	$ 565
Land	117	(35)	82	117	(35)	82
Foreclosed property	131	(131)	-	331	(120)	211
Total	$ 1,217	$ (174)	$ 1,043	$ 1,018	$ (160)	$ 858

Mortgage loans held for sale: In its Secondary Market Program, the Fund purchases and sells fixed-rate mortgage loans, primarily to government agencies, on a servicing retained basis. Mortgage loans held for sale, including commitments to purchase and sell loans are carried at the lower of aggregate cost or market. The sale price is determined at the date of commitment and the commitment period generally ranges from 30 to 90 days. At June 30, 2015 and June 30, 2014, respectively, the Fund had commitments to purchase loans of $8,009,000 and $6,239,000 net of estimated fallout, and commitments to sell loans of $5,562,000 and $5,005,000.

Restricted cash and cash equivalents represents monies the Fund holds on behalf of others, restricted by the Act or by the bond resolutions. Included in this line item are tax and insurance escrows held on behalf of the Fund's various mortgagors and payments collected on mortgages for which the Fund acts as servicer only. The Fund is obligated to expend these monies on escrowed items or remit them to the appropriate investors in the case of mortgage loans serviced for the benefit of others. Also included in *Restricted cash and cash equivalents* are federal housing program funds for which the Fund acts as grantee or agent. The total funds held on behalf of others were $13,705,000 at June 30, 2015 and $13,271,000 at June 30, 2014. *Restricted cash and cash equivalents* to be used for the acquisition of noncurrent assets, such as mortgage loans or investments, are classified as *Noncurrent assets*.

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

(Dollars in thousands)	June 30, 2015			June 30, 2014		
	Balance	**Allowance**	**Net**	**Balance**	**Allowance**	**Net**
Unrestricted Mortgage Loans:						
General Account	$ 3,566	$ (2,214)	$ 1,352	$ 3,765	$ (2,351)	$ 1,414
Other Loan Programs	58,632	(12,688)	45,944	56,717	(12,575)	44,142
Total	$ 62,198	$ (14,902)	$ 47,296	$ 60,482	$ (14,926)	$ 45,556

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

(Dollars in thousands)	June 30, 2014	Additions	Deletions	June 30, 2015
Captial assets, not being depreciated:				
Land	$ 1,810	$ -	$ -	$ 1,810
Total capital assets, not being depreciated	1,810	-	-	1,810
Captial assets, being depreciated:				
Buildings	7,709	-	-	7,709
Equipment and furnishings	1,196	-	-	1,196
Computer software	447	-	-	447
Total capital assets, being depreciated	9,352	-	-	9,352
Less accumulated depreciation for:				
Buildings	(568)	(193)	-	(761)
Equipment and furnishings	(609)	(248)	-	(857)
Computer software	-	(166)	-	(166)
Total accumulated depreciation	(1,177)	(607)	-	(1,784)
Total capital assets being depreciated, net	8,175	(607)	-	7,568
Total capital assets, net	$ 9,985	$ (607)	$ -	$ 9,378

(Dollars in thousands)	June 30, 2013	Additions	Deletions	June 30, 2014
Captial assets, not being depreciated:				
Land	$ 2,030	$ -	$ (220)	$ 1,810
Computer software	-	447	-	447
Total capital assets, not being depreciated	2,030	447	(220)	2,257
Captial assets, being depreciated:				
Buildings	8,589	-	(880)	7,709
Equipment and furnishings	1,081	115	-	1,196
Total capital assets, being depreciated	9,670	115	(880)	8,905
Less accumulated depreciation for:				
Buildings	(1,255)	(193)	880	(568)
Equipment and furnishings	(375)	(234)	-	(609)
Total accumulated depreciation	(1,630)	(427)	880	(1,177)
Total capital assets being depreciated, net	8,040	(312)	-	7,728
Total capital assets, net	$ 10,070	$ 135	$ (220)	$ 9,985

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

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

Restricted mortgage loans, net of allowance for losses includes loans originated under the General Account, the Bond Programs, Land Development Program, and Federal Programs as well as loans held in the Bond Insurance Account.

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

(Dollars in thousands)	June 30, 2015			June 30, 2014		
	Balance	Allowance	Net	Balance	Allowance	Net
Restricted Mortgage Loans:						
General Account	$ 531	$ (527)	$ 4	$ 486	$ (482)	$ 4
Other Loan Programs	710	(270)	440	765	(290)	475
Land Development	3,123	(1,786)	1,337	3,272	(1,841)	1,431
Bond Insurance Account	17,157	(748)	16,409	19,012	(841)	18,171
Bond Programs	619,298	(10,203)	609,095	634,818	(10,407)	624,411
Federal Programs	135,522	(80,346)	55,176	127,779	(78,816)	48,963
Total	$ 776,341	$ (93,880)	$ 682,461	$ 786,132	$ (92,677)	$ 693,455

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

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

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

(Dollars in thousands)	June 30, 2015			June 30, 2014		
	Balance	Allowance	Net	Balance	Allowance	Net
Restricted other assets:						
Accounts receivable	$ 31	$ -	$ 31	$ 301	$ -	$ 301
Land	3,028	(1,809)	1,219	2,341	(1,808)	533
Foreclosed property	10,652	(2,744)	7,908	9,366	(2,480)	6,886
Total	$ 13,711	$ (4,553)	$ 9,158	$ 12,008	$ (4,288)	$ 7,720

Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that time as explained in *Note F – _Retirement Plan._*

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

Other liabilities include federal housing program funds for which the Fund acts as grantee or agent to originate mortgages under the HOME program and the Fund's net pension liability as explained in *Note F – _Retirement Plan._*

Deferred inflows of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time as explained in *Note F – _Retirement Plan_*.

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

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

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

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

The Fund services all loans in its portfolio as well as loans on behalf of others totaling approximately $1,211,000,000 and $1,234,000,000 at June 30, 2015 and 2014, respectively. Of this total, the portfolio serviced by the Fund on behalf of others approximated $369,888,000 and $386,387,000 at June 30, 2015 and 2014, respectively.

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

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

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

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

Reclassifications: Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation. Such reclassifications had no effect on _Total Net Position._

NOTE B – ASSETS FOR RESERVED AND OTHER PURPOSES

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

Assets of the General Account and Other Loan Programs are principally unrestricted and may be transferred to other programs subject to the approval of the Fund's management or Board of Directors. The Fund has committed $177,000 from the General Account and $4,123,000 from Other Loan Programs for various loans or projects at June 30, 2015. These amounts are included in *Unrestricted net position*. The Fund is actively accepting applications from prospective recipients to originate loans from amounts allocated by the Board of Directors from Other Loan Programs.

The Board of Directors has also allocated $1,000,000 of the *Unrestricted net position* for the "Directors' and Officers' Insurance Account" for the purpose of providing indemnification for the directors and officers of the Fund. The fiscal year 2016 administrative budget of $12,865,000 will be provided from the *Unrestricted net position* and from future revenues of the Fund.

NOTE C – CASH AND INVESTMENTS

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

The following is a detail of the Fund's investments by type:

(Dollars in thousands)		June 30, 2015		June 30, 2014	
	Weighted Avg Maturity	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Fannie Mae MBS pools	16.28 years	$ 2,135	$ 2,389	$ 2,579	$ 2,889
Federal agency securities	8.31 years	43,406	52,858	44,972	55,245
U.S. Treasury securities	6.96 years	6,301	8,275	6,294	8,438
Mortgages held for investment purposes	23.38 years	18,574	18,574	20,592	20,592
Demand Deposits, Money Market Funds	1 day	54,336	54,336	52,932	52,932
Collateralized CDs	105 days	48,236	48,236	31,279	31,279
FDIC Insured CDs	1.11 years	10,700	10,700	23,600	23,600
WVBOTI deposits	1 day	10,488	10,488	13,511	13,511
Total investments, including cash equivalents		$ 194,176	$ 205,856	$ 195,759	$ 208,486

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

	Permitted Maturity Limit	Average Maturity as of June 30, 2015
Reserve Funds	30 Years	8 years
Bond Insurance Funds	15 Years	9 years
Other Funds	4 years	4 months
Funds held for others*		1 day

*Funds held for others not applicable to limit calculations

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

As of June 30, 2015, the Fund's investments in the WVBOTI are rated AAAm. Federal agency securities consist of Fannie Mae, Federal Farm Credit Bank, Federal Home Loan Bank and Freddie Mac all of which are rated AA+. Fannie Mae MBS pools are also rated AA+. Certificates of deposit are either FDIC insured through the Certificate of Deposit Account Registry Service (CDARS) or collateralized with an irrevocable standby letter of credit issued by the Federal Home Loan Bank of Pittsburgh, which is rated AA+. Money Market Funds are invested in the Federated Government Obligations Fund and are rated AAAm. Mortgages held for investment purposes are not rated.

Concentration of Credit Risk – The Investment Policy limits the percentage or amount of the investment portfolio that may be invested in various types of issuers as indicated in the chart below. Underlying collateral for repurchase agreements is used in determining the percentage of the permitted investments. The Act does not limit the percentage of investments in any permitted investment type.

As of June 30, 2015 (Dollars in thousands)	**Maximum of Portfolio**	**Invested Funds**	**% of Total Investment**
Direct Federal Obligations	100%	$ 6,301	3%
Federal Agency Obligations	90%	45,541	25%
Federally Guaranteed Obligations	100%	-	0%
Demand Deposits, Time Deposits	30%	37,483	21%
Collateralized CDs	$50,000	48,236	27%
CDARS FDIC Insured CDs	$50,000	10,700	6%
West Virginia Obligations	15%	-	0%
Mortgages Held for Investment Purposes	30%	18,574	10%
Money Market Funds	25%	6,467	4%
WVBOTI deposits	$40,000	7,169	4%
TOTAL		$ 180,471	100%
Funds Held for Others *	N/A	13,705	
TOTAL INVESTED FUNDS		$ 194,176	

* Funds held for others not applicable to limit calculations.

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

The Fund's cash, including escrow funds, had a carrying value of $54,336,000 and $52,932,000 as of June 30, 2015 and 2014, respectively. Bank balances approximated $55,175,000 and $53,445,000 as of June 30, 2015 and 2014, respectively, of which approximately $19,643,000 and $18,758,000 was covered by federal depository insurance as of June 30, 2015 and 2014, respectively, and $29,065,000 and $29,618,000 was either collateralized with securities pledged to the Fund and held by the trust department of the pledging financial institution or held and pledged to the Fund by the pledging financial institution's agent as of June 30, 2015 and 2014, respectively. Also included in the bank balances above are trust account money market fund balances of $6,467,000 and $5,069,000 as of June 30, 2015 and 2014, respectively, which are not subject to custodial credit risk.

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

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

(Dollars in thousands)	June 30, 2015	June 30, 2014
Cash and cash equivalents	$ 21,224	$ 25,232
Current restricted cash and cash equivalents	41,427	46,067
Noncurrent restricted cash and cash equivalents	42,408	19,073
Restricted investments	82,223	97,522
Plus mortgages held for investment purposes	18,574	20,592
Total Investments and cash equivalents	$ 205,856	$ 208,486
Less unrealized gains	11,680	12,727
Total Invested Funds	$ 194,176	$ 195,759

The Fund has an unrealized gain on investments of $11,680,000 and $12,727,000 as of June 30, 2015 and 2014, respectively. This represents a decrease in unrealized gain on investments of $1,047,000 and $493,000 from the June 30, 2014 and 2013, respectively. In connection with the unrealized gain, $1,021,000 and $1,234,000 is recorded as a liability for related investment earnings as of June 30, 2015 and 2014, respectively. This portion is recorded as a liability because, if this gain were realized, it would increase excess rebateable investment earnings pursuant to Section 103A of the Internal Revenue Code, as amended (the Code). To adjust the fair value of investments to reflect this unrealized gain at June 30, 2015 and 2014 and to properly reflect the rebate liability, a $834,000 and $447,000 decrease was recorded in *Net investment earnings* in the Statements of Revenues, Expenses, and Changes in Fund Net Position for year ended June 30, 2015 and 2014, respectively.

NOTE D – BONDS PAYABLE

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

The proceeds from the Fund's Bond Programs are used to finance mortgage loans to eligible State borrowers and to establish certain reserves as required by the resolutions. The mortgage loans are secured by deeds of trust and approximately 73.41% of all Bond Program loans are subject to coverage under federal or private mortgage insurance or guarantee programs. All bonds are secured by a pledge of all mortgage loan repayments, all proceeds of federal or private mortgage insurance, interest received on any monies or securities held pursuant to the resolutions, and the rights and interest of the Fund in and to the mortgage loans. Principal and interest paid on bonds and notes payable for the year ended June 30, 2015 and 2014 was $19,462,000 and $74,746,000, respectively. In addition, 2015 and 2014 included the refunding of bonds in the amount of $64,525,000 and $27,500,000, respectively. The 2015 refundings reduced total debt service payments over the next 19 years by approximately $21,188,000 and resulted in an economic gain (difference between the present value of the debt service payments of the refunded bonds and refunding bonds) of approximately $7,507,000. Total pledged revenues in 2015 and 2014 were $100,464,000 and $109,667,000, respectively.

The On-Site Systems Loan Program (the OSLP) was created in September 2007 in partnership with the West Virginia Department of Environmental Protection (the DEP). Under this program the Fund may borrow funds from the DEP Clean Water Revolving Loan Fund. These funds are then loaned to State residents to upgrade, replace or repair inadequate septic systems. Initially, the Board authorized $1,000,000 for the OSLP and in March 2013 the Board authorized an additional $1,000,000 for the program. The Fund is obligated to repay the amount borrowed from the DEP only to the extent the Fund receives payments from loan recipients. At June 30, 2015, *Bonds & notes payable - noncurrent* include a $1,064,000 note payable due to DEP related to this program under Other Loan Programs.

To reduce its debt expense, the Fund redeems bonds from prepayments of the mortgages in its portfolio when it is prudent to do so. The Code permits the Fund to issue new bonds or notes to replace some of those bonds redeemed early from prepayments. This enables the Fund to issue debt in excess of the bond volume cap allocated to it by the State if required.

Most bonds issued by the Fund are subject to redemption at the option of the Fund prior to maturity at dates and premiums as set forth in the bond resolutions. The Fund redeems bonds prior to their stated maturity dates primarily due to excess program revenues, the prepayments of mortgage loans pledged for the repayment of the bonds, excess amounts in the capital reserve funds, and/or from proceeds of refunding bonds. During the fiscal years ended June 30, 2015 and 2014, the Fund redeemed or refunded $101,225,000 and $63,055,000 of bonds, respectively, at redemption prices that approximated their carrying value.

The following charts summarize bond and note activity from 2014 to 2015 and 2013 to 2014, respectively.

	Bonds Payable Current	**Bonds & Notes Payable Noncurrent**	**Bonds & Notes Payable Total**
Outstanding Balance, June 30, 2014	$ 68,815	$ 348,020	$ 416,835
Debt Issued	-	99,775	99,775
Debt Paid	(23,345)	(145)	(23,490)
Early Redemptions	(39,450)	(61,775)	(101,225)
Amortization of Premium	-	(448)	(448)
Reclassification from noncurrent to current	26,745	(26,745)	-
Outstanding Balance, June 30, 2015	$ 32,765	$ 358,682	$ 391,447

	Bonds Payable Current	**Bonds & Notes Payable Noncurrent**	**Bonds & Notes Payable Total**
Outstanding Balance, June 30, 2013	$ 40,425	$ 415,273	$ 455,698
Debt Issued	-	47,750	47,750
Debt Paid	(22,970)	(82)	(23,052)
Early Redemptions	(9,790)	(53,265)	(63,055)
Amortization of Premium	-	(506)	(506)
Reclassification from noncurrent to current	61,150	(61,150)	-
Outstanding Balance, June 30, 2014	$ 68,815	$ 348,020	$ 416,835

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

	Original Amount Authorized	Outstanding at June 30, 2015	2014
		(Dollars in thousands)	
OTHER LOAN PROGRAMS			
Notes Payable (0.00%) (1)	$ 2,000	$ 1,064	$ 959
HOUSING FINANCE BOND PROGRAM			
2004 Series A	30,000	-	13,335
2004 Series C	35,000	-	18,475
2005 Series A	30,000	-	13,965
2005 Series B	60,110	-	18,430
2005 Series C	30,000	-	14,565
2006 Series B (4.70%), due 2015-2040	30,000	26,205	26,730
2006 Series C (5.00%), due 2015-2039	40,000	15,405	17,365
2006 Series D (5.75%), due 2015-2036	35,000	250	2,465
2007 Series A (4.15% to 5.50%), due 2015-2036	60,000	21,945	25,920
2007 Series B (6.00%), due 2015-2037	40,000	2,485	4,150
2007 Series C (5.75%), due 2015-2037	35,000	2,330	3,865
2010 Series A,B,C (2.10% to 4.35%), due 2015-2021	130,870	36,545	48,795
2011 Series A (1.826% to 3.622%), due 2015-2021	50,000	33,790	38,535
2013 Series A (0.68% to 3.20%) due 2015-2028	21,000	18,590	19,790
2013 Series B, C (0.90% to 4.90%) due 2015-2038	47,500	41,170	46,605
2014 Series A,B (0.40% to 4.15%), due 2015-2042	48,865	46,815	-
2015 Series A,B (0.50% to 3.95%), due 2015-2045	50,660	50,660	-
GENERAL NEW ISSUE BOND PROGRAM			
2011 A (1.80% to 3.80%), due 2015-2041	51,850	40,890	44,100
2012 A (1.10% to 3.35%), due 2015-2041	66,770	53,065	58,100
Total bonds payable, excluding unamortized premium		390,145	415,190
Unamortized bond premium, net		238	686
Total notes payable		1,064	959
Total bonds & notes payable, net of unamortized premium		$ 391,447	$ 416,835

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

Total bonds payable does not include $8,620,000 in special obligation bonds issued by the Fund as a conduit issuer. These special obligation bonds are secured by loan payments and deeds of trust on three projects. None of the Fund's assets or revenues are pledged to the payment of these special obligations. Furthermore, these special obligations are not secured by the Fund's general obligation debt pledge or its moral obligation and are not included in the Fund's financial statements.

The following is a summary of scheduled annual principal and interest for bonds in the Bond Programs for the five years commencing July 1, 2015 and thereafter to maturity.

Bonds Maturing During Year Ending June 30:		Principal	Interest	Total
			(Dollars in thousands)	
2016	(1)	$ 32,765	$ 12,638	$ 45,403
2017		27,520	11,984	39,504
2018		25,770	11,325	37,095
2019		25,760	10,637	36,397
2020		25,650	9,872	35,522
2021-2025		84,940	38,907	123,847
2026-2030		63,050	26,197	89,247
2031-2035		60,090	14,713	74,803
2036-2040		36,810	4,712	41,522
2041-2045		7,790	388	8,178
		$ 390,145	$ 141,373	$ 531,518

(1) Includes the anticipated redemptions of NIBP Bonds in the amount of $1,480,000 and Housing Finance Bonds in the amount of $2,540,000.

In accordance with Section 103A of the Code, the Fund has established allowances for excess rebateable investment earnings. The excess rebateable investment earnings arise due to actual investment yields earned by the Fund being greater than yields permitted to be retained by the Fund under the Code. The Code requires such excess investment earnings to be remitted to the Internal Revenue Service. As of June 30, 2015 and June 30, 2014 the Fund does not have any excess rebateable investment earnings other than the rebate liability related to GASB 31 as explained in *Note C - Cash and Investments*. Future excess investment earnings may require the establishment of liabilities for these and other bond issues.

The Fund has a $15,000,000 line of credit with the Federal Home Loan Bank that is available to use as a warehouse line for the purchase of single family, multifamily and secondary market loans. This line of credit will be secured by investments of the Bond Insurance Account as funds are advanced and it is a general obligation of the Fund. At June 30, 2015 and 2014, no advances had been drawn on this line of credit, and accordingly, no balance is outstanding.

NOTE E - CONTINGENT LIABILITIES AND RISK MANAGEMENT

Under the terms of certain federal programs, periodic audits are required and certain costs and expenditures may be questioned as not being appropriate under the terms of the program. Such audits could lead to reimbursements to the grantor agencies. Historically, questioned costs have been insignificant. Management of the Fund believes future disallowances relating to current federal program expenditures, if any, will continue to be insignificant.

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

Through its business operations, the Fund is exposed to various risks of loss related to potential loan losses on program mortgages, fire, liability, and employee wrongdoing. To reduce risk of loss on program mortgages, the Fund has various types of mortgage insurance. At June 30, 2015, 44.93% of the Fund's single family Bond Program loans were VA, USDA Rural Development, or FHA guaranteed. Another 27.65% of these loans carry private mortgage insurance. Substantially all multifamily mortgages are federally insured or guaranteed and/or are subject to HUD Section 8 rental assistance subsidies.

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

NOTE F - RETIREMENT PLAN

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

Benefits Provided. Employees who retire at or after age 60 with five or more years of credited service, or at least age 55 with age and service equal to 80 or greater, are entitled to a retirement benefit established by State statute, payable monthly for life, in the form of a straight-life annuity equal to two percent of the employee's final average salary. Final average salary is the average of the highest annual compensation received by an employee during any period of three consecutive years of credited service included within fifteen years of credited service immediately preceding the termination date of employment with a participating public employer or, if the employee has less than three years of credited service, the average of the annual rate of compensation received by the employee during the total years of credited service. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62.

Contributions. While contribution rates are legislatively determined, actuarial valuations are performed to assist PERS and the State Legislature in determining contribution rates. Current funding policy requires employer contributions of 14.0%, 14.5% and 14.0% for the years ended June 30, 2015, 2014 and 2013, respectively. As permitted by legislation, the Fund has elected to pay 100% of all costs relating to the Plan, including the employee's 4.5% contribution for employees hired on or before February 6, 2012. Beginning February 7, 2012, new hires are required to pay the employee's contribution of 4.5%. Effective July 1, 2015 the employee contribution increases to 6.0% for new hires. The Fund's contribution to the Plan, excluding the employee's contribution paid by the Fund, approximated $785,000, $803,000, and $743,000 for the fiscal years ended June 30, 2015, 2014, and 2013, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the Fund reported a liability of $1,526,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to the measurement date of June 30, 2014. The Fund's proportion of the net pension liability was based on the Fund's share of contributions to the pension plan relative to the contributions of all employers participating in PERS for the year ended June 30, 2014. At June 30, 2014, the Fund's proportionate share was 0.41%, which was an increase of .02 from its proportionate share measured as of June 30, 2013.

For the year ended June 30, 2015, the Fund recognized pension expense of $211,000. At June 30, 2015, the Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Dollars in thousands)	Deferred Outflows of Resouces	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 1,615
Changes in proportion and differences between Fund contributions and proportionate share of contributions	121	-
Fund contributions made subsequent to the measurement date	785	-
Total	**$ 906**	**$ 1,615**

$785,000 reported as deferred outflows of resources related to pensions resulting from Fund contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

(Dollars in thousands)

Year Ended June 30:	Pension Expense
2016	$ (367)
2017	(367)
2018	(367)
2019	(394)

Actuarial Assumptions and Methods. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.2 %
Salary increases	4.25 - 6.0%, average, including inflation
Investment rate of return	7.5 %, net of pension plan investment expense

Mortality rates were based on the 1983 Group Annuity Mortality (GAM) for healthy males, 1971 GAM for healthy females, 1971 GAM for disabled males, and Revenue Ruling 96-7 for disabled females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 through June 30, 2009.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	15.0%	2.9 - 4.8%
Domestic equity	27.5%	7.6%
International equity	27.5%	8.5%
Real estate	10.0%	6.8%
Private equity	10.0%	9.9%
Hedge funds	10.0%	5.0%
Total	100%	

Discount Rate. The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will continue to be made at statutorily required rates, which are determined annually based on actuarial valuations. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. Although discount rates are subject to change between measurement dates, there were no changes in the discount rate in the current period.

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

(Dollars in thousands)

Net Pension Liability (Asset)		
	Current	
1% Decrease	Discount Rate	1% Increase
6.50%	7.50%	8.50%
4,313	1,526	(848)

NOTE G – COMPENSATED ABSENCES AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Employees accumulate annual leave balances to maximum amounts ranging from 210 to 420 hours. Most employees receive a 100% termination payment upon separation based upon their final rate of pay. The liability for annual leave is valued at 100% of the balance plus the Fund's share of Social Security and Medicare contributions. The Fund has recorded a liability for accrued leave for all employees in accordance with GAAP. The liability for annual leave is shown below. In lieu of cash payment at retirement, an employee can elect to use accumulated annual leave toward their postemployment health care insurance premium as further explained in Note H.

Accumulated Annual Leave:			
(Dollars in thousands)	**2015**	**2014**	**2013**
Balance at beginning of fiscal year	**$ 426**	$ 437	$ 497
Annual leave earned	**589**	573	528
Annual leave (used)	**(649)**	(584)	(588)
Balance at end of fiscal year	**$ 366**	$ 426	$ 437

NOTE H - POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description. The Fund provides certain health care insurance benefits for retired employees. The Fund established the Welfare Benefit Plan (the Plan), an irrevocable trust, for the future costs of these benefits. The assets of the Plan are with an external trustee and, accordingly, no assets or liabilities are reflected in the Fund's financial statements. The Plan is a single-employer defined other postemployment benefit plan administered by the Fund. Substantially all employees may become eligible for these benefits if they reach normal retirement age while working for the Fund. Management of the Fund has the authority to establish and amend benefit provisions to the Plan. The financial statements and required supplementary information for the Plan are included in this note as supplementary information to the Fund's financial statements.

WEST VIRGINIA HOUSING DEVELOPMENT FUND
POSTEMPLOYMENT HEALTHCARE PLAN

STATEMENTS OF PLAN NET POSITION
(Dollars in Thousands)

	June 30, 2015	June 30, 2014
ASSETS		
Restricted cash and cash equivalents	$ 2,238	$ 1,086
Restricted accrued interest on investments	9	10
Accounts receivable	32	105
Total assets	2,279	1,201
Restricted investments:		
U.S. Government Securities	200	198
Federal Agency Securities	2,230	2,783
Total investments	2,430	2,981
Total assets	4,709	4,182
LIABILITIES		
Current liabilities:		
Accounts payable and other liabilities	-	-
Total current liabilities	-	-
TOTAL NET POSITION HELD IN TRUST	$ 4,709	$ 4,182

STATEMENTS OF CHANGES IN PLAN NET POSITION

	2015	2014
ADDITIONS		
Contributions - Employer	$ 698	$ 694
Investment income	42	53
	740	747
DEDUCTIONS		
Benefits	201	120
Administrative expenses	12	26
	213	146
CHANGE IN PLAN NET POSITION	527	601
NET POSITION HELD IN TRUST:		
BEGINNING OF YEAR	4,182	3,581
END OF YEAR	$ 4,709	$ 4,182

Funding Policy. The contribution requirements of plan members and the Fund are established and may be amended by the Fund's management. In lieu of cash payment at retirement, an employee can elect to use accumulated annual and accumulated sick leave toward their postemployment health care insurance premium. A retiree may convert two unused leave days into one month's insurance premium for single coverage or three unused leave days into one month's premium for family coverage. The Fund will pay monthly health insurance premiums of these retirees based on unused sick leave and/or annual leave at the time of retirement until the unused leave is fully utilized or until the retiree reaches the eligible age for Medicare. Accordingly, the maximum period for which a retiree may be entitled to such benefits would be twelve years. The Fund's policy is to fund the cost of medical benefits in amounts determined at the discretion of management.

Annual OPEB Cost and Net OPEB Obligation. The Fund's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GAAP. The ARC represents a level of funding that, if paid on an ongoing basis it is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. As of January 1, 2013, the date of the most recent actuarial evaluation, the Fund has unfunded actuarial liabilities of $1,399,000, however the Fund contributed an additional $934,000 in excess of the annual required contribution in fiscal years 2014 and 2015 and intends to fund the remaining actuarial liability in fiscal year 2016.

The following table shows the components of the Fund's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Fund's net OPEB obligation to the Plan.

(Dollars in thousands)		June 30,	
	2015	**2014**	**2013**
Annual Required Contribution (ARC)	$ 233	$ 225	$ 219
Interest on Net OPEB Obligation	-	-	-
Annual OPEB cost (expense)	233	225	219
Contributions Receivable	233	225	219
Additional Contributions	465	469	-
Total Contributions	698	694	219
Percentage of Annual OPEB Expense Contributed	300%	308%	100%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the ARC are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

Funded Status and Funding Progress. The funded status of the Plan per actuarial valuations as of January 1, 2013, January 1, 2010 and January 1, 2007 was as follows:

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
1/1/2013	$ 3,609	$ 5,008	1,399	72%	$ 5,217	27%
1/1/2010	3,202	2,114	(1,088)	151%	5,365	(20%)
1/1/2007	2,678	2,244	(434)	119%	5,259	(8%)

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the Fund and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2013 actuarial valuation, the following information was used:

Actuarial Method	Entry Age Normal
Amortization Method	Level Percentage of Pay Closed
Remaining Amortization Period	24 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.50%
Rate of Salary Increases	3.00%
Ultimate Rate of Medical Inflation	4.00%
General Rate of Inflation	2.00%

NOTE I – SUBSEQUENT EVENTS

On July 1, 2015 the Fund issued $14,000,000 in special obligation bonds as a conduit issuer. These special obligation bonds are secured by loan payments and deeds of trust on two projects. None of the Fund's assets or revenues are pledged to the payment of these special obligations and they are not secured by the Fund's general obligation debt pledge or its moral obligation and are not included in the Fund's financial statements.

On August 3, 2015 the Fund redeemed various Housing Finance Bonds and General New Issue Bond Program Bonds in advance of the scheduled maturities at a par amount of $4,020,000.

NOTE J - NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 72, "Fair Value Measurement and Application", which will be effective for the Fund's financial statements June 30, 2016. The Fund has not yet determined the effect this statement will have on its financial statements.

The GASB has issued three statements relating to accounting and financial reporting for pension and postemployment benefit plans: Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68;* Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans;* and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The provisions of Statements No. 73 and 74 are effective for financial periods beginning after June 15, 2016, and the provisions of Statement No. 75 are effective for periods beginning after June 15, 2017. The Fund has not yet determined the effect these statements will have on its financial statements.

The GASB has issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* which identifies the hierarchy of generally accepted accounting principles used to prepare financial statements of state and local governments. This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. The Fund has not yet determined the effect these statements will have on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILTIY
PERS
June 30, 2015

The Fund’s proportionate (percentage) of the net pension liability	0.413581%
The Fund’s proportionate share of the net pension liability	$1,526,000
The Fund’s covered employee payroll	$5,538,000
The Fund’s proportionate share of the net pension liability as a Percentage of its covered employee payroll	27.21%
Plan fiduciary net position as a percentage of the total pension liability	93.98%

(All amounts presented above are as of the measurement date, which is one year prior to the fiscal year end)

SCHEDULE OF CONTRIBUTIONS TO THE PERS

	Years Ended, June 30,		
	2015	**2014**	**2013**
Statutorily required contribution	$ 785,000	$ 803,000	$ 743,000
Contributions in relation to the statutorily required contribution	785,000	803,000	743,000
Contribution deficiency (excess)	$ -	$ -	$ -
Fund's covered employee payroll	$ 5,609,000	$ 5,538,000	$ 5,307,000
Contributions as a percentage of covered employee payroll	14.0%	14.5%	14.0%

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE A – TREND INFORMATION PRESENTED

The accompanying schedules of the Fund’s proportionate share of the net pension liability and contributions to PERS are required supplementary information to be presented for 10 years. However, until a full 10 year trend is compiled, information is presented in the schedules for those years for which information is available.