VIRGINIA HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the Commonwealth of Virginia)

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

June 30, 2015 and 2014

(With Independent Auditors' Reports Thereon)

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

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Management of the Virginia Housing Development Authority (the Authority) offers readers of its financial report this overview and analysis of the Authority's financial performance for the years ended June 30, 2015 and 2014. Readers are encouraged to consider this information in conjunction with the Authority's basic financial statements, accompanying notes, and supplementary information, which follow this section.

Organization Overview

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

In addition to its major mortgage loan programs, the Authority also administers, on a fee basis, various other programs related to its lending activities. Such programs include the Housing Choice Voucher program, which provides rental subsidies from federal funds, and the federal Low Income Housing Tax Credit program, which awards income tax credits for the purpose of developing low-income multi-family housing projects. The Authority also funds Resources Enabling Affordable Community Housing in Virginia (REACH) initiatives, in which grants are made or the interest rates on loans are subsidized by the Authority, principally for the elderly, disabled, homeless, and other low-income persons. The amount of net position used to provide such grants or reduced interest rates on mortgage loans or otherwise subsidize its programs is equal to 20% of the average of the Authority's change in net position, as unadjusted for the effect of Governmental Accounting Standards Board (GASB) No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, for the preceding five fiscal years. The Authority may use a higher amount if determined to be appropriate. The amounts made available to provide reduced interest rates on mortgage loans or otherwise provide housing subsidies, including grants, under its programs are subject to review by the Authority of the impact on its financial position. The Authority finances some, but not all, of such subsidized mortgage loans, in whole or in part, with funds under its various bond resolutions.

Financial Statements

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

The *Statements of Net Position* report all of the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, presented in order of liquidity and using the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources is presented as net position, and is displayed in three components: net investment in capital assets; restricted portion of net position; and unrestricted portion of net position. Net position is restricted when external constraints are placed upon their

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use, such as bond indentures, legal agreements or statutes. Over time, changes in net position may serve as a useful indicator of whether the financial status of the Authority is improving or deteriorating.

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

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

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

Financial Highlights

Overview

The Authority continues to maintain a strong financial position, while experiencing slow recoveries in both the housing and financial markets. The Authority's net position grew 6.7% in fiscal year 2015 to $2.8 billion and achieved record earnings of $176.7 million. Both Standard & Poor's Ratings Services (Standard & Poor's) and Moody's Investors Services (Moody's) rating agencies continue to rate the Authority with an AA+ issuer credit rating and Aa1 general obligation credit rating, respectively.

In its single family homeownership loan program, the Authority has been able to offer borrowers mortgages at affordable interest rates, financed through the issuance of taxable bonds and securitization of federally insured loans by the issuance of Government National Mortgage Association (GNMA) and Federal National Mortgage Association (FNMA) securities. Participation in the FNMA Housing Finance Agency (HFA) Preferred Risk Sharing Program has allowed the Authority to finance single family mortgage loans without mortgage insurance and, unlike tax-exempt bonds, permits the funding of refinancing loans and loans to borrowers who are not first time homebuyers. In the spring of 2015, the Authority funded a $5.0 million program to provide down-payment assistance grants for qualified first time homebuyers, and such amount was subsequently increased to $17.0 million.

In its multi-family loan program, the Authority has continued to fund developments through the issuance of tax-exempt and taxable bonds and offer lending programs that utilize federal Low-Income Housing Tax Credits to provide construction financing in conjunction with permanent mortgage loans, that allow the Authority to provide affordable rental housing within a broader range of income limits that include workforce housing.

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

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

While the Authority continues to face challenges from a slow recovery in the housing and economic environment, its capital acquisition initiatives and loss mitigation practices have allowed the Authority to respond with new lending program opportunities and to achieve its strongest financial position since its inception.

Year Ended June 30, 2015

Single family loan originations totaled 3,688 loans for $632.8 million in fiscal year 2015 compared to 4,398 loans for $756.6 million in fiscal year 2014, for a decrease of 16.1% in units and 16.4% in dollars. The decrease was related to the Rapid Refinance program the Authority offered from July to September in 2013 to allow our interest-only borrowers to refinance into a new 30-year fixed rate loan. Excluding the prior year Rapid Refinance production, which totaled $188.6 million, the Authority's current production increased by $64.8 million or 11.4% compared to prior year normal production without the Rapid Refinance program.

As of June 30, 2015, the Authority serviced 57,021 first and second single family mortgage loans with outstanding balances totaling $5.1 billion. The outstanding balances of loans serviced, increased by $85.9 million or 1.7% and the number of loans serviced increased by 840 loans or 1.5%, since June 30, 2014, primarily in the form of FNMA Risk Share mortgages and FHA insured mortgage loans with corresponding second mortgage loans.

In fiscal year 2015, there were 508 foreclosures valued at $59.9 million or 1.6% of the single-family loan portfolio, compared to a year ago with 690 foreclosures valued at $84.4 million or 2.1% of loan amounts. Recovery rates averaging 64.6% somewhat mitigated the impact of loan losses. Total delinquency rates on the servicing portfolio based on loan count averaged 11.4% for the fiscal year, compared to 12.2% a year ago. Total delinquency rates on the servicing portfolio based on outstanding loan balances averaged 10.7% and 11.7% for the year ended June 30, 2015 and 2014, respectively. Delinquencies consist of first mortgage loans over 30 days past due, and foreclosures and bankruptcies.

Financing commitments for 4,163 multi-family housing units were made during the year, totaling $353.0 million, compared to 3,663 units totaling $223.2 million for the same period a year ago. Rehabilitation of properties within the Authority's multi-family portfolio using taxable and tax-exempt funding and REACH funds and preservation of existing mortgage loans through extended period re-financings provided the majority of the production.

As of June 30, 2015, the Authority serviced 1,328 multi-family mortgage loans with outstanding balances totaling $3.4 billion. Compared to June 30, 2014, the number of loans in the portfolio decreased by 50 while loan balances decreased by $29.7 million or 0.9%. Delinquency rates based on portfolio loan count averaged .9% and 1.4% in

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the year ended June 30, 2015 and 2014, respectively. The average delinquency rates based on outstanding loan balances were 0.2% or $6.9 million for the year ended June 30, 2015 compared to 0.3% or $8.9 million for the same period a year ago.

Year Ended June 30, 2014

Single family loan originations totaled 4,398 in fiscal year 2014 compared to 4,341 for the same period last year, an increase of 1.3%. The amount of single family mortgage loan production was $756.6 million, an increase of $60.6 million, or 8.7%. Much of the increase was related to the new Rapid Refinance product and the FNMA HFA Preferred Risk Sharing product.

As of June 30, 2014, the Authority serviced 56,181 first and second single family mortgage loans with outstanding balances totaling $5.0 billion. The number of loans serviced, increased since June 30, 2013 by 628 or 1.1%, primarily in the form of FHA insured mortgage loans with corresponding second mortgage loans. The outstanding loan balances also increased by $36.2 million or 0.7% as of the same date.

In fiscal year 2014, there were 690 foreclosures valued at $84.4 million or 2.1% of the single-family loan portfolio, compared to a year ago with 652 foreclosures valued at $71.2 million or 1.6% of loan amounts. Recovery rates averaging 59.0% somewhat mitigated the impact of loan losses. Total delinquency rates on the servicing portfolio based on loan count averaged 12.2% for the current fiscal year, compared to 13.2% a year ago. Total delinquency rates on the servicing portfolio based on outstanding loan balances averaged 11.7% and 12.8% in the year ended June 30, 2014 and 2013, respectively. Delinquencies consist of first mortgage loans over 30 days past due, and foreclosures and bankruptcies.

Financing commitments for 3,663 multi-family units were made during the fiscal year, totaling $223.2 million, compared to 4,321 units totaling $370.8 million for the same period a year ago. Rehabilitation of properties within the Authority's multi-family portfolio using taxable and tax-exempt funding and REACH funds and preservation of existing mortgage loans through extended period re-financings provided the majority production. The federal intervention in the housing market has continued to hamper the Authority's multi-family housing production.

As of June 30, 2014, the Authority serviced 1,378 multi-family mortgage loans with outstanding balances totaling $3.4 billion. Compared to June 30, 2013, the number of loans in the portfolio decreased by 55 while loan balances increased by $48.7 million or 1.5%. Delinquency rates based on portfolio loan count averaged 1.4% and 1.4% in the year ended June 30, 2014 and 2013, respectively. The average delinquency rates based on outstanding loan balances were 0.3% or $8.9 million for the year ended June 30, 2014 compared to 0.3% or $9.5 million for the same period a year ago.

Financial Analysis of the Authority

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

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

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

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

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

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

Condensed Statements of Net Position (unaudited)

(In millions)

		June 30		
		2015	**2014**	**2013**
Cash and cash equivalents	$	658.7	501.0	1,132.8
Investments		526.5	256.3	272.0
Mortgage loans held for sale		143.8	31.2	18.2
Mortgage and other loans receivable, net		6,611.5	7,097.6	7,138.1
Other assets		130.2	128.9	138.1
Total assets		8,070.7	8,015.0	8,699.2
Notes and bonds payable, net		4,963.5	5,089.0	5,876.0
Other liabilities		286.9	282.4	312.4
Total liabilities		5,250.4	5,371.4	6,188.4
Net investment in capital assets		8.7	6.4	6.1
Restricted by bond indentures		2,682.3	2,509.9	2,370.4
Unrestricted		129.3	127.3	134.3
Total net position	$	2,820.3	2,643.6	2,510.8

June 30, 2015 Compared to June 30, 2014

Total assets increased $55.7 million, or 0.7% from the prior year. Cash and cash equivalents and investments, combined, increased $427.9 million, or 56.5% from the prior year as a result of an increase in the amount of mortgage backed securities pooled and held as collateral. Mortgages held for sale and mortgage and other loans receivables, net, decreased by $373.5 million, or 5.2%, primarily as a result of more securitizations of loans through GNMA and FNMA than the prior year.

Total liabilities decreased $121.0 million, or 2.3% from the prior year. Notes and bonds payable decreased $125.5 million or 2.5%, due primarily to bond redemptions and scheduled principal repayments. For the fiscal year, the Authority issued $212.5 million in rental housing bonds and $120.4 million in commonwealth mortgage bonds. Additionally, $485.6 million of draws and $178.0 million in repayments were made on the notes and lines of credit to net to $307.6 million used for the year ended. Bond principal pay downs and redemptions totaled $766.2 million, and included bond redemptions of $481.1 million. Proceeds from the rental housing bond group, the commonwealth mortgage bond group, and GNMA and FNMA mortgage loan securitizations were the principal sources of funding for mortgage loan originations.

Total assets exceeded total liabilities by $2.8 billion, representing an increase in net position of $176.7 million, up 6.7% from the prior year. As of June 30, 2015, net position invested in capital assets, net of related debt, was $8.7 million. Net position restricted by bond resolutions totaled $2,682.3 million, an increase of $172.4 million, or 6.9% from the prior year. Unrestricted net position totaled $129.3 million, an increase of $2.0 million, or 1.6%.

June 30, 2014 Compared to June 30, 2013

Total assets decreased $684.2 million, or 7.9% from the prior year. Cash and cash equivalents, and investments, combined, decreased $647.5 million, or 46.1% from the prior year primarily as a result of an increased number of redemptions made in 2014 when compared to 2013. Mortgage loans held for sale and mortgage and other loans receivables, net, decreased by $27.5 million, or 0.4%, primarily as a result of securitization of loans through GNMA and FNMA and transfers of loans to Real Estate Owned (REO) status.

Total liabilities decreased $817.0 million, or 13.2% from the prior year. Notes and bonds payable decreased $787.0 million or 13.4%, due primarily to bond redemptions. For the fiscal year, the Authority issued $90.8 million in rental housing bonds, and $183.6 million in commonwealth housing bonds; and $310.0 million in short term escrow mode (STEM) commonwealth housing bonds were converted to fixed rates. A net amount of $6.0 million on notes and lines of credit was used for the year. Bond principal repayments and redemptions totaled $1,068.1 million, and included bond calls of $784.8 million. Proceeds from the rental housing bond group and the commonwealth mortgage bond group and GNMA and FNMA mortgage loan securitizations were the principal source of funding for mortgage loan originations.

Total assets exceeded total liabilities by $2.6 billion, representing an increase in net position of $132.8 million, or 5.3%. As of June 30, 2014, net position invested in capital assets, net of related debt, was $6.4 million. Net position restricted by bond resolutions totaled $2,509.9 million, an increase of $139.5 million, or 5.9% from the prior year. Unrestricted net position totaled $127.3 million, a decrease of $7.0 million, or 5.2%.

Condensed Statements of Revenues, Expenses and Changes in Net Position (unaudited)

(In millions)

		Year ended June 30		
		2015	**2014**	**2013**
Operating revenues:				
Interest on mortgage and other loans	$	411.0	439.9	464.5
Pass-through grants received		119.1	119.7	127.7
Housing Choice Voucher program income		5.8	9.8	6.6
Other operating revenues		36.2	32.1	54.3
Total operating revenues		572.1	601.5	653.1
Operating expenses:				
Interest on notes and bonds payable		197.4	222.9	266.5
Pass-through grants disbursed		119.1	119.7	127.7
Housing Choice Voucher program expense		8.0	8.7	8.7
Other operating expenses		98.8	128.5	171.9
Total operating expenses		423.3	479.8	574.8
Operating income		148.8	121.7	78.3
Nonoperating revenues (expenses):				
Investment income, net		27.0	13.7	17.9
Other nonoperating revenues (expenses)		0.9	(2.6)	2.5
Total nonoperating revenues, net		27.9	11.1	20.4
Change in net position	$	176.7	132.8	98.7

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

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

Fiscal Year 2015

Operating revenues decreased $29.4 million or 4.9% from the prior year. The decrease was primarily attributable to interest on mortgage and other loans, which decreased by $28.9 million or 6.6%. Contributing factors were lower loan balances that resulted from loan securitizations and a lower average interest rate on remaining loan balances.

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Operating expenses decreased $56.5 million or 11.8% from the prior year due primarily to interest expense on notes and bonds payable which decreased $25.5 million or 11.4%, due to a lower average interest rate on the notes and bonds outstanding. Other operating expenses decreased $29.7 million or 23.1% over the prior year, primarily due to reductions in the provision for loan losses and lower bond issuance costs from decreased issuances.

Nonoperating revenues, net, increased $16.8 million from the prior year, due to increases in investment income.

Fiscal Year 2014

Operating revenues decreased $51.6 million or 7.9% from the prior year. The decrease was primarily attributable to interest on mortgage and other loans, which decreased by $24.6 million or 5.3%. Contributing factors included lower single family mortgage loan rates, which averaged 5.2% compared to 5.4% the previous year, and lower mortgage loan balances resulting from loan securitizations and lower gains from the sale of MBS securities.

Operating expenses decreased $95.0 million or 16.5% from the prior year due primarily to interest expense on notes and bonds payable which decreased $43.6 million or 16.4% from the prior year, due to a lower average interest rate on the notes and bonds outstanding. Other operating expenses decreased $43.4 million or 25.5% over the prior year, primarily due to reductions in the provision for loan losses.

Nonoperating revenues, net, decreased $9.3 million from the prior year, due to lower investment income and unrealized losses on investment derivatives.

Other Economic Factors

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

The Authority's main sources of revenues include mortgage loan interest and investment interest income. Short-term investment rates in the United States have declined sharply from a peak of approximately 5.0% in February 2007 to 0.02% in both June 2015 and 2014.

Delinquency and foreclosure rates in the single family loan portfolio, and to a lesser extent the multi-family loan portfolio, are influenced by unemployment and underemployment. Virginia's seasonally adjusted unemployment rate was 4.9% and 5.3% in June 2015 and 2014, respectively. Virginia underemployment rates, which include those no longer seeking employment and those employed only part-time who desire full-time work, were 10.0% and 11.1% in the twelve months June 30, 2015 and 2014, respectively.

Additional Information

Questions about this report or additional information can be obtained by visiting the Authority's Web site, www.vhda.com, or contacting the Finance Division of the Virginia Housing Development Authority.

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Independent Auditors' Report

The Board of Commissioners
Virginia Housing Development Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the Virginia Housing Development Authority (the Authority), a component unit of the Commonwealth of Virginia, as of and for the years ended June 30, 2015 and 2014, and the related notes to the 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 U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Virginia Housing Development Authority 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 U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management Discussion and Analysis and Schedule of Funding Progress by the Plan Valuations Dates on pages 1-9 and 45 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the Authority's basic financial statements. The supplementary information included in Schedules 2 through 5 on pages 46 through 51 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information included in Schedules 2 through 5 on pages 46 through 51 is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2015 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

KPMG LLP

September 11, 2015

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

Statements of Net Position

June 30, 2015 and 2014

Assets	**2015**	**2014**
Current assets:		
Cash and cash equivalents (note 5)	$ 658,668,184	501,019,953
Investments (note 5)	53,302,864	4,327,835
Interest receivable – investments	1,627,969	705,052
Mortgage loans held for sale (note 1)	143,827,413	31,167,900
Mortgage and other loans receivable, net (note 4)	183,012,480	185,168,945
Interest receivable – mortgage and other loans	30,020,880	32,136,351
Housing Choice Voucher contributions receivable	372,463	—
Other real estate owned (note 1)	54,240,173	50,437,024
Other assets	8,977,932	7,948,123
Total current assets	1,134,050,358	812,911,183
Noncurrent assets:		
Investments (note 5)	473,202,341	251,945,031
Mortgage and other loans receivable (note 4)	6,658,972,508	7,152,763,225
Less allowance for loan loss	193,855,857	199,902,332
Less net loan discounts	36,688,923	40,429,055
Mortgage and other loans receivable, net	6,428,427,728	6,912,431,838
Property, furniture, and equipment, less accumulated depreciation and amortization of $34,357,378 and $31,770,833 respectively (note 6)	26,326,725	24,577,676
Other assets	8,664,427	13,076,458
Total noncurrent assets	6,936,621,221	7,202,031,003
Total assets	$ 8,070,671,579	8,014,942,186
Liabilities and Net Position		
Current liabilities:		
Notes and bonds payable (note 7)	$ 705,216,781	428,209,601
Accrued interest payable on notes and bonds	57,041,623	64,393,000
Housing Choice Voucher contributions payable	—	188,369
Escrows (note 8)	46,711,535	43,299,931
Derivative instruments (note 9)	224,949	787,672
Accounts payable and other liabilities (note 10)	41,202,636	23,622,572
Total current liabilities	850,397,524	560,501,145
Noncurrent liabilities:		
Bonds payable, net (note 7)	4,258,230,476	4,660,772,600
Project reserves (notes 8 and 14)	123,338,279	126,070,113
Other liabilities (notes 10, 12, and 14)	18,420,214	24,007,266
Total noncurrent liabilities	4,399,988,969	4,810,849,979
Total liabilities	5,250,386,493	5,371,351,124
Net position (notes 1 and 11):		
Net investment in capital assets	8,706,218	6,403,910
Restricted by bond indentures	2,682,279,255	2,509,869,543
Unrestricted	129,299,613	127,317,609
Total net position	2,820,285,086	2,643,591,062
Total liabilities and net position	$ 8,070,671,579	8,014,942,186

See accompanying notes to basic financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2015 and 2014

	2015	2014
Operating revenues:		
Interest on mortgage and other loans receivable	$ 410,963,882	439,872,258
Pass-through grants income (note 1)	119,085,683	119,708,711
Housing Choice Voucher program income (note 1)	5,886,932	9,846,526
Other real estate owned income	8,867,929	8,863,552
Gains and recoveries on sale of other real estate owned	5,019,337	6,328,885
Gains (losses) on sale of single family mortgage loans	2,312,605	(640,561)
Other	20,002,225	17,557,943
Total operating revenues	572,138,593	601,537,314
Operating expenses:		
Interest on notes and bonds payable	197,409,725	222,938,257
Salaries and related employee benefits (notes 12 and 13)	39,697,673	36,778,212
General operating expenses	28,705,689	25,294,205
Note and bond expenses	1,189,198	1,198,171
Bond issuance expenses	2,133,256	3,585,076
Pass-through grants expenses (note 1)	119,085,683	119,708,711
Housing Choice Voucher program expenses (note 1)	8,005,369	8,693,653
Servicing release premiums and guaranty fees	8,564,060	8,753,967
Other real estate owned expenses	5,925,460	8,879,967
Losses on other real estate owned (note 1)	14,283,486	21,103,427
(Recovery) Provision for loan losses (note 1)	(1,705,169)	22,953,133
Total operating expenses	423,294,430	479,886,779
Operating income	148,844,163	121,650,535
Nonoperating revenues (losses):		
Investment income (note 10)	27,016,648	13,748,592
Unrealized gain (loss) on derivative instruments (note 9)	562,723	(2,619,324)
Other, net	270,490	(2,127)
Total nonoperating revenues, net	27,849,861	11,127,141
Change in net position	176,694,024	132,777,676
Total net position, beginning of year	2,643,591,062	2,510,813,386
Total net position, end of year	$ 2,820,285,086	2,643,591,062

See accompanying notes to basic financial statements.

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

Statements of Cash Flows

Years ended June 30, 2015 and 2014

		2015	2014
Cash flows from operating activities:			
Cash payments for mortgage and other loans	$	(861,060,605)	(1,099,261,207)
Principal repayments on mortgage and other loans		670,163,200	856,956,142
Sale of mortgage loans		262,061,895	185,292,094
Interest received on mortgage and other loans		384,921,647	439,041,460
Pass-through grants received		119,085,683	119,708,711
Pass-through grants disbursed		(119,085,683)	(119,708,711)
Housing Choice Voucher payments received		2,883,766	9,949,561
Housing Choice Voucher payments disbursed		(5,074,489)	(8,543,496)
Escrow and project reserve payments received		287,299,010	283,410,188
Escrow and project reserve payments disbursed		(286,279,314)	(293,511,886)
Other operating revenues		25,225,263	25,472,094
Cash received for loan origination fees		5,659,029	4,609,976
Cash paid for loan premiums		(5,490,038)	(8,277,063)
Cash payments for salaries and related benefits		(39,402,671)	(37,050,616)
Cash payments for general operating expenses		(17,942,939)	(43,062,442)
Cash payments for servicing release premiums and guaranty fees		(9,480,075)	(9,969,035)
Proceeds from sale of other real estate owned		35,929,232	22,249,522
Disposition of other real estate owned property		2,942,469	38,898,350
Net cash provided by operating activities		452,355,380	366,203,642
Cash flows from noncapital financing activities:			
Proceeds from issuance of notes and bonds		818,494,857	554,013,112
Principal payments on notes and bonds		(944,208,569)	(1,341,650,211)
Interest payments on notes and bonds		(204,582,334)	(232,627,766)
Cash payments for bond issuance expenses		(2,133,256)	(3,523,366)
Net cash used in noncapital financing activities		(332,429,302)	(1,023,788,231)
Cash flows from capital and related financing activities:			
Purchases of property, furniture, and equipment		(4,781,779)	(3,909,953)
Net cash used in capital and related financing activities		(4,781,779)	(3,909,953)
Cash flows from investing activities:			
Purchases of investments		(2,240,651)	(6,846,258)
Proceeds from sales or maturities of investments		35,048,337	27,595,846
Interest received on investments		9,696,246	8,934,098
Net cash provided by investing activities		42,503,932	29,683,686
Net increase (decrease) in cash and cash equivalents		157,648,231	(631,810,856)
Cash and cash equivalents, at beginning of year		501,019,953	1,132,830,809
Cash and cash equivalents, at end of year	$	658,668,184	501,019,953

(Continued)

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

Statements of Cash Flows

Years ended June 30, 2015 and 2014

		2015	2014
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	148,844,163	121,650,535
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation of property, furniture, and equipment		3,031,385	3,635,067
Bond issuance costs		2,133,256	3,585,076
Interest on notes and bonds payable		197,409,725	222,938,257
Increase in mortgage loans held for sale		(112,659,513)	(12,939,574)
Decrease in mortgage and other loans receivable		209,240,046	28,352,789
(Decrease)/increase in allowance for loan loss		(6,046,475)	8,959,763
(Decrease)/increase in net loan discounts		(3,740,132)	3,193,939
Decrease in interest receivable – mortgage and other loans		2,115,471	2,189,540
(Increase)/decrease in other real estate owned		(3,803,149)	6,667,426
(Decrease)/increase in Housing Choice Voucher contributions payable		(188,369)	103,035
Increase in Housing Choice Voucher contributions receivable		(372,463)	—
Decrease/(increase) in other assets		3,382,222	(1,528,295)
Increase/(decrease) in accounts payable and other liabilities		11,993,012	(10,130,728)
Increase/(decrease) in escrows and project reserves		1,016,201	(10,473,188)
Net cash provided by operating activities	$	452,355,380	366,203,642
Supplemental disclosure of noncash activity:			
Increase in other real estate owned as a result of loan foreclosures	$	52,980,121	42,371,157
Decrease in mortgage and other loans receivable from transferring loans to MBS securities retained as investments	$	286,707,136	—

See accompanying notes to basic financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

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

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

(b) Measurement Focus and Basis of Accounting

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

(c) Use of Estimates

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

(d) Investments

Investments are reported at fair market value on the Statements of Net Position, with changes in fair market value recognized in investment income in the Statements of Revenues, Expenses, and Changes in Net Position. Fair market value, obtained from third party pricing services and reviewed by management, is based on quoted market prices when available or on adjusted value in relation to observable prices on similar investments.

(e) Derivative Instruments

Forward sales securities commitments are utilized to hedge changes in fair value of mortgage loan inventory and commitments to originate mortgage loans. At June 30, 2015, the Authority had outstanding 29 forward sales transactions with a $239.1 million notional amount with four counterparties with concentrations and ratings (Standard & Poor's, Moody's Investors Service) as shown in note 9. The forward sales contacts will settle by September 21, 2015. These contracts are treated as investment derivative instruments in accordance with Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

(f) Mortgage Loans Held for Sale

Loans originated or acquired with the intent to sell on the secondary market are carried at the lower of cost or fair value. Any gains or losses on loan sales are reported on the Statements of Revenues, Expenses, and Changes in Net Position.

(g) Mortgage and Other Loans Receivable

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

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

(h) Allowance for Loan Losses

The Authority provides for losses when a specific need for an allowance is identified. The provision for loan losses charged or credited to operating expense is the amount necessary, in management's judgment, to maintain the allowance at a level it believes sufficient to cover losses in collection of loans. Estimates of future losses involve the exercise of management's judgment and assumptions with respect to future conditions. The principal factors considered by management in determining the adequacy of the allowance are the composition of the loan portfolio, historical loss experience and delinquency statistics, economic conditions, the value and adequacy of collateral, and the current level of the allowance. The allowance for loan losses was reduced by $1,705,169 for the year ended June 30, 2015. The allowance for loan losses was increased by $22,953,133 for the year ended June 30, 2014.

(i) Mortgage servicing rights

The Authority pays servicing release premiums when purchasing loans from participating lenders. These premiums are capitalized at cost and amortized over the estimated life of the related mortgage loans, if those mortgage loans are securitized through either GNMA or FNMA while the Authority remains the servicer of the loans. Unamortized mortgage servicing right costs were included in other assets and totaled $3,865,139 and $3,212,092 as of June 30, 2015 and 2014, respectively.

(j) Other Real Estate Owned

Other real estate owned represents current investments in single family dwellings and multi-family property, acquired primarily through foreclosure, and is stated at the lower of cost or fair value less estimated disposal costs. Gains and losses from the disposition of other real estate owned are reported separately in the Statements of Revenues, Expenses, and Changes in Net Position.

(k) Property, Furniture, and Equipment

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

Certain costs associated with internally generated computer software are treated as capital assets in accordance with GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The capitalization threshold for internally generated computer software is $1,000,000. Once the software is ready for its intended use, these costs are amortized on a straight-line basis over the software's expected useful life of 3 to 5 years.

(l) Bond Issuance Expense

In accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* bond issuance costs are expensed in the period incurred.

(m) Notes and Bonds Payable

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

(n) Retirement Plans

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

The Authority also provides postretirement healthcare benefits under a defined benefit plan to all employees who have met the years of service requirement and who retire from the Authority on or after attaining age 55 or become permanently disabled.

(o) Compensated Absences

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

(p) Pass-Through Revenues and Expenses

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

The Authority serves as an administrator for the U.S. Department of Housing and Urban Development's (HUD) Section 8 Housing Choice Voucher program, consisting of the voucher program as well as other tenant-based assistance programs. The Authority requisitions Section 8 funds, makes disbursements of funds to eligible participants, and recognizes administrative fee income. Program income and program expenses that are recognized as pass-through grants, based upon the amount of allowable Housing Assistance Payments (HAP) disbursements, totaled $66,474,251 and $64,899,652 during the years ended June 30, 2015 and 2014, respectively.

Excess HAP or administrative funds disbursed to the Authority were also recorded as revenue and unrestricted net position in the Statements of Revenues, Expenses and Changes in Net Position and Statements of Net Position. Cumulative excess HAP funds totaled $39,533 and $2,475,958 as of June 30, 2015 and 2014, respectively. Cumulative excess administrative funds totaled $361,330 and $3,808 as of June 30, 2015 and 2014, respectively. HUD monitors the utilization of these excess funds and adjusts funding levels prospectively to assure all funds are being used to serve as many families up to the number of vouchers authorized by the program.

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

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

The Authority received and disbursed pass-through grants totaling $51,459,263 and $52,954,015 during the years ended June 30, 2015 and 2014, respectively.

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

The Authority serves as an administrator for 32 HUD-approved Housing Counseling Agencies in Virginia. The Housing Counseling Assistance Program provides counseling to consumers on seeking, financing, maintaining, renting, or owning a home. The Authority received and disbursed pass-through grants totaling $866,645 and $726,365 during the years ended June 30, 2015 and 2014, respectively.

National Foreclosure Mitigation Counseling

The Authority is a grantee of NeighborWorks America, a national nonprofit organization created by the U.S. Congress to provide financial support, technical assistance, and training for community-based revitalization efforts. As a grantee in the National Foreclosure Mitigation Counseling program, the Authority assists nonprofit agencies by distributing NeighborWorks funds administered by the Authority. The Authority received and disbursed pass-through grants totaling $181,965 and $107,666 during the years ended June 30, 2015 and 2014, respectively.

Emergency Homeowners Loan Program

The Authority is also a grantee of NeighborWorks America, for the Emergency Homeowners Loan Program which provides mortgage payment relief to eligible homeowners experiencing a decrease in income of at least 15%, directly resulting from involuntary unemployment or underemployment due to adverse economic conditions and/or a medical emergency. The Authority received and disbursed assistance of $22,260 and $17,385 during the years ended June 30, 2015 and 2014, respectively.

(q) Commonwealth Priority Housing Fund & Housing Trust Fund

The Commonwealth Priority Housing Fund (Fund), established by the 1988 Session of the Virginia General Assembly, uses funds provided by the Commonwealth in that Session to make loans and grants for a wide variety of housing initiatives. The Virginia Department of Housing and Community Development (DHCD) develops the program guidelines and the Authority acts as administrator for the Fund. The balances associated with the Fund are recorded in assets and liabilities in the amounts of $7,155,884 and $7,197,692 as of June 30, 2015 and 2014, respectively.

The Housing Trust Fund (Trust Fund), established by the 2013 Session of the Virginia General Assembly, uses funds provided by the Commonwealth in that Session to make loans and grants for a wide variety of housing initiatives. The Department of Housing and Community Development develops the program guidelines and the Authority acts as administrator for the Trust Fund. The balances associated with the Housing Trust Fund are recorded in assets and liabilities in the amounts of $991,919 and $1,010,765 as of June 30, 2015 and 2014, respectively.

(r) Cash Equivalents

For purposes of the Statements of Cash Flows, cash equivalents consist of investments with original maturities of three months or less from the date of purchase.

(s) Rebatable Arbitrage

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

(t) Statements of Net Position

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

(u) Operating and Nonoperating Revenues and Expenses

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

(2) Basis of Presentation

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

(a) General Operating Accounts

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

(b) Rental Housing Bond Groups

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

(c) Commonwealth Mortgage Bond Group

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

(d) Homeownership Mortgage Bond Group

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

(3) Restricted Assets

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

Restricted assets as of June 30, 2015 and 2014 were as follows:

	June 30	
	2015	**2014**
Restricted current assets:		
Cash and cash equivalents	$ 656,523,374	497,951,774
Investments	38,051,981	—
Interest receivable - investments	177,284	229,226
Mortgage loans held for sale	143,827,413	31,167,900
Mortgage and other loans receivable	179,153,217	181,741,017
Interest receivable - mortgage and other loans	29,676,097	31,824,462
Housing Choice Voucher contributions receivable	372,463	—
Other real estate owned	52,092,689	50,437,024
Other assets	130,056	1,902,278
Total restricted current assets	1,100,004,574	795,253,681
Restricted noncurrent assets:		
Investments	470,335,739	219,445,718
Mortgage and other loans receivable	6,551,140,406	7,056,887,583
Less allowance for loan loss	167,209,042	180,876,589
Less net loan discounts	36,320,356	40,040,819
Mortgage and other loans receivable, net	6,347,611,008	6,835,970,175
Property, furniture, and equipment, less accumulated depreciation and amortization of $17,245,178 and $16,628,039, respectively	12,495,725	13,192,354
Total restricted noncurrent assets	6,830,442,472	7,068,608,247
Total restricted assets	$ 7,930,447,046	7,863,861,928

(4) Mortgage and Other Loans Receivable

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

Loan program/bond group	Interest rates	Initial loan terms
General Operating Accounts	0% to 8.30%	Thirty to forty years
Rental Housing Bond Group	0% to 13.11%	Thirty to forty years
Commonwealth Mortgage Bond Group	1.13% to 10.84%	Thirty years
Homeownership Mortgage Bond Group	2.00% to 5.88%	Thirty years

Commitments to fund new loans were as follows at June 30, 2015:

		Committed
General Operating Loan Programs	$	1,636,618
Rental Housing Bond Group		165,921,064
Commonwealth Mortgage Bond Group		234,728,632
Total	$	402,286,314

(5) Cash, Cash Equivalents, and Investments

Cash includes cash on hand and amounts in checking accounts, which are insured by the Federal Depository Insurance Corporation or are collateralized under provisions of the Virginia Security for Public Deposits Act. At June 30, 2015 and 2014, the carrying amount of the Authority's deposits was $78,189,217 and $63,264,200, respectively. The associated bank balance of the Authority's deposits was $73,736,243 and $60,800,553 at June 30, 2015 and 2014, respectively. The difference between the carrying amount and the bank balance is due to outstanding checks, deposits in transit, and other reconciling items.

Cash equivalents include investments with original maturities of three months or less from date of purchase. Investments consist of U.S. government and agency securities, municipal tax-exempt securities, corporate notes, reverse repurchase agreements and various other investments for which there are no securities as evidence of the investment. Investments in the bond funds consist of those permitted by the various resolutions adopted by the Authority. At June 30, 2015 and 2014, total cash equivalents were $580,478,967 and $437,755,753, respectively.

(Continued)

Investments as of June 30, 2015 and 2014 are classified in the statements of net position as follows:

	June 30	
	2015	**2014**
Current investments	$ 53,302,864	4,327,835
Noncurrent investments	473,202,341	251,945,031
Total investments	$ 526,505,205	256,272,866

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

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

(a) Interest Rate Risk

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

As of June 30, 2015, the Authority had the following investments (including cash equivalents) and maturities:

Investment type		Less than 1 year	1 – 5 years	6 – 10 years	Over 10 years	Fair value
Reverse repurchase agreements	$	340,000,000	—	—	—	340,000,000
Municipal securities		8,777,946	2,497,670	—	—	11,275,616
Asset-backed securities		—	—	—	18,109,936	18,109,936
Agency-mortgage backed securities		—	—	1,319,340	451,275,396	452,594,736
Money market securities		228,747,300	—	—	—	228,747,300
Corporate notes		50,023,500	—	—	—	50,023,500
Other interest-bearing securities		6,233,084	—	—	—	6,233,084
Total investments	$	633,781,830	2,497,670	1,319,340	469,385,332	1,106,984,172

As of June 30, 2014, the Authority had the following investments (including cash equivalents) and maturities:

Investment type		Less than 1 year	1 – 5 years	6 – 10 years	Over 10 years	Fair value
Reverse Repurchase agreements	$	240,000,000	—	—	—	240,000,000
Municipal securities		9,922,835	3,872,235	—	—	13,795,070
Asset-backed securities		—	—	—	27,129,546	27,129,546
Agency-mortgage backed securities		—	—	570,488	170,550,511	171,120,999
Money market securities		190,544,100	—	—	—	190,544,100
Corporate notes		—	49,822,250	—	—	49,822,250
Other interest-bearing securities		1,616,654	—	—	—	1,616,654
Total investments	$	442,083,589	53,694,485	570,488	197,680,057	694,028,619

On December 12, 2014, the Authority entered into a pledge and security agreement with FNMA which requires the Authority to post collateral to secure its repurchase obligations with respect to the HFA Preferred Risk Sharing mortgage loans during the recourse period. The amount of required collateral is $2.2 million which is equal to 1.10 percent of the aggregated unpaid principal balance of the HFA Preferred Risk Sharing mortgages that the Authority estimates it will sell to FNMA during the contract pooling period expiring on December 31, 2015. To comply with the collateral requirement, the Authority elected to pledge an agency-mortgage backed security valued at $6.2 million and held in trust by a custodian agent for FNMA.

(b) Credit Risk

Credit risk is the risk that an issuer or other counterparties to an investment will not fulfill its obligations. The Authority places emphasis on securities of high credit quality and marketability. The following table presents investment exposure to credit risk by investment type as of June 30, 2015:

Investment type		Amount	S & P/ Moody's rating	Percentage of total investments
Agency Mortgage Backed Securities	$	452,594,736	Aaa	40.89%
Reverse Repurchase Agreements		340,000,000	BBB-	30.71
Money Market Securities		228,747,300	P-1	20.66
Corporate Notes		25,012,750	A1	2.26
Corporate Notes		25,010,750	Aa2	2.26
Asset Backed Securities		9,745,689	Ba3	0.88
Other Interest Bearing Instruments		6,233,084	Aaa	0.56
Municipal Securities		4,692,000	NR	0.42
Municipal Securities		3,299,146	Aa2	0.30
Asset Backed Securities		2,472,648	Ca	0.22
Asset Backed Securities		1,992,761	Caa3	0.18
Asset Backed Securities		1,816,286	Caa1	0.17
Municipal Securities		1,741,365	Aaa	0.16
Asset Backed Securities		1,071,736	Caa2	0.10
Municipal Securities		907,968	Aa1	0.08
Asset Backed Securities		672,304	A3	0.06
Municipal Securities		635,137	AA+	0.06
Asset Backed Securities		338,512	Baa3	0.03
Total investments	$	1,106,984,172		100.00%

(6) Property, Furniture, and Equipment

Activity in the property, furniture, and equipment accounts for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Disposals	Transfers	Balance June 30, 2015
Land	$ 2,935,815	—	—	—	2,935,815
Building	31,118,900	—	—	—	31,118,900
Furniture and equipment	19,610,609	1,145,594	(446,185)	42,284	20,352,302
Motor vehicles	504,786	85,545	—	—	590,331
Construction in progress	2,178,399	3,550,640	—	(42,284)	5,686,755
	$ 56,348,509	4,781,779	(446,185)	—	60,684,103

Activity in the related accumulated depreciation and amortization accounts during the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Disposals	Balance June 30, 2015
Building	$ (16,754,162)	(777,933)	—	(17,532,095)
Furniture and equipment	(14,566,382)	(2,220,656)	444,840	(16,342,198)
Motor vehicles	(450,289)	(32,796)	—	(483,085)
	$ (31,770,833)	(3,031,385)	444,840	(34,357,378)

Activity in the property, furniture, and equipment accounts for the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Additions	Disposals	Transfers	Balance June 30, 2014
Land	$ 2,935,815	—	—	—	2,935,815
Building	31,118,900	—	—	—	31,118,900
Furniture and equipment	17,354,945	1,218,231	(336,913)	1,374,346	19,610,609
Motor vehicles	504,786	—	—	—	504,786
Construction in progress	861,023	2,691,722	—	(1,374,346)	2,178,399
	$ 52,775,469	3,909,953	(336,913)	—	56,348,509

Activity in the related accumulated depreciation and amortization accounts during the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Additions	Disposals	Balance June 30, 2014
Building	$ (15,976,229)	(777,933)	—	(16,754,162)
Furniture and equipment	(12,060,050)	(2,818,243)	311,911	(14,566,382)
Motor vehicles	(411,398)	(38,891)	—	(450,289)
	$ (28,447,677)	(3,635,067)	311,911	(31,770,833)

(7) Notes and Bonds Payable

Notes and bonds payable at June 30, 2014 and June 30, 2015 and changes for the year ended June 30, 2015 were as follows:

Description	Balance at June 30, 2014	Issued	Retired	Balance at June 30, 2015
	(Amounts shown in thousands)			
General operating accounts:				
Revolving line of credit:				
Bank of America floating daily rate (rate of 1.2366% at June 30, 2015) termination date of December 1, 2015	$ 44,000	78,000	65,000	57,000
Federal Home Loan Bank floating daily rate (rate of 0.240% at June 30, 2015) maturities range from July 30, 2015 to September 17, 2015	113,000	407,600	113,000	407,600
Total general operating accounts	$ 157,000	485,600	178,000	464,600

Description	Balance at June 30, 2014	Issued	Retired	Balance at June 30, 2015
	(Amounts shown in thousands)			
Rental housing bond group:				
2005 Series D, dated June 14, 2005, 5.19% effective interest rate, final due date September 1, 2033	$ 35,660	—	35,660	—
2005 Series E/F, dated June 14, 2005, 4.60% effective interest rate, final due date September 1, 2039	40,190	—	40,190	—
2005 Series G, dated October 20, 2005, 5.46% effective interest rate, final due date December 1, 2030	75,255	—	75,255	—
2005 Series H/I, dated October 20, 2005, 4.48% effective interest rate, final due date December 1, 2030	31,515	—	31,515	—
2005 Series J/K, dated December 14, 2005, 5.30% effective interest rate, final due date February 1, 2035	34,090	—	34,090	—
2006 Series A, dated May 23, 2006, 4.89% effective interest rate, final due date April 1, 2033	7,395	—	7,395	—
2006 Series B, dated October 31, 2006, 4.65% effective interest rate, final due date November 1, 2038	21,275	—	475	20,800
2006 Series C, dated December 12, 2006, 5.80% effective interest rate, final due date January 1, 2039	41,610	—	770	40,840
2006 Series D/E/F, dated December 12, 2006, 4.53% effective interest rate, final due date January 1, 2039	74,270	—	1,720	72,550
2007 Series A, dated June 12, 2007, 6.03% effective interest rate, final due date July 1, 2039	112,700	—	2,025	110,675

Description	Balance at June 30, 2014	Issued	Retired	Balance at June 30, 2015
	(Amounts shown in thousands)			
2007 Series B/C, dated September 20, 2007, 6.15% effective interest rate, final due date November 1, 2038	$ 21,685	—	460	21,225
2009 Series A, dated February 26, 2009, 6.80% effective interest rate, final due date March 1, 2039	68,445	—	1,245	67,200
2009 Series B, dated March 26, 2009, 5.54% effective interest rate, final due date June 1, 2043	27,405	—	445	26,960
2009 Series C/D, dated March 30, 2009, 5.81% effective interest rate, final due date February 1, 2021	248,040	—	31,345	216,695
2009 Series E, dated September 24, 2009, 4.74% effective interest rate, final due date October 1, 2044.	47,960	—	805	47,155
2009 Series F, dated November 25, 2009, 4.87% effective interest rate, final due date December 1, 2044	46,655	—	770	45,885
2010 Series A, dated March 23, 2010, 4.79% effective interest rate, final due date April 1, 2045	19,900	—	235	19,665
2010 Series B, dated April 27, 2010, 4.74% effective interest rate, final due date June 1, 2045	21,770	—	375	21,395
2010 Series C, dated July 28, 2010, 4.61% effective interest rate, final due date August 1, 2045	11,430	—	190	11,240
2010 Series D, dated August 26, 2010, 4.31% effective interest rate, final due date September 1, 2040	31,555	—	735	30,820
2010 Series E, dated October 7, 2010, 4.19% effective interest rate, final due date October 1, 2045	36,985	—	725	36,260
2010 Series F, dated December 2, 2010, 4.86% effective interest rate, final due date January 1, 2041	19,120	—	410	18,710

Description	Balance at June 30, 2014	Issued	Retired	Balance at June 30, 2015
	(Amounts shown in thousands)			
2011 Series A, dated May 24, 2011 4.92% effective interest rate, final due date May 1, 2041	$ 11,235	—	240	10,995
2011 Series B, dated September 27, 2011, 4.27% effective interest rate, final due date October 1, 2041	14,800	—	340	14,460
2011 Series C, dated December 8, 2011, 4.24% effective interest rate, final due date December 1, 2038	19,200	—	525	18,675
2011 Series D, dated December 8, 2011, 4.93% effective interst rate, final due date January 1, 2039	150,650	—	3,700	146,950
2011 Series E, dated December 22, 2011, 4.40% effective interest rate, final due date March 1, 2028	141,345	—	7,915	133,430
2012 Series A, dated February 28, 2012, 3.60% effective interest rate, final due date March 1, 2042	34,600	—	855	33,745
2012 Series B, dated August 21, 2012, 3.64% effective interest rate, final due date August 1, 2042	114,075	—	2,190	111,885
2012 Series D, dated October 30, 2012, 4.02% effective interest rate, final due date October 1, 2042	221,925	—	5,095	216,830
2012 Series E dated November 2, 2012, 3.16% effective interest rate, final due date November 1, 2042	10,700	—	200	10,500
2013 Series A/B, dated April 11, 2013, 3.95% effective interest rate, final due date April 1, 2043	34,530	—	865	33,665
2013 Series C, dated May 2, 2013, 3.82% effective interest rate, final due date February 1, 2043	163,025	—	3,535	159,490
2013 Series D, dated May 30, 2013, 4.06% effective interest rate, final due date June 1, 2043	111,330	—	2,120	109,210

(Continued)

Description		Balance at June 30, 2014	Issued	Retired	Balance at June 30, 2015
			(Amounts shown in thousands)		
2013 Series E, dated July 11, 2013, 4.15% effective interest rate, final due date July 1, 2043	$	20,750	—	—	20,750
2013 Series F, dated October 10, 2013, 4.98% effective interest rate, final due date October 1, 2043		58,435	—	—	58,435
2013 Series G, dated December 3, 2013, 4.27% effective interest rate, final due date December 1, 2043		11,650	—	—	11,650
2014 Series A, dated August 19, 2014, 3.75% effective interest rate, final due date August 1, 2049		—	12,625	—	12,625
2014 Series B, dated October 28, 2014, 3.30% effective interest rate, final due date October 1, 2044		—	8,900	—	8,900
2014 Series C, dated November 20, 2014, 4.29% effective interest rate, final due date November 1, 2044		—	135,515	—	135,515
2015 Series A, dated March 18, 2015, 3.43% effective interest rate, final due date March 1, 2045		—	42,165	—	42,165
2015 Series B, dated May 12, 2015, 3.32% effective interest rate, final due date May 1, 2045		—	13,300	—	13,300
		2,193,160	212,505	294,415	2,111,250
Unamortized premium		2,549			2,315
Total rental housing bonds	$	2,195,709			2,113,565
Commonwealth mortgage bonds group:					
2002 Series B, dated March 20, 2002, 6.22% effective interest rate, final due date August 25, 2030	$	13,539	—	1,760	11,779

Description		Balance at June 30, 2014	Issued	Retired	Balance at June 30, 2015
			(Amounts shown in thousands)		
2002 Series E/F/G, dated December 17, 2002, 5.18% effective interest rate, final due date December 25, 2032	$	11,874	—	1,450	10,424
2003 Series C, dated October 1, 2003, 5.11% effective interest rate, final due date August 25, 2033		997	—	997	—
2004 Series B, dated June 10, 2004, 5.67% effective interest rate, final due date June 25, 2034		3,111	—	475	2,636
2005 Series A, dated April 21, 2005, 4.47% effective interest rate, final due date October 1, 2024		70,110	—	70,110	—
2005 Series C/D/E, dated November 3, 2005, 4.26% effective interest rate, final due date April 1, 2028		172,485	—	172,485	—
2006 Series A/B, dated April 27, 2006, 5.89% effective interest rate, final due date March 25, 2036		4,843	—	267	4,576
2006 Series C, dated June 8, 2006, 6.18% effective interest rate, final due date June 25, 2034		19,800	—	2,583	17,217
2006 Series D/E/F, dated July 13, 2006, 4.65% effective interest rate, final due date October 1, 2032		257,710	—	33,400	224,310
2007 Series A/B/C/D, dated May 18, 2007, 4.86% effective interest rate, final due date January 1, 2036		569,935	—	65,460	504,475
2008 Series A, dated March 25, 2008, 6.07% effective interest rate, final due date March 25, 2038		41,419	—	7,091	34,328

Description		Balance at June 30, 2014	Issued	Retired	Balance at June 30, 2015
		(Amounts shown in thousands)			
2008 Series B, dated April 10, 2008, 6.11% effective interest rate, final due date March 25, 2038	$	58,238	—	8,511	49,727
2008 Series C, dated November 18, 2008, 6.42% effective interest rate, final due date June 25, 2038		24,200	—	4,071	20,129
2009 Series A, dated November 25, 2009, 4.23% effective interest rate, final due date July 1, 2025		38,750	—	6,465	32,285
2012 Series A, dated December 20, 2012, 2.10% effective interest rate, final due date July 1, 2026		74,490	—	—	74,490
2012 Series B/C, dated December 20, 2012, 3.62% effective interest rate, final due date July 1, 2039		711,710	—	9,500	702,210
2013 Series B, dated May 21, 2013, 2.75% effective interest rate, final due date April 25, 2042		88,665	—	12,499	76,166
2013 Series C, dated October 24, 2013, 4.25% effective interest rate, final due date October 25, 2043		100,049	—	5,109	94,940
2013 Series D, dated December 19, 2013, 4.30% effective interest rate, final due date December 25, 2043		80,017	—	6,090	73,927
2014 Series A, dated December 11, 2014, 3.50% effective interest rate, final due date October 25, 2037		—	120,390	8,270	112,120
		2,341,942	120,390	416,593	2,045,739
Unamortized discount		(2,752)			(2,339)
Total commonwealth mortgage bonds group	$	2,339,190			2,043,400
Homeownership mortgage bonds group:					
2010 Series A, dated February 10, 2010, 3.76% effective interest rate, final due date September 1, 2021	$	74,230	—	20,600	53,630

Description		Balance at June 30, 2014	Issued	Retired	Balance at June 30, 2015
			(Amounts shown in thousands)		
2010 Series B, dated October 29, 2010, 3.10% effective interest rate, final due date March 1, 2022	$	49,000	—	6,400	42,600
2011 Series A, dated June 14, 2011, 3.51% effective interest rate, final due date March 1, 2024		57,600	—	11,100	46,500
2011 Series B, dated September 27, 2011, 3.36% effective interest rate, final due date September 1, 2024		64,350	—	8,500	55,850
2013 Series A, dated March 27, 2013, 3.25% effective interest rate, final due date August 25, 2042		151,903	—	8,601	143,302
Total homeownership mortgage bonds group		397,083	—	55,201	341,882
Total	$	5,088,982			4,963,447

Notes and bonds payable at June 30, 2013 and June 30, 2014 and changes for the year ended June 30, 2014 were summarized as follows (amounts in thousands):

		June 30, 2013	Issued	Retired	Increase/ (decrease) in unamortized premium/discount and compound interest payable	June 30, 2014
General operating accounts	$	151,047	279,547	(273,594)	—	157,000
Rental housing bond group		2,344,265	90,835	(239,490)	99	2,195,709
Commonwealth mortgage bond group		2,891,159	183,631	(736,138)	538	2,339,190
Homeownership mortgage bond group		489,511	—	(92,428)	—	397,083
Total	$	5,875,982	554,013	(1,341,650)	637	5,088,982

Current and noncurrent amounts of notes and bonds payable at June 30, 2015 and 2014 were as follows:

	June 30	
	2015	**2014**
Notes and bonds payable – current	$ 705,216,781	428,209,601
Bonds payable – noncurrent	4,258,230,476	4,660,772,600
Total	$ 4,963,447,257	5,088,982,201

From time to time, the Authority has participated in refundings, in which new debt is issued and the proceeds are used to redeem, generally within ninety days, previously issued debt. Related discounts or premiums previously deferred are recognized in income or expense, respectively. There were no refundings during the years ended June 30, 2015 and 2014. The Authority had redemptions of $481,110,000 and $784,840,000 during the year ended June 30, 2015 and 2014, respectively.

The principal payment obligations and associated interest related to all note and bond indebtedness (excluding the effect of unamortized discounts and premium) commencing July 1, 2015 and thereafter are as follows:

Year ending June 30	Original principal	Current interest	Total debt service
2016	$ 705,216,781	187,634,559	892,851,340
2017	199,710,000	177,972,284	377,682,284
2018	199,800,000	170,957,105	370,757,105
2019	202,190,000	163,661,886	365,851,886
2020	213,150,000	155,606,908	368,756,908
2021 – 2025	776,725,000	669,541,405	1,446,266,405
2026 – 2030	602,550,000	529,370,049	1,131,920,049
2031 – 2035	666,237,064	391,209,544	1,057,446,608
2036 – 2040	661,013,873	228,300,079	889,313,952
2041 – 2045	726,294,252	77,690,972	803,985,224
2046 – 2050	10,585,000	490,136	11,075,136
Total	$ 4,963,471,970	2,752,434,927	7,715,906,897

The principal payment obligations related to all note and bond indebtedness (excluding the effect of unamortized discounts and premium) commencing July 1, 2015 and thereafter are as follows:

Year ending June 30	General Fund notes	Rental Housing bonds	Commonwealth mortgage bonds	Homeownership mortgage bonds	Total principal
2016	$ 464,600,000	78,355,000	131,237,777	31,024,004	705,216,781
2017	—	85,115,000	86,595,000	28,000,000	199,710,000
2018	—	88,205,000	91,295,000	20,300,000	199,800,000
2019	—	90,130,000	91,760,000	20,300,000	202,190,000
2020	—	94,450,000	93,600,000	25,100,000	213,150,000
2021 – 2025	—	330,875,000	368,670,000	77,180,000	776,725,000
2026 – 2030	—	317,185,000	285,365,000	—	602,550,000
2031 – 2035	—	360,405,000	305,832,064	—	666,237,064
2036 – 2040	—	419,200,000	241,813,873	—	661,013,873
2041 – 2045	—	236,745,000	349,570,760	139,978,492	726,294,252
2046 – 2050	—	10,585,000	—	—	10,585,000
Total	$ 464,600,000	2,111,250,000	2,045,739,474	341,882,496	4,963,471,970

The associated interest related to all note and bond indebtedness commencing July 1, 2015 and thereafter are as follows:

Year ending June 30	General Fund interest	Rental Housing interest	Commonwealth interest	Homeownership interest	Total interest
2016	$ 1,683,330	93,723,426	81,417,609	10,810,194	187,634,559
2017	—	90,915,139	76,988,939	10,068,206	177,972,284
2018	—	87,619,577	73,994,746	9,342,781	170,957,104
2019	—	83,922,062	70,945,630	8,794,194	163,661,886
2020	—	79,829,283	67,696,431	8,081,194	155,606,908
2021 – 2025	—	348,943,186	292,146,631	28,451,588	669,541,405
2026 – 2030	—	279,522,377	227,101,167	22,746,505	529,370,049
2031 – 2035	—	202,845,293	165,617,745	22,746,505	391,209,543
2036 – 2040	—	107,769,295	97,784,279	22,746,505	228,300,079
2041 – 2045	—	24,121,483	43,409,384	10,160,106	77,690,973
2046 – 2050	—	490,137	—	—	490,137
Total	$ 1,683,330	1,399,701,258	1,197,102,561	153,947,778	2,752,434,927

The Authority has a $100 million revolving credit agreement with Bank of America to provide funds for general corporate purposes. The agreement was renewed on December 1, 2013 and will terminate on December 1, 2015. All amounts outstanding are due and payable on the termination date. Under the current terms, interest on any advances is charged at a rate equal to the daily floating LIBOR rate for deposits with one month maturity plus a margin ranging from 105 to 135 basis points per annum based upon the Authority's long-term credit ratings. As of June 30, 2015, the borrowing rate was 1.2366%. The Authority is in compliance with all debt covenant requirements. At June 30, 2015 and 2014, there were $57.0 million and $44.0 million outstanding, respectively.

The Authority maintains a $1.3 billion credit agreement with the Federal Home Loan Bank (FHLB) of Atlanta, whereby FHLB of Atlanta may advance funds that are secured by cash, mortgage loans and government agency securities held in FHLB of Atlanta as collateral. As of June 30, 2015, there were $18.2 million in cash and $416.2 million in mortgage back securities pledged to FHLB Atlanta. As of June 30, 2014, there were $2.2 million in cash and $121.9 million mortgage backed securities pledged to FHLB of Atlanta. Interest on any advance can be charged either under a floating daily rate or a fixed rate with a stated maturity not to exceed either one year for daily rate or twenty years for fixed rate loans. As of June 30, 2015 there were eight 90 day fixed rate borrowings: one for $56.1 million at 0.27% and seven for a total of $351.5 million at 0.24%. The Authority is in compliance with all debt covenant requirements. At June 30, 2015 and 2014, there were $407.6 million and $113.0 million outstanding, respectively.

(8) Escrows and Project Reserves

Escrows and project reserves represent amounts held by the Authority as escrows for insurance, real estate taxes and completion assurance, and as reserves for replacement and operations (note 14). The Authority invests these funds and, for project reserves, allows earnings to accrue to the benefit of the mortgagor.

At June 30, 2015 and 2014, these escrows and project reserves were presented in the Authority's Statements of Net Position as follows:

		June 30	
		2015	**2014**
Escrows – current	$	46,711,535	43,299,931
Project reserves – noncurrent		123,338,279	126,070,113
Total	$	170,049,814	169,370,044

(9) Derivative Instruments

The Authority enters into forward sales contracts for the delivery of GNMA and FNMA securities in order to lock in the sales price for the securitization of certain single-family mortgage loans. The contracts offset changes in interest rates between the time of the loan reservations and the securitization of such loans into GNMA and FNMA securities. These contracts are considered investment derivative instruments, such that their change in fair value is reported as investment derivative gains or losses on the Statement of Revenues, Expenses, and Changes in Net Position.

The outstanding forward contracts, summarized by counterparty rating as of June 30, 2015, were as follows:

Counterparty rating	Count	Par	Concentration	Notional amount	Market value	Fair value asset (liability)
A-1/AA+	10	$ 129,500,000	54.8%	$ 131,558,625	$ 131,778,516	$ (219,891)
A-1+/AA-	10	84,000,000	35.5	84,316,719	84,463,750	(147,031)
A-1/A	6	12,500,000	5.3	12,659,277	12,667,578	(8,301)
Baa3/BBB	3	10,500,000	4.4	10,581,289	10,431,015	150,274
	29	$ 236,500,000	100.0%	$ 239,115,910	$ 239,340,859	$ (224,949)

The outstanding forward contracts, summarized by counterparty as of June 30, 2014, were as follows:

Counterparty rating	Count	Par	Concentration	Notional amount	Market value	Fair value asset (liability)
A-1/A	12	$ 36,600,000	42.6%	$ 37,169,730	$ 37,611,406	$ (441,676)
A-1/A+	16	31,100,000	36.2	31,739,117	31,960,266	(221,149)
Bbb3/BBB	5	10,100,000	11.8	10,424,254	10,532,531	(108,277)
A-1+/AA-	3	8,100,000	9.4	8,361,414	8,377,984	(16,570)
	36	$ 85,900,000	100.0%	$ 87,694,515	$ 88,482,187	$ (787,672)

(10) Investment Income and Arbitrage Liabilities

The amount of investment income the Authority may earn with respect to certain tax-exempt bond issues in the Commonwealth Mortgage Bond Group, Homeownership Bond Group, and Rental Housing Bond Group, is limited by certain federal legislation. Earnings in excess of the allowable amount must be rebated to the U.S. Department of the Treasury. These excess earnings are recorded in accounts payable and other liabilities. Rebates paid were $38,560 for the year ended June 30, 2015. No rebates were paid for the year ended June 30, 2014. No remaining liability existed for the year ended June 30, 2015. Remaining liability balance was $51,557 at June 30, 2014.

(11) Net Position

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

Unrestricted net position represents those portions of the total net position set aside for current utilization and tentative plans for future utilization of such net position. As of June 30, 2015 and 2014, such plans included funds to be available for other loans and loan commitments; for over commitments and over allocations in the various bond issues; for support funds and contributions to bond issues; support for

REACH Virginia initiatives and tenant-based housing assistance payments; and for working capital and future operating and capital expenditures. Additional unrestricted net position commitments include maintenance of the Authority's obligation with regard to the general obligation pledge on its bonds; contributions to future bond issues other than those scheduled during the next year; coverage on the uninsured; unsubsidized multi-family conventional loan program; and any unanticipated losses in connection with the uninsured portions of the balance of the single-family and multi-family loans; coverage on the liability exposure of commissioners and officers; the cost of holding foreclosed property prior to resale; costs incurred with the redemption of bonds; single-family loan prepayment shortfalls; and other risks and contingencies.

(12) Employee Benefits Plans

The Authority incurs employment retirement savings expense under two defined contribution plans equal to between 8%-11% of full-time employees' compensation. Total retirement savings expense for the years ended June 30, 2015 and 2014 was $3,048,898 and $2,858,725, respectively.

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

As of June 30, 2015 and 2014, included in other liabilities is an employee compensated absences accrual of $4,438,451 and $4,335,802, respectively (note 14).

(13) Other Post-Employment Benefits

At the sole discretion of the Authority, eligible employees may participate in the Virginia Housing Development Authority Retiree Health Care Plan (RHC Plan), a single-employer defined benefit plan. The Authority administers the RHC through the Virginia Housing Development Authority Retiree Health Care Plan Trust (RHC Trust), an irrevocable trust to be used solely for providing benefits to eligible participants in the RHC. Assets of the RHC Trust are irrevocable and legally protected from creditors and dedicated to providing post-employment reimbursement of eligible medical and dental expenses to current and eligible future retirees and their spouses in accordance with the terms of the RHC Plan. Employer contributions are recorded in the year in which they are earned and become measurable. Investments are reported at fair value and are based on published prices and quotations.

Effective January 1, 2006, eligible retirees must be at least 55 years of age with 15 years of service, (or at least 55 years of age with 10 years of service if employed by the Authority prior to such date). RHC Plan participants receive an annual benefit based on age and years of service at retirement and based on a matrix, updated annually for cost-of-living plus 2% not to exceed 150% of the annual premium for preferred provider organization medical plan offered that year if the participant is under age 65 or not to exceed 75% of the annual premium if the participant is age 65 or over. The annual benefit may be used to pay for health insurance purchased through the Authority's group plan or elsewhere, and for other eligible medical and dental expenses. For the year ended June 30, 2015, there were approximately 121 participating retirees and spouses and 315 active employees earning service credits in the RHC Plan.

The Authority currently contributes amounts to the RHC Trust sufficient to fully fund the annual required contribution (ARC), an actuarially determined rate in accordance with GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year plus an amortized amount of unfunded actuarial liabilities (or fund excess) over a period not to exceed thirty years. The ARC for the fiscal year ended June 30, 2015 of $260,642 is approximately 0.96% of covered payroll.

The actuarially determined values for disclosure in accordance with GASB 45 are as follows:

Fiscal year-end		Beginning net OPEB obligation (asset)	ARC	Interest on OPEB liability	ARC adjustment	Amortization factor	Annual OPEB cost
June 30, 2010	$	(106,007)	964,000	(6,625)	5,038	21.04	962,413
June 30, 2011		(39,238)	980,913	(2,452)	1,865	21.04	980,326
June 30, 2012		(8,913)	504,032	(557)	437	21.04	503,912
June 30, 2013		(559,731)	447,428	(34,983)	(26,599)	21.04	439,044
June 30, 2014		(1,237,131)	310,203	(77,321)	60,600	21.04	293,482
June 30, 2015		(2,128,613)	260,642	(133,038)	104,267	21.04	231,871

The OPEB cost to the Authority and its contributions and changes in the RHC plan for fiscal years 2010 through 2015 are as follows:

Fiscal year-end		Beginning net OPEB obligation (asset)	Annual OPEB cost	Contribution	Change in net OPEB obligation (asset)	Net OPEB obligation (asset) balance
June 30, 2010	$	(106,007)	962,413	(895,644)	66,769	(39,238)
June 30, 2011		(39,238)	980,325	(950,000)	30,325	(8,913)
June 30, 2012		(8,913)	503,912	(1,054,730)	(550,818)	(559,731)
June 30, 2013		(559,731)	439,044	(1,116,444)	(677,400)	(1,237,131)
June 30, 2014		(1,237,131)	293,482	(1,184,964)	(891,482)	(2,128,613)
June 30, 2015		(2,128,613)	231,871	(1,184,962)	(953,091)	(3,081,704)

For the year ended June 30, 2015, the Authority's Annual OPEB cost was $231,871; the percentage of Annual OPEB Cost Contribution was 511%; and the ending Net OPEB asset was $3,081,704. For the year ended June 30, 2014, the Authority's Annual OPEB cost was $293,482; the percentage of Annual OPEB Cost Contribution was 404%; and the ending Net OPEB asset was $2,218,613.

As of December 31, 2014, the unfunded actuarial accrued liability (UAAL) for benefits was ($3,962,315). The covered payroll (annual payroll of active employees covered by the RHC) was $27,131,030 and the ratio of the UAAL to the covered payroll was (14.6%). As of December 31, 2014, the actuarial value of net assets held by the RHC Trust was $23,266,870, the actuarial accrued liability was $19,304,555, and the funded ratio was 120.5%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about mortality and healthcare cost trends. Actuarially determined amounts are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and are subject to continual revisions as actual results are compared with past expectations and revised estimates are made about the future. In the actuarial valuation, the entry age-cost method was used. The actuarial assumptions include a 6.25% long term investment rate of return per annum (compounded annually) and a 3.5% payroll growth rate. The projected healthcare cost trend is 7.5% initially for 2015, reduced by decrements to an ultimate rate of 5.0% after 5 years. The valuation also reflects the impact of the Cadillac tax that will go into effect in 2018. This excise tax has been valued at 40% of the difference between trending claims cost and the excise tax cost threshold and assumes an annual increase of 3.0% in 2018 and thereafter. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The unfunded actuarial accrued liability was amortized over 30 years in calculating the 2014-15 fiscal year annual required contribution.

The required schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(14) Other Long-Term Liabilities

Activity in the Authority's noncurrent liability accounts, other than bonds payable, for the year ended June 30, 2015 was as follows:

	Balance at June 30, 2014	Additions	Decreases	Balance at June 30, 2015
Project reserves	$ 126,070,113	35,564,860	38,296,694	123,338,279
Commonwealth Priority Housing Fund liability	7,060,825	259,643	280,519	7,039,949
Other liabilities	12,610,639	8,999,352	14,668,177	6,941,814
Compensated absences payable	4,335,802	2,206,382	2,103,733	4,438,451
Total	$ 150,077,379	47,030,237	55,349,123	141,758,493

Activity in the Authority's noncurrent liability accounts, other than bonds payable, for the year ended June 30, 2014 was as follows:

		Balance at June 30, 2013	Additions	Decreases	Balance at June 30, 2014
Project reserves	$	132,915,870	41,804,496	48,650,253	126,070,113
Commonwealth Priority Housing Fund liability		7,222,209	42,242	203,626	7,060,825
Other liabilities		24,629,032	15,398,958	27,417,351	12,610,639
Compensated absences payable		4,267,174	1,842,981	1,774,353	4,335,802
Total	$	169,034,285	59,088,677	78,045,583	150,077,379

(15) Troubled Debt Restructuring

Restructuring a debt constitutes a troubled debt restructuring if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The Authority makes every effort to work with borrowers and grants concessions to debtors if the probability of payment from the debtor increases. As of June 30, 2015 and 2014, the Authority has granted the following concessions to debtors, which are considered troubled debt restructurings. There are no commitments to lend additional resources to debtors who had a troubled debt restructuring.

		Year ended June 30	
Single family loans		**2015**	**2014**
Aggregated recorded balance	$	40,053,029	36,054,804
Number of loans		274	237
Gross interest revenue if loans had been current		2,311,934	2,076,338
Interest revenue included in changes in net position		1,749,901	1,496,317

		Year ended June 30	
Multi-family loans		**2015**	**2014**
Aggregated recorded balance	$	1,338,205	1,562,385
Number of loans		3	3
Gross interest revenue if loans had been current		81,392	66,083
Interest revenue included in changes in net position		—	—

(16) Contingencies and Other Matters

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

The Authority participates in several Federal financial assistance programs, principal of which are the HUD loan guarantee programs. Although the Authority's administration of Federal grant programs has been audited in accordance with the provisions of the United States Office of Management and Budget Circular A-133, these programs are still subject to financial and compliance audits. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time, although the Authority does not expect such amounts, if any, to be material in relation to its basic financial statements.

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

(17) Subsequent Events

In addition to scheduled issuances and redemptions, the Authority made issuances and redemptions of notes and bonds payable subsequent to June 30, 2015 as follows:

	Issuance/ redemption date	Amount
Issues:		
Rental Housing Bonds 2015 Series C-Non-AMT	August 5, 2015	$ 22,625,000
Redemptions:		
Commonwealth Mortgage Bonds 2006 D-1	July 1, 2015	27,620,000
Commonwealth Mortgage Bonds 2006 D-2	July 1, 2015	2,380,000
Commonwealth Mortgage Bonds 2007 A-2	August 1, 2015	3,600,000
Commonwealth Mortgage Bonds 2007 A-3	August 1, 2015	28,410,000
Commonwealth Mortgage Bonds 2007 A-5	August 1, 2015	9,010,000
Commonwealth Mortgage Bonds 2009 A-1	August 1, 2015	3,000,000
Homeownership Mortgage Bonds 2011 A	August 7, 2015	5,800,000
Homeownership Mortgage Bonds 2011 B	August 7, 2015	3,200,000
Rental Housing Bonds 2013 G-Non-AMT	September 8, 2015	1,250,000

Schedule 1

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the Commonwealth of Virginia)

Required Supplementary Information (unaudited)

Retiree Healthcare Plan – Schedule of Funding Progress by Plan Valuation Date

Actuarial valuation date		Actuarial value of assets		Actuarial accrued liability		Unfunded actuarial accrued liability (funded asset)	Funded ratio		Covered payroll	Unfunded (funded) as a percent of covered payroll
December 31, 2008	$	7,880,680	$	12,016,655	$	4,135,975	65.6	$	21,830,868	18.9%
December 31, 2009		10,333,985		16,280,849		5,946,864	65.6		22,527,041	26.4
December 31, 2010		12,337,427		17,797,668		5,460,241	69.3		22,973,051	23.8
December 31, 2011		13,653,900		15,158,055		1,504,155	90.1		24,701,597	6.1
December 31, 2012		16,224,392		16,302,613		78,221	99.5		25,286,960	0.3
December 31, 2013		20,374,633		16,692,588		(3,682,045)	122.1		26,235,656	(14.0)
December 31, 2014		23,266,870		19,304,555		(3,962,315)	120.5		27,131,030	(14.6)

The required schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

As of December 31, 2014, the unfunded actuarial accrued liability (UAAL) for benefits was ($3,962,315). The covered payroll (annual payroll of active employees covered by the RHC) was $27,131,030 and the ratio of the UAAL to the covered payroll was (14.6%). As of December 31, 2014, the actuarial value of net assets held by the RHC Trust was $23,266,870, the actuarial accrued liability was $19,304,555, and the funded ratio was 120.5%. As of June 30, 2015, the RHC Trust had $22,950,203 in net assets. As of June 30, 2014, the RHC Trust had $21,362,213 in net assets.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about mortality and healthcare cost trends. Actuarially determined amounts are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and are subject to continual revisions as actual results are compared with past expectations and revised estimates are made about the future. In the actuarial valuation, the entry age-cost method was used. The December 31, 2014 actuarial assumptions include a 6.25% long term investment rate of return per annum and a 3.5% payroll growth rate. The projected healthcare cost trend is 7.5% initially, reduced by decrements to an ultimate rate of 5.0% after 5 years. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The UAAL was amortized over 30 years in calculating the fiscal year 2015 ARC.

See accompanying independent auditors' report.

Schedule 2

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

Combining Schedule of Net Position

June 30, 2015

Assets	**General Operating Accounts**	**Rental Housing Bond Group**	**Commonwealth Mortgage Bond Group**	**Home-ownership Bond Group**	**Total**
Current assets:					
Cash and cash equivalents	$ 212,204,065	192,761,897	238,101,697	15,600,525	658,668,184
Investments	15,250,883	16,792,293	19,897,216	1,362,472	53,302,864
Interest receivable – investments	1,452,821	32,901	139,372	2,875	1,627,969
Mortgage loans held for sale	—	—	143,827,413	—	143,827,413
Mortgage and other loans receivable, net	3,859,263	80,169,750	87,343,720	11,639,747	183,012,480
Interest receivable – mortgage and other loans	373,805	16,854,066	11,611,555	1,181,454	30,020,880
Housing Choice Voucher contributions receivable	372,463	—	—	—	372,463
Other real estate owned	2,147,485	35,842,706	15,376,627	873,355	54,240,173
Other assets	8,791,582	186,350	—	—	8,977,932
Total current assets	244,452,367	342,639,963	516,297,600	30,660,428	1,134,050,358
Noncurrent assets:					
Investments	442,854,817	—	30,347,524	—	473,202,341
Mortgage and other loans receivable	119,620,719	3,152,263,745	3,015,061,695	372,026,349	6,658,972,508
Less allowance for loan loss	26,646,815	43,239,975	117,256,218	6,712,849	193,855,857
Less net loan discounts	368,567	33,757,397	2,101,792	461,167	36,688,923
Mortgage and other loans receivable, net	92,605,337	3,075,266,373	2,895,703,685	364,852,333	6,428,427,728
Property, furniture, and equipment, less accumulated depreciation and amortization of $34,357,378	13,831,000	12,495,725	—	—	26,326,725
Other assets	8,664,427	—	—	—	8,664,427
Total noncurrent assets	557,955,581	3,087,762,098	2,926,051,209	364,852,333	6,936,621,221
Total assets	$ 802,407,948	3,430,402,061	3,442,348,809	395,512,761	8,070,671,579

(Continued)

Schedule 2

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

Combining Schedule of Net Position

June 30, 2015

Liabilities and Net Position	**General Operating Accounts**	**Rental Housing Bond Group**	**Commonwealth Mortgage Bond Group**	**Home-ownership Bond Group**	**Total**
Current liabilities:					
Notes and bonds payable	$ 464,600,000	78,355,000	131,237,777	31,024,004	705,216,781
Accrued interest payable on notes and bonds	32,943	29,840,222	24,675,738	2,492,720	57,041,623
Derivative instruments	—	—	224,949	—	224,949
Escrows	46,711,535	—	—	—	46,711,535
Accounts payable and other liabilities	33,844,342	106,121	7,252,173	—	41,202,636
Total current liabilities	545,188,820	108,301,343	163,390,637	33,516,724	850,397,524
Noncurrent liabilities:					
Bonds payable, net	—	2,035,209,585	1,912,162,399	310,858,492	4,258,230,476
Project reserves	123,338,279	—	—	—	123,338,279
Other liabilities	(9,249,764)	27,382,102	287,876	—	18,420,214
Total noncurrent liabilities	114,088,515	2,062,591,687	1,912,450,275	310,858,492	4,399,988,969
Total liabilities	659,277,335	2,170,893,030	2,075,840,912	344,375,216	5,250,386,493
Net position:					
Net investment (deficit) in capital assets	13,831,000	(5,124,782)	—	—	8,706,218
Restricted by bond indentures	—	1,264,633,813	1,366,507,897	51,137,545	2,682,279,255
Unrestricted	129,299,613	—	—	—	129,299,613
Total net position	143,130,613	1,259,509,031	1,366,507,897	51,137,545	2,820,285,086
Total liabilities and net position	$ 802,407,948	3,430,402,061	3,442,348,809	395,512,761	8,070,671,579

See accompanying independent auditors' report.

Schedule 3

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

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

Year ended June 30, 2015

	General Operating Accounts	Rental Housing Bond Group	Commonwealth Mortgage Bond Group	Home-ownership Bond Group	Total
Operating revenues:					
Interest on mortgage and other loans receivable	$ 4,712,632	215,257,616	173,472,790	17,520,844	410,963,882
Pass-through grants income	119,085,683	—	—	—	119,085,683
Housing Choice Voucher program income	5,886,932	—	—	—	5,886,932
Other real estate owned income	—	8,867,929	—	—	8,867,929
Gains and recoveries on sale of other real estate owned	65,364	12,770	4,605,103	336,100	5,019,337
Gains on sale of single family mortgage loans	—	—	2,312,605	—	2,312,605
Other	16,683,400	3,162,524	156,301	—	20,002,225
Total operating revenues	146,434,011	227,300,839	180,546,799	17,856,944	572,138,593
Operating expenses:					
Interest on notes and bonds payable	1,000,476	96,139,785	88,759,384	11,510,080	197,409,725
Salaries and related employee benefits	39,697,673	—	—	—	39,697,673
General operating expenses	28,705,689	—	—	—	28,705,689
Note and bond expenses	430,134	569,062	190,002	—	1,189,198
Bond issuance expenses	100,177	1,393,934	639,145	—	2,133,256
Pass-through grants expenses	119,085,683	—	—	—	119,085,683
Housing Choice Voucher program expenses	8,005,369	—	—	—	8,005,369
Servicing release premiums and guaranty fees	4,242,109	—	4,321,951	—	8,564,060
Other real estate owned expenses	—	5,925,460	—	—	5,925,460
Losses and expenses on other real estate owned	576,655	444,632	13,118,018	144,181	14,283,486
Provision for loan losses	3,033,863	(1,476,694)	(2,786,866)	(475,472)	(1,705,169)
Total operating expenses	204,877,828	102,996,179	104,241,634	11,178,789	423,294,430
Operating income (expense)	(58,443,817)	124,304,660	76,305,165	6,678,155	148,844,163
Nonoperating revenues:					
Investment income	25,209,060	320,366	1,452,740	34,482	27,016,648
Unrealized gain on derivative instruments	—	—	562,723	—	562,723
Other, net	270,490	—	—	—	270,490
Total nonoperating revenues, net	25,479,550	320,366	2,015,463	34,482	27,849,861
Income (loss) before transfers	(32,964,267)	124,625,026	78,320,628	6,712,637	176,694,024
Transfers between funds	37,532,819	31,202,840	(68,870,377)	134,718	—
Change in net position	4,568,552	155,827,866	9,450,251	6,847,355	176,694,024
Total net position, beginning of year	138,562,061	1,103,681,165	1,357,057,646	44,290,190	2,643,591,062
Total net position, end of year	$ 143,130,613	1,259,509,031	1,366,507,897	51,137,545	2,820,285,086

See accompanying independent auditors' report.

Schedule 4

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

Combining Schedule of Net Position

June 30, 2014

Assets		General Operating Accounts	Rental Housing Bond Group	Commonwealth Mortgage Bond Group	Home-ownership Bond Group	Total
Current assets:						
Cash and cash equivalents	$	180,715,630	95,752,025	205,320,537	19,231,761	501,019,953
Investments		4,327,835	—	—	—	4,327,835
Interest receivable – investments		477,650	20,831	203,529	3,042	705,052
Mortgage loans held for sale		—	—	31,167,900	—	31,167,900
Mortgage and other loans receivable, net		3,427,928	78,315,936	91,280,818	12,144,263	185,168,945
Interest receivable – mortgage and other loans		338,317	17,372,679	13,124,321	1,301,034	32,136,351
Other real estate owned		—	36,847,395	13,088,876	500,753	50,437,024
Other assets		5,993,469	198,050	1,713,186	43,418	7,948,123
Total current assets		195,280,829	228,506,916	355,899,167	33,224,271	812,911,183
Noncurrent assets:						
Investments		168,097,801	10,804,727	70,886,020	2,156,483	251,945,031
Mortgage and other loans receivable		107,915,736	3,187,185,258	3,440,714,995	416,947,236	7,152,763,225
Less allowance for loan loss		19,025,743	44,716,669	128,595,995	7,563,925	199,902,332
Less net loan discounts		388,236	34,532,646	5,012,526	495,647	40,429,055
Mortgage and other loans receivable, net		88,501,757	3,107,935,943	3,307,106,474	408,887,664	6,912,431,838
Property, furniture, and equipment, less accumulated depreciation and amortization of $31,770,833		11,385,322	13,192,354	—	—	24,577,676
Other assets		13,076,458	—	—	—	13,076,458
Total noncurrent assets		281,061,338	3,131,933,024	3,377,992,494	411,044,147	7,202,031,003
Total assets	$	476,342,167	3,360,439,940	3,733,891,661	444,268,418	8,014,942,186

(Continued)

Schedule 4

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

Combining Schedule of Net Position

June 30, 2014

Liabilities and Net Position	**General Operating Accounts**	**Rental Housing Bond Group**	**Commonwealth Mortgage Bond Group**	**Home-ownership Bond Group**	**Total**
Current liabilities:					
Notes and bonds payable	$ 157,000,000	78,050,000	151,832,755	41,326,846	428,209,601
Accrued interest payable on notes and bonds	10,107	31,562,260	29,925,726	2,894,907	64,393,000
Derivative instruments	—	—	787,672	—	787,672
Housing Choice Voucher contributions payable	188,369	—	—	—	188,369
Escrows	43,299,931	—	—	—	43,299,931
Accounts payable and other liabilities	16,838,886	204,417	6,579,269	—	23,622,572
Total current liabilities	217,337,293	109,816,677	189,125,422	44,221,753	560,501,145
Noncurrent liabilities:					
Bonds payable, net	—	2,117,658,491	2,187,357,634	355,756,475	4,660,772,600
Project reserves	126,070,113	—	—	—	126,070,113
Other liabilities	(5,627,300)	29,283,607	350,959	—	24,007,266
Total noncurrent liabilities	120,442,813	2,146,942,098	2,187,708,593	355,756,475	4,810,849,979
Total liabilities	337,780,106	2,256,758,775	2,376,834,015	399,978,228	5,371,351,124
Net position:					
Net investment (deficit) in capital assets	11,244,452	(4,840,542)	—	—	6,403,910
Restricted by bond indentures	—	1,108,521,707	1,357,057,646	44,290,190	2,509,869,543
Unrestricted	127,317,609	—	—	—	127,317,609
Total net position	138,562,061	1,103,681,165	1,357,057,646	44,290,190	2,643,591,062
Total liabilities and net position	$ 476,342,167	3,360,439,940	3,733,891,661	444,268,418	8,014,942,186

See accompanying independent auditors' report.

Schedule 5

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

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

Year ending June 30, 2014

	General Operating Accounts	Rental Housing Bond Group	Commonwealth Mortgage Bond Group	Home-ownership Bond Group	Total
Operating revenues:					
Interest on mortgage and other loans	$ 19,155,088	214,024,551	187,403,013	19,289,606	439,872,258
Pass-through grants income	119,708,711	—	—	—	119,708,711
Housing Choice Voucher program income	9,846,526	—	—	—	9,846,526
Other real estate owned income	—	8,863,552	—	—	8,863,552
Gains and recoveries on sale of other real estate	1,592,421	111,817	4,587,531	37,116	6,328,885
Losses on sale of single family mortgage loans	—	—	(640,561)	—	(640,561)
Other	14,437,849	2,963,750	156,344	—	17,557,943
Total operating revenues	164,740,595	225,963,670	191,506,327	19,326,722	601,537,314
Operating expenses:					
Interest on notes and bonds	767,936	105,663,611	103,840,252	12,666,458	222,938,257
Salaries and related employee benefits	36,778,212	—	—	—	36,778,212
General operating expenses	25,294,205	—	—	—	25,294,205
Note and bond expenses	253,204	433,283	467,852	43,832	1,198,171
Bond issuance expenses	20,500	692,994	2,871,582	—	3,585,076
Pass-through grants expenses	119,708,711	—	—	—	119,708,711
Housing Choice Voucher program expenses	8,693,653	—	—	—	8,693,653
Servicing release premiums and guaranty fees	3,028,386	—	5,725,581	—	8,753,967
Other real estate owned expenses	—	8,879,967	—	—	8,879,967
Losses and expenses on other real estate owned	70,052	3,664,476	16,921,895	447,004	21,103,427
Provision for loan losses	6,381,585	(5,321,188)	20,483,518	1,409,218	22,953,133
Total operating expenses	200,996,444	114,013,143	150,310,680	14,566,512	479,886,779
Operating income (expense)	(36,255,849)	111,950,527	41,195,647	4,760,210	121,650,535
Nonoperating revenues (losses):					
Investment income	9,910,976	285,375	3,530,187	22,054	13,748,592
Unrealized loss on derivative instruments	—	—	(2,619,324)	—	(2,619,324)
Other, net	(2,127)	—	—	—	(2,127)
Total nonoperating revenues, net	9,908,849	285,375	910,863	22,054	11,127,141
Income (loss) before transfers	(26,347,000)	112,235,902	42,106,510	4,782,264	132,777,676
Transfers between funds	21,744,912	(2,154,819)	(18,304,403)	(1,285,690)	—
Change in net position	(4,602,088)	110,081,083	23,802,107	3,496,574	132,777,676
Total net position, beginning of year	143,164,149	993,600,082	1,333,255,539	40,793,616	2,510,813,386
Total net position, end of year	$ 138,562,061	1,103,681,165	1,357,057,646	44,290,190	2,643,591,062

See accompanying independent auditors' report.

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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Commissioners
Virginia Housing Development Authority:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Virginia Housing Development Authority (the Authority), a component unit of the Commonwealth of Virginia, which comprise the statement of net position as of June 30, 2015, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the basic financial statements, and have issued our report thereon dated September 11, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

KPMG LLP

September 11, 2015